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August 10, 2023

Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2023 (JGAAP)

Listed company's name: RaQualia Pharma Inc.
Listed on: Tokyo Stock Exchange (TSE)
Stock code: 4579
URL: <https://www.raqualia.com/en/>
Representative: Hirobumi Takeuchi, President and CEO
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Scheduled date of filing of quarterly securities report: August 10, 2023
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, 2023 (January 1, 2023 to June 30, 2023)

(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, 2023	1,014	(29.9)	(23)	—	36	(94.6)	25	(94.6)
June 30, 2022	1,447	9.6	551	75.1	681	57.4	469	55.0

Note: Comprehensive income Six months ended June 30, 2023: 183 million yen [(59.9)%]
Six months ended June 30, 2022: 457 million yen [37.9%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First six months ended June 30, 2023	1.18 yen	1.18 yen
June 30, 2022	22.40	22.39

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of June 30, 2023	7,204 million yen	6,498 million yen	89.8%
December 31, 2022	6,257	5,496	87.7

Reference: Equity As of June 30, 2023: 6,470 million yen As of December 31, 2022: 5,488 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, 2022	— yen	0.00 yen	— yen	0.00 yen	0.00 yen
Fiscal year ending December 31, 2023	—	0.00	—	—	—
Fiscal year ending December 31, 2023 (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, 2023 (January 1, 2023 to December 31, 2023)

(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, 2023	2,799	(4.1)	260	(69.9)	242	(73.2)	183	(74.7)	8.74

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

*** Notes**

(1) Changes in significant subsidiaries during the first six months ended June 30, 2023 (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, 2023	21,616,781 shares
As of December 31, 2022	20,977,181 shares

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

As of June 30, 2023	50 shares
As of December 31, 2022	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, 2023	21,594,082 shares
For the first six months ended June 30, 2022	20,963,172 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 financial results briefings for institutional investors and analysts on Wednesday, August 16, 2023, and for general investors on Thursday, August 17, 2023.

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

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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, 2023, the Japanese economy continued the gradual recovery observed in the first quarter. According to the Bank of Japan's quarterly short-term economic survey (June survey), the business sentiment among large enterprises in the non-manufacturing sector improved for the fifth consecutive quarter, mainly in accommodation, eating & drinking services. Among large enterprises in the manufacturing sector, business confidence improved for the first time in seven quarters. Business conditions appear to have been led by three factors: consumer spending, capital investment, and inbound demand.

In the pharmaceutical industry, some companies saw growth in sales and profits, mainly driven by favorable overseas sales; while others reported operating losses as domestic sales decreased due to the National Health Insurance (NHI) drug price revision. Moreover, with industry associations calling for strengthening of the biopharmaceutical innovation ecosystem, including the NHI drug price system, in June the Japanese cabinet approved the Basic Policy on Economic and Fiscal Management and Reform 2023 (Basic Policy), which calls for "further drug price measures that will appropriately recognize innovation and so forth." In addition, issues faced by the Japanese pharmaceutical industry and measures to address them are being discussed in various occasions. Among these, a report of the Ministry of Health, Labour and Welfare Expert Panel on Comprehensive Measures to Achieve a Rapid and Stable Supply of Pharmaceuticals included proposals to strengthen drug discovery capabilities by concentrating management resources supporting the creation of new modalities and on R&D for the creation of a drug discovery ecosystem and innovative drug discovery.

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 gastroesophageal reflux disease marketed by the Company's licensee, HK inno.N Corporation (headquarters: Osong, South Korea, "HK inno.N")—in South Korea increased steadily. Sales from external prescriptions in the first six months ended June 30, 2023 amounted to approximately 74.1 billion won, an increase of 22.2% year on year, and equivalent to 7.4 billion yen at 0.10 yen to the won. K-CAB® has maintained its leading share of the South Korean antiulcer drug market.

Global expansion of tegoprazan is also progressing steadily. The Company has executed exclusive license agreements with HK inno.N for the development, marketing, and manufacturing of tegoprazan with sublicensing rights. As of the end of the first six months ended June 30, 2023, in 35 countries outside of South Korea, the companies that have entered into the license agreements with HK inno.N are engaged in development, manufacturing, and marketing in their respective countries and regions. During the first six months ended June 30, 2023, sales of the product were launched in Mexico under the product name Ki-CAB®. With this launch, tegoprazan are now being marketed in five countries: South Korea, China, Mongolia, the Philippines, and Mexico. Preparations for market launch are also under way in two countries, Indonesia and Singapore, while the filings for approval are under review by local regulatory authorities in 20 and more countries, including Argentina and Peru.

With regard to pet drugs, sales were steady from last year for GALLIPRANT® (generic name: grapiprant) for osteoarthritis in dogs, ENTYCE® (generic name: capromorelin) for anorexia management for dogs, and ELURA® (generic name: capromorelin) for weight loss management in cats with chronic kidney failure, all of which were licensed to Elanco Animal Health Inc. (headquarters: Indiana, U.S.).

Other licensed programs are also in the pre-clinical development stage or later at licensee and sublicensee companies. In the first six months ended June 30, 2023, regarding the cannabinoid CB2 receptor agonist (RQ-00202730/AAT-730/OCT461201, "CB2 agonist") licensed by the Company to AskAt Inc. (headquarters: Nagoya, Aichi, "AskAt") and further licensed by AskAt to Oxford Cannabinoid Technologies Ltd. (headquarters: London, U.K., "OCT"), OCT has obtained approval from the UK regulatory authority and ethics committees for Phase I clinical trials. OCT plans to advance clinical development of the CB2 agonist for the primary indication of chemotherapy-induced peripheral neuropathy (CIPN) and is preparing to start administration to test subjects.

Also in the six months ended June 30, 2023, the Company acquired a new licensee as a result of ongoing business development activities. In April 2023, the Company and Vetbiolix SAS (headquarters: Loos, Nord, France; "Vetbiolix") agreed to enter into an option and license agreement for a 5-HT₄ agonist (RQ-00000010), discovered by the Company, to develop pet drugs for the treatment of gut motility disorders in dogs and cats. Under the terms of the agreement, Vetbiolix is granted an exclusive option for an exclusive, worldwide, and sublicensable license to develop, manufacture and market veterinary medicines containing RQ-00000010. Upon exercise of the exclusive option, Vetbiolix will pay option fees to the Company, and the Company will acquire the right to receive milestone payments based on development progress and the sales royalty based on the product sales.

For other pre-licensing programs, the Company has conducted business development activities aimed at acquiring further licensees through a flexible combination of face-to-face meetings and online conferences. With regard to tegoprazan, the Company has the rights for development, manufacture, and marketing in Japan, and is currently in talks with candidate licensees aimed at rapidly developing and marketing the drug in Japan. Furthermore, with regard to the ghrelin receptor agonist that the

Company is currently developing in-house with the aim of securing a major licensing contract, various pre-clinical studies are continuing and the Company is also manufacturing the API for clinical trials, aiming to start clinical trials in the fiscal year ending December 31, 2024.

In the discovery research stage, the Company is focusing on discovery research programs to generate development compounds, and is also working to strengthen its drug discovery research capabilities, which are central to its growth strategy. The Company aims to establish a next-generation in-house drug discovery value chain through synergy effects from existing technologies and new initiatives. In addition to its own independent research, since 2022, it has been strengthening its collaboration with startups and drug discovery venture companies. In the six months ended June 30, 2023, the Company started a collaboration with leadXpro AG (headquarters: Villigen, Switzerland) to accelerate a drug discovery research through 3D structural analysis of membrane proteins. In joint research with ASKA Pharmaceutical Co., Ltd. (headquarters: Minato-ku, Tokyo), which has been ongoing since July 2019, the joint research agreement has been terminated with the agreement of both companies.

Clinical trials for the treatment of myelodysplastic syndrome (MDS) and acute myeloid leukemia (AML) are underway in the U.S. for a retinoic acid receptor alpha agonist (tamibarotene, AM80/TM-411/SY-1425), licensed by the Company's consolidated subsidiary TMRC Co., Ltd. ("TMRC") to Syros Pharmaceuticals Inc. (headquarters: Massachusetts, U.S., "Syros"). During the first six months ended June 30, 2023, TMRC received fees related to the clinical development from Syros.

Accordingly, financial results for the first six months, the reporting period, were as follows. Business revenue for the period was 1,014 million yen (down 29.9% year on year), operating loss totaled 23 million yen (compared with operating profit of 551 million yen a year earlier), ordinary profit totaled 36 million yen (down 94.6% year on year), and profit attributable to owners of parent was 25 million yen (down 94.6% year on year).

Total business expenses were 1,037 million yen (up 15.8% year on year). This mainly consists of cost of business revenue (122 million yen, a 16.9% increase year on year), research and development expenses (603 million yen, a 14.2% increase year on year) and other selling, general and administrative expenses (311 million yen, an 18.7% increase year on year).

2) Research and development activities

Research and development expenses of the entire Group during the first six months were 603 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, 2023 were 7,204 million yen, an increase of 946 million yen (up 15.1%) from the end of the previous fiscal year. This is mainly attributable to an increase in accounts receivable - trade, and contract assets of 213 million yen, an increase in prepaid expenses of 276 million yen, and an increase in investment securities of 387 million yen.

Liabilities

Total liabilities as of June 30, 2023 were 706 million yen, a decrease of 54 million yen (down 7.1%) from the end of the previous fiscal year. This is mainly attributable to a decrease in accounts payable - trade of 59 million yen, a decrease in accounts payable - other of 78 million yen, and an increase in deferred tax liabilities of 69 million yen.

Net assets

Total net assets as of June 30, 2023 were 6,498 million yen, an increase of 1,001 million yen (up 18.2%) from the end of the previous fiscal year. This is mainly attributable to an increase in share capital and legal capital surplus of 786 million yen due to capital increase through third-party allotment, the recording of profit attributable to owners of parent of 25 million yen, and an increase in valuation difference on available-for-sale securities of 158 million yen.

Consequently, the equity ratio was 89.8% (up 2.1 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, 2023 amounted to 3,565 million yen (compared with 2,845 million yen a year earlier), a decrease of 113 million yen (down 3.1%) from the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash used in activities was 715 million yen (compared with net cash of 609 million yen provided a year earlier). This is mainly attributable to cash outflows from an increase in trade receivables of 213 million yen, an increase in prepaid expenses

of 261 million yen and a decrease in accounts payable - other of 144 million yen, despite the recording of profit before income taxes of 36 million yen and depreciation of 71 million yen.

Cash flows from investing activities

Net cash used in investing activities was 295 million yen (up 220.7% year on year). This is mainly attributable to the purchase of property, plant and equipment of 119 million yen and the purchase of investment securities of 160 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 826 million yen (compared with net cash of 1 million yen used a year earlier). This is mainly attributable to proceeds from issuance of shares of 782 million yen and proceeds from long-term borrowings of 50 million yen.

(3) Qualitative information regarding consolidated earnings forecasts

At the present time, there are no changes to the full-year consolidated earnings forecasts for the fiscal year ending December 31, 2023 presented in “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (JGAAP)” published on February 14, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,675,450	3,545,558
Accounts receivable - trade, and contract assets	602,311	815,753
Securities	250,599	269,673
Work in process	978	1,155
Supplies	7,522	7,212
Advance payments to suppliers	89,820	88,544
Prepaid expenses	108,633	385,172
Other	86,777	101,075
Total current assets	4,822,094	5,214,145
Non-current assets		
Property, plant and equipment		
Buildings, net	62,642	60,719
Tools, furniture and fixtures, net	119,093	261,353
Leased assets, net	209,288	190,467
Total property, plant and equipment	391,024	512,539
Intangible assets		
Trademark right	4,268	3,852
Software	19,984	30,352
Other	72	72
Total intangible assets	24,325	34,278
Investments and other assets		
Investment securities	987,962	1,375,347
Long-term prepaid expenses	24,073	57,825
Other	8,172	10,404
Total investments and other assets	1,020,208	1,443,577
Total non-current assets	1,435,559	1,990,395
Total assets	6,257,653	7,204,540

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	128,066	68,348
Current portion of long-term borrowings	2,620	12,620
Lease liabilities	42,887	37,992
Accounts payable - other	206,209	127,956
Accrued expenses	60,479	53,336
Income taxes payable	30,957	11,235
Deposits received	18,922	7,102
Other	3,635	34,456
Total current liabilities	493,778	353,049
Non-current liabilities		
Long-term borrowings	9,170	45,360
Lease liabilities	167,661	150,748
Asset retirement obligations	12,222	12,271
Provision for share awards	60,590	56,360
Provision for share awards for directors (and other officers)	14,498	16,312
Deferred tax liabilities	2,750	72,352
Total non-current liabilities	266,893	353,404
Total liabilities	760,671	706,453
Net assets		
Shareholders' equity		
Share capital	2,265,697	2,664,763
Capital surplus	2,455,480	2,854,546
Retained earnings	773,021	798,502
Treasury shares	(21)	(21)
Total shareholders' equity	5,494,178	6,317,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5,569)	152,677
Total accumulated other comprehensive income	(5,569)	152,677
Share acquisition rights	8,372	27,617
Total net assets	5,496,981	6,498,086
Total liabilities and net assets	6,257,653	7,204,540

(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, 2022	First six months ended June 30, 2023
Business revenue	1,447,178	1,014,084
Business expenses		
Cost of business revenue	104,611	122,278
Research and development expenses	528,364	603,336
Other selling, general and administrative expenses	262,770	311,839
Total business expenses	895,747	1,037,453
Operating profit (loss)	551,430	(23,369)
Non-operating income		
Interest income	416	280
Interest on securities	9,928	2,893
Foreign exchange gains	171,840	90,265
Gain on valuation of compound financial instruments	–	5,490
Other	319	9,662
Total non-operating income	182,505	108,592
Non-operating expenses		
Interest expenses	2,574	3,026
Commitment fees	2,333	3,499
Share issuance costs	287	3,930
Loss on valuation of compound financial instruments	3,470	–
Loss on valuation of derivatives	43,968	38,049
Other	0	0
Total non-operating expenses	52,633	48,506
Ordinary profit	681,302	36,716
Extraordinary income		
Gain on sale of investment securities	10,268	–
Gain on redemption of investment securities	2,739	–
Total extraordinary income	13,007	–
Extraordinary losses		
Retirement benefits for directors (and other officers)	17,800	–
Total extraordinary losses	17,800	–
Profit before income taxes	676,510	36,716
Income taxes	207,012	11,235
Profit	469,498	25,481
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	469,498	25,481

Consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	First six months ended June 30, 2022	First six months ended June 30, 2023
Profit	469,498	25,481
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,882)	158,246
Total other comprehensive income	(11,882)	158,246
Comprehensive income	457,615	183,728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	457,615	183,728
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of cash flows

(Thousands of yen)

	First six months ended June 30, 2022	First six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	676,510	36,716
Depreciation	69,512	71,728
Interest income	(416)	(280)
Interest income on securities	(9,928)	(2,893)
Foreign exchange losses (gains)	(109,999)	(70,801)
Loss (gain) on valuation of compound financial instruments	3,470	(5,490)
Interest expenses	2,574	3,026
Commitment fees	2,333	3,499
Share issuance costs	287	3,930
Loss (gain) on valuation of derivatives	43,968	38,049
Loss (gain) on sale of investment securities	(10,268)	–
Loss (gain) on redemption of investment securities	(2,739)	–
Retirement benefits for directors (and other officers)	17,800	–
Decrease (increase) in trade receivables	380,974	(213,441)
Decrease (increase) in inventories	2,195	133
Increase (decrease) in trade payables	10,223	(59,717)
Decrease (increase) in advance payments to suppliers	(53,298)	1,276
Decrease (increase) in prepaid expenses	(124,548)	(261,462)
Decrease (increase) in accounts receivable - other	(244)	(5,407)
Decrease (increase) in long-term prepaid expenses	64	(33,752)
Increase (decrease) in accounts payable - other	(66,650)	(144,585)
Increase (decrease) in accrued expenses	(14,764)	(7,142)
Increase (decrease) in income taxes payable - factor based tax	(13,647)	(4,831)
Decrease (increase) in consumption taxes refund receivable	(23,831)	(5,077)
Increase (decrease) in accrued consumption taxes	(37,475)	–
Increase (decrease) in deposits received	(23,813)	(11,819)
Increase (decrease) in provision for share awards	5,437	(4,230)
Increase (decrease) in provision for share awards for directors (and other officers)	21,697	1,813
Other, net	369	(1,378)
Subtotal	745,792	(672,138)
Interest and dividends received	13,010	9,962
Interest paid	(2,601)	(3,118)
Commitment fees paid	(7,000)	(7,000)
Income taxes paid	(121,537)	(54,869)
Income taxes refund	–	11,826
Payments of retirement benefits for directors (and other officers)	(17,800)	–
Net cash provided by (used in) operating activities	609,863	(715,337)
Cash flows from investing activities		
Payments into time deposits	(200,000)	–
Purchase of property, plant and equipment	(12,338)	(119,998)
Purchase of intangible assets	(162)	(15,571)
Purchase of investment securities	(351,856)	(160,000)
Proceeds from sale of investment securities	315,249	–
Proceeds from redemption of investment securities	156,940	–
Net cash provided by (used in) investing activities	(92,167)	(295,570)

(Thousands of yen)

	First six months ended June 30, 2022	First six months ended June 30, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	13,100	50,000
Repayments of long-term borrowings	–	(3,810)
Proceeds from issuance of shares	–	782,614
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,275	188
Proceeds from issuance of share acquisition rights	–	19,362
Repayments of lease liabilities	(16,816)	(21,808)
Net cash provided by (used in) financing activities	(1,441)	826,545
Effect of exchange rate change on cash and cash equivalents	88,272	70,799
Net increase (decrease) in cash and cash equivalents	604,527	(113,562)
Cash and cash equivalents at beginning of period	2,240,661	3,679,304
Cash and cash equivalents at end of period	2,845,188	3,565,741

(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

On January 5, 2023, the Company received payment for capital increase through third-party allotment from CVI Investments, Inc. As a result, share capital and capital surplus each increased 393,125 thousand yen. Moreover, including increases due to the issuance of share acquisition rights (stock options) and the issuance of new shares as restricted stock-based compensation for directors, share capital and capital surplus each increased 399,065 thousand yen during the first six months ended June 30, 2023, resulting in share capital of 2,664,763 thousand yen and capital surplus of 2,854,546 thousand yen as of June 30, 2023.

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 implementation guidance on accounting standard for fair value measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) 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 Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Note that there was no effect of the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement on the quarterly consolidated financial statements.

Additional information

(Application of practical solution on the accounting and disclosure under the group tax sharing system)

The Company and its consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year under review. Accordingly, the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting is in accordance with the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, issued on August 12, 2021; hereinafter "PITF No. 42"). In addition, the change in accounting policy with the application of PITF No. 42 in accordance with paragraph 32(1) of PITF No. 42 is considered to have no impact.

(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 quarterly 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, 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.
- II. For the first six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)
This information is omitted because the Group consists of a single business segment dealing with research and development of pharmaceutical and related businesses.

Significant subsequent event

(Conclusion of commitment line agreement)

In July 2023, the Company concluded commitment line agreements as follows.

Purpose of the commitment lines

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.

Overview of commitment line agreements

(1)	Counterparties of the agreements	The Shoko Chukin Bank, Ltd.	The Aichi Bank, Ltd.
(2)	Agreement amounts	500,000 thousand yen	200,000 thousand yen
(3)	Dates of conclusion of the agreements	July 31, 2023	July 21, 2023
(4)	Commitment periods	From July 31, 2023 to July 31, 2024	From July 21, 2023 to May 31, 2024
(5)	Security	Unsecured	Unsecured