November 13, 2024

Non-consolidated Financial Results for the Nine Months Ended September 30, 2024

[Under Japanese GAAP]

Company name: Veritas In Silico Inc.
Listing: Tokyo Stock Exchange
Securities code: 130A
URL: https://www.veritasinsilico.com/en/
Representative: Shingo Nakamura, Representative Director and CEO
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Scheduled date to commence dividend payments: None
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

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

(1) Non-consolidated Business results (cumulative) (Percentages indicate Year-on-Year changes.)

	Business revenue		Operating profit		Ordinary profit		Net profit	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	165	(40.9)	(121)	—	(143)	—	(145)	—
September 30, 2023	279	—	39	—	37	—	35	—

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	(23.00)	—
September 30, 2023	6.50	—

Notes: 1. As operating profit and other profits for the third quarter of the fiscal year ending December 2024 were in the red, and as the third quarter of the fiscal year ending December 2023 was the first year for which financial statements were prepared, the percentage change from the same quarter of the previous year is omitted for each item.

2. On July 31, 2023, the provisions of the Articles of Incorporation regarding preferred stock were abolished and all preferred stock was converted to common stock. In addition, a 2-for-1 stock split was conducted on August 17, 2023. Quarterly earnings per share is calculated based on the assumption that the conversion to common stock and the stock split were conducted at the beginning of the fiscal year ending December 2023.

3. Diluted earnings per share is not shown for the third quarter of the fiscal year ending December 2024 and the third quarter of the fiscal year ending December 2023 because, although there are residual shares, the Company recorded a net loss in the third quarter of the fiscal year ending December 2024 and the Company's shares were unlisted in the third quarter of the fiscal year ending December 2023, making it difficult to calculate the average share price during the period.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	2,334	2,300	98.5
December 31, 2023	1,655	1,575	95.2

Reference: Equity
As of September 30, 2024: ¥2,300 million
As of December 31, 2023: ¥1,575 million

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
Fiscal year ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
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 income, 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 Quarterly 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 September 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 September 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)

Nine months ended September 30, 2024	6,332,055 shares
Nine months ended September 30, 2023	5,501,314 shares

* Review of the Japanese-language originals of the quarterly non-consolidated financial statements by certified public accountant or audit firm: Prepared on a voluntary basis and attached

* 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 Financial Results (3) Financial Forecasts and Other Forward-Looking Statements” on page 3 of the attached materials for matters related to earnings forecasts.

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1. Qualitative Information on Financial Results

(1) Explanation on Business Results

During the third quarter of the current fiscal year under review, conditions in the Japanese economy showed some signs of improvement as real wages turned positive due to continued growth in nominal wages, and there were signs of a recovery in consumer spending, as economic activity in the post-COVID era gathered momentum. On the other hand, there were still concerns about factors such as the continued high price of energy and the prolonged depreciation of the yen, and the outlook for the future remained uncertain.

In the mRNA-targeted small molecule drug discovery business, the Company is 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 pharmaceutical discovery platform, ibVIS®. In order to expand our network of partners, the Company has 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 the line of business in the future, the Company promoted initiatives in nucleic acid drugs and other mRNA-related pharmaceuticals. In the development of nucleic acid drugs, the Company has already identified Antisense Oligonucleotides (ASOs), a type of nucleic acid drug 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 continuously discussing the possibility of collaboration with Mitsubishi Gas Chemical Company, Inc. since December 2023 for the purpose of research, development, and production of ASOs.

During the third quarter 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 165,134 thousand yen (down 40.9% year-on-year), 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 286,850 thousand yen, including R&D expenses of 117,274 thousand yen, resulting in an Operating loss of 121,716 thousand yen (Operating income of 39,657 thousand yen in the same quarter of the previous year). Non-operating expenses included 12,820 thousand yen in expenses related to the listing of the Company's shares on the Growth Market of the Tokyo Stock Exchange and 9,351 thousand yen in expenses for issuing new shares in connection with the public offering, resulting in an Ordinary loss of 143,472 thousand yen (Ordinary income of 37,888 thousand yen in the same quarter of the previous year) and Net loss for the period of 145,609 thousand yen (Net profit of 35,750 thousand yen in the same quarter of the previous year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the current fiscal year increased by 679,170 thousand yen (41.0%) compared to the end of the previous fiscal year to 2,334,701 thousand yen. Current assets increased by 686,221 thousand yen (42.1%) to 2,315,429 thousand yen, mainly due to an increase of 684,926 thousand yen in cash and deposits. Noncurrent assets decreased by 7,051 thousand yen (26.8%) to 19,271 thousand yen, mainly due to a decrease of 6,686 thousand yen in property, plant and equipment due to depreciation.

(Liabilities)

Liabilities at the end of the third quarter of the current fiscal year decreased by 45,571 thousand yen (57.0%) compared to the end of the previous fiscal year to 34,321 thousand yen. This was mainly due to a decrease of 23,753 thousand yen in accrued consumption tax included in other current liabilities, and a decrease of 20,643 thousand yen in advances received.

(Net assets)

Net assets at the end of the third quarter of the current fiscal year increased by 724,741 thousand yen (46.0%) compared to the end of the previous fiscal year to 2,300,380 thousand yen. This was due to an increase of 870,351 thousand yen in capital and capital reserves as a result of a public offering and other measures implemented between February and March 2024, and a decrease of 448,000 thousand yen and an increase in capital surplus of 448,000 thousand yen as a result of a capital reduction implemented in April of the same year, and a decrease in retained earnings of 145,609 thousand yen.

As a result of these factors, the equity ratio increased by 3.3 points from 95.2% at the end of the previous fiscal year to 98.5%.

(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 as a result of changes in various factors.

2. Quarterly Non-consolidated Financial Statements and Major Notes

(1) Quarterly Non-consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	1,549,111	2,234,037
Accounts receivable - trade	59,070	45,799
Supplies	16,318	14,743
Advance payments to suppliers	1,522	8,541
Prepaid expenses	1,645	1,801
Other current assets	1,539	10,506
Total current assets	1,629,208	2,315,429
Non-current assets		
Property, plant and equipment	23,645	16,958
Intangible assets		
Software	440	354
Patent right	973	812
Total intangible assets	1,414	1,167
Investments and other assets	1,263	1,146
Total non-current assets	26,323	19,271
Total assets	1,655,531	2,334,701

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - other	24,464	21,978
Income taxes payable	2,850	2,137
Advances received	26,143	5,500
Other current liabilities	26,434	4,705
Total current liabilities	79,892	34,321
Total liabilities	79,892	34,321
Net assets		
Shareholders' equity		
Share capital	90,000	77,175
Capital surplus	1,452,590	2,335,766
Retained earnings	33,048	(112,561)
Total shareholders' equity	1,575,639	2,300,380
Total net assets	1,575,639	2,300,380
Total liabilities and net assets	1,655,531	2,334,701

(2) Quarterly Non-consolidated Statements of Profit and Loss

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Business revenue	279,151	165,134
Business expenses		
Research and development expenses	102,400	117,274
Selling, general and administrative expenses	137,194	169,576
Total business expenses	239,594	286,850
Operating loss	39,657	(121,716)
Non-operating income		
Interest income	14	194
Lecture fee	155	223
Other	60	3
Total non-operating income	231	420
Non-operating expenses		
Listing expenses	2,000	12,820
Share issuance costs	—	9,351
Other	—	5
Total non-operating expenses	2,000	22,176
Ordinary loss	37,888	(143,472)
Loss before income taxes	37,888	(143,472)
Income taxes - current	2,137	2,137
Total income taxes	2,137	2,137
Loss	35,750	(145,609)

(3) Notes to Quarterly 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 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 quarterly 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.

(Notes on cash flow statements)

Cash Flow Statement for the third quarter of the current fiscal year has not been prepared. Depreciation and amortization (including amortization of intangible assets) for the third quarter of the current fiscal year is as follows.

Nine months ended September 30, 2023	Nine months ended September 30, 2024
Thousands of Yen	Thousands of Yen
20,539	11,369