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August 15, 2022

## Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2022 (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  
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**Scheduled date of filing of quarterly securities report:** August 15, 2022  
**Scheduled date of dividend payment:** —  
**Supplementary documents for quarterly results:** Yes  
**Quarterly 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, 2022 (January 1, 2022 to June 30, 2022)

#### (1) Consolidated operating results (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First six months ended June 30, 2022	1,447	9.6	551	75.1	681	57.4	469	55.0
June 30, 2021	1,320	254.3	314	—	432	—	302	—

Note: Comprehensive income Six months ended June 30, 2022: 457 million yen [37.9%]  
Six months ended June 30, 2021: 331 million yen [—%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First six months ended June 30, 2022	22.40 yen	22.39 yen
June 30, 2021	14.45 yen	14.45 yen

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of June 30, 2022	5,936 million yen	5,258 million yen	88.4%
December 31, 2021	5,234 million yen	4,788 million yen	91.3%

Reference: Equity As of June 30, 2022: 5,248 million yen As of December 31, 2021: 4,777 million yen

### 2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended December 31, 2021	— yen	0.00 yen	— yen	0.00 yen	0.00 yen
Fiscal year ending December 31, 2022	—	0.00			
Fiscal year ending December 31, 2022 (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, 2022 (January 1, 2022 to December 31, 2022)**

(Percentage figures represent year-on-year changes)

Fiscal year ending December 31, 2022	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
	2,605	(6.2)	420	(40.6)	420	(51.3)	342	(54.7)	16.34

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

\* As the Company conducts performance management on an annualized basis, forecasts of results over a six-month period are omitted.

**\* Notes**

(1) Changes in significant subsidiaries during the first six months ended June 30, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “(4) Notes to quarterly consolidated financial statements, Application of special accounting for preparing quarterly consolidated financial statements” of “2. Quarterly consolidated financial statements and significant notes thereto” on page 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: 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 quarterly consolidated financial statements, Changes in accounting policies” of “2. Quarterly consolidated financial statements and significant notes thereto” on page 10 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, 2022	20,973,181 shares
As of December 31, 2021	20,955,142 shares

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

As of June 30, 2022	50 shares
As of December 31, 2021	50 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, 2022	20,963,172 shares
For the first six months ended June 30, 2021	20,951,592 shares

**\* Quarterly financial results reports are exempt from quarterly 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 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 on Wednesday, August 17, 2022, and for general investors on Thursday, August 18, 2022.

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.....	3
(3) Qualitative information regarding consolidated earnings forecasts.....	4
2. Quarterly consolidated financial statements and significant notes thereto.....	5
(1) Consolidated balance sheet.....	5
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	7
Consolidated statement of income (cumulative).....	7
Consolidated statement of comprehensive income (cumulative) .....	7
(3) Consolidated statement of cash flows.....	8
(4) Notes to quarterly consolidated financial statements.....	10
Notes on premise of going concern .....	10
Notes on significant changes in the amount of shareholders' equity.....	10
Application of special accounting for preparing quarterly consolidated financial statements.....	10
Changes in accounting policies .....	10
Additional information .....	10
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, 2022, the Japanese economy experienced both improvement and deterioration in business confidence varying by industry sector and region amid a recovery trend in human flows and socioeconomic activities and as the spread of COVID-19 settled down to a certain degree.

In the pharmaceutical industry, while sales growth in Japan was sluggish, a number of companies achieved increases in both sales and profits due to strong sales mainly overseas of their mainstay products. The reform of the NHI (National Health Insurance) drug price system, which took place at the same time as the April NHI drug price revision, included adjustments toward positive evaluation of innovation. However, it also included harsh measures such as setting the premium rate to zero for new drugs with low disclosure of manufacturing costs. It has also been pointed out that the so-called “drug lag,” a situation in which new drugs developed outside of Japan do not reach Japan easily, is resurfacing. It has been suggested that this is due to the increasing number of instances where Japan is not included in clinical trials of new drugs conducted by companies outside of Japan.

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

Regarding human drug products, sales of K-CAB® (generic name: tegoprazan)—a drug for gastro-esophageal reflux disease marketed by HK inno.N Corporation (headquarters: Seoul, South Korea, “HK inno.N”)—in South Korea performed well, continuing from last year, with sales in the first six months from external prescriptions of 60.6 billion won, an increase of 21.1% compared with the same period of the previous fiscal year. In addition, in May 2022, HK inno.N began marketing a new orally disintegrating tablet dosage form of K-CAB®.

Regarding the global development of tegoprazan, in China, HK inno.N (South Korea)’s Chinese licensee Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (headquarters: Shandong, China) received manufacturing and marketing approval for the indication for erosive gastro-esophageal reflux disease from the Chinese authority in April 2022. In addition, HK inno.N concluded a license agreement with Dr. Reddy’s Laboratories (headquarters: Hyderabad, India) for seven countries in Asia, Eastern Europe, and Africa, including India. As a result of this progress, the Company received a lump-sum payment for achievement of these milestones.

In the Philippines, Metro Pharma Phils. Inc. (headquarters: Manila, Philippines), a licensee of HK inno.N, received marketing approval for four indications including erosive gastro-esophageal reflux disease in May 2022, and is in preparations to launch marketing.

Also, in the U.S., HK inno.N completed Phase I clinical trial. Braintree Laboratories, Inc. (headquarters: Massachusetts, U.S.), a licensee of HK inno.N, will proceed with clinical development, and a new clinical trial is expected to be initiated within the year. In Japan, where the Company holds the rights, we are preparing for the next stage of clinical trials in order to achieve rapid and efficient development and approval.

With regard to pet drugs, sales were strong for GALLIPRANT® (generic name: grapiprant), which is a drug for osteoarthritis in dogs, and ENTYCE® (generic name: capromorelin), which has an indication for anorexia management for dogs, and ELURA® (generic name: capromorelin), which has an indication for weight loss management in cats with chronic kidney disease, all of which were licensed to Elanco Animal Health Inc. (headquarters: Indiana, U.S.).

Regarding licensed programs, pre-clinical studies have started for the TRPM8 blocker licensed to Xgene Pharmaceutical Co. Ltd. (headquarters: Hong Kong) in the fiscal year ended December 31, 2021. In addition, regarding the retinoic acid receptor alpha agonist (tamibarotene/TM-411/SY-1425) discovered by consolidated subsidiary TMRC Co., Ltd. (“TMRC”) and licensed to Syros Pharmaceuticals Inc. (headquarters: Massachusetts, U.S.), notification has been received from the European Patent Office that a use patent has been granted for a cancer stem cell growth inhibitor jointly applied for by TMRC and the National Institute of Advanced Industrial Science and Technology. Other licensed programs are also in the pre-clinical development stage or later at licensee companies.

For programs in preparation for licensing, business development activities have steadily progressed while utilizing face-to-face meetings, online conferencing, and other tools. Also, pre-clinical studies for the ghrelin receptor agonist, developed in-house by the Company, are progressing.

With regard to efforts in the discovery research stage, we are promoting efforts to generate development candidate compounds in our internal projects. In the first six months, we newly initiated joint research in collaboration with SOCIUM Inc. (headquarters: Chuo, Tokyo, “SOCIUM”), using SOCIUM’s proprietary disease database and AI-driven drug discovery platform to explore indication potential for intractable and rare diseases with the aim of strengthening the value chain in drug discovery research for specific compound(s) owned by the Company. In addition, for the purpose of validating a new modality concept, we worked with STAND Therapeutics Co., Ltd. (headquarters: Minato, Tokyo, “STAND”) to underwrite a portion of share acquisition rights issued by STAND and for application of STAND’s proprietary technology related to intracellular antibodies (stable cytoplasmic anti-body: STAND) to drug discovery research.

Accordingly, financial results for the first six months, the reporting period, were as follows. Business revenue for the period was 1,447 million yen (up 9.6% year on year), operating profit totaled 551 million yen (up 75.1% year on year), ordinary profit totaled 681 million yen (up 57.4% year on year), and profit attributable to owners of parent was 469 million yen (up 55.0% year on year). Business revenue mainly consists of milestone income of 434 million yen (down 42.0% year on year) and sales royalty income of 699 million yen (up 43.2% year on year). On the other hand, total business expenses were 895 million yen (down 10.9% year on year). This total mainly consists of cost of business revenue (104 million yen, a 40.2% decrease from the same period of the previous fiscal year), research and development expenses (528 million yen, a 6.4% increase from the same period of the previous fiscal year) and other selling, general and administrative expenses (262 million yen, a 21.4% decrease from the same period of the previous fiscal year).

## 2) Research and development activities

Research and development expenses of the entire Group during the first six months were 528 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, 2022 were 5,936 million yen, an increase of 702 million yen (up 13.4%) from the end of the previous fiscal year. This is mainly attributable to a decrease in accounts receivable - trade, and contract assets of 380 million yen, an increase in cash and deposits of 820 million yen, and an increase in leased assets of 180 million yen.

#### Liabilities

Total liabilities as of June 30, 2022 were 678 million yen, an increase of 231 million yen (up 52.0%) from the end of the previous fiscal year. This is mainly attributable to an increase in lease obligations of 200 million yen, a decrease in accounts payable - other of 54 million yen, and an increase in income taxes payable of 73 million yen.

#### Net assets

Total net assets as of June 30, 2022 were 5,258 million yen, an increase of 470 million yen (up 9.8%) from the end of the previous fiscal year. This is mainly attributable to the recording of profit attributable to owners of parent of 469 million yen and a decrease in valuation difference on available-for-sale securities of 11 million yen.

Consequently, the equity ratio was 88.4% (down 2.9 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, 2022 amounted to 2,845 million yen (compared with 2,133 million yen a year earlier), an increase of 604 million yen (up 27.0%) from the end of the previous fiscal year.

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

#### Cash flows from operating activities

Net cash provided by operating activities was 609 million yen (up 65.6% year on year). This is mainly attributable to the recording of profit before income taxes of 676 million yen and depreciation of 69 million yen, a cash inflow from a decrease in trade receivables of 380 million yen, and a cash outflow from an increase in prepaid expenses of 124 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 92 million yen (down 75.3% year on year). This is mainly attributable to payments into time deposits of 200 million yen, purchase of investment securities of 351 million yen, and proceeds from sale of investment securities of 315 million yen.

#### Cash flows from financing activities

Net cash used in financing activities was 1 million yen (down 75.8% year on year). This is mainly attributable to repayments of lease obligations of 16 million yen and proceeds from long-term borrowings of 13 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, 2022 presented in “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (JGAAP)” published on February 14, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	2,345,306	3,166,232
Accounts receivable - trade	1,205,401	-
Accounts receivable - trade, and contract assets	-	824,426
Securities	313,807	169,077
Supplies	10,547	8,351
Advance payments to suppliers	15,939	69,238
Prepaid expenses	90,382	230,157
Other	22,390	65,725
<b>Total current assets</b>	<b>4,003,775</b>	<b>4,533,209</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	70,479	66,561
Tools, furniture and fixtures, net	180,500	160,616
Leased assets, net	48,409	228,666
<b>Total property, plant and equipment</b>	<b>299,389</b>	<b>455,844</b>
Intangible assets		
Trademark right	3,839	3,620
Software	29,227	24,606
Other	731	731
<b>Total intangible assets</b>	<b>33,799</b>	<b>28,957</b>
Investments and other assets		
Investment securities	887,932	909,711
Other	9,300	8,866
<b>Total investments and other assets</b>	<b>897,233</b>	<b>918,577</b>
<b>Total non-current assets</b>	<b>1,230,422</b>	<b>1,403,379</b>
<b>Total assets</b>	<b>5,234,197</b>	<b>5,936,589</b>

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	45,996	56,219
Current portion of long-term borrowings	–	2,620
Lease obligations	21,547	50,379
Accounts payable - other	112,768	58,295
Accrued expenses	63,004	48,239
Income taxes payable	80,405	153,908
Accrued consumption taxes	37,475	–
Deposits received	28,884	5,070
Other	10,442	54,410
Total current liabilities	400,524	429,144
Non-current liabilities		
Long-term borrowings	–	10,480
Lease obligations	17,520	188,740
Asset retirement obligations	12,129	12,178
Deferred tax liabilities	16,018	10,380
Other	–	27,134
Total non-current liabilities	45,668	248,913
Total liabilities	446,193	678,058
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,256,920	2,264,025
Capital surplus	2,446,703	2,453,808
Retained earnings	49,631	519,128
Treasury shares	(21)	(21)
Total shareholders' equity	4,753,234	5,236,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,919	12,037
Total accumulated other comprehensive income	23,919	12,037
Share acquisition rights	10,850	9,552
Total net assets	4,788,004	5,258,531
<b>Total liabilities and net assets</b>	<b>5,234,197</b>	<b>5,936,589</b>



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

(Thousands of yen)

	First six months ended June 30, 2021	First six months ended June 30, 2022
Business revenue	1,320,666	1,447,178
Business expenses		
Cost of business revenue	174,812	104,611
Research and development expenses	496,527	528,364
Other selling, general and administrative expenses	334,349	262,770
Total business expenses	1,005,690	895,747
Operating profit	314,976	551,430
Non-operating income		
Interest income	642	416
Interest on securities	10,419	9,928
Foreign exchange gains	110,135	171,840
Subsidy income	5,785	–
Other	2,785	319
Total non-operating income	129,768	182,505
Non-operating expenses		
Interest expenses	665	2,574
Share issuance costs	–	287
Loss on valuation of compound financial instruments	1,510	3,470
Loss on valuation of derivatives	–	43,968
Settlement package	9,600	–
Other	–	2,333
Total non-operating expenses	11,775	52,633
Ordinary profit	432,969	681,302
Extraordinary income		
Gain on sale of investment securities	3,382	10,268
Gain on redemption of investment securities	–	2,739
Total extraordinary income	3,382	13,007
Extraordinary losses		
Retirement benefits for directors (and other officers)	–	17,800
Total extraordinary losses	–	17,800
Profit before income taxes	436,352	676,510
Income taxes	133,523	207,012
Profit	302,828	469,498
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	302,828	469,498

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

(Thousands of yen)

	First six months ended June 30, 2021	First six months ended June 30, 2022
Profit	302,828	469,498
Other comprehensive income		
Valuation difference on available-for-sale securities	28,969	(11,882)
Total other comprehensive income	28,969	(11,882)
Comprehensive income	331,798	457,615
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	331,798	457,615
Comprehensive income attributable to non-controlling interests	–	–

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

(Thousands of yen)

	First six months ended June 30, 2021	First six months ended June 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	436,352	676,510
Depreciation	67,071	69,512
Interest income	(642)	(416)
Interest income on securities	(10,419)	(9,928)
Foreign exchange losses (gains)	(95,962)	(109,999)
Subsidy income	(5,785)	–
Loss (gain) on valuation of compound financial instruments	1,510	3,470
Interest expenses	665	2,574
Share issuance costs	–	287
Loss (gain) on valuation of derivatives	–	43,968
Loss (gain) on sale of investment securities	(3,382)	(10,268)
Loss (gain) on redemption of investment securities	–	(2,739)
Retirement benefits for directors (and other officers)	–	17,800
Settlement package	9,600	–
Decrease (increase) in trade receivables	89,815	380,974
Decrease (increase) in inventories	(8,285)	2,195
Increase (decrease) in trade payables	5,149	10,223
Decrease (increase) in advance payments to suppliers	(12,036)	(53,298)
Decrease (increase) in prepaid expenses	(142,674)	(124,548)
Increase (decrease) in accounts payable - other	(10,584)	(66,650)
Increase (decrease) in accrued expenses	(366)	(14,764)
Increase (decrease) in income taxes payable - factor based tax	10	(13,647)
Decrease (increase) in consumption taxes refund receivable	66,696	(23,831)
Increase (decrease) in accrued consumption taxes	9,206	(37,475)
Increase (decrease) in deposits received	2,670	(23,813)
Other, net	13,611	29,657
Subtotal	412,220	745,792
Interest and dividends received	10,509	13,010
Interest paid	(665)	(2,601)
Subsidies received	5,785	–
Income taxes paid	(49,910)	(121,537)
Settlement package paid	(9,600)	–
Payments of retirement benefits for directors (and other officers)	–	(17,800)
Other, net	–	(7,000)
Net cash provided by (used in) operating activities	368,338	609,863
<b>Cash flows from investing activities</b>		
Payments into time deposits	(207,380)	(200,000)
Purchase of securities	(100,000)	–
Purchase of property, plant and equipment	(63,088)	(12,338)
Purchase of intangible assets	(12,398)	(162)
Purchase of investment securities	(100,649)	(351,856)
Proceeds from sale of investment securities	110,923	315,249
Proceeds from redemption of investment securities	–	156,940
Net cash provided by (used in) investing activities	(372,592)	(92,167)

(Thousands of yen)

	First six months ended June 30, 2021	First six months ended June 30, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	10,000	–
Repayments of short-term borrowings	(10,000)	–
Proceeds from long-term borrowings	–	13,100
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	2,275
Repayments of lease obligations	(5,953)	(16,816)
Net cash provided by (used in) financing activities	(5,953)	(1,441)
Effect of exchange rate change on cash and cash equivalents	82,132	88,272
Net increase (decrease) in cash and cash equivalents	71,925	604,527
Cash and cash equivalents at beginning of period	2,061,316	2,240,661
Cash and cash equivalents at end of period	2,133,241	2,845,188

#### **(4) Notes to quarterly consolidated financial statements**

##### **Notes on premise of going concern**

No items to report.

##### **Notes on significant changes in the amount of shareholders' equity**

No items to report.

##### **Application of special accounting for preparing quarterly consolidated financial statements**

(Calculation of tax expenses)

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the quarter under review. However, in cases where calculations using said estimated effective tax rate yield a result that is notably lacking rationality, tax expenses are calculated by multiplying profit (loss) before income taxes by the statutory effective tax rate, taking into consideration the recoverability of deferred tax assets.

Income taxes is the amount inclusive of income taxes - deferred.

##### **Changes in accounting policies**

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The Group earns revenues (upfront payments, milestone-related revenues, royalty income, etc.) from licensing agreements that allow third parties to research, develop, manufacture and sell pharmaceuticals and other products and to use their technologies.

With regard to upfront payments and milestone-related revenues, when performance obligations are satisfied at a point in time, contractual performance obligations are deemed to be satisfied at the time when development, marketing, and other rights are granted, or at the time when the contractually stipulated milestone is achieved. These revenues are recognized as business revenue at the point when contractual performance obligations are deemed to be satisfied.

Royalty income is consideration based on license agreements, etc., calculated based on the sales revenue of the contract partner, etc. This income is recognized as business revenue with consideration to the point in time at which it is incurred.

The application of the Accounting Standard for Revenue Recognition and its guidance is subject to the transitional treatment provided in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application assuming the new accounting policy had been applied to periods prior to the start of the first quarter ended March 31, 2022, was added to or subtracted from the opening balance of retained earnings of the first quarter ended March 31, 2022, and thus the new accounting policy is applied from such opening balance; provided, however, that the new accounting policy is not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the first quarter ended March 31, 2022, are subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year under review.

As a result, there was no effect on the quarterly consolidated financial statements for the second quarter of the fiscal year under review. In addition, there was no effect on the opening balance of retained earnings.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

Note that there was no effect on the quarterly consolidated financial statements.

##### **Additional information**

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and its consolidated subsidiaries have not applied the provisions of paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

(Accounting estimates amid the spread of COVID-19)

The Group has determined the accounting estimates for impairment accounting of non-current assets, etc. based on information available when preparing the consolidated financial statements. The effects of the spread of COVID-19 on the Group are limited at the present time and the Group has determined that there will not be a significant impact on the estimates for the fiscal year under review.

**Segment information, etc.**

[Segment information]

I. For the first six months ended June 30, 2021 (January 1, 2021 to June 30, 2021)

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, 2022 (January 1, 2022 to June 30, 2022)

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.