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April 12, 2024

Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024 [Japanese GAAP]

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 Listing: Tokyo Stock Exchange
 Securities code: 4891
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 Scheduled date of annual general meeting of shareholders: May 28, 2024
 Scheduled date to commence dividend payments: –
 Scheduled date to file annual securities report: May 29, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Non-consolidated financial results for the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 29, 2024	–	–	(943)	–	(943)	–	(960)	–
February 28, 2023	–	–	(520)	–	(861)	–	(860)	–

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
February 29, 2024	(26.02)	–	(26.8)	(25.7)	–
February 28, 2023	(25.28)	–	(27.9)	(26.4)	–

Reference: Share of income (loss) of entities accounted for using equity method

Fiscal year ended February 29, 2024 ¥– million

Fiscal year ended February 28, 2023 ¥– million

Note: Diluted earnings per share is not stated because, although potential shares existed, a basic loss per share was recorded.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
February 29, 2024	3,554	3,457	96.9	85.48
February 28, 2023	3,790	3,714	98.0	101.55

Reference: Equity

As of February 29, 2024 ¥3,445 million

As of February 28, 2023 ¥3,714 million

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 29, 2024	(822)	(3)	688	3,446
February 28, 2023	(688)	(13)	1,688	3,584

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended February 28, 2023	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 29, 2024	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending February 28, 2025 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of non-consolidated financial results for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

The forecast of non-consolidated financial results for the fiscal year ending February 28, 2025 has not been presented as it is difficult to reasonably calculate the forecast for financial results. For details concerning the reasons, business policy, estimated costs, etc. for the fiscal year ending February 28, 2025, please refer to “(4) Future outlook” under “1. Overview of operating results” on page 5 of the attached material.

*** Notes**

(1) 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

(2) Number of issued shares (common shares)

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

As of February 29, 2024	40,304,367 shares
As of February 28, 2023	36,574,880 shares

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

As of February 29, 2024	– shares
As of February 28, 2023	– shares

(iii) Average number of shares outstanding during the period

Fiscal year ended February 29, 2024	36,896,144 shares
Fiscal year ended February 28, 2023	34,053,422 shares

* These non-consolidated financial results are outside the scope of audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ significantly from the forecasts for various reasons. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “(4) Future outlook” of “1. Overview of operating results” on page 5 of the attached material.

Attached Material

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1. Overview of operating results

(1) Overview of operating results for the fiscal year ended February 29, 2024

During the fiscal year under review (March 1, 2023 to February 29, 2024), Japan's economy was on a moderate recovery trend, reflecting progress back toward normal economic activities and the return of inbound demand. On the other hand, the outlook remained uncertain due to concerns about the risk of a downturn in the global economy, with for example, rising prices due to the prolonged surge in resource and raw material prices, and monetary tightening policies in various countries.

Under these circumstances, during the fiscal year under review the Company carried out the following business activities with the aim of developing unique drugs based on unconventional mechanisms and bringing them to market.

(i) TMS-007-related activities

Biogen MA Inc. (hereinafter, "Biogen") was developing TMS-007 which they acquired from the Company in May 2021 for the indication of acute cerebral infarction. Biogen had planned to initiate late-stage Phase 2 clinical trial in the first half of 2023, and the outline of the trial was registered on ClinicalTrials.gov on March 10, 2023 (estimated start date April 17, 2023). However, they announced on April 25, 2023 in a first quarter 2023 earnings release that the initiation of the Phase 2 clinical trial was suspended and the development plan of TMS-007 would be reevaluated.

Subsequently, Biogen notified the Company that they considered transferring the option agreement between the Company and Biogen entered into in 2018 (the "Option Agreement") to Ji Xing Pharmaceuticals Hong Kong Limited (Hong Kong, hereinafter the group companies including Ji Xing Pharmaceuticals Limited are collectively referred to as "JIXING"), a wholly owned subsidiary of Ji Xing Pharmaceuticals Limited (Cayman Islands). The transfer took place on January 11, 2024. Concurrently, the Company entered into discussions with JIXING and RTW Investments, LP ("RTW"), an investment company based in New York, USA, which owns more than 80% of JIXING's shares. The Company entered into a series of agreements including amendments to the Option Agreement entailing to form an alliance with JIXING and RTW ("Alliance").

A summary of the Alliance is as follows:

A) Option Agreement

- The amended Option Agreement was signed between the Company and JIXING on January 11, 2024.
- JIXING shall take over the contractual position of the Option Agreement from Biogen and acquire the worldwide intellectual property rights of the SMTP compounds including TMS-007 and TMS-008.
- The Company shall acquire the rights to develop and market TMS-007 in Japan from JIXING at no cost. The Company shall also acquire the rights to develop and market the grant-back compounds, including TMS-008, for specific indications at no cost.
- The Company and JIXING shall establish a Joint Development and Commercialization Committee to regularly exchange information and hold discussions on the development of TMS-007.
- The Company may receive the following considerations based on the progress of development and commercialization of TMS-007 by JIXING.
 - a. Development milestones up to a maximum total of US\$12.5 million
 - b. Sales milestones up to a maximum total of US\$355 million
 - c. Royalties based on a tiered rate in the high single digits to low teens on TMS-007 sales in territories excluding Japan

Development plan for TMS-007 shall be examined by JIXING.

- JIXING shall cover 75% of the development expenses in Japan incurred by the Company as part of the global development of TMS-007, up to a maximum of US\$10 million.

- B) Royalty-free License for Development and Marketing Rights of JX09 in Japan
- JX09 is an oral, novel, small molecule aldosterone synthesis inhibitor being developed by JIXING for the treatment of patients with treatment-resistant or uncontrolled hypertension and a Phase 1 clinical trial commenced in February 2024.
 - The Company shall acquire an exclusive, royalty-free license to develop JX09 in Japan from JIXING, and JIXING shall cover 75% of the development expenses incurred by the Company in Japan as part of the global development of JX09, up to a maximum of US\$5 million.
- C) Acquisition of JIXING shares without consideration
- The Company acquired US\$5 million worth of JIXING common stock for no consideration.
- D) Acquisition of the Company's shares by RTW
- RTW is a leading global investor focused on the healthcare industry, with approximately US\$5.4 billion in assets under management as of September 30, 2023.
 - RTW established JIXING in 2019, has led several subsequent rounds of additional investment, and currently owns over 80% of JIXING through the funds it manages.
 - The funds managed by RTW acquired the shares issued by the Company at a price of ¥187 per share, for a total of ¥684 million. The share price was determined by the volume weighted average price (VWAP) of the Company's common shares in regular trading during the last five trading days until January 10, 2024, the business day prior to the Board of Directors' resolution regarding the issuance of the shares.

(ii) JX09-related activities

JX09 is an oral, novel, small molecule aldosterone synthesis inhibitor being developed by JIXING for the treatment of patients with treatment-resistant or uncontrolled hypertension. A Phase 1 clinical study with healthy subjects began in February 2024 in Australia. JX09 has demonstrated excellent aldosterone reduction activity as well as a good safety profile in preclinical studies, suggesting a potential to become the best-in-class drug.

The Company acquired the exclusive rights to develop and market JX09 in Japan through the alliance with JIXING and entered into the definitive license agreement with JIXING for the purpose on February 23, 2024.

(iii) TMS-008-related activities

TMS-008 is currently being developed for the treatment of acute kidney injury and other indications. After preparations for chemistry, manufacturing, and control aspects for Phase I clinical trials and safety tests based on Good Laboratory Practice, preliminary negotiations with the authorities (Pharmaceuticals and Medical Devices Agency) were completed resulting in a Clinical Trial Plan Notification submitted on February 29, 2024. In terms of the framework for implementing the clinical trials, the contract research organization, the clinical trial facility, and the contract laboratory testing company have been chosen with preparations underway for the start of the clinical trials. Regarding patents related to this development, a patent in Japan was granted in September 2023 and a patent in China was granted in December 2023. The patents are expected to be examined in major countries. The Company had obtained a royalty-free license to use such patents from Biogen, but as mentioned above, the contractual rights have been transferred from Biogen to JIXING. As such, the Company continues to be granted such royalty-free license from JIXING.

As for TMS-009, which is positioned as a backup compound to TMS-008, manufacturing methods are under evaluation.

(iv) Pipeline expansion-related activities

The Company has made substantial efforts in terms of research and development to expand its pipeline through internal and external initiatives. With regard to internal initiatives, the Company continued to search for novel soluble Epoxide Hydrolase (sEH) inhibitors, leveraging the Company's knowledge and experience on the enzyme accumulated through development of SMTP compounds. Utilizing multiple

approaches, including optimization of AI-generated compounds and screening of a natural compound library, potential candidates for new sEH inhibitors have been searched and evaluated. The efforts further continue.

With regard to external initiatives, the Company continued to search for and evaluate early-stage programs being developed in academic research institutions and biopharma companies. On May 8, 2023, an option agreement with Hokkaido University was signed for exclusive evaluation and licensing of a drug candidate substance, which has completed the first phase of the exclusive evaluation period and is now under the second phase of evaluation. In addition to toxicity tests, verifying efficacy, and mechanism analysis, research on its marketability is also underway. Furthermore, for this drug candidate, the Company entered into a three-way joint research agreement that includes Kanazawa University. In addition, the Company continues to evaluate another project for which an option agreement was signed Hokkaido University in July 2022, including an examination of GMP manufacturing grade drug substances and formulations.

The Company established the Joint Research Chair at Tokyo University of Agriculture and Technology in April 2023 (see item (v) below) to cultivate new pipeline candidates by leveraging the collaboration with the said university where the SMTP compounds were discovered and developed.

(v) Strengthening the research and development system

Effective on April 1, 2023, Keiji Hasumi, Ph.D., a co-founder and chairman of the Company, was assigned as a full-time Chief Scientific Officer, following his retirement as professor at Tokyo University of Agriculture and Technology on March 31, 2023, and leads research activities in the Company. Accordingly, the research and development activities of the Company are led by Dr. Hasumi, Chief Scientific Officer and Noriaki Inamura, Ph.D., Executive Vice President, Development, as summarized below.

In addition, in April 2023, the Joint Research Program with Tokyo University of Agriculture and Technology sponsored by the Company was established in order to strengthen its research and development functions.

Name	Title	New responsibility	Old responsibility
Keiji Hasumi Ph.D.	Chief Scientific Officer	Research	-
Noriaki Inamura Ph.D.	Executive Vice President, Development	Development	Research and development

As a result of these activities, operating expenses for the fiscal year ended February 29, 2024 totaled ¥943,253 thousand, roughly at level with the forecast announced on April 14, 2023, including ¥607,728 thousand in research and development expenses, mainly development expenses for TMS-008, and ¥335,525 thousand in other selling, general and administrative expenses. Based on these results, operating loss for the fiscal year ended February 29, 2024 was ¥943,253 thousand (compared to operating loss of ¥520,149 thousand in the previous fiscal year), ordinary loss was ¥943,395 thousand (compared to ordinary loss of ¥861,471 thousand in the previous fiscal year), and net loss was ¥960,040 thousand due to the recording of ¥15,694 thousand in impairment losses on non-current assets as extraordinary losses (compared to net loss of ¥860,925 thousand in the previous fiscal year).

As the Company operates a single segment of drug development business, operating results by segment are omitted.

(2) Overview of financial position for the fiscal year ended February 29, 2024

Assets

Total assets as of the end of the fiscal year ended February 29, 2024 were ¥3,554,754 thousand, a decrease of ¥235,460 thousand from the end of the previous fiscal year.

This was mainly due to a decrease of ¥138,037 thousand in cash and deposits, which was a result of payments for operating expenses such as research and development expenses despite proceeds from the issuance of new shares through third-party allotment etc., and a decrease of ¥89,056 thousand in advance payments to suppliers for conducting various trials.

Liabilities

Total liabilities as of the end of the fiscal year ended February 29, 2024 were ¥97,689 thousand, an increase of ¥21,527 thousand from the end of the previous fiscal year.

This was mainly due to an increase of ¥19,648 thousand in accrued expenses for outsourced studies.

Net assets

Net assets as of the end of the fiscal year ended February 29, 2024 were ¥3,457,065 thousand, a decrease of ¥256,988 thousand from the end of the previous fiscal year.

This was due to retained earnings brought forward decreasing, resulting from the recording of ¥960,040 thousand in net loss despite share capital and legal capital surplus each increasing by ¥345,662 thousand, resulting from the issuance of new shares.

(3) Overview of cash flows for the fiscal year ended February 29, 2024

Cash and cash equivalents (“cash”) as of the end of the fiscal year ended February 29, 2024 were ¥3,446,630 thousand, a decrease of ¥138,037 thousand from the end of the previous fiscal year. The respective cash flows for the fiscal year ended February 29, 2024 and factors thereof are as follows.

Cash flows from operating activities

Net cash used in operating activities totaled ¥822,814 thousand (compared to ¥688,423 thousand used in the previous fiscal year). This was mainly due to the recording of ¥959,090 thousand in loss before income taxes as a result of investment in the development of TMS-008 and other research and development.

Cash flows from investing activities

Net cash used in investing activities totaled ¥3,356 thousand (compared to ¥13,721 thousand used in the previous fiscal year). This was due to purchase of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities totaled ¥688,133 thousand (compared to ¥1,688,809 thousand provided in the previous fiscal year). This was mainly due to ¥681,136 thousand in proceeds from issuance of shares.

(4) Future outlook

The Company’s policy for future outlook is to postpone the disclosure of its earnings forecasts for the time being. It is difficult to carry out earnings forecasts right now, since the Company is presently at a stage of implementing upfront investment to advance research and development without having products brought to market, and its financial results are influenced significantly by milestone revenue and other external events. Once the Company is in the position of being able to forecast stable revenue from royalty and other recurrent revenue, it will disclose its earnings forecasts.

In the fiscal year ending February 28, 2025, the Company will work toward the development of each pipeline product at the clinical stage, adding TMS-007 and JX09, for which we have newly acquired the rights in Japan, to TMS-008, which has been under development for some time. In addition, it will work to expand its pipeline by 1) searching for candidate compounds for sEH inhibitors, leveraging its drug discovery expertise, and 2) introducing early-stage programs from academia, research institutions, and biopharma companies.

In light of this, operating expenses for the fiscal year ending February 28, 2025 are expected to be as follows.

- Research and development expenses are expected to be in the range of ¥750 million to ¥1,100 million.
- Other selling, general and administrative expenses are expected to be in the range of ¥300 million to ¥400 million.

2. Basic rationale for selection of accounting standards

As the Company does not prepare consolidated financial statements, it has prepared financial statements in accordance with Japanese GAAP, giving consideration to the burden of structural adjustments for preparing financial statements in accordance with the International Financial Reporting Standards (IFRS) and other factors.

3. Financial statements and significant notes thereto

(1) Balance sheet

(Thousands of yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	3,584,667	3,446,630
Supplies	223	–
Advance payments to suppliers	121,715	32,658
Prepaid expenses	12,970	17,367
Consumption taxes refund receivable	47,033	54,925
Other	36	–
Total current assets	3,766,646	3,551,581
Non-current assets		
Property, plant and equipment		
Buildings	3,828	3,943
Tools, furniture and fixtures	62,994	64,825
Accumulated depreciation	(54,681)	(68,769)
Total property, plant and equipment	12,142	0
Intangible assets		
Software	4,112	–
Total intangible assets	4,112	–
Investments and other assets		
Other	7,314	3,172
Total investments and other assets	7,314	3,172
Total non-current assets	23,568	3,172
Total assets	3,790,215	3,554,754
Liabilities		
Current liabilities		
Accounts payable - other	28,690	32,853
Accrued expenses	19,557	39,206
Income taxes payable	19,315	14,195
Provision for bonuses	2,447	2,956
Other	6,151	8,478
Total current liabilities	76,161	97,689
Total liabilities	76,161	97,689
Net assets		
Shareholders' equity		
Share capital	1,160,988	1,506,650
Capital surplus		
Legal capital surplus	1,410,487	1,756,149
Other capital surplus	926,643	926,643
Total capital surplus	2,337,131	2,682,793
Retained earnings		
Other retained earnings		
Retained earnings brought forward	215,933	(744,106)
Total retained earnings	215,933	(744,106)
Treasury shares	–	(2)
Total shareholders' equity	3,714,053	3,445,335
Share acquisition rights	–	11,729
Total net assets	3,714,053	3,457,065
Total liabilities and net assets	3,790,215	3,554,754

(2) Statement of income

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Operating revenue	–	–
Operating expenses		
Research and development expenses	297,895	607,728
Other selling, general and administrative expenses	222,254	335,525
Total operating expenses	520,149	943,253
Operating loss	(520,149)	(943,253)
Non-operating income		
Subsidy income	–	3,202
Interest on tax refund	89	42
Other	1	83
Total non-operating income	91	3,328
Non-operating expenses		
Going public expenses	328,186	–
Share issuance costs	12,598	3,187
Other	628	282
Total non-operating expenses	341,413	3,470
Ordinary loss	(861,471)	(943,395)
Extraordinary losses		
Impairment losses	–	15,694
Total extraordinary losses	–	15,694
Loss before income taxes	(861,471)	(959,090)
Income taxes - current	950	950
Income taxes - deferred	(1,495)	–
Total income taxes	(545)	950
Net loss	(860,925)	(960,040)

(3) Statement of changes in equity

Fiscal year ended February 28, 2023

(Thousands of yen)

	Shareholders' equity								Total net assets
	Share capital	Capital surplus			Retained earnings			Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	100,000	349,499	926,643	1,276,142	–	1,076,859	1,076,859	2,453,001	2,453,001
Changes during period									
Issuance of new shares	1,060,988	1,060,988		1,060,988				2,121,977	2,121,977
Net loss						(860,925)	(860,925)	(860,925)	(860,925)
Net changes in items other than shareholders' equity									–
Total changes during period	1,060,988	1,060,988	–	1,060,988	–	(860,925)	(860,925)	1,261,052	1,261,052
Balance at end of period	1,160,988	1,410,487	926,643	2,337,131	–	215,933	215,933	3,714,053	3,714,053

Fiscal year ended February 29, 2024

(Thousands of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at beginning of period	1,160,988	1,410,487	926,643	2,337,131	–	215,933	215,933	–	3,714,053
Changes during period									
Issuance of new shares	345,662	345,662		345,662					691,324
Net loss						(960,040)	(960,040)		(960,040)
Purchase of treasury shares								(2)	(2)
Net changes in items other than shareholders' equity									
Total changes during period	345,662	345,662	–	345,662	–	(960,040)	(960,040)	(2)	(268,718)
Balance at end of period	1,506,650	1,756,149	926,643	2,682,793	–	(744,106)	(744,106)	(2)	3,445,335

	Share acquisition rights	Total net assets
Balance at beginning of period	–	3,714,053
Changes during period		
Issuance of new shares		691,324
Net loss		(960,040)
Purchase of treasury shares		(2)
Net changes in items other than shareholders' equity	11,729	11,729
Total changes during period	11,729	(256,988)
Balance at end of period	11,729	3,457,065

(4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from operating activities		
Loss before income taxes	(861,471)	(959,090)
Depreciation	6,596	6,950
Impairment losses	–	15,694
Increase (decrease) in provision for bonuses	950	509
Share-based payment expenses	–	11,729
Subsidy income	–	(3,202)
Going public expenses	328,186	–
Share issuance costs	12,598	3,187
Decrease (increase) in inventories	(223)	223
Decrease (increase) in advance payments to suppliers	(80,644)	89,056
Decrease (increase) in consumption taxes refund receivable	21,554	(7,892)
Increase (decrease) in accrued expenses	807	19,648
Increase (decrease) in accounts payable - other	(140,875)	4,213
Increase/decrease in other assets/liabilities	25,048	(6,095)
Subtotal	(687,473)	(825,066)
Subsidies received	–	3,202
Income taxes paid	(950)	(950)
Net cash provided by (used in) operating activities	(688,423)	(822,814)
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,721)	(3,356)
Purchase of intangible assets	(1,000)	–
Net cash provided by (used in) investing activities	(13,721)	(3,356)
Cash flows from financing activities		
Proceeds from issuance of shares	2,103,379	681,136
Proceeds from issuance of shares resulting from exercise of share acquisition rights	6,000	7,000
Payment for going public expenses	(420,569)	–
Other, net	–	(2)
Net cash provided by (used in) financing activities	1,688,809	688,133
Net increase (decrease) in cash and cash equivalents	986,664	(138,037)
Cash and cash equivalents at beginning of period	2,598,002	3,584,667
Cash and cash equivalents at end of period	3,584,667	3,446,630

(5) Notes to financial statements

Notes on premise of going concern

Not applicable.

Income (loss) of entities accounted for using equity method

Not applicable.

Segment information

[Segment information]

Segment information is omitted as the Company operates a single segment of drug development business.

Per share information

(Yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Net assets per share	101.55	85.48
Basic loss per share	(25.28)	(26.02)

Notes: 1. Diluted earnings per share is not stated because, although potential shares exist, a basic loss per share was recorded.

2. Basis for calculation of basic loss per share is as follows:

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Net loss (Thousands of yen)	(860,925)	(960,040)
Value not attributable to shareholders of common shares (Thousands of yen)	–	–
Net loss related to common shares (Thousands of yen)	(860,925)	(960,040)
Average number of common shares outstanding during the period (Shares)	34,053,422	36,896,144
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	4 types of share acquisition rights (Number of share acquisition rights: 55,842 units, potential shares: 2,233,680 shares)	5 types of share acquisition rights (Number of share acquisition rights: 55,773 units, potential shares: 2,331,780 shares)

3. Basis for calculation of net assets per share is as follows:

	As of February 28, 2023	As of February 29, 2024
Total net assets (Thousands of yen)	3,714,053	3,457,065
Amount deducted from total net assets (Thousands of yen)	–	11,729
[of which, share acquisition rights (Thousands of yen)]	[–]	[11,729]
Net assets related to common shares (Thousands of yen)	3,714,053	3,445,335
Number of common shares used to calculate net assets per share (Shares)	36,574,880	40,304,357

Subsequent events

Not applicable.