MEMBERSHIP

August 14, 2026

Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2026 (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
Contact: Manabu Sato, General Manager, Finance & Accounting Office (TEL) +81-52-446-6100
Scheduled date of filing of semi-annual securities report: August 14, 2026
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, 2026 (January 1, 2026 to June 30, 2026)**

(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, 2026	1,455	(5.2)	(338)	–	(326)	–	(466)	–
June 30, 2025	1,535	8.9	(190)	–	(291)	–	(354)	–

Note: Comprehensive income Six months ended June 30, 2026: (497) million yen [–%]
Six months ended June 30, 2025: (334) million yen [–%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First six months ended	yen	yen
June 30, 2026	(18.10)	–
June 30, 2025	(15.49)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
June 30, 2026	11,006	7,830	70.6
December 31, 2025	10,514	6,896	65.1

Reference: Equity As of June 30, 2026: 7,775 million yen As of December 31, 2025: 6,848 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, 2025	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2026	–	0.00			
Fiscal year ending December 31, 2026 (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, 2026 (January 1, 2026 to December 31, 2026)

(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, 2026	3,980	–	165	(65.9)	86	(80.4)	(63)	–	(2.58)

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, 2026: Yes

Newly included: – companies

Excluded: 1 company (TMRC Co., Ltd.)

Note: For more details, please refer to the section of "(4) Notes to semi-annual consolidated financial statements (Notes on significant changes in the scope of consolidation)" of "2. Semi-annual consolidated financial statements and significant notes thereto" on page 10 of the attached material.

(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 10 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, 2026	26,031,413 shares
As of December 31, 2025	24,458,673 shares

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

As of June 30, 2026	181 shares
As of December 31, 2025	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, 2026	25,781,637 shares
For the first six months ended June 30, 2025	22,906,356 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 financial results for the first six 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 for institutional investors and analysts as well as general investors (via live webcast) on Tuesday, August 18, 2026.

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 financial results 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, 2026, the Japanese economy maintained a gradual recovery trend, with personal consumption remaining robust against the backdrop of improved employment and income conditions. However, the situation remains highly uncertain, with some cautious views on the economic outlook due to factors such as rising energy prices stemming from the situation in the Middle East, the resulting inflationary pressures, uncertainty about U.S. and other trade policies, and exchange rate trends.

In the pharmaceutical industry, while discussions on curbing drug costs—centered on the drug pricing system—have continued, addressing drug loss, ensuring a stable supply of pharmaceuticals, and strengthening drug discovery capabilities are also considered important issues. In June 2026, the “Draft for Public-Private Investment Roadmap in 17 Strategic Fields” was published, including approximately 64 trillion yen in investment in the drug discovery and advanced medical fields, and outlining the direction of priority resource allocation. Under these policy trends, measures are being implemented to foster drug discovery startups, to promote industry-academia-government collaboration, and to improve the clinical development environment. Accordingly, drug discovery ventures such as the Group are playing increasingly important roles.

Under such conditions, the Group reported the following financial results for 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 of tegoprazan from prescriptions in the first six months ended June 30, 2026 amounted to 120.0 billion won, an increase of 15.4% year on year, and equivalent to approximately 13.2 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. Furthermore, tegoprazan has achieved the No. 1 position in monthly outpatient prescription sales in South Korea for the first time since its launch. According to data from a pharmaceutical market research company, tegoprazan has reached 20.8 billion won (approximately 2.29 billion yen at 0.11 yen to the won) in outpatient prescription sales in April 2026, surpassing global pharmaceuticals and becoming the top-selling drug among the 10,476 pharmaceutical products surveyed. It has been announced that this is the only product from a South Korean company to rank among the top 10 items in outpatient prescription sales.

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, 2026, tegoprazan-related development, manufacturing, and marketing activities were underway in 57 countries worldwide, including Japan. 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, 2026, tegoprazan products are being marketed in 20 countries: South Korea, China, Mongolia, the Philippines, Indonesia, Singapore, Mexico, Peru, Chile, Colombia, Dominican Republic, Nicaragua, Honduras, Guatemala, El Salvador, Panama, Malaysia, India, Thailand, and Russia. The Company has received the sales royalty through HK inno.N based on the product sales. In addition, tegoprazan products are under review for approval in other countries in Southeast Asia and South-Central America, and are under preparation for filing for approval in countries including Brazil and the Middle East region.

During the first six months ended June 30, 2026, HK inno.N and its sublicensee, Sebela Pharmaceuticals Inc. (headquarters: Georgia, U.S.), announced that the results of their Phase III clinical trial (TRIUMpH-EE study) for erosive esophagitis (the “EE”) were presented orally at the international conference “Digestive Disease Week® 2026 (DDW 2026),” held in the U.S. from May 2 to 5, 2026. This presentation reported that tegoprazan demonstrated statistical superiority over the comparator drug, the proton pump inhibitor (PPI) lansoprazole, in achieving cure of EE (at 2 and 8 weeks) and maintaining cure for 24 weeks across all severity levels (LA grades A-D). In particular, the superiority of tegoprazan over the comparator appeared more pronounced in patients with the most severe disease, classified as LA grades C/D. Furthermore, this study reported that tegoprazan demonstrated a favorable safety profile, with the incidence rates of adverse events occurring during treatment being similar to those of the comparator drug, and serum gastrin levels remained within the normal range throughout the study period.

Additionally, during the first six months ended June 30, 2026, Dr. Reddy’s Laboratories (headquarters: Hyderabad, India), a sublicensee of HK inno.N, obtained marketing approval for tegoprazan from the Ministry of Health of the Republic of Belarus. Furthermore, Southern XP IP Pty Ltd (headquarters: Victoria, Australia), a sublicensee of HK inno.N, has submitted a marketing authorization application for tegoprazan to the Therapeutic Goods Administration (TGA) of Australia for the treatment of erosive esophagitis, non-erosive reflux disease, and other related purposes. This application is currently under review.

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.).
During the first six months ended June 30, 2026, Velovia Pharma, LLC (headquarters: Tennessee, U.S., "Velovia Pharma"), the Company's licensee, exercised an option right to license one of the four development compounds that the Company licensed to Velovia Pharma for the development of veterinary drugs. As a result, the Company received a one-time payment from Velovia Pharma as an option exercise fee.
Other licensed programs are also in the pre-clinical or later development stage at licensee and sublicensee companies.

Regarding the pre-licensing programs, during the first six months ended June 30, 2026, the Company entered into agreements with Giathera Pharmaceuticals, Inc. and Giovel Pharmaceuticals, Inc., portfolio companies under Lazarus Pharmaceuticals, LLC (headquarters: Pennsylvania, U.S.), a U.S. pharmaceutical development company, for a 5-HT_4 agonist (compound code: RQ-00000010) and a motilin receptor agonist (compound code: RQ-00201894), respectively. In each case, the Company will grant an exclusive license in the field of human pharmaceuticals, and the companies above will lead the development and commercialization. The Company is entitled to receive milestone income and royalty income in accordance with the progress of development and sales. This project represents a new business development scheme that involves deploying the Company's drug discovery technology to external parties and creating value through business promotion led by external entities. Furthermore, this project is designed to include equity consideration in part, aiming to create a multi-layered revenue stream by combining license revenue (milestones and royalties) with equity returns through equity consideration.
As for the ghrelin receptor agonist which is being developed in-house, the Company has been conducting business development activities aimed at finding business partners. For other pre-licensing programs, the Company also has been conducting business development activities aimed at finding business partners through a flexible combination of face-to-face and online meetings.

At the discovery research stage, the Group is continuing to create new candidate compounds and strengthen its technological foundation in order to expand the Group's pipeline that will support the enhancement of corporate value in the medium to long term. The Group positions it as 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 integration of existing and new technologies. Under this policy, the Group is engaged in research and development activities from the four angles of "modality," "drug target," "disease area," and "platform technology."
During the first six months ended June 30, 2026, the Group advanced research and development of targeted protein degraders, a new drug discovery modality, centered on FIMECS, Inc. (headquarters: Fujisawa, Kanagawa; "FIMECS"), a consolidated subsidiary. FIMECS and Astellas Pharma Inc. (headquarters: Chuo-ku, Tokyo) have been exploring targeted protein degraders for multiple targets with cancer as the target indication using FIMECS's proprietary platform technology, RaPPIDS™ (Rapid Protein Proteolysis Inducer Discovery System), which is specialized for targeted protein degraders.
Furthermore, during the first six months ended June 30, 2026, the Company entered into a joint research agreement with the National Research and Development Agency (location: Wako, Saitama, "RIKEN") for the purpose of developing drug discovery support technology that integrates computational chemistry and experimental data. In this joint research project, the Company aims to establish new drug discovery support technologies that will contribute to the efficiency and sophistication of drug discovery research, by utilizing the knowledge and technologies that RIKEN and the Company each possess. Specifically, the Company will work on virtual screening, establishing rational compound design guidelines based on bond free energy evaluation, and improving compound design methods using AI for structure generation.

Accordingly, financial results for the first six months were as follows. Business revenue for the period was 1,455 million yen (down 5.2% year on year), operating loss totaled 338 million yen (compared with operating loss of 190 million yen a year earlier), ordinary loss totaled 326 million yen (compared with ordinary loss of 291 million yen a year earlier), and loss attributable to owners of parent was 466 million yen (compared with loss attributable to owners of parent of 354 million yen a year earlier).
Total business expenses were 1,794 million yen (up 3.9% year on year). This mainly consists of cost of business revenue of 339 million yen (down 12.7% year on year), research and development expenses of 861 million yen (up 10.1% year on year) and other selling, general and administrative expenses of 592 million yen (up 6.9% year on year).

2) Research and development activities

Research and development expenses of the entire Group during the first six months were 861 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, 2026 were 11,006 million yen, an increase of 492 million yen (up 4.7%) from the end of the previous fiscal year. This is mainly attributable to an increase in cash and deposits of 1,334 million yen, a decrease in accounts receivable - trade, and contract assets of 1,075 million yen, an increase in securities of 117 million yen, an increase in prepaid expenses of 179 million yen, and a decrease in goodwill of 139 million yen.

Liabilities

Total liabilities as of June 30, 2026 were 3,175 million yen, a decrease of 442 million yen (down 12.2%) from the end of the previous fiscal year. This is mainly attributable to decreases in accounts payable - other of 89 million yen, contract liabilities of 53 million yen and long-term borrowings of 256 million yen.

Net assets

Net assets as of June 30, 2026 were 7,830 million yen, an increase of 934 million yen (up 13.6%) from the end of the previous fiscal year. This is mainly attributable to an increase in share capital and capital surplus of 1,423 million yen due to capital increase through third-party allotment, and the recording of loss attributable to owners of parent of 466 million yen.

Consequently, the equity ratio was 70.6% (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, 2026 amounted to 4,696 million yen (compared with 3,422 million yen a year earlier), an increase of 1,452 million yen (up 44.8%) 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 provided by operating activities was 613 million yen (compared with net cash of 242 million yen used a year earlier). This is mainly attributable to the recording of loss before income taxes of 326 million yen, depreciation of 86 million yen and amortization of goodwill of 139 million yen, a cash inflow from a decrease in trade receivables of 1,075 million yen, and cash outflows from an increase in prepaid expenses of 178 million yen and income taxes paid of 168 million yen.

Cash flows from investing activities

Net cash used in investing activities was 292 million yen (up 457.2% year on year). This mainly consists of purchase of investment securities of 246 million yen, proceeds from redemption of investment securities of 100 million yen, and contingent consideration paid for shares of subsidiaries of 120 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 1,099 million yen (up 63.5% year on year). This is mainly attributable to proceeds from issuance of shares of 1,399 million yen, repayments of long-term borrowings of 256 million yen, and repayments of lease liabilities of 42 million yen.

(3) Qualitative information regarding consolidated earnings forecasts

The performance through the first six months of the fiscal year ending December 31, 2026 has generally progressed in line with the initial plan. Although milestone income, upfront payments and other revenues included in the assumptions underlying the full-year earnings forecast have not yet been recognized during the first six months of the fiscal year, the Company expects to recognize these revenues in the second half of the fiscal year. Accordingly, there are currently no changes to the full-year consolidated earnings forecast for the fiscal year ending December 31, 2026 presented in “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (JGAAP)” published on February 13, 2026.
If it is determined that a revision of the earnings forecast is necessary due to future business progress or other factors, the Company will promptly disclose it.

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

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2025	As of June 30, 2026
Assets		
Current assets		
Cash and deposits	3,240,965	4,575,291
Accounts receivable - trade, and contract assets	1,928,281	852,358
Securities	3,309	121,024
Supplies	159,766	164,202
Advance payments to suppliers	85,064	42,885
Prepaid expenses	165,724	345,056
Other	99,317	89,432
Total current assets	5,682,428	6,190,250
Non-current assets		
Property, plant and equipment		
Buildings, net	55,257	52,044
Tools, furniture and fixtures, net	151,648	134,234
Leased assets, net	229,501	262,986
Total property, plant and equipment	436,406	449,265
Intangible assets		
Goodwill	3,700,048	3,560,423
Trademark right	3,062	2,603
Software	29,720	24,619
Other	72	72
Total intangible assets	3,732,904	3,587,718
Investments and other assets		
Investment securities	546,897	664,404
Long-term prepaid expenses	4,729	3,455
Deferred tax assets	64,811	62,621
Other	46,015	48,891
Total investments and other assets	662,453	779,372
Total non-current assets	4,831,764	4,816,356
Total assets	10,514,193	11,006,607

(Thousands of yen)

	As of December 31, 2025	As of June 30, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	73,189	67,732
Current portion of long-term borrowings	512,620	512,620
Lease liabilities	78,742	95,241
Accounts payable - other	266,117	176,988
Accrued expenses	58,001	60,752
Income taxes payable	54,782	22,530
Contract liabilities	147,414	94,013
Deposits received	9,808	13,456
Other	74,336	28,411
Total current liabilities	1,275,013	1,071,747
Non-current liabilities		
Long-term borrowings	2,138,810	1,882,500
Lease liabilities	171,720	195,668
Asset retirement obligations	14,722	14,776
Provision for share awards	12,398	7,194
Provision for share awards for directors (and other officers)	5,266	3,812
Total non-current liabilities	2,342,917	2,103,951
Total liabilities	3,617,930	3,175,698
Net assets		
Shareholders’ equity		
Share capital	3,240,891	3,952,818
Capital surplus	3,430,674	4,142,601
Retained earnings	227,442	(239,201)
Treasury shares	(102)	(102)
Total shareholders’ equity	6,898,906	7,856,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(50,488)	(80,924)
Total accumulated other comprehensive income	(50,488)	(80,924)
Share acquisition rights	47,845	55,717
Total net assets	6,896,263	7,830,908
Total liabilities and net assets	10,514,193	11,006,607

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

Consolidated statement of income

(Thousands of yen)

	First six months ended June 30, 2025	First six months ended June 30, 2026
Business revenue	1,535,972	1,455,592
Business expenses		
Cost of business revenue	389,152	339,879
Research and development expenses	782,266	861,450
Other selling, general and administrative expenses	554,748	592,777
Total business expenses	1,726,167	1,794,106
Operating loss	(190,195)	(338,514)
Non-operating income		
Interest income	7,851	13,794
Interest on securities	1,099	10,624
Foreign exchange gains	–	36,082
Gain on valuation of derivatives	31,610	–
Other	7,499	10,245
Total non-operating income	48,060	70,746
Non-operating expenses		
Interest expenses	30,181	31,657
Commitment fees	1,683	1,099
Commission for syndicated loans	1,000	1,000
Foreign exchange losses	104,688	–
Share issuance costs	11,018	11,846
Loss on valuation of compound financial instruments	710	1,080
Loss on valuation of derivatives	–	10,651
Other	0	1,030
Total non-operating expenses	149,282	58,366
Ordinary loss	(291,416)	(326,133)
Loss before income taxes	(291,416)	(326,133)
Income taxes	63,330	140,510
Loss	(354,747)	(466,643)
Profit attributable to non-controlling interests	–	–
Loss attributable to owners of parent	(354,747)	(466,643)

Consolidated statement of comprehensive income

(Thousands of yen)

	First six months ended June 30, 2025	First six months ended June 30, 2026
Loss	(354,747)	(466,643)
Other comprehensive income		
Valuation difference on available-for-sale securities	20,546	(30,435)
Total other comprehensive income	20,546	(30,435)
Comprehensive income	(334,200)	(497,079)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(334,200)	(497,079)
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of cash flows

(Thousands of yen)

	First six months ended June 30, 2025	First six months ended June 30, 2026
Cash flows from operating activities		
Loss before income taxes	(291,416)	(326,133)
Depreciation	98,288	86,403
Amortization of goodwill	138,957	139,624
Interest income	(7,851)	(13,794)
Interest income on securities	(1,099)	(10,624)
Foreign exchange losses (gains)	97,289	(30,781)
Interest expenses	30,181	31,657
Commitment fees	1,683	1,099
Commission for syndicated loans	1,000	1,000
Share issuance costs	11,018	11,846
Loss (gain) on valuation of compound financial instruments	710	1,080
Loss (gain) on valuation of derivatives	(31,610)	10,651
Decrease (increase) in trade receivables	(25,783)	1,075,923
Decrease (increase) in inventories	(4,021)	(4,436)
Increase (decrease) in trade payables	(4,740)	(5,457)
Increase (decrease) in contract liabilities	(113,175)	(53,400)
Decrease (increase) in advance payments to suppliers	(7,562)	42,179
Decrease (increase) in prepaid expenses	(115,633)	(178,132)
Decrease (increase) in long-term prepaid expenses	4,184	174
Increase (decrease) in accounts payable - other	(14,862)	35,383
Increase (decrease) in income taxes payable - factor based tax	(4,747)	(9,529)
Decrease (increase) in consumption taxes refund receivable	58,651	22,467
Increase (decrease) in accrued consumption taxes	11,942	(55,832)
Increase (decrease) in provision for share awards	(851)	(5,204)
Increase (decrease) in provision for share awards for directors (and other officers)	(1,645)	(1,453)
Other, net	15,937	26,763
Subtotal	(155,156)	791,474
Interest and dividends received	9,345	22,680
Interest paid	(30,175)	(31,647)
Income taxes paid	(70,086)	(168,768)
Income taxes refund	3,731	–
Net cash provided by (used in) operating activities	(242,340)	613,739
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	(48,981)	(22,284)
Purchase of intangible assets	(3,315)	(200)
Purchase of investment securities	–	(246,833)
Proceeds from redemption of investment securities	–	100,000
Contingent consideration paid for shares of subsidiaries	–	(120,000)
Other payments	(143)	(2,875)
Net cash provided by (used in) investing activities	(52,439)	(292,193)

(Thousands of yen)

	First six months ended June 30, 2025	First six months ended June 30, 2026
Cash flows from financing activities		
Repayments of long-term borrowings	(256,310)	(256,310)
Commission for syndicated loans	(2,200)	(2,200)
Proceeds from issuance of shares	1,018,519	1,399,443
Proceeds from issuance of shares resulting from exercise of share acquisition rights	188	1,504
Repayments of lease liabilities	(37,545)	(42,711)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(50,000)	–
Net cash provided by (used in) financing activities	672,651	1,099,726
Effect of exchange rate change on cash and cash equivalents	(97,286)	30,769
Net increase (decrease) in cash and cash equivalents	280,585	1,452,041
Cash and cash equivalents at beginning of period	3,141,929	3,244,274
Cash and cash equivalents at end of period	3,422,514	4,696,315

(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 January 29, 2026, 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 705,600 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 711,926 thousand yen during the first six months of the fiscal year under review, resulting in share capital of 3,952,818 thousand yen and capital surplus of 4,142,601 thousand yen as of the end of the first six months of the fiscal year under review.

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 significant changes in the scope of consolidation

From the first six months ended June 30, 2026 onward, TMRC Co., Ltd., which was a consolidated subsidiary of the Company, ceased to exist on January 1, 2026, through an absorption-type merger with the Company as the surviving company, and is therefore excluded from the scope of consolidation.

Business combinations

(Transactions under common control, etc.)

Absorption-type merger of consolidated subsidiaries

At the Board of Directors meeting held on October 17, 2025, the Company resolved to merge with its wholly-owned subsidiary, TMRC Co., Ltd., and the merger was completed on January 1, 2026.

1. Outline of business combination
   (1) Name of the combined entity and its business
   (Surviving company in absorption-type merger)
   Name of company: RaQualia Pharma Inc.
   Business description: Research and development of pharmaceutical products, sale and licensing of intellectual property for fundamental technologies related to pharmaceutical compounds and candidate compounds for clinical development, and alliances with companies and universities for the development and sale of intellectual property in the biomedical field.
   (Company to be dissolved in absorption-type merger)
   Name of company: TMRC Co., Ltd. ("TMRC")
   Business description: Drug discovery with a focus on cancer therapies
   (2) Date of business combination
   January 1, 2026
   (3) Legal form of business combination
   Absorption-type merger with the Company as the surviving company and TMRC as the disappearing company (simple and short-form merger)
   (4) Name of company after combination
   RaQualia Pharma Inc.
   (5) Other matters related to overview of transactions
   The merger has been conducted in order to improve the business efficiency of the Group, with the aim of reducing costs and simplifying and increasing the efficiency of administrative operations.

2. Overview of accounting procedures
   In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction is accounted for as a transaction under common control.

Notes on segment information, etc.

[Segment information]

I. 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.

II. For the first six months ended June 30, 2026 (January 1, 2026 to June 30, 2026)
   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.