

Non-consolidated Financial Results
for the Six Months Ended June 30, 2024
[Under Japanese GAAP]

Company name: Veritas In Silico Inc.
Listing: Tokyo Stock Exchange
Securities code: 130A
URL: <https://www.veritasinsilico.com/>
Representative: Shingo Nakamura, Representative Director and CEO
Inquiries: Hiroaki Hagiwara, Director, General Manager of Administrative Division
Telephone: +81-3-6421-7537
Scheduled date to file semi-annual securities report: August 14, 2024
Scheduled date to commence dividend payments: None
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to thousands, unless otherwise noted.)

1. Non-consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Non-consolidated Business results (cumulative)

(Percentages indicate Year-on-Year changes.)

	Business revenue		Operating profit		Ordinary profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2024	115	—	-66	—	-88	—	-90	—
June 30, 2023	—	—	—	—	—	—	—	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2024	-14.41	—
June 30, 2023	—	—

Notes: 1. As interim financial statements were not prepared for the second quarter of FY2023, figures for the interim period ended June 30, 2023 and percentage change from the previous year for the interim period ended June 30, 2024 are not shown.

2. Diluted earnings per share for the interim period ended December 31, 2024 is not shown in the above table, because earnings per share was negative although there are residual shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	2,393	2,355	98.4
December 31, 2023	1,655	1,575	95.2

Reference: Equity

As of June 30, 2024: ¥2,355 million

As of December 31, 2023: ¥1,575 million

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

2. Cash 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, 2023	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2024	—	0.00			
Fiscal year ending December 31, 2024 (Forecasts)			—	0.00	0.00

Note: Revisions to the most recently announced forecasts: None

3. Forecasts for the Fiscal Year ending December 31, 2024

(Percentages indicate Year-on-Year changes.)

	Business revenue		Operating profit		Ordinary profit		Net Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	676	87.6	144	284.4	128	257.6	108	229.0	17.07

Notes: Revisions to the most recently announced forecasts: None

The amounts of Business revenue, Operating profit, Ordinary profit, and Net profit announced in the earnings forecast dated February 13, 2024, have not changed. However, the amount of Earnings per share has changed due to an increase in the number of shares outstanding because of the issuance of new shares in February 2024.

* Notes

(1) Adoption of accounting treatment specific to the preparation of semi-annual non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of June 30, 2024	6,487,114 shares
Fiscal year ended December 31, 2024	5,501,314 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	— shares
Fiscal year ended December 31, 2024	— shares

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

Six months ended June 30, 2024	6,254,525 shares
Six months ended June 30, 2023	— shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other remarks

(Disclaimer Regarding Forward-Looking Statements, etc.)

The forecasts and other forward-looking statements contained in this document are based on information available to the Company at the time this document was released and on certain assumptions that the Company has regarded as reasonable.

Please refer to “1. Qualitative Information on Quarterly Results (3) Explanation of Forward-Looking Statements, including Earnings Forecasts” on page 3 of the attached materials for matters related to earnings forecasts.

○Table of Contents for Appendix

1. Qualitative Information on Financial Results	2
(1) Explanation on Business Results	2
(2) Explanation on Financial Position	3
(3) Financial Forecasts and Other Forward-Looking Statements	3
2. Semi-annual Non-consolidated Financial Statements and Major Notes	4
(1) Semi-annual Statement of Balance Sheet	4
(2) Semi-annual Statement of Profit and Loss	6
(3) Semi-annual Statement of Cash Flow	8
(4) Notes to Semi-annual Financial Statements	9
(Notes on going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity)	9
(Segment information, etc.)	9

1. Qualitative Information on Financial Results

(1) Explanation on Operating Business Results

During the first half of the current fiscal year under review, conditions in the Japanese economy brightened due to higher wages and inbound demand, as the post-COVID economic activities were in full swing. However, business confidence was somewhat dampened due to continued increases in energy prices, the depreciation of the Japanese yen and the continued rise in prices of various commodities, including daily necessities.

In the pharmaceutical industry, there have been concerns about "drug lag" (the issue of drugs that have been approved and launched in overseas markets but are not yet approved or approved later in Japan) and "drug loss" (the challenge of an unstable supply of drugs in Japan). In this context, there is significant interest in and anticipation of new drug discovery methods, such as small molecule drugs that induce degradation of the target protein.

In the mRNA-targeted small molecule drug discovery business, we are conducting joint drug discovery research with Toray Industries, Inc., Shionogi & Co., Ltd., RaQualia Pharma Inc., and Takeda Pharmaceutical Company Limited, hereafter, these pharmaceutical companies are referred to as "the partners", utilizing our drug discovery platform, ibVIS[®]. To expand our network of partners, we have been reaching out to domestic and international pharmaceutical companies with an interest in mRNA-targeted small molecule drugs, introducing our platform technology to them.

With a view to diversifying our business in the future, the Company promoted initiatives in nucleic acid drugs and other mRNA-related drugs. In the development of nucleic acid drugs, we have already identified antisense oligonucleotides (ASOs), a type of nucleic acid drugs that suppresses protein expression by decreasing the amount of mRNA in the p53 gene, and have obtained a patent in Japan. Research activities are also underway to obtain more efficient and active ASOs. The Company has been discussing the possibility of collaboration with Mitsubishi Gas Chemical Company, Inc. since December 2023 for the purpose of research, development, and production of ASOs.

In the first half of the current fiscal year, the mRNA-targeted small molecule drug discovery business performed favorably, with steady progress being made in each respective area of joint drug discovery research with the partners. The Company's Business revenue in the period totaled 115,998 thousand yen, including periodically research support funds and contingency fees received on a spot basis based on the results and progress of research activities from the partners, etc., under the joint drug discovery research agreements.

Business expenses totaled 182,729 thousand yen, including R&D expenses of 70,240 thousand yen, resulting in an Operating loss of 66,731 thousand yen. Non-operating expenses included 12,820 thousand yen related to the listing of the Company's shares on the Growth Market of the Tokyo Stock Exchange and 9,351 thousand yen for issuing new shares in connection with the public offering, resulting in an Ordinary loss of 88,729 thousand yen and Net loss for the period of 90,154 thousand yen.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the second quarter of the current fiscal year increased 737,576 thousand yen (44.6%) from the end of the previous fiscal year to 2,393,107 thousand yen. Current assets increased 743,367 thousand yen (45.6%) to 2,372,575 thousand yen, mainly due to a 707,141 thousand yen increase in cash and deposits and a 23,245 thousand yen increase in accounts receivable. Noncurrent assets decreased 5,791 thousand yen (22.0%) to 20,531 thousand yen, mainly due to a decrease in property, plant and equipment of 5,517 thousand yen.

(Liabilities)

Liabilities at the end of the second quarter decreased 42,620 thousand yen (53.3%) from the end of the previous fiscal year to 37,271 thousand yen. This was mainly due to a 6,055 thousand yen decrease in accounts payable-other and a 12,393 thousand yen decrease in advances received in current liabilities.

(Net assets)

Net assets at the end of the second quarter increased 780,196 thousand yen (49.5%) from the end of the previous fiscal year to 2,355,835 thousand yen. This was due to an increase in capital stock of 435,175 thousand yen resulting from a capital increase through public offering, etc. conducted from February to March 2024, and a decrease in capital stock of 448,000 thousand yen, an increase in capital reserve of 883,175 thousand yen, and a decrease in legal reserve of 90,154 thousand yen resulting from a capital reduction conducted in April of the same year.

As a result, the equity ratio increased 3.2 percentage points from 95.2% at the end of the previous fiscal year to 98.4%.

(2) Explanation on Cash Flows

Total cash and cash equivalents (hereinafter referred to as "cash") at the end of the first half of the current fiscal year increased by 707,141 thousand yen from the end of the previous fiscal year to 2,256,253 thousand yen. The status of cash flows at the end of the first half of the current fiscal year is as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 139,278 thousand yen in the first half of the current fiscal year. This was mainly due to loss before income taxes and minority interests of 88,729 thousand yen, an increase in trade receivables of 23,245 thousand yen, a decrease in advances received of 12,393 thousand yen, and an increase in advances paid of 11,612 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities for the first half of the current fiscal year totaled 1,760 thousand yen. This was mainly due to the purchase of property, plant and equipment in the amount of 1,760 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the first half of the current fiscal year was 848,179 thousand yen. This was due to proceeds from stock issuance of 860,999 thousand yen, listing-related expenses of 12,820 thousand yen.

(3) Financial Forecasts and Other Forward-Looking Statements

The forecast for the fiscal year ending December 31, 2024 remains unchanged from the previous announcement on February 13, 2024.

Please note that the forecasts and other forward-looking statements in this document are based on information available to the Company as of the date hereof and on certain assumptions that the Company believes are reasonable, and that actual results could differ materially from those projected because of changes in various factors.

2. Semi-annual Non-consolidated Financial Statements and Major Notes

(1) Semi-annual Non-consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	1,549,111	2,256,253
Accounts receivable - trade	59,070	82,315
Supplies	16,318	16,154
Advance payments to suppliers	1,522	13,135
Prepaid expenses	1,645	1,675
Other current assets	1,539	3,041
Total current assets	1,629,208	2,372,575
Non-current assets		
Property, plant and equipment	23,645	18,127
Intangible assets		
Software	440	383
Patent right	973	866
Total intangible assets	1,414	1,249
Investments and other assets	1,263	1,154
Total non-current assets	26,323	20,531
Total assets	1,655,531	2,393,107

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - other	24,464	18,408
Income taxes payable	2,850	1,425
Advances received	26,143	13,750
Other current liabilities	26,434	3,688
Total current liabilities	79,892	37,271
Total liabilities	79,892	37,271
Net assets		
Shareholders' equity		
Share capital	90,000	77,175
Capital surplus	1,452,590	2,335,766
Retained earnings	33,048	(57,106)
Total shareholders' equity	1,575,639	2,355,835
Total net assets	1,575,639	2,355,835
Total liabilities and net assets	1,655,531	2,393,107

(2) Semi-annual Non-consolidated Statements of Profit and Loss

	(Thousands of yen)
	For the six months ended June 30, 2024
Business revenue	115,998
Business expenses	
Research and development expenses	70,240
Selling, general and administrative expenses	112,488
Total business expenses	182,729
Operating loss	(66,731)
Non-operating income	
Interest income	8
Lecture fee	166
Other	3
Total non-operating income	178
Non-operating expenses	
Listing expenses	12,820
Share issuance costs	9,351
Other	5
Total non-operating expenses	22,176
Ordinary loss	(88,729)
Loss before income taxes	(88,729)
Income taxes - current	1,425
Total income taxes	1,425
Loss	(90,154)

(3) Semi-annual Non-consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended June 30, 2024
Cash flows from operating activities	
Loss before income taxes	(88,729)
Depreciation	7,442
Interest income	(8)
Listing expenses	12,820
Share issuance costs	9,351
Decrease (increase) in trade receivables	(23,245)
Decrease (increase) in advance payments to suppliers	(11,612)
Increase (decrease) in accounts payable - other	(6,055)
Increase (decrease) in advances received	(12,393)
Other, net	(24,005)
Subtotal	(136,436)
Interest received	8
Income taxes paid	(2,850)
Net cash provided by (used in) operating activities	(139,278)
Cash flows from investing activities	
Purchase of property, plant and equipment	(1,760)
Net cash provided by (used in) investing activities	(1,760)
Cash flows from financing activities	
Proceeds from issuance of shares	860,999
Payments of listing expenses	(12,820)
Net cash provided by (used in) financing activities	848,179
Net increase (decrease) in cash and cash equivalents	707,141
Cash and cash equivalents at beginning of period	1,549,111
Cash and cash equivalents at end of period	2,256,253

(4) Notes to Semi-annual Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes in the case of significant changes in shareholders' equity)

On February 8, 2024, the Company has been listed on the Growth Market of the Tokyo Stock Exchange. In connection with this listing, the Company issued 800,000 new shares through a public offering by book-building method with a payment date of February 7, 2024, increasing the share capital and additional paid-in capital by 368,000 thousand yen each. In addition, the share capital and additional paid-in capital increased by 55,200 thousand yen each due to the issuance of 120,000 new shares through a third party allotment with a payment date of March 12, 2024, by way of an over-allotment.

In addition, in accordance with the resolution of the Ordinary General Meeting of Shareholders held on March 14, 2024, the Company implemented a capital reduction on April 19, 2024, and transferred 448,000 thousand yen of share capital to "Other capital surplus".

Furthermore, during the current interim period, the capital stock and capital surplus each increased by 11,975 thousand yen due to the exercise of the first series of stock acquisition rights.

As a result, at the end of the current interim accounting period, the capital stock was 77,175 thousand yen and the capital surplus was 2,335,766 thousand yen.

(Segment information, etc.)

Segment information is omitted as the company operates in a single business segment of the Pharmaceutical drug discovery platform business.