February 14, 2022

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (JGAAP)

Listed company's name: RaQualia Pharma Inc.
Listed on: Tokyo Stock Exchange (TSE)
Stock code: 4579
URL: https://www.raqualia.com/
Representative: Hirobumi Takeuchi, President and CEO
Contact: Hidefumi Sugiyama, General Manager, Finance & Accounting Dept. (TEL) +81-52-446-6100
Scheduled date of general meeting of shareholders: March 25, 2022
Scheduled date of dividend payment: —
Scheduled date of filing of securities report: March 28, 2022
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 fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2021	2,776	150.7	707	–	863	–	755	–
December 31, 2020	1,107	(35.0)	(486)	–	(527)	–	(606)	–

Note: Comprehensive income Fiscal year ended December 31, 2021: 774 million yen [–%]
Fiscal year ended December 31, 2020: (610) million yen [–%]

	Earnings per share (Basic)	Earnings per share (Diluted)	Profit/equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	yen	yen	%	%	%
December 31, 2021	36.07	36.04	17.2	18.2	25.5
December 31, 2020	(28.97)	–	(14.1)	(11.6)	(43.9)

Reference: Share of (profit) loss of entities accounted for using equity method:
Fiscal year ended December 31, 2021: – million yen
Fiscal year ended December 31, 2020: – million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2021	5,234	4,788	91.3	227.97
December 31, 2020	4,251	4,011	94.1	190.88

Reference: Equity As of December 31, 2021: 4,777 million yen As of December 31, 2020: 3,999 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2021	366	(279)	(16)	2,240
December 31, 2020	(289)	225	(6)	2,061

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2022 (forecast)	–	0.00	–	0.00	0.00		–	

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

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

	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, 2022	2,605	(6.2)	420	(40.6)	420	(51.3)	342	(54.7)	16.34

Note: As the Company conducts performance management on an annualized basis, forecasts of results over a six-month period are not presented.

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year ended December 31, 2021 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2021	20,955,142 shares
As of December 31, 2020	20,951,642 shares

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

As of December 31, 2021	50 shares
As of December 31, 2020	50 shares

c. Average number of outstanding shares during the period

For the fiscal year ended December 31, 2021	20,953,020 shares
For the fiscal year ended December 31, 2020	20,950,654 shares

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(1) Non-consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2021	2,361	134.0	505	–	656	–	614	–
December 31, 2020	1,099	(40.2)	(512)	–	(550)	–	(654)	–

	Earnings per share (Basic)	Earnings per share (Diluted)
Fiscal year ended	yen	yen
December 31, 2021	29.34	29.31
December 31, 2020	(31.26)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2021	5,210	4,777	91.5	227.47
December 31, 2020	4,367	4,141	94.6	197.12

Reference: Equity As of December 31, 2021: 4,766 million yen As of December 31, 2020: 4,129 million yen

*** Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.**

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

(Caution concerning forward-looking statements)

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

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

The Company plans to hold financial results briefings for institutional investors and securities analysts on Tuesday, February 15, 2022 and for general investors on Wednesday, February 16, 2022.

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

Contents of attachment

1. Overview of consolidated operating results and others

(1) Overview of consolidated operating results for the fiscal year under review

Overall trend

During the fiscal year ended December 31, 2021, although some positive effects of monetary easing were seen in the form of an active financial market, the global spread of the novel coronavirus (COVID-19) continued, and the outlook for the Japanese economy remains challenging due to the global slowdown in economic activities with renewed spread caused by the emergence of variants.

In the pharmaceutical industry, in addition to the impact on sales activities from suppression of medical examinations for patients and refraining from visiting customers, among others, the impact on research and development and business development activities caused by voluntarily avoiding domestic business trips, the effective prohibition of overseas travel, and the shutdown of clinical trial facilities in line with movement restrictions, remained. While some companies are experiencing challenging financial results, initiatives to develop new drugs and vaccines targeting COVID-19 are active, and competition over the development of new vaccines and therapeutic agents is accelerating.

Such industry trends as these had no small impact on the business development activities of drug discovery startups, like the Group, that operate a drug discovery business.

Under such conditions, the Group pursued activities to create development candidate compounds for pharmaceuticals based on internal, independent research or collaborative research with partner companies or academies and to expand its research and development portfolio, while also promoting licensing activities for development candidate compounds it owns and research and development to enhance value.

Accordingly, business activities for the fiscal year under review were as follows.

Regarding human drug products, sales of K-CAB® (generic name: tegoprazan)—a drug for gastro-esophageal reflux disease marketed by HK inno.N Corporation (South Korea, "HK inno.N (South Korea)")—in South Korea performed well overall from last year through this year.

The first quarter of the fiscal year under review was impacted by inventory adjustments, but the Company saw expanded growth from the second quarter onward, and sales royalty income of the Company experienced a large increase.

Regarding the global development of tegoprazan, in China, HK inno.N (South Korea)'s Chinese licensee Shandong Luoxin Pharmaceutical Group Co., Ltd. (China, "Luoxin Pharma (China)") is in the process of approval review by the Chinese authority based on a New Drug Application ("NDA") filed in 2020. HK inno.N (South Korea) expects that target period to receive approval in China for tegoprazan is the first half of 2022.

In the U.S. and Canada, HK inno.N (South Korea) began Phase I clinical trials in the U.S. and concluded a sublicense agreement with Braintree Laboratories, Inc. (U.S., "Braintree (U.S.)") in December 2021.

In Asian countries, in addition to receiving approval in Mongolia, preparations to file NDA in the Philippines, Thailand, Vietnam, Singapore, and Indonesia are underway at sublicensee companies.

Furthermore, in Central and South American countries, tegoprazan has passed the screening of the Comité de Moléculas Nuevas, one organization involved in pharmaceutical approval and screening in Mexico, and preparations aimed at receiving approval in fiscal year 2023 are currently underway at sublicensee companies.

Additionally, based on its goal of expanding into 100 global countries by 2028, HK inno.N (South Korea) is moving forward with its search for sublicensee in other regions.

Meanwhile, in Japan, the Company is examining several possibilities to implement clinical development aiming for an early market launch, including the way to build a cooperative relationship between the Company and HK inno.N (South Korea).

With regard to pet drugs, sales were strong overall.

Solid sales were seen in GALLIPRANT® (generic name: grapiprant), which is a drug for osteoarthritis in dogs, and capromorelin (Ghrelin receptor agonist/brand name: ENTYCE®), which has an indication for anorexia management for dogs, both of which were licensed to Elanco Animal Health Inc. (U.S., "Elanco (U.S.)"). Furthermore, regarding capromorelin, Elanco (U.S.) launched sales in the U.S. under the brand name ELURA® as a drug for the management of weight loss in cats with chronic kidney disease (CKD).

Regarding ion channel drug discovery, in which the Group aims to develop strengths, the following four programs have been making steady progress: a P2X7 receptor antagonist (RQ-00466479/AK1780) discovered through collaborative research with Asahi Kasei Pharma Corporation ("Asahi Kasei Pharma"), a compound discovered through collaborative research with EA Pharma Co., Ltd. ("EA Pharma"), a selective sodium channel blocker licensed to Maruho Co., Ltd. ("Maruho"), and a collaborative research project with ASKA Pharmaceutical Co., Ltd. ("ASKA Pharmaceutical").

While there was a delay in the implementation of the trials due to the impact of COVID-19, the Company received milestone income from Asahi Kasei Pharma and Maruho in the first quarter, as the programs achieved the predetermined results. With regard to the P2X7 receptor antagonist, a license agreement was concluded between Asahi Kasei Pharma and Eli Lilly and Company (U.S., "Lilly (U.S.)"), and as a result, it means the Company has licensed it to Lilly (U.S.) through Asahi Kasei Pharma. P2X7 receptors have been implicated in neuroinflammation, a driving force in chronic pain conditions, and Lilly (U.S.) is preparing to launch Phase II clinical trials aimed at future global development.
Collaborative research with ASKA Pharmaceutical is proceeding smoothly, and in addition to receiving an upfront payment in July 2021 for achieving milestones, the Company concluded a new collaborative research agreement with ASKA Pharmaceutical in November 2021.
In addition, in the third quarter ended September 30, 2021, the Company concluded a license agreement with Xgene Pharmaceutical Co. Ltd. (Hong Kong, China, "Xgene (Hong Kong)") regarding a TRPM8 blocker with the aim of developing a drug for the treatment of chronic pain. The Company has granted Xgene (Hong Kong) an exclusive global license for development, manufacture and marketing excluding Japan, and going forward, Xgene (Hong Kong) will be responsible for development beyond the preclinical phase.
Additionally, in December 2021, the Company concluded a license agreement with Hisamitsu Pharmaceutical Co., Inc. ("Hisamitsu Pharmaceutical") for a sodium channel blocker (RQ-00350215) with the aim of developing a drug for the treatment of chronic pain. The Company has granted Hisamitsu Pharmaceutical an exclusive global license for development, manufacture and marketing, and going forward, Hisamitsu Pharmaceutical is moving forward with trials in the preclinical phase and beyond with the aim of developing transdermal drugs, one of its strengths.

Regarding the retinoic acid receptor alpha agonist (tamibarotene/TM-411/SY-1425) licensed to Syros Pharmaceuticals Inc. (U.S., "Syros (U.S.)") by the Company's consolidated subsidiary TMRC Co., Ltd. ("TMRC"), Phase III clinical trials (SELECT-MDS-1) began in the U.S. in the first quarter for RARA-positive newly diagnosed patients with HR-MDS (higher-risk myelodysplastic syndrome). In the third quarter, Phase II clinical trials (SELECT-AML-1) of a combination with venetoclax and azacitidine for RARA-positive newly diagnosed unfit patients with acute myeloid leukemia (AML) also began in the U.S. With the achievement of these milestones, TMRC received milestone income.

Regarding activities for the licensing of development candidate compounds and collaborative research, opportunities for face-to-face meetings continue to be limited due to COVID-19, but business development activities and collaborative research have steadily progressed while utilizing online conferencing.
Regarding industry-academia collaboration, based on the basic agreement on industry-academia collaboration concluded in October 2020, on April 1, 2021, the Company established a collaborative research chair with Gifu Pharmaceutical University (chair name: Joint Research Chair of Innovative Drug Discovery). This is the first collaborative research chair established at Gifu Pharmaceutical University.
Meanwhile, the Company's consolidated subsidiary, RaQualia Innovations Inc., deemed that continuing business in the recent management environment would be difficult, deciding to dissolve the company on January 22, 2021 and to liquidate it on April 1.

A new management system including a change of Representative Director was adopted as shareholder proposals were approved and adopted at the 13th Ordinary General Meeting of Shareholders held on March 25, 2021, and the Group is moving forward with policies focused on expanding the Group seeds to enhance corporate value and to maximize value.
In response to the market restructuring being planned by the Tokyo Stock Exchange, Inc. for April 4, 2022, the Group has selected "Growth Market" as its new market segment and has completed procedures for market selection.

Accordingly, financial results for the fiscal year ended December 31, 2021, the reporting period, were as follows. Business revenue for the year was 2,776 million yen (up 150.7% year on year), operating profit totaled 707 million yen (compared with operating loss of 486 million yen a year earlier), ordinary profit totaled 863 million yen (compared with ordinary loss of 527 million yen a year earlier), and profit attributable to owners of parent was 755 million yen (compared with loss attributable to owners of parent of 606 million yen a year earlier).
Total business expenses were 2,068 million yen (up 29.8% year on year). In terms of the breakdown of this total, royalty payments of 304 million yen (up 125.8% year on year) were posted to cost of business revenue of 320 million yen (up 132.4% year on year), in addition to which research and development expenses were 1,127 million yen (up 20.9% year on year) and other selling, general and administrative expenses came to 620 million yen (up 18.6% year on year).

Research and development activities

Research and development expenses of the Group during the fiscal year ended December 31, 2021 were 1,127 million yen. The main components of these activities were as follows:

RaQualia's research and development and collaborative research

(A) Exploratory and discovery phase

a) Project of sodium channel blocker

In the project of sodium channel blocker, as a result of the characterization of compounds, RQ-00350215 was selected and licensed to Hisamitsu Pharmaceutical based on the license agreement concluded in December 2021. As a result, the project moved from the exploratory and discovery phase to the preclinical development preparation phase.

b) Collaborative research with companies

Collaborative research implemented with companies in the fiscal year under review is as follows.

Company	Start date	Content
Interprotein Corporation	February 2013	Collaborative research on a specific protein-protein interaction (PPI) inhibitor for pain treatments
ASKA Pharmaceutical Co., Ltd.	July 2019	Collaborative research with respect to drug discovery research targeting at a specific ion channel
Epigeneron, Inc.	September 2019	Collaborative research for the creation of drugs for treating idiopathic pediatric nephrotic syndrome

c) Collaborative research with academia

In the research project into corticotropin-releasing hormone receptor 2 (CRHR2) antagonist carried out in collaboration with the Department of Cardiology of the Faculty of Internal Medicine, Graduate School of Medicine, Nagoya University (under the supervision of Professor Toyoaki Murohara and Associate Professor Mikito Takefuji) to create new drugs for heart failure, the Company is conducting research activities using a series of compounds such as RQ-00490721, aiming to move to the preclinical stage.

Additionally, in collaboration with the National Research Center for the Control and Prevention of Infectious Diseases Nagasaki University/Department of Emerging Infectious Diseases, Institute of Tropical Medicine, Nagasaki University (under the supervision of Professor Jiro Yasuda and Assistant Professor Yasuteru Sakurai) and Gifu Pharmaceutical University, the Company conducted drug discovery research mainly for indication of COVID-19 and retinal vein occlusion, respectively.

(B) Preclinical development phase

a) TRPM8 blocker (RQ-00434739)

This compound had been under development for the target indication of neuropathic pain (chemotherapy-induced cold allodynia) and, based on a license agreement concluded in September 2021, it was licensed to Xgene (Hong Kong), which is moving forward with preclinical trials.

b) Ghrelin receptor agonist (RQ-00433412)

The compound is under development for the target indication of cancer-related anorexia/cachexia syndrome and constipation resulting from spinal cord injury. The manufacturing of APIs for preclinical study has been completed, and preclinical study began in the fourth quarter.

c) Motilin receptor agonist (RQ-00201894)

The compound is under development for the target indication of gastrointestinal dysmotility including gastroparesis, functional dyspepsia, and post-operative ileus, and the preclinical studies required for Phase I clinical trials have been completed. In addition to promoting licensing activities, the Company is examining conducting Phase I clinical trials, the next development phase.

(C) Clinical development phase

a) Potassium-competitive acid blocker (RQ-00000004, tegoprazan)

Regarding the compound for the target indication of gastro-esophageal reflux disease (GERD), the Company completed the Phase I clinical trials in the U.S. and Japan. In Japan, the Company is examining all possibilities to implement clinical development aiming for an early market launch, including the way to build a cooperative relationship with HK inno.N (South Korea).

b) 5-HT_4partial agonist (RQ-00000010)

Regarding the compound for the target indication of gastrointestinal dysmotility including gastroparesis, functional dyspepsia, and chronic constipation, and in addition to moving forward with licensing activities, the Company is examining conducting Phase II clinical trials, the next development phase.

c) 5-HT_{2B} antagonist (RQ-00310941)

Regarding the compound for the target indication of irritable bowel syndrome with diarrhea (IBS-D), and Phase I clinical trials (for healthy adults and patients) have been completed in the U.K. For this compound also, like other

gastrointestinal system disease programs, the Company is moving forward with licensing activities and examining conducting Phase II clinical trials, the next development phase.

<Status of development at licensee corporation>

a) tegoprazan (K-CAB®, RQ-00000004/IN-12420/LXI-15028)

This compound, which is sold as a drug for gastro-esophageal reflux disease, etc., by HK inno.N (South Korea) in South Korea, became covered by health insurance in South Korea as a gastric ulcer treatment in November 2021. This is the third application of the drug, after erosive gastro-esophageal reflux disease and non-erosive gastro-esophageal reflux disease. Additionally, HK inno.N (South Korea) is planning to apply to the South Korean Ministry of Food and Drug Safety ("MFDS") for an additional indication as a maintenance treatment for patients with cured erosive gastro-esophageal reflux disease.

In China, HK Inno.N (South Korea)'s Chinese sublicensee Luoxin Pharma (China) is in the process of review for approval by the Chinese authority, based on NDA which was filed with the Chinese authority in 2020.

Furthermore, in addition to beginning Phase I clinical trials in the U.S., in December 2021, HK inno.N (South Korea) concluded a sublicense agreement with Braintree (U.S.) for the U.S. and Canadian regions.

b) EP4 antagonist (GALLIPRANT®, grapiprant)

This compound is currently being sold as a pain management for dogs by Elanco (U.S.). Since its launch in the U.S. in January 2017, the compound has been launched in over 20 countries around the world and is also being sold in Japan since October 2020.

c) Ghrelin receptor agonist (ENTYCE®, ELURA®, capromorelin)

This compound has been sold in the U.S. as a treatment for anorexia in dogs by Elanco (U.S.), and sales were launched under the brand name ELURA® in the U.S. by Elanco (U.S.) as a drug for the management of weight loss in cats with chronic kidney disease (CKD).

d) Serotonin 5-HT_{2A} and dopamine D_2 receptor blocker (ziprasidone)

Regarding this compound which was licensed out as a treatment for schizophrenia, the development plan and strategy going forward were discussed at Meiji Seika Pharma Co., Ltd.

e) EP4 antagonist (RQ-00000007/AAT-007, grapiprant)

AskAt Inc. ("AskAt")'s sublicensee Ikena Oncology Inc. (U.S.) is conducting Phase I clinical trials in the U.S. as a cancer immunotherapy.

In addition, AskAt's licensee 3D Medicines Co., Ltd. (China, "3DM (China)") completed Phase I clinical trials in China for the indication of pain, and Ningbo NewBay Medical Technology Development Co., Ltd. (China), another AskAt's licensee, is conducting Phase I clinical trials in China in the area of oncology.

f) Cyclooxygenase-2 (COX-2) inhibitor (RQ-00317076, AAT-076)

AskAt's licensee 3DM (China) is conducting Phase I clinical trials in China for the indication of pain.

g) CB2 agonist (RQ-00202730/AAT-730)

AskAt's licensee Oxford Cannabinoid Technologies Ltd. (U.K.) is conducting preclinical development in the U.S.

h) Development candidate compound for a specific ion channel target (no compound code disclosed)

Development on this compound, which was created through collaborative research with EA Pharma, is proceeding at EA Pharma.

i) Selective sodium channel blocker (no compound code disclosed)

The compound was licensed to Maruho, which is proceeding with development of a therapeutic agent using the compound as an active ingredient. The compound has already achieved its predetermined results in the fiscal year.

j) P2X7 receptor antagonist (RQ-00466479/ AK1780)

Phase I clinical trials for the target indication of neuropathic pain for this compound, which was created through collaborative research with Asahi Kasei Pharma, have been completed by Asahi Kasei Pharma. In January 2021, a sublicense agreement was concluded with Asahi Kasei Pharma and Lilly (U.S.), and preparations by Lilly (U.S.) are underway to begin Phase II clinical trials for future global development.

k) Retinoic acid receptor alpha agonist (tamibarotene, TM-411/SY-1425)

Regarding the compound that the consolidated subsidiary of the Company TMRC has licensed to Syros (U.S.), Syros (U.S.) is conducting Phase III clinical trials for RARA-positive newly diagnosed patients with HR-MDS and Phase II clinical trials of a combination with venetoclax and azacitidine for RARA-positive newly diagnosed unfit patients with AML in the U.S.

(2) Overview of consolidated financial position for the fiscal year under review

Assets

Total assets as of December 31, 2021 were 5,234 million yen, an increase of 982 million yen (up 23.1%) from the end of the previous fiscal year. This is mainly attributable to an increase in cash and deposits of 951 million yen, an increase in accounts receivable - trade of 674 million yen, a decrease in securities of 405 million yen, and a decrease in investment securities of 149 million yen.

Liabilities

Total liabilities as of December 31, 2021 were 446 million yen, an increase of 206 million yen (up 85.8%) from the end of the previous fiscal year. This is mainly attributable to an increase in accounts payable - other of 60 million yen, an increase in income taxes payable of 59 million yen, and an increase in accrued consumption taxes of 37 million yen.

Net assets

Total net assets as of December 31, 2021 were 4,788 million yen, an increase of 776 million yen (up 19.4%) from the end of the previous fiscal year. This is mainly attributable to the recording of profit attributable to owners of parent of 755 million yen.

Consequently, the equity ratio was 91.3% (down 2.8 percentage points from the end of the previous fiscal year).

(3) Overview of cash flows for the fiscal year under review

The balance of cash and cash equivalents ("net cash") as of December 31, 2021 amounted to 2,240 million yen, an increase of 179 million yen (up 8.7%) from the end of the previous fiscal year.

The respective cash flows in the fiscal year under review and the factors thereof are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 366 million yen, an increase of 655 million yen (compared with net cash of 289 million yen used a year earlier). This is mainly attributable to the recording of profit before income taxes of 880 million yen and depreciation of 141 million yen, and a cash outflow from an increase in trade receivables of 674 million yen.

Cash flows from investing activities

Net cash used in investing activities was 279 million yen, an increase of 504 million yen (compared with net cash of 225 million yen provided a year earlier). This is mainly attributable to purchase of securities of 200 million yen, purchase of investment securities of 200 million yen, and proceeds from sales of investment securities of 221 million yen.

Cash flows from financing activities

Net cash used in financing activities was 16 million yen, an increase of 9 million yen (up 136.2% year on year). This is mainly attributable to repayments of lease obligations of 18 million yen.

(Reference) Trend in cash flow-related indicators

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Equity ratio (%)	96.2	94.9	95.3	94.1	91.3
Market value equity ratio (%)	941.8	541.9	580.9	492.8	470.0
Interest-bearing debt to cash flow ratio (years)	–	–	–	–	0.1
Interest coverage ratio (factor)	–	–	–	–	252

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

Note 1. Interest-bearing debt to cash flow ratio and interest coverage ratio from the fiscal year ended December 31, 2017 to the fiscal year ended December 31, 2020 are not provided since operating cash flow was a minus figure.

(4) Outlook for the fiscal year ending December 31, 2022

For the next fiscal year (the fiscal year ending December 31, 2022), the Company expects to receive steady royalty income from tegoprazan— a gastro-esophageal reflux disease treatment, GALLIPRANT®—a drug for osteoarthritis in dogs, and ENTYCE®—a treatment for anorexia in dogs. The Company also expects to earn upfront payments associated with out-licensing and milestone income associated with development progress of out-licensed development candidate compounds. For tegoprazan, the Company expects that its sublicensee company Luoxin Pharma (China) receives approval and launches sales in China in 2022.

On the research and development front, in addition to proceeding with projects based on the Company's own drug discovery research and development at both the exploratory and discovery stage and the development stage, the Company will continue to work on raising corporate value by promoting collaborative research with academia and pharmaceutical companies, amongst others.

As for the outlook of consolidated financial results for the fiscal year ending December 31, 2022, the Group forecasts business revenue of 2,605 million yen, operating profit of 420 million yen, ordinary profit of 420 million yen and profit attributable to owners of parent of 342 million yen.

The forecast figures presented above are based on the information currently available to the Group 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. In the case where the Group acknowledges the need to revise the financial forecasts, it will disclose such information promptly.

2. Basic rationale for selecting the accounting standard

The Group has adopted Japanese accounting standards to ease the cost, etc., of parallel disclosure of reporting under both Japanese accounting standards and international financial reporting standards (IFRS).

The Group does not have plans to adopt IFRS as of the end of the fiscal year under review; however, its policy is to respond appropriately to the situation in Japan and overseas with regard to adoption trends by other companies in the industry.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	1,394,128	2,345,306
Accounts receivable - trade	530,818	1,205,401
Securities	719,418	313,807
Supplies	6,540	10,547
Advance payments to suppliers	36,412	15,939
Prepaid expenses	50,243	90,382
Other	96,671	22,390
Total current assets	2,834,232	4,003,775
Non-current assets		
Property, plant and equipment		
Buildings	153,242	154,158
Tools, furniture and fixtures	871,764	944,383
Leased assets	49,069	59,772
Accumulated depreciation	(741,109)	(858,924)
Total property, plant and equipment	332,967	299,389
Intangible assets		
Trademark right	4,439	3,839
Software	27,927	29,227
Other	639	731
Total intangible assets	33,005	33,799
Investments and other assets		
Investment securities	1,037,601	887,932
Long-term prepaid expenses	10	140
Deferred tax assets	2,959	–
Other	10,457	9,160
Total investments and other assets	1,051,029	897,233
Total non-current assets	1,417,002	1,230,422
Total assets	4,251,235	5,234,197

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	41,830	45,996
Lease obligations	18,281	21,547
Accounts payable - other	52,666	112,768
Accrued expenses	49,868	63,004
Income taxes payable	20,882	80,405
Accrued consumption taxes	–	37,475
Deposits received	3,133	28,884
Other	–	10,442
Total current liabilities	186,662	400,524
Non-current liabilities		
Lease obligations	27,238	17,520
Asset retirement obligations	12,031	12,129
Deferred tax liabilities	14,173	16,018
Total non-current liabilities	53,443	45,668
Total liabilities	240,106	446,193
Net assets		
Shareholders' equity		
Share capital	2,255,401	2,256,920
Capital surplus	2,445,184	2,446,703
Retained earnings	(706,157)	49,631
Treasury shares	(21)	(21)
Total shareholders' equity	3,994,407	4,753,234
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,809	23,919
Total accumulated other comprehensive income	4,809	23,919
Share acquisition rights	11,912	10,850
Total net assets	4,011,129	4,788,004
Total liabilities and net assets	4,251,235	5,234,197

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Business revenue	1,107,301	2,776,233
Business expenses		
Cost of business revenue	138,012	320,674
Research and development expenses	932,451	1,127,397
Other selling, general and administrative expenses	522,915	620,301
Total business expenses	1,593,379	2,068,373
Operating profit (loss)	(486,078)	707,860
Non-operating income		
Interest income	3,593	1,775
Interest on securities	28,144	21,074
Foreign exchange gains	–	145,688
Gain on valuation of compound financial instruments	810	50
Subsidy income	1,500	5,785
Other	613	2,967
Total non-operating income	34,660	177,340
Non-operating expenses		
Interest expenses	436	1,454
Foreign exchange losses	75,645	–
Share issuance costs	154	120
Loss on valuation of derivatives	–	10,079
Settlement package	–	9,600
Other	0	–
Total non-operating expenses	76,237	21,254
Ordinary profit (loss)	(527,654)	863,946
Extraordinary income		
Gain on sale of non-current assets	750	–
Gain on sale of investment securities	8,430	14,364
Gain on redemption of investment securities	–	2,267
Total extraordinary income	9,180	16,632
Extraordinary losses		
Impairment losses	2,542	–
Loss on sale of investment securities	348	–
Loss on redemption of investment securities	6,575	–
Total extraordinary losses	9,466	–
Profit (loss) before income taxes	(527,941)	880,579
Income taxes - current	84,469	122,047
Income taxes - deferred	(5,425)	2,742
Total income taxes	79,044	124,790
Profit (loss)	(606,985)	755,788
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	(606,985)	755,788

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit (loss)	(606,985)	755,788
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,096)	19,110
Total other comprehensive income	(3,096)	19,110
Comprehensive income	(610,082)	774,899
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(610,082)	774,899
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,254,943	2,444,726	(99,172)	(21)	4,600,476
Changes during period					
Issuance of new shares	458	458			916
Loss attributable to owners of parent			(606,985)		(606,985)
Net changes in items other than shareholders' equity					–
Total changes during period	458	458	(606,985)	–	(606,068)
Balance at end of period	2,255,401	2,445,184	(706,157)	(21)	3,994,407

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	7,906	7,906	12,265	4,620,647
Changes during period				
Issuance of new shares		–		916
Loss attributable to owners of parent		–		(606,985)
Net changes in items other than shareholders' equity	(3,096)	(3,096)	(352)	(3,449)
Total changes during period	(3,096)	(3,096)	(352)	(609,518)
Balance at end of period	4,809	4,809	11,912	4,011,129

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,255,401	2,445,184	(706,157)	(21)	3,994,407
Changes during period					
Issuance of new shares	1,519	1,519			3,038
Loss attributable to owners of parent			755,788		755,788
Net changes in items other than shareholders' equity					–
Total changes during period	1,519	1,519	755,788		758,827
Balance at end of period	2,256,920	2,446,703	49,631	(21)	4,753,234

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	4,809	4,809	11,912	4,011,129
Changes during period				
Issuance of new shares		–		3,038
Loss attributable to owners of parent		–		755,788
Net changes in items other than shareholders' equity	19,110	19,110	(1,062)	18,048
Total changes during period	19,110	19,110	(1,062)	776,875
Balance at end of period	23,919	23,919	10,850	4,788,004

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	(527,941)	880,579
Depreciation	124,255	141,555
Impairment losses	2,542	–
Interest income	(3,593)	(1,775)
Interest income on securities	(28,144)	(21,074)
Interest expenses	436	1,442
Foreign exchange losses (gains)	67,613	(113,901)
Loss (gain) on valuation of compound financial instruments	(810)	(50)
Subsidy income	(1,500)	(5,785)
Loss (gain) on valuation of derivatives	–	10,079
Settlement package	–	9,600
Share issuance costs	154	120
Loss (gain) on sale of investment securities	(8,081)	(14,364)
Loss (gain) on sale of non-current assets	(750)	–
Loss (gain) on redemption of investment securities	6,575	(2,267)
Decrease (increase) in trade receivables	216,449	(674,582)
Decrease (increase) in inventories	(1,040)	(4,007)
Increase (decrease) in trade payables	7,532	4,166
Decrease (increase) in advance payments to suppliers	(30,459)	20,472
Decrease (increase) in prepaid expenses	18,988	(40,139)
Decrease (increase) in accounts receivable - other	–	12,737
Decrease (increase) in consumption taxes refund receivable	(55,544)	63,146
Increase (decrease) in accrued consumption taxes	–	37,475
Increase (decrease) in accounts payable - other	(23,102)	68,223
Increase (decrease) in accrued expenses	(554)	13,135
Increase (decrease) in income taxes payable - factor based tax	(4,205)	14,023
Increase (decrease) in deposits received	(184)	25,750
Other, net	7,064	972
Subtotal	(234,298)	425,532
Interest and dividends received	36,753	22,460
Interest paid	(436)	(1,442)
Subsidies received	1,500	5,785
Income taxes paid	(92,726)	(76,707)
Settlement package paid	–	(9,600)
Net cash provided by (used in) operating activities	(289,208)	366,027
Cash flows from investing activities		
Payments into time deposits	–	(317,510)
Proceeds from withdrawal of time deposits	–	207,380
Purchase of securities	–	(200,000)
Purchase of property, plant and equipment	(150,151)	(91,494)
Proceeds from sale of property, plant and equipment	750	–
Purchase of intangible assets	(6,199)	(13,924)
Purchase of investment securities	(106,933)	(200,649)
Proceeds from sale of investment securities	387,515	221,383
Proceeds from redemption of investment securities	100,309	115,065
Other, net	185	497
Net cash provided by (used in) investing activities	225,475	(279,251)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from financing activities		
Proceeds from short-term borrowings	–	10,000
Repayments of short-term borrowings	–	(10,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	409	1,855
Repayments of lease obligations	(7,370)	(18,297)
Net cash provided by (used in) financing activities	(6,961)	(16,441)
Effect of exchange rate change on cash and cash equivalents	(68,196)	109,010
Net increase (decrease) in cash and cash equivalents	(138,890)	179,344
Cash and cash equivalents at beginning of period	2,200,206	2,061,316
Cash and cash equivalents at end of period	2,061,316	2,240,661

(5) Notes to consolidated financial statements

Notes on premise of going concern

No items to report.

Segment information, etc.

[Segment information]

This information is omitted because the Group consists of a single business segment dealing with research and development of pharmaceutical and related businesses.

Per share information

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net assets per share (Yen)	190.88	227.97
Basic earnings (loss) per share	(28.97)	36.07
Diluted earnings per share	–	36.04

Notes: 1. Diluted earnings per share of fiscal year ended December 31, 2020 are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.
2. The basis for calculation of net assets per share is as follows:

	As of December 31, 2020	As of December 31, 2021
Total net assets (Thousands of yen)	4,011,129	4,788,004
Amount to be deducted from total net assets (Thousands of yen)	11,912	10,850
[Share acquisition rights included therein (Shares)] (Thousands of yen)	[11,912]	[10,850]
Amount of net assets at the end of period related to common shares (Thousands of yen)	3,999,216	4,777,154
Number of common shares at the end of period used in calculation of net assets per share (Shares)	20,951,592	20,955,092

3. The basis for calculation of basic earnings (loss) per share and diluted earnings per share is as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Basic earnings (loss) per share		
Amount of profit (loss) attributable to owners of parent (Thousands of yen)	(606,985)	755,788
Amount not attributable to common shareholders (Thousands of yen)	–	–
Amount of profit (loss) attributable to owners of parent related to common shares (Thousands of yen)	(606,985)	755,788
Average number of outstanding common shares during the period (Shares)	20,950,654	20,953,020
Diluted earnings per share		
Adjustment on profit attributable to owners of parent (Thousands of yen)	–	–
Increase in number of common shares (Shares)	–	19,084
[Share acquisition rights included therein (Shares)]	–	–
Summary of potential shares that are not included in calculation of diluted earnings per share due to a lack of dilution effect	———	———

Significant subsequent event

(Conclusion of commitment line agreement)

The Company resolved to enter into a commitment line agreement at its meeting of the Board of Directors held on February 14, 2022.

1. Purpose

   The Company aims to strengthen its financial foundation by securing a flexible and stable means of raising funds to meet the demand for funds for business development going forward.

2. Overview of commitment line

Counterparty of agreement	MUFG Bank, Ltd.
Agreement amount	1,000,000 thousand yen
Date of conclusion of the agreement	February 22, 2022 (scheduled)
Commitment period	February 28, 2022 to February 27, 2023
Security	Unsecured

(Introduction of restricted stock-based compensation plan and post-delivery type performance-linked stock compensation plan)

The Company hereby announces that it has resolved at the Board of Directors meeting held on February 14 to review the executive officer compensation plan and newly introduce a restricted stock-based compensation plan and a post-delivery type performance-linked stock compensation plan (collectively referred to as the "Plans"). The Company will submit the proposal related to the Plans at the 14th Ordinary General Meeting of Shareholders (the "Meeting"), which is planned to be held on March 25, 2022.)

1. Purposes and condition for introducing the Plans

   (1) Purposes for introduction

The Plans are introduced in order to provide them for Directors of the Company (excluding Directors serving on the Audit and Supervisory Committee and Outside Directors; the "Eligible Directors") with an incentive to sustainably increase the Company's corporate value and to promote further shared value with the shareholders.

(2) Condition for introduction

The introduction of the Plans is subject to shareholder approval regarding the payment of the related compensation at the Meeting because the Plans will pay, as compensation, monetary compensation claims and money for allotting the Company's common shares to Eligible Directors through the restricted stock-based compensation plan and post-delivery type performance-linked stock compensation plan.

With regard to the amount of monetary compensation for Directors of the Company, it was approved by the resolution of the 8th Ordinary General Meeting of Shareholders held on March 30, 2016, that the total amount for Directors (excluding Directors serving on the Audit and Supervisory Committee) shall be 80,000 thousand yen or less per year (of which, 20,000 thousand yen or less per year for Outside Directors). However, at the Meeting, the Company plans to ask shareholders to approve the establishment of the compensation limits pertaining to the Plans for Eligible Directors, in which (i) the restricted stock-based compensation plan is within this approved limit and (ii) the post-delivery type performance-linked stock compensation plan is separate from this approved limit.

2. Overview of the Plans

The Plans consist of restricted stock-based compensation plan (the "RS Plan"), conditional upon continuously serving as a Director of the Company for a certain period of time, and the post-delivery type performance-linked stock compensation plan (the "PSU Plan"), conditional upon achieving performance targets set in advance by the Company's Board of Directors in addition to the previously mentioned condition.

(1) RS Plan

Under the RS Plan, the Company shall pay monetary compensation claims of 15,000 thousand yen or less, which is within the current limit for the amount of monetary compensation, to Eligible Directors as compensation in the form of restricted stocks through the RS Plan in accordance with a resolution of the Company's Board of Directors. Each Eligible Director shall receive an allotment of restricted stocks by making a payment in all of the monetary compensation claims by the method of contribution in kind. Furthermore, the total number of the Company's common shares to be issued or disposed of through the RS Plan shall be 15,000 shares or less per year (However, if unavoidable reasons arise that necessitate an adjustment to the number of shares, such as a share split or a share consolidation of the Company's common shares, the number of shares to be issued or disposed of shall be adjustable in a reasonable manner).

The transfer restriction period shall be from the date of delivery of restricted stocks until the day Eligible Directors lose their position as Director of the Company or any other positions determined by the Board of Directors of the Company in order to achieve the medium- to long-term sharing of shareholder value, which is one purpose for introducing the Plans. The specific periods of payment to individual Eligible Directors and the specific allocation shall be determined by the Board of Directors.

Furthermore, the amount to be paid in per share for the Company's common shares to be issued or disposed of under the RS Plan shall be determined by the Board of Directors within a range that is not especially advantageous to the Eligible Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (if no transaction is made on such business day, the closing price on the closest preceding trading day).

The issuance or disposal of the Company's common shares under the RS Plan shall be subject to the conclusion of a restricted stock allotment agreement (the "Allotment Agreement") between the Company and the Eligible Directors. The Allotment Agreement shall include the following:

(i) An Eligible Director shall not transfer, create a security interest in, or otherwise dispose of the Company's common shares allotted under the Allotment Agreement until the previously established period.

(ii) Under certain circumstances, the Company may acquire said common shares without contribution.

(2) PSU Plan

(a) Overview of the PSU Plan

The PSU Plan is a performance-linked compensation plan that grants Eligible Directors the Company's common shares and money to secure tax payment funds arising from the delivery of such shares at an amount calculated in accordance with the level of achievement of the numerical targets for the Company's performance, etc. for three fiscal years (the "Evaluation Period"; The initial Evaluation Period shall be the three fiscal years from the fiscal year ending December 31, 2022 to the fiscal year ending December 31, 2024, and after the end of the initial Evaluation Period, the PSU Plan may be carried out, to the extent approved at the Meeting, with the three fiscal years beginning immediately following the end of each Evaluation Period as the new Evaluation Period.) established in advance by the Company's Board of Directors as compensation, etc. for Eligible Directors.

Accordingly, as the PSU Plan will deliver the Company's common shares and pay money in accordance with the level of achievement of the numerical targets above, it has not been decided whether or not these common

shares or money will be delivered or paid to each Eligible Director nor has the number of shares to be delivered or the monetary amount to be paid been decided as of the introduction of the Plans.

(b) Structure of the PSU Plan

The specific structure of the PSU Plan is as follows:

a) The Company's Board of Directors shall decide the indicators and formulas required for specifically calculating the number of the Company's common shares to be delivered and the monetary amount to be paid to Eligible Directors, such as each numerical target for the Company's performance, etc. and the calculation method for the payment rate in accordance with the achievement ratio used for the PSU Plan.

b) The Company shall decide the number of its common shares to deliver and the monetary amount to pay to each Eligible Director after the end of the Evaluation Period based on the payment rate calculated in accordance with the achievement ratio for each numerical target for the Company's performance, etc. during the Evaluation Period.

c) The Company pays, to each Eligible Director, monetary compensation claims to be used as contribution in kind corresponding to the number of the Company's common shares to be delivered to each Eligible Director determined in b) above, and each Eligible Director receives an allotment of the Company's common shares by providing the full amount of the monetary compensation claims to the Company by the method of the contribution in kind. The amount to be paid in for the Company's common shares shall be determined by the Company's Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors pertaining to the issuance or disposal (if no transaction is made on such business day, the closing price on the closest preceding trading day) within a range that is not especially advantageous to the Eligible Directors subscribing to the Company's common shares.

d) In order to secure tax payment funds arising from the delivery of the Company's common shares as described in c) above, the Company will pay to each Eligible Director the monetary amount determined in b) above, in addition to the monetary compensation claims described above.

(c) The method for calculating the number of the Company's common shares to be delivered to each Eligible Director based on the PSU Plan

The Company shall calculate the number of the Company's common shares to be delivered ("final number of shares delivered") and the monetary amount to be paid ("final monetary amount paid") to each Eligible Director using the following formula.

[Formulas]

Final number of shares delivered = Standard number of shares delivered (i) × Level of performance target achievement (ii) x Service period fulfilment ratio (iii) × 80%

Final monetary amount paid = Standard number of shares delivered (i) × Level of performance target achievement (ii) × Service period fulfilment ratio (iii) × 20% × Market value at the time of delivery (iv)

(i) The "standard number of shares delivered" shall be determined by the Company's Board of Directors according to the position of the Eligible Director.

(ii) "Level of performance target achievement" shall be determined by the Company's Board of Directors within the range of 0% to 150% according to the percentage of achievement of the evaluation indices determined by the Company's Board of Directors for each three-fiscal-year Evaluation Period.

(iii) The "service period fulfillment ratio" shall be calculated by dividing the number of months in office by the number of months of the Evaluation Period.

(iv) The "market value at the time of delivery" shall be determined by the Board of Directors within a range that is not especially advantageous to the Eligible Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors pertaining to the issuance or disposal of shares to be delivered under the PSU Plan (if no transaction is made on such business day, the closing price on the closest preceding trading day).

(d) Upper limit of compensation, etc. under the PSU Plan

The total amount of monetary compensation claims and money that the Company pays to the Eligible Directors through the PSU Plan shall be a total of 80,000 thousand yen or less for each Evaluation Period, and treated separately from the current monetary compensation amount. Furthermore, the total number of the Company's common shares to be issued or disposed of through the PSU Plan shall be 80,000 shares or less for each Evaluation Period (However, if unavoidable reasons arise that necessitate an adjustment to the number of shares, such as a share split or a share consolidation of the Company's common shares, the number of shares to be issued or disposed of shall be adjustable in a reasonable manner).

(e) Reasons for forfeiture of the right to receive compensation, etc. under the PSU Plan
Eligible Directors shall forfeit the right to receive compensation, etc. under the PSU Plan in the event of certain illegal act or resignation for certain reasons determined by the Board of Directors of the Company.

(f) Treatment at the time of reorganization
If, during the Evaluation Period, proposals relating to a merger agreement under which the Company is the disappearing company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at a General Meeting of Shareholders of the Company (provided, however, that if such reorganization, etc., does not require approval by a General Meeting of Shareholders of the Company, the Company's Board of Directors), the Company shall, by a resolution of the Company's Board of Directors, provide money reasonably determined in place of the Company's common shares.

(Reference)
Subject to the approval of the introduction of the Plans at the Meeting, the Company plans to introduce a plan similar to the post-delivery type performance-linked stock compensation plan in the Plans to certain employees (executives) of the Company.