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November 14, 2025

Summary of Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending December 31, 2025 (JGAAP)

Listed company's name: RaQualia Pharma Inc.
Listed on: Tokyo Stock Exchange (TSE)
Stock code: 4579
URL: <https://www.raqualia.com/en/ir.html>
Representative: Masaki Sudo, President and CEO
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Scheduled date of dividend payment: —
Supplementary documents for financial results: Yes
Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the first nine months of the fiscal year ending December 31, 2025 (January 1, 2025 to September 30, 2025)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First nine months ended	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2025	2,311	(2.5)	(344)	—	(426)	—	(568)	—
September 30, 2024	2,369	58.4	(27)	—	(231)	—	(339)	—

Note: Comprehensive income Nine months ended September 30, 2025: (583) million yen [—%]
 Nine months ended September 30, 2024: (494) million yen [—%]

	Earnings per share (Basic)	Earnings per share (Diluted)
First nine months ended	yen	yen
September 30, 2025	(24.29)	—
September 30, 2024	(15.71)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
September 30, 2025	9,518	6,042	63.0
December 31, 2024	9,655	5,570	57.4

Reference: Equity As of September 30, 2025: 5,999 million yen As of December 31, 2024: 5,543 million yen

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2024	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2025	—	0.00	—		
Fiscal year ending December 31, 2025 (forecast)				0.00	0.00

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

3. Forecasts of consolidated financial results for the fiscal year ending December 31, 2025 (January 1, 2025 to December 31, 2025)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share (Basic)
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending December 31, 2025	3,888	25.1	118	—	73	—	(71)	—	(3.25)

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

*** Notes**

(1) Significant changes in the scope of consolidation during the first nine months ended September 30, 2025: 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 (Notes on 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 September 30, 2025	24,457,673 shares
As of December 31, 2024	21,838,529 shares

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

As of September 30, 2025	181 shares
As of December 31, 2024	181 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

For the first nine months ended September 30, 2025	23,429,083 shares
For the first nine months ended September 30, 2024	21,631,875 shares

*** Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None**

*** 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 nine 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 via live webcast on Friday, November 17, 2025.

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

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

(1) Qualitative information regarding consolidated operating results

1) Financial results

During the first nine months of the fiscal year ending December 31, 2025, the Japanese economy showed signs of improvements in the employment and income environment, however, the impact of the U.S. tariff policy, the situation in Ukraine, and geopolitical risks in the Middle East are continuing and the rising cost of raw materials and energy caused by soaring resource prices is weighing on corporate activities. Under these circumstances, the domestic economy is in a phase of temporary stagnation, and the outlook remains uncertain. According to the Bank of Japan's quarterly short-term economic survey (September 2025 survey), business sentiment among large enterprises in the manufacturing sector improved for the second consecutive quarter as uncertainty over the U.S.-Japan agreement on tariff policies of the Trump administration and other factors receded, while business confidence among large enterprises in the non-manufacturing sectors remained unchanged, as construction, information services, electricity and gas, etc. improved while accommodation and food services, telecommunications, real estate, etc. deteriorated.

In the pharmaceutical industry, the "Working Group for Public-Private Council for Enhancing Drug Discovery Capabilities," a discussion forum for public-private partnerships established by the Japanese government to strengthen drug discovery capabilities, began in earnest in September 2025, with active discussions on building a social system that will sustain the cycle of investment and innovation. Under these industry trends, drug discovery ventures such as the Group are playing increasingly important roles. Under such conditions, the Group achieved the following financial results during the first nine months.

Regarding human drug products that are already on the market, sales of K-CAB® (generic name: tegoprazan)—gastric acid secretion inhibitor marketed by HK inno.N Corporation (headquarters: Osong, South Korea, "HK inno.N")—in South Korea continued to perform well. Sales from prescriptions in the first nine months ended September 30, 2025 amounted to 160.8 billion won, an increase of 13.1% year on year, and equivalent to approximately 17.7 billion yen at 0.11 yen to the won. Tegoprazan's share in the South Korean peptic ulcer drug market was 15%, continuing to maintain the No. 1 share.

Global expansion of tegoprazan is also progressing steadily. The Company has executed exclusive license agreements with HK inno.N for the development, manufacturing, and marketing of tegoprazan with sublicensing rights, and business activities related to tegoprazan are being carried out by HK inno.N and its business partners around the world that have received licenses or product exports from HK inno.N. As of the end of the first nine months ended September 30, 2025, tegoprazan business has been expanded in 54 countries around the world. In addition, HK inno.N aims to achieve annual worldwide sales of 3 trillion won in 2030 for tegoprazan products, including K-CAB®.

As of the end of the first nine months ended September 30, 2025, tegoprazan products are being marketed in eighteen countries: South Korea, China, Mongolia, India, the Philippines, Mexico, Indonesia, Singapore, Malaysia, Peru, Chile, Colombia, Dominican Republic, Nicaragua, Honduras, Guatemala, El Salvador, and Panama. The Company has received the sales royalty through HK inno.N based on the product sales. In addition, tegoprazan products are under review for approval in countries in Southeast Asia and South-Central America, and are under preparation for filing for approval in countries including Brazil and the Middle East region.

During the first nine months ended September 30, 2025, HK inno.N and Sebela Pharmaceuticals Inc. (headquarters: Georgia, U.S., "Sebela"), a sublicensee, announced positive results and completion of a Phase III clinical trial (the "TRIUMpH Study") being conducted in the U.S. by Braintree Laboratories (headquarters: Massachusetts, U.S.), a division of Sebela. The TRIUMpH Study is a pivotal study for the Phase III clinical trial in the U.S. covering erosive esophagitis ("EE") and non-erosive reflux disease ("NERD"). On April 23, 2025 (local time), Sebela announced that all primary and secondary endpoints had been met in both the curative phase of the EE study and the NERD study, and that positive study results had been obtained for the ongoing maintenance therapy after cure of EE. In the current TRIUMpH study, patients with EE who were completely cured after up to eight weeks of initial treatment were treated with tegoprazan 100 mg, tegoprazan 50 mg, or lansoprazole 15 mg (PPI) for 24 weeks to test the efficacy of maintenance therapy. The results showed that tegoprazan was non-inferior to lansoprazole in both dose groups and was statistically superior in the primary endpoint of 24-week maintenance treatment efficacy (remission maintenance rate) in all patient groups (LA grades A-D). In particular, patients with moderate to severe conditions (LA grades C-D) showed improvement in both dose groups compared to lansoprazole, with statistical superiority in the 100 mg group. Tegoprazan was also non-inferior to lansoprazole in the percentage of days without heartburn symptoms in 24 hours. Furthermore, the occurrence rate of treatment-related adverse events of the TRIUMpH Study never exceeded 3%, and most were mild and transient. Serious adverse events occurred in less than 1% of patients, and the incidence of adverse events was similar in the tegoprazan, PPI, and placebo groups. Average serum gastrin levels were maintained within the normal range (0-180 pg/ml) throughout the treatment period. Based on these results, Sebela plans to submit an application for approval to the U.S. FDA for EE and NERD in the fourth quarter of 2025.

During the first nine months, HK inno.N. also announced that its business partner, Dr. Reddy's Laboratories (headquarters: Hyderabad, India), has started new product sales in India. The product name in India is "PCAB" and it has three indications: EE,

NERD, and gastric ulcer. The Indian market for peptic ulcer drugs is valued at approximately 1.52 trillion won (approximately 167.2 billion yen) as of 2024, making it the fourth largest in the world after China, the United States, and Japan.

In addition, with regard to the substance patent for tegoprazan in Korea (South Korea patent number: 1088247), more than 60 Korean generic drug manufacturers and others filed a trial to seek confirmation there is no scope where patent rights are being infringed and the Company has been disputing the scope of validity of the extended patent right. Following the trial decision by the Patent Trial and Appeal Board (equivalent to the first trial), the Company won all of the cases in the litigation for revocation of the trial decision (second trial). The term of the substance patent in question had been extended to 2031 under the registration system for extending the term of patents on pharmaceuticals and other products. However, Korean generic drug manufacturers and others, with the aim of launching generic products starting in 2026, immediately after the original patent term expiration, filed a request for a trial for the three subsequently approved indications for K-CAB®, excluding the originally approved indications (EE and NERD), arguing that the extended patent did not extend to the three subsequently approved indications (gastric ulcer, adjunctive therapy for *Helicobacter pylori* eradication, and maintenance therapy). In response, in 2024, the Patent Trial and Appeal Board upheld the Company's contention and ruled that the extended patent rights would cover the subsequently approved indications. The Patent Court, which corresponds to the second trial, also ruled in favor of the Company's claim, thereby protecting its exclusive marketing rights for K-CAB® more firmly until 2031.

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

Other licensed programs are also in the pre-clinical or later development stage at licensee and sublicensee companies.

As for pre-licensing programs, pre-clinical studies for a ghrelin receptor agonist, which is being developed in-house, have been completed. And the Company has been conducting business development activities aimed at finding business partners. For tegoprazan, the Company retains the rights to develop, manufacture, and market the product in Japan, and has been in discussions with candidate partner companies continuously in the third quarter. For other pre-licensing programs, the Company conducted business development activities aimed at finding business partners through a flexible combination of face-to-face and online meetings.

In the discovery research stage, the Company is continuing to promote discovery research to generate development compounds. The Group has made it a key growth strategy to create pharmaceuticals for unexplored drug targets (genes, proteins, etc.) that have been considered difficult to address with conventional technologies by strengthening the drug discovery value chain through synergistic effects from existing and new technologies, and is working to strengthen its technologies and pipeline from the four angles of "modality," "drug target," "disease area," and "platform technology."

With regard to modality and drug targets, the Group is advancing research and development of targeted protein degraders, a new drug discovery modality, centered on FIMECS, Inc. (headquarters: Fujisawa, Kanagawa; "FIMECS"), a consolidated subsidiary. FIMECS and Astellas Pharma Inc. (Head Office: Chuo-ku, Tokyo) have been exploring targeted protein degraders for multiple targets with cancer as the target disease using FIMECS's proprietary platform technology, RaPPIDS™ (Rapid Protein Proteolysis Inducer Discovery System), which is specialized for targeted protein degraders.

Furthermore, on March 21, 2025, the Company entered into a capital and business alliance agreement with HK inno.N and resolved to issue new shares to HK inno.N through third-party allotment. The Company allotted 2,592,100 shares of the Company's common stock and the payment procedure was completed on April 18, 2025. The purpose of the alliance is to strengthen the financial base through investment by HK inno.N and to establish a strategic partnership between the two companies, with the aim of creating synergies and maximizing corporate value in a wide range of areas including research and development. During the first nine months, the Company proceeded with efforts to start collaboration on joint research projects, including discussions on obtaining data and developing project plans.

Accordingly, financial results for the first nine months, the reporting period, were as follows. Business revenue for the period was 2,311 million yen (down 2.5% year on year), operating loss totaled 344 million yen (compared with operating loss of 27 million yen a year earlier), ordinary loss totaled 426 million yen (compared with ordinary loss of 231 million yen a year earlier), and loss attributable to owners of parent was 568 million yen (compared with loss attributable to owners of parent of 339 million yen a year earlier).

Total business expenses were 2,655 million yen (up 10.8% year on year). This mainly consists of cost of business revenue of 547 million yen (up 37.9% year on year), research and development expenses of 1,236 million yen (down 1.5% year on year) and other selling, general and administrative expenses of 871 million yen (up 17.1% year on year).

2) Research and development activities

Research and development expenses of the entire Group during the first nine months were 1,236 million yen. For the first nine 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 September 30, 2025 were 9,518 million yen, a decrease of 136 million yen (down 1.4%) from the end of the previous fiscal year. This is mainly attributable to an increase in cash and deposits of 155 million yen, a decrease in accounts receivable - trade and contract assets of 139 million yen, and a decrease in goodwill of 167 million yen.

Liabilities

Total liabilities as of September 30, 2025 were 3,476 million yen, a decrease of 608 million yen (down 14.9%) from the end of the previous fiscal year. This is mainly attributable to decreases in contract liabilities of 185 million yen and long-term borrowings of 384 million yen.

Net assets

Net assets as of September 30, 2025 were 6,042 million yen, an increase of 471 million yen (up 8.5%) from the end of the previous fiscal year. This is mainly attributable to an increase in share capital and capital surplus of 1,040 million yen due to capital increase through third-party allotment, and the recording of loss attributable to owners of parent of 568 million yen.

Consequently, the equity ratio was 63.0% (up 5.6 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 September 30, 2025 amounted to 3,543 million yen (compared with 3,000 million yen a year earlier), an increase of 401 million yen (up 12.8%) from the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash used in operating activities was 172 million yen (compared with net cash of 229 million yen provided a year earlier). This is mainly attributable to the recording of loss before income taxes of 426 million yen, depreciation of 150 million yen and amortization of goodwill of 207 million yen, a cash inflow from a decrease in trade receivables of 139 million yen, and cash outflows from an increase in prepaid expenses of 40 million yen and a decrease in contract liabilities of 185 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 129 million yen (compared with net cash of 3,864 million yen used a year earlier). This is mainly attributable to payments into time deposits of 200 million yen, proceeds from withdrawal of time deposits of 400 million yen, and purchase of property, plant and equipment of 63 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 525 million yen (down 82.8% year on year). This is mainly attributable to proceeds from issuance of shares of 1,018 million yen, repayments of long-term borrowings of 384 million yen, the purchase of shares of subsidiaries not resulting in change in scope of consolidation of 50 million yen, and repayments of lease liabilities of 56 million yen.

(3) Qualitative information regarding consolidated earnings forecasts

At the present time, there are no changes to the full-year consolidated earnings forecasts for the fiscal year ending December 31, 2025 presented in "Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (JGAAP)" published on February 14, 2025.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2024	As of September 30, 2025
Assets		
Current assets		
Cash and deposits	3,340,057	3,495,651
Accounts receivable - trade, and contract assets	689,162	549,260
Securities	1,871	47,579
Work in process	1,520	5,192
Supplies	166,202	179,641
Advance payments to suppliers	26,953	31,085
Prepaid expenses	193,590	234,427
Other	119,605	96,758
Total current assets	4,538,963	4,639,597
Non-current assets		
Property, plant and equipment		
Buildings, net	52,653	53,839
Tools, furniture and fixtures, net	203,447	177,663
Leased assets, net	272,983	248,719
Total property, plant and equipment	529,084	480,221
Intangible assets		
Goodwill	3,865,297	3,697,860
Trademark right	3,982	3,292
Software	32,924	32,266
Other	72	72
Total intangible assets	3,902,276	3,733,492
Investments and other assets		
Investment securities	547,053	536,806
Long-term prepaid expenses	14,639	6,704
Deferred tax assets	78,460	73,243
Other	45,005	48,446
Total investments and other assets	685,158	665,201
Total non-current assets	5,116,519	4,878,916
Total assets	9,655,482	9,518,513

(Thousands of yen)

	As of December 31, 2024	As of September 30, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	59,317	58,256
Current portion of long-term borrowings	512,620	512,620
Lease liabilities	69,657	76,468
Accounts payable - other	193,789	202,792
Accrued expenses	69,136	65,042
Income taxes payable	28,044	36,923
Contract liabilities	185,829	—
Deposits received	19,381	13,179
Other	49,718	30,019
Total current liabilities	1,187,495	995,303
Non-current liabilities		
Long-term borrowings	2,651,430	2,266,965
Lease liabilities	218,627	193,383
Asset retirement obligations	14,614	14,695
Provision for share awards	6,902	4,065
Provision for share awards for directors (and other officers)	5,902	1,726
Total non-current liabilities	2,897,476	2,480,835
Total liabilities	4,084,972	3,476,139
Net assets		
Shareholders' equity		
Share capital	2,720,540	3,240,586
Capital surplus	2,910,323	3,430,369
Retained earnings	(45,673)	(614,657)
Treasury shares	(102)	(102)
Total shareholders' equity	5,585,087	6,056,196
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(41,920)	(56,853)
Total accumulated other comprehensive income	(41,920)	(56,853)
Share acquisition rights	27,342	43,032
Total net assets	5,570,509	6,042,374
Total liabilities and net assets	9,655,482	9,518,513

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

(Thousands of yen)

	First nine months ended September 30, 2024	First nine months ended September 30, 2025
Business revenue	2,369,438	2,311,025
Business expenses		
Cost of business revenue	396,850	547,224
Research and development expenses	1,255,185	1,236,866
Other selling, general and administrative expenses	744,624	871,680
Total business expenses	2,396,660	2,655,771
Operating loss	(27,222)	(344,745)
Non-operating income		
Interest income	2,914	12,996
Interest on securities	2,498	1,599
Subsidy income	2,600	—
Gain on valuation of derivatives	3,770	31,258
Other	11,396	19,886
Total non-operating income	23,178	65,741
Non-operating expenses		
Interest expenses	29,112	44,929
Commitment fees	5,868	2,333
Commission for syndicated loans	140,999	1,499
Foreign exchange losses	50,557	87,346
Share issuance costs	204	11,018
Loss on valuation of compound financial instruments	260	530
Other	—	0
Total non-operating expenses	227,004	147,657
Ordinary loss	(231,047)	(426,661)
Extraordinary income		
Gain on sale of investment securities	9,379	—
Total extraordinary income	9,379	—
Extraordinary losses		
Loss on sale of investment securities	5,600	—
Total extraordinary losses	5,600	—
Loss before income taxes	(227,268)	(426,661)
Income taxes	112,625	142,322
Loss	(339,893)	(568,984)
Profit attributable to non-controlling interests	—	—
Loss attributable to owners of parent	(339,893)	(568,984)

Consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	First nine months ended September 30, 2024	First nine months ended September 30, 2025
Loss	(339,893)	(568,984)
Other comprehensive income		
Valuation difference on available-for-sale securities	(154,108)	(14,933)
Total other comprehensive income	(154,108)	(14,933)
Comprehensive income	(494,001)	(583,917)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(494,001)	(583,917)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of cash flows

(Thousands of yen)

	First nine months ended September 30, 2024	First nine months ended September 30, 2025
Cash flows from operating activities		
Loss before income taxes	(227,268)	(426,661)
Depreciation	144,670	150,664
Amortization of goodwill	135,624	207,436
Interest income	(2,914)	(12,996)
Interest income on securities	(2,498)	(1,599)
Foreign exchange losses (gains)	76,541	80,490
Subsidy income	(2,600)	—
Interest expenses	29,112	44,929
Commitment fees	5,868	2,333
Commission for syndicated loans	140,999	1,499
Share issuance costs	204	11,018
Loss (gain) on valuation of compound financial instruments	260	530
Loss (gain) on valuation of derivatives	(3,770)	(31,258)
Loss (gain) on sale of investment securities	(3,779)	—
Decrease (increase) in trade receivables	161,279	139,901
Decrease (increase) in inventories	(4,646)	(17,112)
Increase (decrease) in trade payables	(353)	(1,060)
Increase (decrease) in contract liabilities	(63,784)	(185,829)
Decrease (increase) in advance payments to suppliers	69,587	(4,132)
Decrease (increase) in prepaid expenses	(113,143)	(40,720)
Decrease (increase) in long-term prepaid expenses	25,367	6,284
Increase (decrease) in accounts payable - other	(116,403)	20,478
Increase (decrease) in income taxes payable - factor based tax	1,894	(14,150)
Decrease (increase) in consumption taxes refund receivable	91,667	37,874
Increase (decrease) in accrued consumption taxes	2,361	10,718
Increase (decrease) in provision for share awards	(158)	298
Increase (decrease) in provision for share awards for directors (and other officers)	4,075	(1,070)
Other, net	1,419	17,150
Subtotal	349,617	(4,980)
Interest and dividends received	6,543	15,535
Subsidies received	2,600	—
Interest paid	(29,132)	(44,911)
Commitment fees paid	(3,379)	(100)
Income taxes paid	(127,611)	(141,576)
Income taxes refund	30,666	3,735
Net cash provided by (used in) operating activities	229,303	(172,298)
Cash flows from investing activities		
Payments into time deposits	(200,000)	(200,000)
Proceeds from withdrawal of time deposits	100,000	400,000
Purchase of property, plant and equipment	(96,917)	(63,549)
Purchase of intangible assets	(19,563)	(3,315)
Proceeds from sale of investment securities	258,563	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,879,637)	—
Other payments	(26,907)	(3,441)
Net cash provided by (used in) investing activities	(3,864,463)	129,694

(Thousands of yen)

	First nine months ended September 30, 2024	First nine months ended September 30, 2025
Cash flows from financing activities		
Proceeds from short-term borrowings	400,000	–
Repayments of short-term borrowings	(400,000)	–
Proceeds from long-term borrowings	3,357,800	–
Repayments of long-term borrowings	(259,465)	(384,465)
Commission for syndicated loans paid	–	(2,200)
Proceeds from issuance of shares	–	1,018,519
Purchase of treasury shares	(78)	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	188	188
Repayments of lease liabilities	(50,160)	(56,812)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(50,000)
Net cash provided by (used in) financing activities	3,048,283	525,229
Effect of exchange rate change on cash and cash equivalents	(77,551)	(81,323)
Net increase (decrease) in cash and cash equivalents	(664,428)	401,301
Cash and cash equivalents at beginning of period	3,664,738	3,141,929
Cash and cash equivalents at end of period	3,000,310	3,543,230

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

Notes on changes in accounting policies

(Changes in accounting policies)

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

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

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

This change in accounting policies has no impact on the quarterly consolidated financial statements.

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

This change in accounting policies has been applied retrospectively, and is reflected in the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

Application of special accounting for preparing 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 third 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.

Notes on segment information, etc.

[Segment information]

I. For the first nine months ended September 30, 2024 (January 1, 2024 to September 30, 2024)

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

II. For the first nine months ended September 30, 2025 (January 1, 2025 to September 30, 2025)

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

Significant subsequent event

(Transactions under common control, etc.)

Absorption-type merger of consolidated subsidiaries

At the Board of Directors meeting held on October 17, 2025, the Company resolved to merge with its wholly-owned subsidiary, TMRC Co., Ltd., with the effective date set for January 1, 2026, and entered into a merger agreement on the same day.

1. Outline of business combination

(1) Name of the combined entity and its business

(Surviving company in absorption-type merger)

Name of company: RaQualia Pharma Inc.

Business description: Research and development of pharmaceutical products, sale and licensing of intellectual property for fundamental technologies related to pharmaceutical compounds and candidate compounds for clinical development, and alliances with companies and universities for the development and sale of intellectual property in the biomedical field.

(Company to be dissolved in absorption-type merger)

Name of company: TMRC Co., Ltd. ("TMRC")

Business description: Drug discovery with a focus on cancer therapies

(2) Date of business combination

January 1, 2026 (scheduled)

(3) Legal form of business combination

Absorption-type merger with the Company as the surviving company and TMRC as the disappearing company (simple and short-form merger)

Since the merger is a simplified merger for the Company under Article 796, Paragraph 2 of the Companies Act, and a short-form merger for TMRC under Article 784, Paragraph 1 of the Companies Act, neither company will hold a general meeting of shareholders to approve the merger agreement.

(4) Name of company after combination

RaQualia Pharma Inc.

(5) Details of allotment in relation to the merger

Since the merger is with a wholly-owned subsidiary of the Company, there will be no issuance of shares or delivery of cash or other assets upon the merger.

(6) Other matters related to overview of transactions

In order to improve the business efficiency of the Group, the Company has decided to conduct this absorption-type merger with the aim of reducing costs and simplifying and increasing the efficiency of administrative operations.

2. Overview of accounting procedures

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