Annual Securities Report

(Report based on Article 24, Paragraph 1 of the
Financial Instruments and Exchange Act of Japan)
Fiscal year From March 1, 2023
(20th Term) to February 29, 2024

TMS Co., Ltd.

1-9, Fuchucho, Fuchu, Tokyo

(E37069)

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Part I. Information on the Company

I. Overview of the Company

1. Key Financial Data

Fiscal Year		16th Term	17th Term	18th Term	19th Term	20th Term
Year Ended		February 2020	February 2021	February 2022	February 2023	February 2024
Operating revenue	(Thousands of yen)	-	-	1,946,520	-	-
Ordinary income (loss)	(Thousands of yen)	(732,543)	(720,362)	1,079,304	(861,471)	(943,395)
Net income (loss)	(Thousands of yen)	(733,493)	(722,932)	1,076,859	(860,925)	(960,040)
Share of profit of entities accounted for using equity method	(Thousands of yen)	-	-	-	-	-
Share capital	(Thousands of yen)	584,681	234,874	100,000	1,160,988	1,506,650
Total number of outstanding shares						
Common stock	(shares)	105,400	105,400	33,102,080	36,574,880	40,304,367
Class A Preferred Stock	(shares)	112,500	112,500	-	-	-
Class B Preferred Stock	(shares)	50,000	50,000	-	-	-
Class C Preferred Stock	(shares)	150,000	150,000	-	-	-
Class D-1 Preferred Stock	(shares)	64,813	64,813	-	-	-
Class D-2 Preferred Stock	(shares)	103,562	212,131	-	-	-
Class D-3 Preferred Stock:	(shares)	-	74,958	-	-	-
Net assets	(Thousands of yen)	748,663	1,126,892	2,453,001	3,714,053	3,457,065
Total assets	(Thousands of yen)	850,632	1,213,273	2,739,781	3,790,215	3,554,754
Net assets per share	(yen)	(9,287.94)	(403.67)	74.10	101.55	85.48
Dividends per share	(yen)	-	-	-	-	-
(Interim dividend per share)	(yen)	(-)	(-)	(-)	(-)	(-)
Net income (loss) per share	(yen)	(6,959.14)	(171.47)	53.36	(25.28)	(26.02)
Diluted net income per share	(yen)	-	-	-	-	-
Equity-to-asset ratio	(%)	88.0	92.9	89.5	98.0	96.9
Return on equity	(%)	(116.5)	(77.1)	60.2	(27.9)	(26.8)
Price earnings ratio	(times)	-	-	-	-	-
Payout ratio	(%)	-	-	-	-	-
Cash flows from operating activities	(Thousands of yen)	-	(737,808)	1,261,786	(688,423)	(822,814)
Cash flows from investing activities	(Thousands of yen)	-	(499)	(16,958)	(13,721)	(3,356)
Cash flows from financing activities	(Thousands of yen)	-	1,101,162	246,482	1,688,809	688,133
Cash and cash equivalents at end of period	(Thousands of yen)	-	1,106,691	2,598,002	3,584,667	3,446,630
Number of employees	(persons)	5	6	8	14	14
[average number of temporary workers]	(persons)	(2)	(2)	(1)	(2)	(2)
Total shareholder return	(%)	-	-	-	-	52.4
(Comparative indicator: TSE Growth Market Index)	(%)	(-)	(-)	(-)	(-)	(101.1)
Highest stock price	(yen)	-	-	-	1,188	629
Lowest stock price	(yen)	-	-	-	514	159

Notes: 1. Changes in key financial data and other indicators for the consolidated fiscal years are not presented, as the Company does not prepare consolidated financial statements.

2. Operating revenue for the 18th term was derived from the exercise of options in the option agreement to license out TMS-007 that the Company entered into with Biogen MA Inc. (hereafter, referred to as "Biogen") for its investigational drugs.
3. For the 16th term, share capital increased due to a third-party allotment of new shares and the acquisition of bonds with stock acquisition rights in exchange for shares. For the 17th and 18th terms, share capital decreased due to a capital reduction. For the 19th term, share capital increased due to the issuance of new shares upon the listing of shares on the Growth Market of the Tokyo Stock Exchange and the exercise of stock acquisition rights. And for the 20th term, share capital increased due to the issuance of new shares through a third-party allotment and the exercise of stock acquisition rights.
4. Share of profit of entities accounted for using equity method is not presented as the Company has no affiliates.
5. Net assets per share for the 16th and 17th terms are negative as they are calculated by deducting the amount of residual assets allocated in preference to Class A Preferred Stock, Class B Preferred Stock, Class C Preferred Stock, Class D-1 Preferred Stock, Class D-2 Preferred Stock and Class D-3 Preferred Stock from the total net assets.
6. Dividend per share and payout ratio are not presented as no dividend was paid.
7. The Company conducted a 40-for-1 share split of its common shares on September 21, 2021. Net assets per share and net income (loss) per share are calculated on the assumption that said splitting of shares had been made at the beginning of the 17th term.
8. Diluted net income per share for the 16th and 17th terms is not stated because, although the Company has potentially dilutive shares, the average stock price during these terms was not available since the Company was an unlisted company and the Company recorded a net loss per share for these terms. Diluted net income per share for the 18th terms is not stated because, although the Company has potentially dilutive shares, the average stock price during the term was not available since the Company was an unlisted company. Diluted net income per share for the 19th and 20th term is not stated because, although the Company has potentially dilutive shares, the Company recorded a net loss per share for these terms.
9. Price earnings ratios for the 16th through the 18th term are not stated as the Company shares were not listed. Price earnings ratios for the 19th and 20th term are not stated as the Company posted a net loss per shares.
10. Cash flow statements for the 16th terms have not been prepared, and therefore items on cash flows are not stated.
11. The number of employees is the number of full-time employees only, and the average number of temporary workers, including part-timers and contract employees, is stated in parentheses.
12. Based on resolutions at the extraordinary meetings of the Board of Directors held on July 28, 2021 and August 11, 2021, in accordance with provisions of the Articles of Incorporation, effective on August 12, 2021, the Company bought back 112,500 shares of Class A preferred shares, 50,000 shares of Class B preferred shares, 150,000 shares of Class C preferred shares, 64,813 shares of Class D-1 preferred shares, 212,131 shares of Class D-2 preferred shares, and 74,958 shares of Class D-3 preferred share as treasury shares. The Company issued 664,402 shares of common stock as consideration for the buy-back. In addition, based on the resolutions of those extraordinary meetings of the Board of Directors, the Company cancelled all of Class A preferred shares, Class B preferred shares, Class C preferred shares, Class D-1 preferred shares, Class D-2 preferred shares, and Class D-3 preferred shares held as treasury shares on August 12, 2021.
13. Financial statements for the 17th term and thereafter have been prepared in accordance with the "Regulations for Terminology, Forms and Preparation Methods of Financial Statements" (Ministry of Finance Ordinance No. 59, 1963), and audited by GYOSEI & CO. in accordance with provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act. Figures for the 16th term are calculated in accordance with the provisions of the “Corporate Accounting Rules” (Ministry of Justice Ordinance No. 13, 2006), but these figures were not audited by GYOSEI & CO. in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
14. Since the Company listed its shares on the Growth Market of the Tokyo Stock Exchange on November 22, 2022, total shareholder returns and comparative indicators for the 16th through the 19 terms are not stated. Total shareholder returns and comparative indicators for the 20th term are calculated based on the end of the fiscal year ended February 2023.
15. The highest and lowest share prices are for the Growth Market of the Tokyo Stock Exchange.

Since the Company listed its shares on the exchange on November 22, 2022, the share prices prior to that date are not stated.

16. The Company has adopted the “Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020) at the beginning of the 19th term, and major management indicators after the 19th term and after have been adjusted accordingly.

2. History

The Company was established in 2005 with the aim of commercializing medicinal seeds* identified by the Laboratory of Zymology of Tokyo University of Agriculture and Technology (TUAT), led by Professor Keiji Hasumi, Ph.D.

The Laboratory is following in the research footsteps of Dr. Akira Endo (inventor of cholesterol lowering drug statin, recipient of Lasker-DeBakey Clinical Medical Research Award in 2008 and Gardner International Award 2017, and who was a professor until March 1997 and is currently Professor Emeritus at TUAT). It focuses on exploratory research on microbially derived physiological active substances, including analysis of their actions and evaluation of their efficacy. In the course of research for physiological active substances acting on the blood coagulation and fibrinolysis systems*, the Company has discovered a large number of new compounds, and found a group of SMTP compounds, including its pipeline* TMS-007 and TMS-008.

A summary of the Company's transition up to the submission date of this document is as follows.

Years	Descriptions
February 2005	Established in Shibuya-ku, Tokyo, with capital of 10 million yen, with the aim of commercializing medicinal seeds identified by the Laboratory of Zymology of TUAT led by Professor Keiji Hasumi, Ph.D.
June 2005	Relocated Headquarters to Minato-ku, Tokyo
Aug. 2007	Entered into an agreement with Mercian Corporation (currently, MicroBiopharm Japan Co., Ltd.) to manufacture active pharmaceutical ingredients for TMS-007, and started a study on manufacturing the active pharmaceutical ingredients
August 2008	Relocated Headquarters to 3-Chome, Saiwai-cho, Fuchu, Tokyo
June 2011	Relocated Headquarters to Inagi, Tokyo
October 2011	Adopted by “Feasibility Study Potential Discovery Type (Seeds Actualization) of Adaptable and Seamless Technology Transfer Program through Target-driven R&D (A-STEP)" provided by Japan Science and Technology Agency (JST)
Aug. 2014	Started Phase 1 clinical trial* of TMS-007 in Japan
Sept. 2015	Adopted by “Technology-Based Startup Support Program” provided by New Energy and Industrial Technology Development Organization (NEDO)
Oct. 2015	Completed Phase 1 clinical trial of TMS-007 in Japan
May 2017	Relocated Headquarters to 1-Chome, Miyamachi, Fuchu, Tokyo
November 2017	Started Phase 2a clinical trial* of TMS-007 in Japan
June 2018	Entered into an option agreement with Biogen for transfer of TMS-007
August 2019	Entered into an agreement with MicroBiopharm Japan Co., Ltd. for the joint development of manufacturing method of active pharmaceutical ingredients for TMS-008, and started to manufacture the active pharmaceutical ingredients
November 2020	Completed enrollment of Phase 2a clinical trial for TMS-007 (90 patients)
February 2021	Started Good Laboratory Practice (GLP*) non-clinical trial* of TMS-008
May 2021	Biogen exercised an option to acquire TMS-007
August 2021	Completed Phase 2a clinical trial of TMS-007 in Japan
February 2022	Relocated Headquarters to 1-Chome, Fuchu-cho, Fuchu, Tokyo
November 2022	Listed on the Tokyo Stock Exchange Growth Market
January 2024	Rights for TMS-007 were transferred from Biogen to Ji Xing Pharmaceuticals Hong Kong Limited
January 2024	Acquired development and marketing rights for TMS-007 and JX09 in Japan

3. Description of Business

Segment information is omitted as the Company operates a single segment of drug development business, which conducts research, development, manufacturing and marketing of pharmaceuticals.

(1) Characteristics of SMTP compounds

The Company is a drug discovery biotechnology company, whose major businesses are to conduct the research and development of drug candidates based on the research and development results of academia and other research institutions, and to expand such drugs into the global pharmaceutical market.

So far, the Company has promoted research and development of SMTP compounds that are drug candidates targeting soluble Epoxide Hydrolase (sEH)*, one of enzymes in the human body. The inhibition of sEH has been shown to have an "anti-inflammatory effect," and the Company is developing sEH inhibitors for various inflammatory diseases.

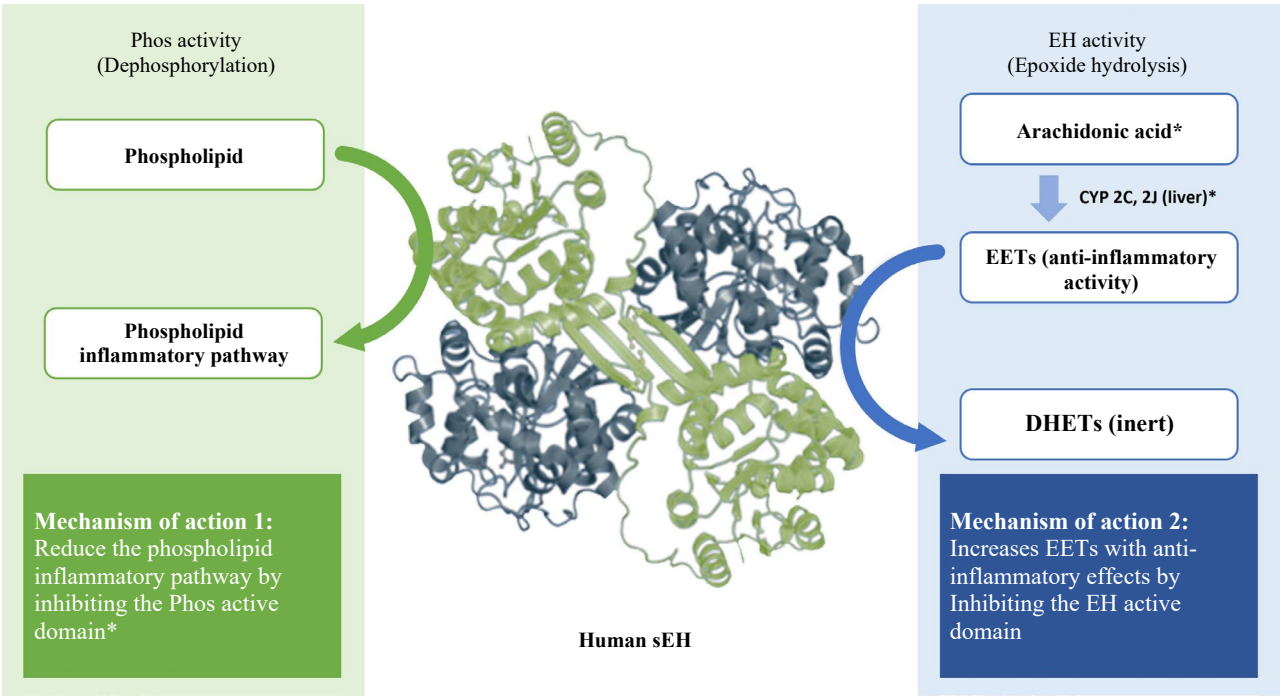
TMS-007, the Company's lead pipeline, has an anti-inflammatory effect by inhibiting sEH and a pro-thrombolytic effect by acting on plasminogen*. The clinical development is underway for the treatment of acute ischemic stroke. The follow-on pipeline, TMS-008, is being developed for various inflammatory diseases as its adaptation* and the Company has submitted a Clinical Trial Plan Notification to start a test in February 2024.

(i) Soluble Epoxide Hydrolase (sEH)

sEH is considered to have two functionally different domains. The first is the EH domain which exhibits enzymatic hydrolysis* activity of a compound with an epoxide structure*, hence the name soluble Epoxide Hydrolase (EH activity). In particular, sEH causes bioactive lipid* of Epoxyeicosa Trienoic Acids (EETs)* to turn into Dihydroxyeicosatrienoic Acids (DHETs)* through the hydrolysis mechanism. EETs are reported to have anti-inflammatory effects. The inhibition of sEH prevents the transformation of EETs into DHETs, and as a result, EETs stay in the body without being reduced in quantity. This is considered to be one of the anti-inflammatory mechanisms of sEH inhibitors.

The other domain, the Phos domain, exhibits dephosphorylation activity*. While the details of the dephosphorylation activity of sEH Phos domain still remain largely unknown, the Company is working out such action through the joint research with TUAT and others. And it is becoming clear that such action plays a key role in the anti-inflammatory effects through sEH inhibition.

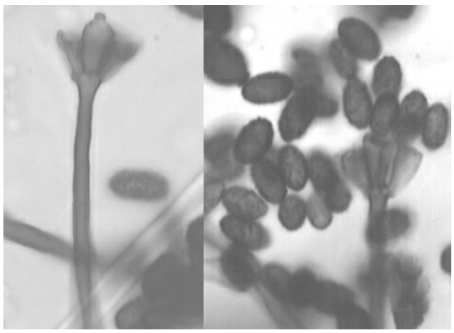
(Mechanism of action* of soluble Epoxide Hydrolase (sEH))



(ii) SMTP compounds

TMS-007, TMS-008 and TMS-009, the Company's pipelines, belong to a family of compounds named SMTP. SMTPs consist of a compound (Staplabin) produced by a black mold Stachybotrys Microspora and a group of more than 60 compounds with similar structures. The main mechanism of action (MOA) of SMTP compounds is anti-inflammatory effect based on the inhibition of sEH, but some compounds also have the effect of dissolving blood clots by acting on plasminogen.

SMTP is a small molecule produced by *stachybotrys microspora*, a type of fungus. It was isolated at Tokyo University of Agriculture and Technology as a substance with pro-thrombolytic activity.



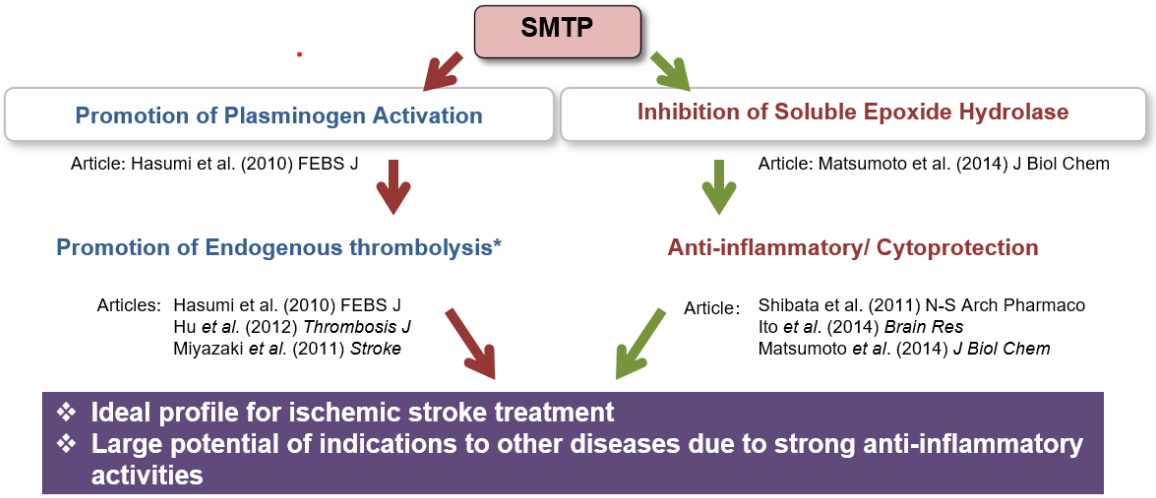
Stachybotris Microspora

***S**tachybotrys*
***M**icrospora*
***T**riprenyl*
***P**henol*

So far, more than 60 different SMTP congeners have been *identified*.
TMS-007, TMS-008, and TMS-009 are compounds belonging to the SMTP family.

Mechanism of action of SMTP

Dual mechanism – "Thrombolytic" and "Anti-inflammatory" activities



(a) Inhibition of sEH by SMTP

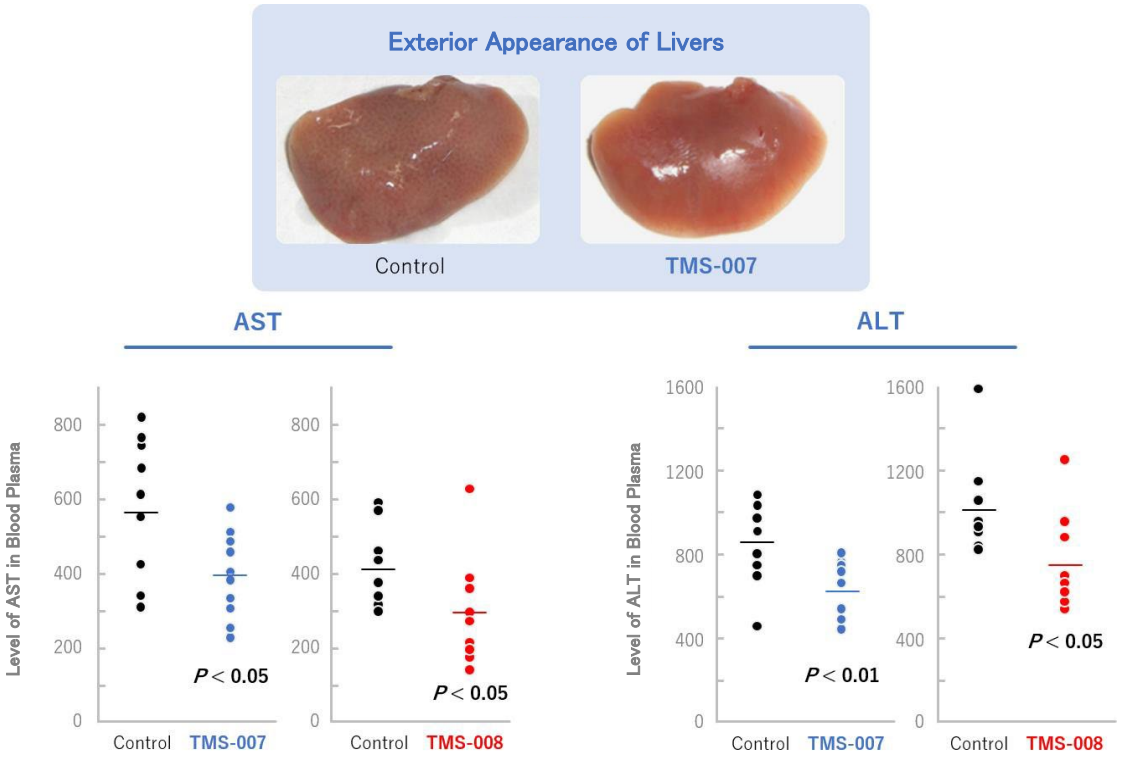
Many of SMTP compounds have effects to inhibit both EH and Phos domains of sEH, which is considered to produce strong anti-inflammatory effects.

To date, the Company has conducted various studies on the effects of SMTP compounds, including TMS-007 and TMS-008, using inflammatory-type disease animal models*. In many of these studies, SMTP compounds have exhibited anti-inflammatory effects.

For example, in a mouse model used to study obesity and metabolic syndrome referred to as an ob/ob mouse model, TMS-007 and TMS-008 were shown not only to lower markers such as cholesterol and neutral fat but also exhibited evidence of controlling liver inflammation. In addition, in ulcerative colitis mouse models, TMS-008 was shown not only

to improve symptoms but also demonstrated superior results compared with 5-ASA (5-aminoacetylic acid), which is widely used as a first-line treatment for ulcerative colitis.

(Suppression of hepatitis by SMTP compounds in an ob/ob mouse model)



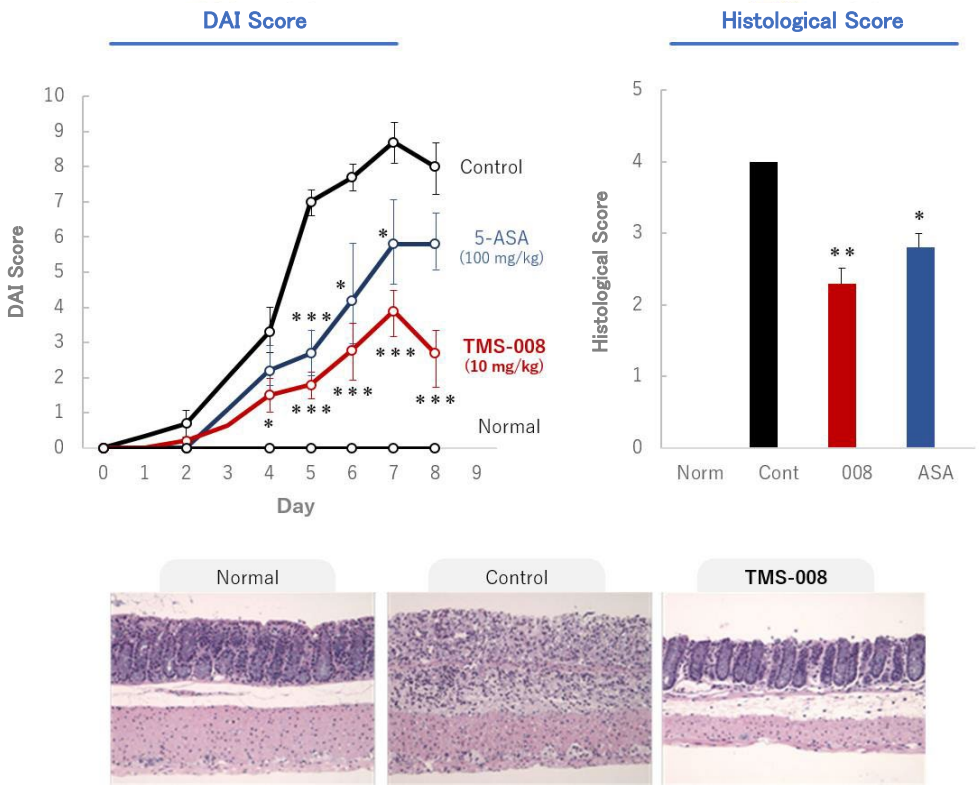
AST/ALT: Enzymes that are abundant in the liver. These are used as indicators of the degree of liver damage such as from hepatitis or other causes due to the fact that the levels of these enzymes in the blood increase when the liver is injured.

Control: ob/ob mouse model. An ob/ob mouse model is a type of obesity mouse model which has become profoundly obese due to genetic mutations. It is often used as a model for metabolic syndromes.

TMS-007: Mice that are in the same condition as the Control group to which TMS-007 is administered.

TMS-008: Mice that are in the same condition as the Control group to which TMS-008 is administered.

(Pharmacological effectiveness of TMS-008 on mouse models with ulcerative colitis)



DAI score: An indicator of ulcerative colitis severity. A greater value indicates higher severity.

Histological score: An indicator of histological findings. The five-step index is used in this study, with a greater value indicating higher severity.

Normal: Mice in normal condition.

Control: Mice with artificially induced ulcerative colitis.

TMS-008: Mice that are in the same condition as the Control group to which TMS-008 is administered.

5-ASA: Mice that are in the same condition as the Control group to which 5-ASA is administered.

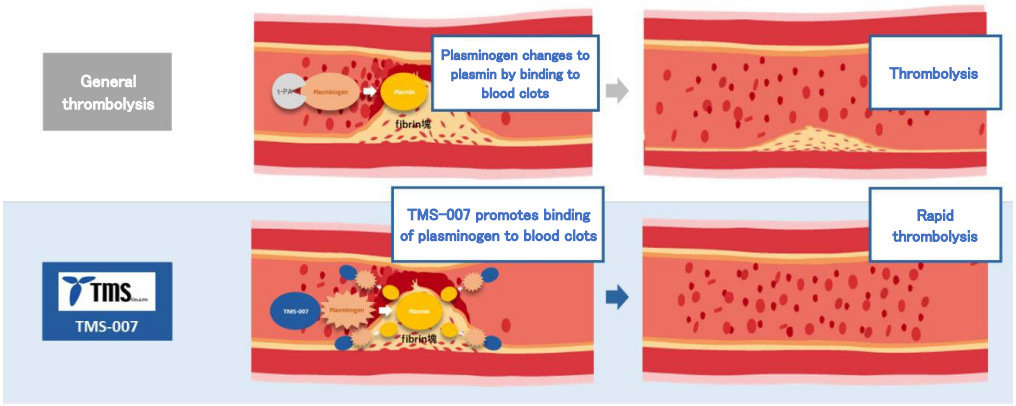
(b) Pro-thrombolytic action by SMTP

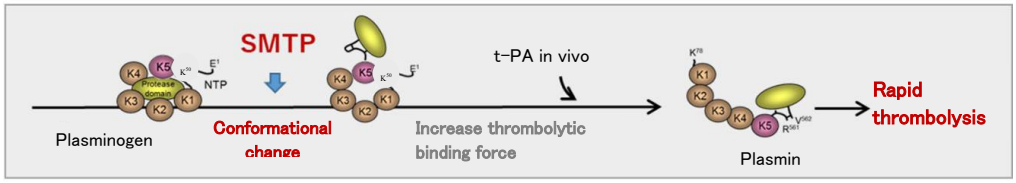
The mechanism of thrombolysis in vivo is precisely controlled. The main mechanism is that the protein plasminogen, which is abundant in the blood, binds to fibrin*, a major component of blood clots, leading to the induction of tissue-type plasminogen activator (t-PA)*, which cleaves at one site of the plasminogen to turn it into plasmin*, which breaks down a fibrous protein.

t-PA is also the only FDA*-approved drug for Acute Ischemic Stroke (AIS). Engineered t-PA is administered from outside the body to produce more plasmin, which in turn has the effect of promoting thrombolysis. On the other hand, it has been pointed out that a large dose of t-PA may disrupt the balance of the coagulation and fibrinolytic system in the body, leading to the risk of side effects that may promote bleeding even in areas where there are no blood clots (Pendlebury et al. Ann. Neurol. 1991).

In contrast, the pro-thrombolytic mechanism of SMTP compounds is that SMTP binds to plasminogen and changes its conformation, making it easier for plasminogen and fibrin to bind, thus rapidly initiating the thrombolysis process. Since the administration of SMTP compounds does not disturb the balance of various proteins involved in thrombolysis, it is considered that there is a low risk of causing side effects that promote bleeding.

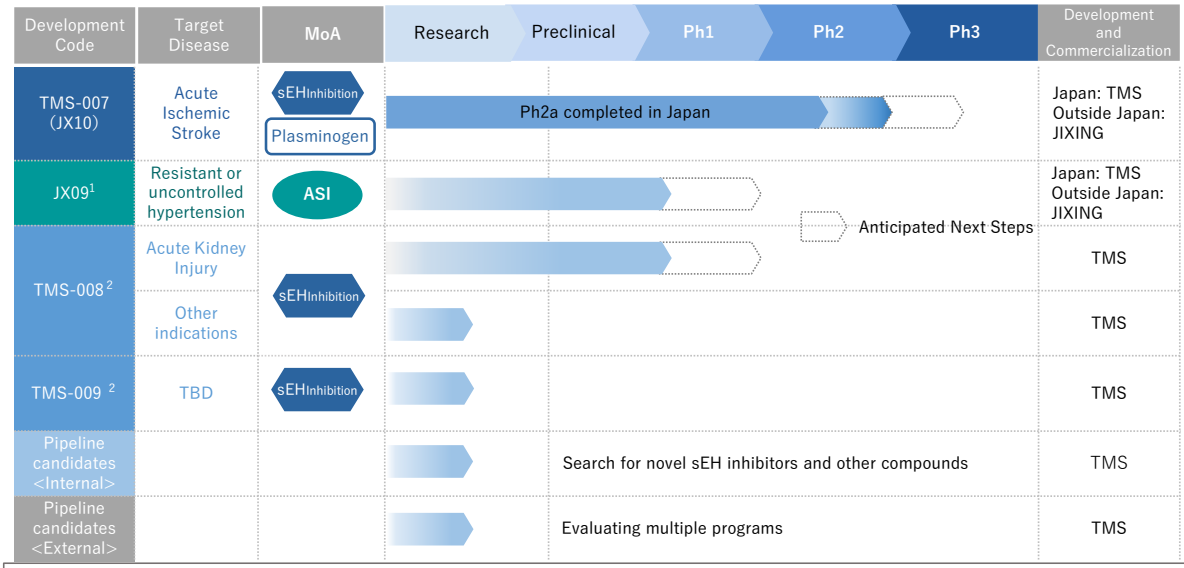
(Mechanism of the thrombolytic action of SMTP compounds)





(2) Pipelines

The current pipeline of the Company consists of three compounds: TMS-007 which is in the late stage of clinical trial (completion of Phase 2a trial), and JX09 and TMS-008 which are in the early stage of clinical development. The Company has also TMS-009, a backup compound of TMS-008. TMS-007, TMS-008, and TMS-009 all belong to the SMTP compound family, but in the future, the Company will continue research and development of compounds other than SMTP, which can target sEH.



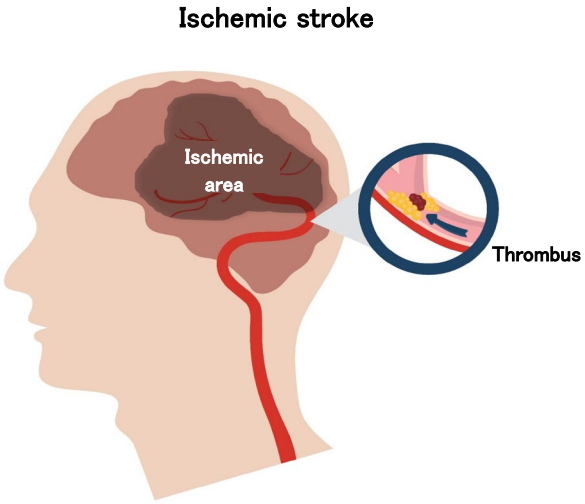
The above information contains forward-looking statements based on our judgement in light of the information currently available to us. Therefore, please be aware that the above information is subject to various risks and uncertainties, and actual development may differ significantly from these projections.

1. Acquired a royalty-free license for development and marketing rights in Japan from JIXING (January 2024).
2. Continues development of TMS-008 and TMS-009, which were under developed based on a royalty-free license from Biogen, based on a grant-back license from JIXING.
   TMS-009 is a backup compound for TMS-008.

(i) TMS-007 (Acute Ischemic Stroke)

Stroke is a very serious disease that affects about 7.63 million people and causes about 3.29 million death each year around the world (World Stroke Organization: Global Stroke Fact Sheet 2022). Acute ischemic stroke (AIS) is caused by blockages of blood supply to the brain when a blood clot blocks a blood vessel in the brain. It may cause hemiplegia, memory loss, speech problems, reading and comprehension difficulties and other complications, leading to permanent brain damage. It is also the leading cause of disabilities requiring care in daily living and has a tremendous impact on the healthcare economy. Nevertheless, only one drug is commonly approved in developed countries, and it is administered to less than 10% of all stroke patients, creating an enormous unmet medical need* (Intern Med 54: 171 -177, Prehospital Delay and Stroke-related Symptoms). The Company believes that TMS-007 is expected to make a significant difference in the treatment for AIS as a result of its new MOA of pro-thrombolytic and anti-inflammatory properties.

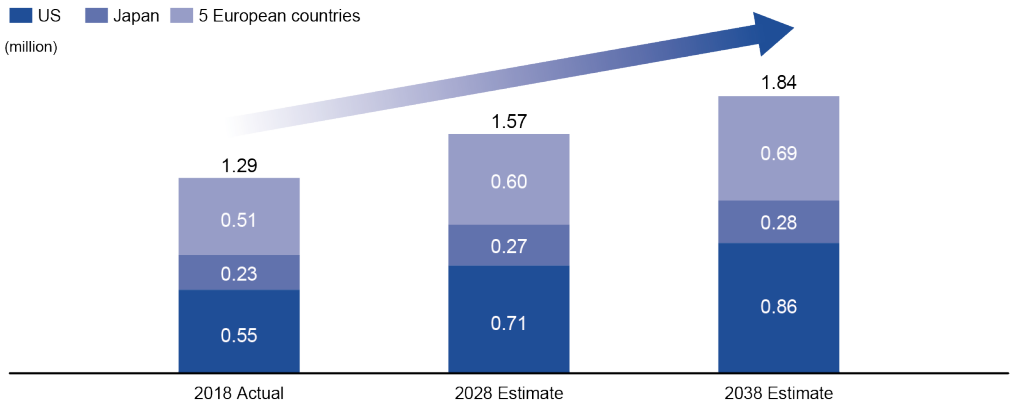
The Company conducted the Phase 2a clinical trial of TMS-007 from November 2017 to August 2021. In June 2018, the Company signed an option contract with Biogen Inc. In May 2021, Biogen exercised the option right to carry out all development activities and obtain regulatory approval in various countries of TMS-007. However, due to the change in its strategy, Biogen transferred the option agreement between the Company and Biogen 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), a China-based biotechnology company focused primarily on the cardiovascular and ophthalmology sectors. The contractual status was transferred from Biogen to JIXING on January 11, 2024. After the transfer, JIXING will develop and obtain approval for TMS-007 in all countries (excluding Japan). Rights to develop and market TMS-007 in Japan were licensed to the Company free of charge in accordance with the amendment to the Option Agreement made on the same date. With regard to the subsequent clinical trial of TMS-007 (JIXING development code: JX10), the Company and JIXING will hold discussions, including revisions to the trial design, with the aim of starting the trial as soon as possible.



(a) Acute ischemic stroke (AIS) market

It is reported that stroke including ischemic stroke is the second leading cause of death in the world and is regarded as one of the prime causes for disability in adulthood (Katan et al. Semin Neurol 2018;38:208–211). It is also reported that the number of worldwide incidents of strokes is approximately 12.22 million per annum, of which approximately 7.63 million (approximately 63%) are caused by ischemic stroke. The number of worldwide fatalities caused by strokes is approximately 6.55 million per annum, of which approximately 3.29 million (approximately 50%) are caused by ischemic stroke (World Stroke Organization: Global Stroke Fact Sheet 2022).

Ischemic stroke accounted for approximately 87% of all strokes in the United States, and it is estimated that approximately 0.553 million people suffered ischemic stroke in 2018 (Tsao et al. Heart Disease and Stroke Statistics 2022 e391, Datamonitor Healthcare “Stroke Epidemiology,” Published on January 7, 2019). Stroke is the fifth leading cause of death in the United States and is considered to be the most disabling factor in adults (Centers for Disease Control and Prevention, National Vital Statistics Reports volume 70). In Japan, it is estimated that approximately 0.23 million people suffered ischemic stroke in 2018 (Datamonitor Healthcare "Stroke Epidemiology," Published on January 7, 2019).



1. Datamonitor Healthcare."Stroke Epidemiology",Ref Code:DMKC0201444.Published on 07 January2019
2. Five European countries are composed of five major countries: Germany, France, Italy, Spain and the United Kingdom.

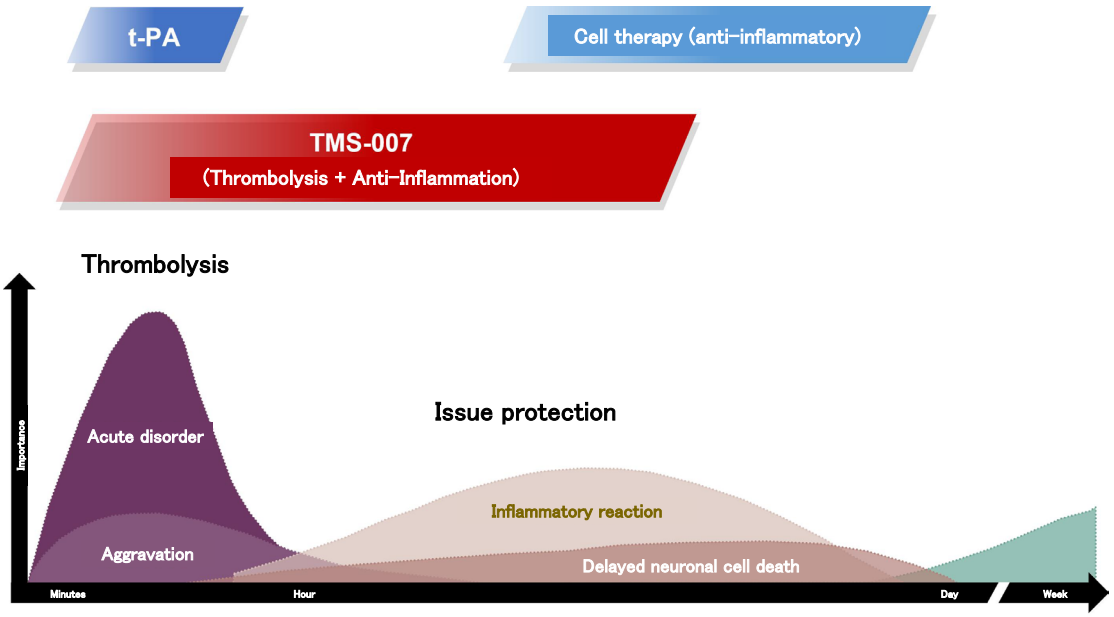
The number of AIS patients worldwide is expected to increase. In addition, sales of therapeutic agents for AIS in 2021 were approximately $2.1 billion, and the market is expected to grow year by year (Source: Informa; Total estimated sales of Activase® and Actilyse®. Due to limitations in the accuracy of statistical data and publications, the actual market size may differ from estimates). Since t-PA is reported to be used in less than 10% of all ischemic stroke patients (Intern Med 54: 171 -177, Prehospital Delay and Stroke-related Symptoms), the market is expected to grow further if TMS-007 can be administered to more patients than those eligible for t-PA.

One study reports that the lifetime cost of a stroke in the United States is approximately $0.14 million per person (Katan et al. Semin Neurol 2018;38:208-211), and considering that approximately 0.553 people suffer ischemic stroke each year, this represents an enormous future burden every year.

(b) Advantages of TMS-007

There are currently two strategies for treating AIS: (i) restarting the blood circulation as soon as possible after onset and (ii) reducing edema* and inflammation. t-PA, which has the effect of restarting blood circulation, is currently the primary drug approved for treatment of AIS in various countries. There is currently no commonly approved drug in developed countries, which has shown the ability to reduce edema and inflammation. Although a number of drugs with different MOA are under development, there are very few that are in the late clinical trial stages.

TMS-007 has a mechanism combining both plasminogen-mediated thrombolysis to restore blood circulation and sEH inhibition to prevent inflammation, making it possible to address the two treatment strategies of restoration of blood circulation and anti-inflammation with a single drug. Few compounds are known to have such combined effect of "the restoration of blood circulation" and "anti-inflammation," and the Company believes TMS-007 has an advantage over other drugs and drug candidates.



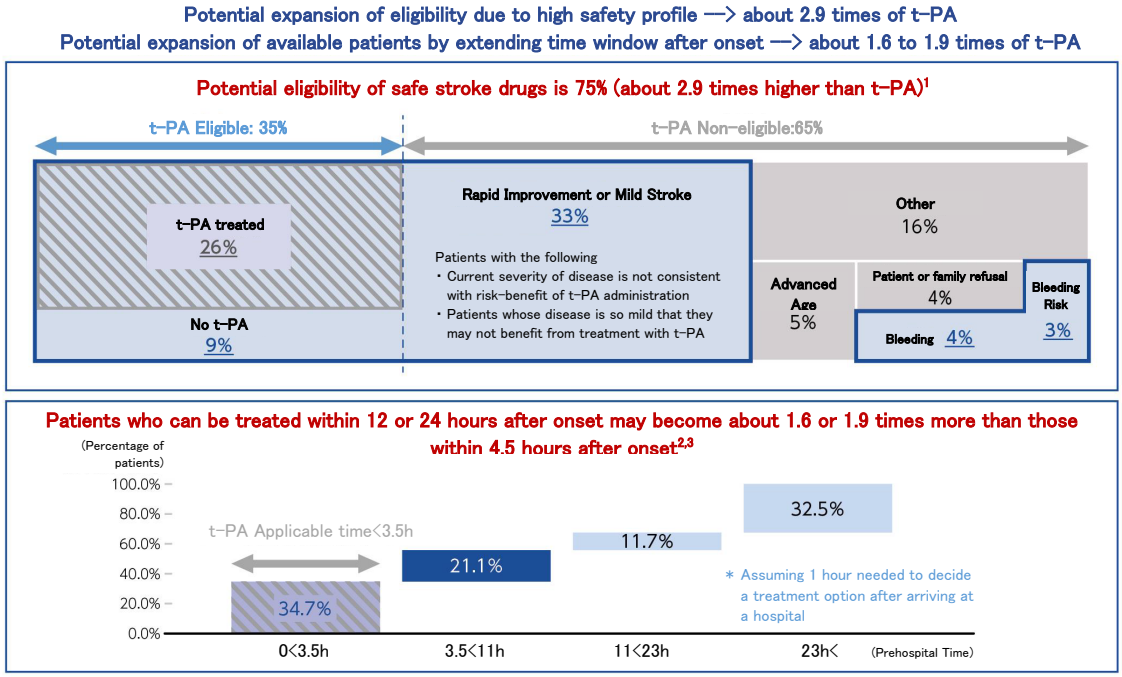
Time windows for treatment opportunity in stroke, adapted from Zaleska *et al. Neuropharmacology* (2009)

(Adapted from the article by M. Zaleska et al. (2009) Neuropharmacology)

t-PA's MOA is the restoration of blood circulation by thrombolysis, which is known to have a side effect of increasing the risk of bleeding inside the skull. In order to reduce the risk of this side effect, t-PA must be generally administered within 4.5 hours of symptom onset (Kazunori Toyoda, Clinical Neurology 49:: 801-803, 2009).

On the other hand, the clinical trial of TMS-007 did not result in any incidence of symptomatic intracerebral hemorrhage, or sICH, with a deterioration of 4 or higher on the National Institutes of Health Stroke Scale (NIHSS)*. Furthermore, some animal experiments indicated that TMS-007 even reduced bleeding inside the skull (Ito et al. Brain Res 2014). The Company expects that the treatment window for TMS-007 has the potential to be longer than 4.5 hours. In fact, in the Phase 2a clinical trial, TMS-007 was administered to subjects with symptom onset within 12 hours.

TMS-007 has the potential to be used in more patients than t-PA due to its efficacy and safety. It is reported that 26% of patients who arrived at the hospital when t-PA was available, actually received t-PA (Source: Messe (2016), "Why are acute ischemic stroke patients not receiving IV t-PA?"). Due to its high safety, TMS-007 has the potential to be administered up to 75% of patients during the available dosing time after onset, and the potential market size may be large relative to t-PA (approximately 2.9 times by simple calculation). As a general rule, t-PA must be administered within 4.5 hours after the onset of symptoms. However, if the available dosing time of TMS-007 is extended to 12 or 24 hours after symptom onset, the number of eligible patients could be approximately 1.6 or 1.9 times that of t-PA. Taken together, if the Company assumes that the availability of TMS-007 for patients with 12 or 24 hours after symptom onset is no different from that for patients within 2 hours after symptom onset, TMS-007 could have a potential market size of 4.6 to 5.5 times that of t-PA. In addition, if the above efficacy and safety are confirmed, TMS-007 may be priced higher than t-PA. (The above information contains forward-looking statements that are based on judgment on the basis of currently available information. Therefore, you should be aware that the above information is subject to various risks and uncertainties, and that actual developments may differ materially from those projected.)



1. Prepared from Messe Newlogy 87 (15): 1565 −1574. 2016 (composition of patients who arrived within 2 hours of onset)
2. TMS assumption using average breakdown of patients by prehospital time based on the following papers:
   Tong et al. (2012).'Times from Symptom Onset to Hospital Arrival in the Get With The Guidelines-Stroke Program 2002 to 2009"
   Harraf (2002). "A multicenter observational study of presentation and early assessment of acute stroke"
   Kim (2011). "Stroke awareness decreases prehospital delay after acute ischemic stroke in Korea"
   Matsuo (2017). "Association Between Onset-to-Door Time and Clinical Outcomes After Ischemic Stroke"
3. Assuming 1 hour needed to decide a treatment option after arriving at a hospital

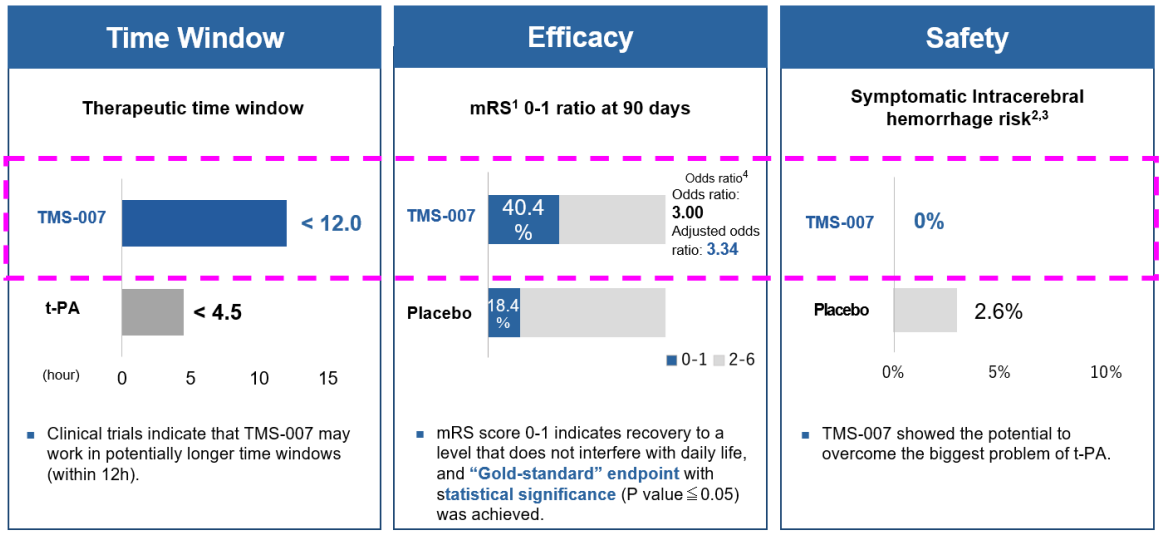
(c) Results of Phase 2a clinical trial of TMS-007

The Company conducted a Phase 2a clinical trial of TMS-007 between November 2017 and August 2021. The trial was conducted in Japan as a single-dose, randomized*, placebo-controlled*, dose-escalation* and double-blind trial*, with 52 subjects to whom TMS-007 was administered and 38 subjects to whom a placebo was administered. Among the subjects to whom TMS-007 was administered, six subjects were given a dose of 1mg/kg, 18 were given a dose of 3mg/kg and 28 were given a dose of 6mg/kg.

The main enrollment criteria for subjects for this trial were patients of AIS who cannot be treated with existing thrombolytic drugs or endovascular treatment*, and who could be treated within 12 hours after symptom onset. The average (median) time elapsed from symptom onset to the administration was 9.5 hours in the TMS-007 group and 9.3 hours in the placebo group. The primary endpoint of the trial evaluated safety as assessed by the incidence of symptomatic intracranial hemorrhage* (sICH) with worsening of National Institute of Health Stroke Scale (NIHSS) of four points or more. No relevant cases were reported in the TMS-007 group (0 of 52 cases), and the incidence of relevant cases was 2.6% in the placebo group (1 of 38 cases). The incidence of total intracranial hemorrhage (total ICH), including mild bleeding, was 11.5% (6/52) in the TMS-007 group and 13.2% (5/38) in the placebo group.

In addition, TMS-007 demonstrated a significant improvement on one of the secondary endpoint of life independence at 90 days after onset. 40.4% of patients who received TMS-007 achieved scores of 0 or 1 on the modified Rankin Scale (mRS)*, a measure of independence in daily living, indicating no significant disability in daily activities, compared to 18.4% of patients who received placebo. Although this clinical trial was conducted on a relatively small scale, with 90 subjects in total, the results exhibited a statistically significant difference (p value* <0.05, simple odds ratio* of 3.00 and adjusted odds ratio of 3.34). An increase in the ratio of mRS 0-1 patients at 90 days, also called Excellent Outcome, is widely regarded as the "gold standard" efficacy endpoint for AIS clinical trials.

(Key results of TMS-007 Phase 2a clinical trial)



1. mRS indicates modified Rankin Scale, and it refers to degree of independence in daily life
2. Biogen, Investor Day Material (September 21, 2021), Q4 and Full Year 2021: Financial Results and Business Update
3. Wardlaw et al. (2012), "Recombinant tissue plasminogen activator for acute ischaemic stroke: an updated systematic review and meta-analysis", N=2,488
4. Calculation of each odds ratio;
TMS-007: odds ratio 3.0 = (40.4%/59.6%)/(18.4%/81.6%), adjusted odds ratio 3.34 (statistically adjusted to control for other predictor variables. Source: ISC2022 Poster)

The recanalization rate of subjects with visible vascular occlusion assessed by way of computed tomography angiography (CTA)* or magnetic resonance angiography (MRA)*, was 58.3% in TMS-007 group (14 out of 24 patients) and 26.7% in placebo group (4 out of 15 patients). While this difference was not statistically significant, the Company believes that it indicates supporting data for improvement of life independence due to TMS-007 (95% confidence interval* of 0.99-18.07, odds ratio of 4.23).

(Summary of TMS-007 Phase 2a clinical trial)

	TMS-007 group	Placebo group
Design	Randomized, placebo-controlled, dose-escalation and double-blind trial	
Main enrollment criteria	Patients with AIS aged 18 or older and 88 or younger Thrombolysis and endovascular therapy not applicable Can be started within 12 hours after onset	
Dosage and administration	Single dose	
Number of patients	52	38
Average elapsed time since onset	9.5 hours	9.3 hours
sICH	0%	2.6%
Efficacy (mRS 0 -1 outcome rate)1	40.4%	18.4%
Revascularization rate	58.3%	26.7%

1. A statistically significant difference was shown. (P value < 0.05, simple odds ratio of 3.00, adjusted odds ratio of 3.34)

(d) Further development of TMS-007

In June 2018, the Company signed an option agreement with Biogen. After confirming the favorable results in Phase 2a clinical trial of TMS-007, Biogen exercised its option in May 2021 and was solely responsible for the further development and its cost. Due to the change in strategy, however, Biogen has transferred its position in the option agreement to JIXING. The contractual status was transferred from Biogen to JIXING on January 11, 2024. After the transfer, JIXING will develop and obtain approval for TMS-007 in all countries (excluding Japan). Rights to develop and market TMS-007 in Japan were licensed to the Company free of charge in accordance with the amendment to the Option Agreement made on the same date. With regard to the subsequent clinical trial of TMS-007, the Company and JIXING will hold discussions, including revisions to the trial design, with the aim of starting the trial as soon as possible.

The Company received from Biogen $4 million by signing the option agreement in June 2018 and then $18 million in connection with Biogen’s exercise of its option in May 2021.

At the same time that Biogen's contractual status under the Option Agreement was transferred to JIXING, the terms of the Option Agreement were changed. Accordingly, the Company is entitled to receive (1) an upfront payment of $5 million in the form of JIXING shares, development and marketing rights for TMS-007 in Japan, and development and marketing rights for JX09 in Japan, (2) up to $367.5 million in lump-sum milestone* payments, consisting up to $12.5 million in development milestones and up to $355 million commercial milestones, and (3) tiered royalties from high single-digit to low-teens percentages of product sales in regions other than Japan (no change in rates).

(Outline of option agreement)

Class	Timing	Amount
Contract money (received)	June 2018	$4 million
Option exercise fee (received)	May 2021	$18 million
Upfront due to changes in the agreement (received)	January 2024	$5 million in the form of JIXING shares Development and marketing rights of TMS-007 in Japan Development and marketing rights of JX09 in Japan
Milestones	(depending on development and sales)	Up to $367.5 million Development milestone: Up to $12.5 million Sales milestone: Up to $355 million
Royalty	(The expiration of the relevant patent right and eight years after the start of sales, whichever is later)	High single-digit to low-teens percentages

*Ji Xing Pharmaceuticals Limited (Cayman Islands)

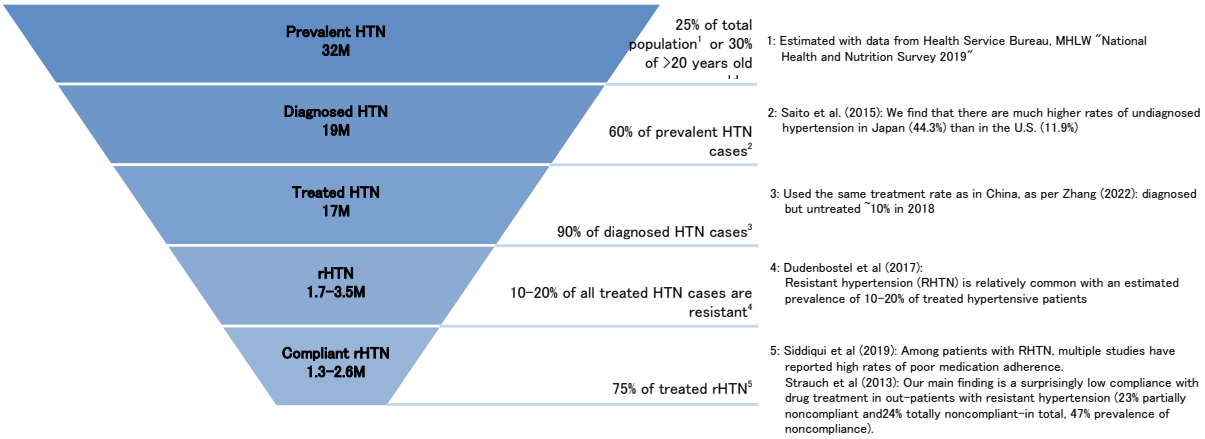
(ii) JX09

JX09 is a small molecule compound with aldosterone* synthase inhibitory activity. In February 2024, JIXING began Phase I clinical trial for JX09 in Australia.

JX09 is expected to have potential as a therapeutic candidate for resistant/uncontrolled hypertension due to its aldosterone synthase inhibitory activity. Patients with resistant/uncontrolled hypertension are deemed to be approximately 10 to 20% of those receiving treatment for hypertension. In Japan alone, the number of such patients is estimated to be 1.3 to 2.6 million.

For aldosterone synthesis inhibitor (ASI), it is crucial to selectively inhibit only aldosterone synthase (CYP11B2*), and not the structurally similar CYP11B1*. JX09 has very high selectivity for CYP11B2 and is considered to have best-in-class* potential.

(Estimated number of patients in Japan)



(iii) TMS-008

TMS-008 is one of the SMTP family compounds and exhibits anti-inflammatory effects by inhibiting sEH with little pro-thrombolytic activity. The Company submitted a Clinical Trial Plan Notification for Phase I clinical trial in February 2024.

By using its anti-inflammatory effects, the Company is currently developing TMS-008 to treat acute inflammatory diseases with significant unmet medical needs. The Company plans to develop TMS-008 for acute kidney injury (AKI) and cancer cachexia. The Company is also researching indications for other diseases and, depending on the results obtained, may add indications in the pipeline for TMS-008.

As a result of Biogen's exercise of its option, the rights to develop all SMTP compounds, including TMS-008, were transferred to Biogen which has subsequently transferred these rights to JIXING. The Company continues to obtain a royalty-free license from JIXING to develop several compounds, including TMS-008, for the treatment of certain diseases. All indications that the Company has listed in its pipeline as indications for TMS-008 are also covered under this license.

(a) Acute kidney injury

Acute kidney injury (AKI) is an abrupt decrease in kidney function within hours or days, and while there are a variety of causes for the disease, it is said that the disease is generally caused as a result of complications with other illness. In domestic research, it is reported that AKI is caused by sepsis (35%), cardiogenic shock (21%) and major surgery (13%) (Journal of Japanese Society of Internal Medicine, Volume 103, No. 5, 2014). Infection with COVID-19 has also been reported to cause AKI (Nature Reviews Nephrology volume 16, pages 747–764 (2020)).

The epidemiology* of AKI is not fully understood, but it is reported overseas that there are approximately 200 to 500 patients who do not require dialysis and 20 to 30 patients who require dialysis per 100,000 in the population per year. In Japan, it is reported that the number of AKI patients who required acute blood purification treatment* is 13.3 per 100,000 in the population per year (Journal of Japanese Society of Internal Medicine, Volume 103, No. 5, May 10, 2014). Market research reports estimate that the annual number of patients in seven major countries (Japan, the United States and five European countries) will grow to 11 million in 2030 (Delveinsight, Acute Kidney Injury—Market Insights, Epidemiology, and Market Forecast—2030. Five European countries include Germany, France, Italy, Spain and the United Kingdom.) It is reported that AKI occurs in 8 to 16% of hospital admissions (Adv Chronic Kidney Dis. 2017;24(4):194-204).

It is also reported that the death rate of AKI hospitalized patients is as high as 20 to 25% (Nephron, 2017;137(4):297–301), and that many patients who recover develop chronic kidney disease (CKD). The impact on the health care economy is also significant, and in the United States, it is reported that AKI-related annual medical cost is as high as $5.4 billion to $24 billion (Silver et al. Nephron. 2017). Despite the seriousness of the disease, there are no approved drugs specifically to treat AKI, which poses significant unmet medical need. The Company plans to develop TMS-008 as a treatment of AKI.

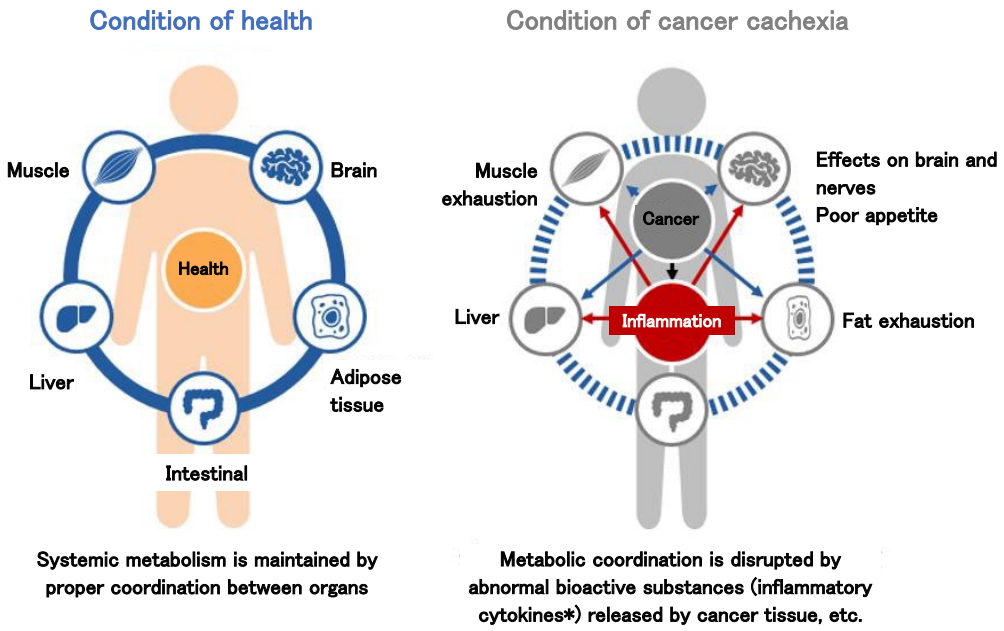
(b) Cancer cachexia

Cancer cachexia is defined as “a multifactorial syndrome represented by an ongoing loss of skeletal muscle mass, with or without loss of fat mass, that cannot be fully reversed by conventional nutritional support and leads to progressive functional impairment” (Fearon K, et al. Lancet Oncol. 2011; 12(5): 489–495). It is reported that 80% of advanced cancer patients exhibit the condition of cachexia, and it is even reported that cancer cachexia directly accounts for approximately 20% of cancer patients deaths (The Journal of Japanese Society for Parenteral and Enteral Nutrition Vol.23 No.4 2008). It is also reported that the estimated number of patients of cancer cachexia in Europe, the Unites States and Japan were approximately 1 million, 0.43 million and 0.17 million, respectively (Journal of Cachexia, Sarcopenia and Muscle 2019; 10: 22–34, Journal of Cachexia, Sarcopenia and Muscle 2016; 7: 507–509), for a total of approximately 1.6 million patients in all these countries.

As a treatment for cancer cachexia, Adlumiz® (generic name: Anamorelin), a ghrelin receptor agonist*, received approval in Japan in January 2021, being the first in the world, and was launched in April 2021. In 2020, the global cancer cachexia market is estimated to be approximately $2,256 million (Mordor Intelligence, Global Cancer Cachexia Market (2021–2026)).

While the specific cause for cancer cachexia has not been fully identified, systemic inflammation is considered as one of its primary causes. As such, drugs to ease the inflammation of caner cachexia patients are in dire need.

(What is cancer cachexia?)



(c) Preclinical data of TMS-008

Based on joint studies with Showa University and Jichi Medical University, the Company conducted preclinical studies in mouse models with acute renal failure. The joint study with Showa University observed improvement of serum creatinine (Scr) and blood urea nitrogen (BUN), which are parameters of renal functions. The joint study with Jichi Medical University showed an improvement trend. Also, according to the results of the preclinical study in cancer cachexia mouse model, administration of TMS-008 demonstrated an efficacy against a decrease in loss of muscle mass in soleus muscle and tibialis muscle (P values of <0.05 and <0.01, respectively).

(d) Clinical trial of TMS-008

The Company had prepared for Phase I clinical trial of TMS-008, and submitted a Clinical Trial Plan Notification to PMDA in February 2024. The clinical trial is a First-In-Human study to administer TMS-008 to humans for the first time, and will mainly confirm the pharmacokinetics, tolerability, and safety of TMS-008 administered to healthy adult male subjects. The actual clinical trial will be conducted at the University of Tokyo Hospital.

(iv) TMS-009

The Company is preparing for the development of TMS-009 as a back-up compound to TMS-008. While TMS-009 has similar characteristics to those of TMS-008, it has achieved better results in some animal experiments than TMS-008. Accordingly, the Company is also considering the development of TMS-009 not only as a back-up compound but as a primary product candidate for some indications.

As a result of Biogen's exercise of its option, the rights to develop all SMTP compounds, including TMS-009, were transferred to Biogen which has subsequently transferred these rights to JIXING. The Company has obtained a royalty-free license from JIXING to develop several compounds, including TMS-009, for the treatment of certain diseases.

(v) New pipeline

The Company has also begun research and development on potential drug substances other than SMTP which target sEH, mainly through joint research with TUAT. In the medium to long term, the Company also plans to conduct research activities on naturally derived compounds that act on targets other than sEH and on lipid mediators that are targets of sEH, utilizing the knowledge gained through the development of SMTP compounds.

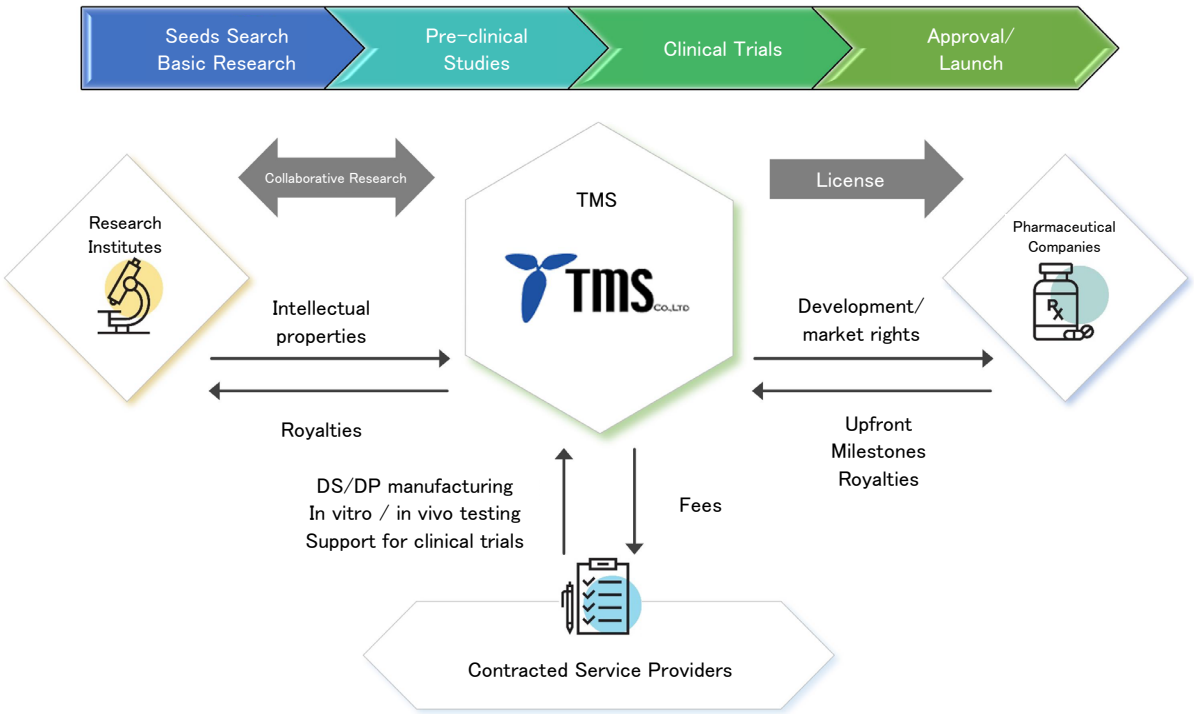
The Company believes that there are few Japanese biotechnology companies that have singlehandedly advanced a compound discovered by academia to clinical development and achieved the acquisition of human proof-of-concept (POC)*. In addition, there are a few Japanese biotechnology companies that have formed alliances with non-Japanese pharmaceutical companies operating globally. Based on this track record and experience, the Company believes that introducing and

developing academia's drug discovery seeds, particularly in Japan, and connecting them to the global pharmaceutical market is its important role, and that it is also a great opportunity for the Company to build a diversified portfolio.

The Company has considered introducing study results from academia and other research institutions and adding them to its pipeline, and is now conducting evaluations of several research results.

(3) Business model

The Company's basic business model is that it conducts drug development from the discovery and research stage to the early clinical stage, and from the late clinical stage, collaborate with domestic and foreign pharmaceutical companies to grant development, manufacturing, and marketing rights to them, and in return the Company receives upfront fees (milestone) and/or royalties. Depending on the disease area, the Company may execute late-stage clinical development, obtaining regulatory approval, and even marketing.



(4) Growth strategy

The Company has successfully advanced development of a product derived from a Japanese academic institution from research to pre-clinical and then clinical POC stage. The Company also achieved partnering with a large global pharmaceutical company along the way. The Company's management team consists of members who experienced the process and concluded the deal.

The Company aims to promote its growth by leveraging such experience and achievements gained as follows: 1) establishing a foundation as a listed company based on pipelines in the clinical development stage including SMTP compounds, especially TMS-007, the lead pipeline product for treatment of acute ischemic stroke which showed promising results in clinical trials and which are in the late stage of the clinical trial; TMS-008 which is under development as a new treatment for acute kidney injury (AKI); and JX09 for which we have newly acquired a right to commercialize in Japan through a partnership with JIXING, 2) proactively introducing early-stage products primarily from Japanese academia to expand the pipeline and develop them for the global pharmaceutical market thus bridging between scientific breakthroughs in Japanese academic institutions and the global pharmaceutical industry.

< Glossary >

Term	Description
Seeds	A drug candidate.
Blood coagulation and fibrinolysis system	Coagulation is a series of molecular action systems of an organism to coagulate blood to stop bleeding, while fibrinolysis is the action system of thrombolysis to dissolve blood clots. Coagulation and fibrinolysis systems are collectively called the blood coagulation and fibrinolysis system.
Pipeline	A substance that is planned to be developed as a medicine.
Clinical Trials	A scientific study to assess the efficacy and safety of a drug or medical device in humans and is required to obtain marketing approval for a new drug. It is conducted in three phases: a Phase 1 study in a small number of healthy subjects to test safety and to study pharmacokinetic (a process from when a drug is administered to and until eliminated from the body), a Phase 2 study in a small number of patients (subjects) to determine safety and efficacy, and a Phase 3 study in a large number of subjects to test hypotheses regarding safety and efficacy obtained by the Phase 2 study.
Phase 2a clinical trial	A Phase 2 study is sometimes divided into two parts, in which case the first half is referred to as a Phase 2a study. In a Phase 2a study, it is common to examine the safety, efficacy, and pharmacokinetic by way of a trial.
GLP	Abbreviation of "Good Laboratory Practice." A set of principles intended to assure the safety and validity of the equipment, devices, organization, staff and examination, procedures and results at the testing facility (location). In Japan, details are provided by the ordinance of the Ministry of Health, Labor and Welfare.
Preclinical Studies	A study conducted in animals to investigate pharmacodynamic effects, in vivo dynamics, and adverse effects prior to a clinical trial in the research and development of pharmaceuticals. It may be referred to as a preclinical trial.
Soluble Epoxide Hydrolase (sEH)	One of enzymes in the human body, which has an action of hydrolyzing certain epoxide lipids.
Plasminogen	A precursor protein of plasmin which circulates in the blood as an inactive precursor and can be activated as plasmin when broken down by t-PA.
Adaptation	A disease for which drugs are said to have an effect. It is also called an indication.
Epoxide structure	A triangular ring structure with two carbons and one oxygen.
Hydrolysis	A decomposition reaction that occurs when a compound reacts with water.
Bioactive lipid	Lipid with bioactivity (physiological activity). Proteins and nucleic acids are widely known as bioactive molecules, but some lipids are also bioactive, hence called like this.
Epoxyeicosatrienoic Acid (EETs)	One type of lipid molecule with bioactivity which relates to the arachidonic acid pathway that begins with the degradation of arachidonic acid, and is reported to have a variety of effects, including anti-inflammatory effects.
Dihydroxyeicosatrienoic Acid (DHETs)	One type of lipid molecule with bioactivity which is produced by the hydrolysis of EETs by sEH, and which is generally considered to have very little bioactivity.
Dephosphorylation activity	The action of separating the phosphate group from organic compounds by hydrolysis.
Mechanism of action (MOA)	A mechanism that exerts some effect on the target molecule, through which a drug substance produces its pharmacological effect.
Arachidonic acid	A type of unsaturated fatty acid. It is converted into various bioactive lipids through metabolism, and the process is called the arachidonic acid pathway.

Term	Description
CYP 2C, 2J	CYP stands for Cytochrome P450 and is a family of enzymes that play an important role in the metabolism of xenobiotics such as pharmaceuticals. CYP2C and CYP2J are subfamilies of enzymes belonging to the CYP family.
Domain	A region of a protein that has an independent function.
Analog	A compound that is similar in nature or structure to another compound.
Identification	Determining what a chemical is.
Endogenous thrombolysis	Thrombolysis based on an innate mechanism in the body.
Animal model	An animal that has artificially caused a particular disease.
Fibrin	A fibrous protein that becomes a principal material of blood clots that form a hemostatic plug, or clot, over a wound site along with platelets.
Tissue-type plasminogen activator (t-PA)	A type of in vivo enzyme, which breaks down and activates plasminogen to convert it into plasmin.
Plasmin	An enzyme which decomposes fibrin.
FDA	Food and Drug Administration. An agency of the government of the United States that is responsible for the licensing and enforcement of food and medicine.
Unmet medical needs	Needs for new drugs and treatments for diseases for which no effective treatment has yet been found.
Edema	The swelling caused by excess fluid trapped in between the cells
National Institutes of Health Stroke Scale (NIHSS)	An evaluation method developed by U.S. National Institutes of Health (NIH) to assess the neurological severity of strokes.
Randomization (Randomized trial)	A method of conducting a study in which subjects are randomly divided into two or more groups to verify the efficacy and others. Also called a randomized trial.
Placebo	A bogus medicine with no active ingredients, although its color, weight and taste are similar to those of the drug candidate under development. The placebo group was a group that received placebo in a clinical trial.
Placebo control (Placebo-controlled study)	A method of conducting a study in which subjects are divided into control and treatment groups and placebo is used to the control group.
Dose escalation (Dose-escalation study)	A method of conducting a study in which the dose is increased gradually to find the most suitable dose.
Double-blind (Double-blind study)	A method of conducting a study in which subjects are given a test drug or a placebo or other control drug without either the doctor or the subject knowing which one they are receiving.
Endovascular treatment	A method of operation using microcatheters inserted into the blood vessels to reach the disease site and operate in the vessel.
sICH	Bleeding inside the skull which leads to the deterioration of neurological symptoms.
Modified Rankin Scale (mRS)	A scale used to measure the degree of disability in patients who have had a stroke in 7 stages ranging from 0 to 6. (0: No symptoms; 1: No significant disability despite symptoms; 2: Slight disability; 3: Moderate disability; 4: Moderately severe disability; 5: Severe disability; 6: Death)

Term	Description
P value	A number representing the probability that the tested hypothesis is wrong. In theory, the smaller p value is, the better the hypothesis is. For example, when p value is less than 0.05, it shows that the probability that the hypothesis being wrong is less than 5%.
Odds ratio	A statistical scale indicating the likelihood of the occurrence of an incident by comparing two groups. Generally, a figure higher than 1 indicates that such incident is more likely to happen in Group 1 than in Group 2, and the greater the deviation from 1 indicates the bigger difference in the likelihood of the occurrence of such incident.
Computed tomography angiography (CTA)	CTA stands for CT angiography and a photographing technique that uses CT to obtain an image of blood vessels noninvasively.
Magnetic resonance angiography (MRA)	A photographing technique that uses a magnetic resonance imaging (MRI) machine to create a clear image of only blood vessels.
95% confidence interval	A range in which the population average is contained with a probability of 95% or more.
Milestones	Profits earned at certain points in the progress of a drug's development, which is set by stages throughout the period of drug development.
Aldosterone	A type of hormone produced by the adrenal gland that regulates the transport of electrolytes across cell membranes, especially the kidneys' ability to retain sodium in exchange for potassium. Hypersecretion of aldosterone results in paroxysmal muscle weakness, increased blood pressure, and hypokalemia.
CYP11B1, CYP11B2	CYP stands for Cytochrome P450 and is a family of enzymes that play an important role in the metabolism of xenobiotics such as pharmaceuticals. CYP11B1 is a cortisol synthase, and CYP11B2 is an aldosterone synthase. Both have very similar structures.
Best-in-class	The drug that is the best in terms of clinical importance among several drugs in the same category.
Epidemiology	A study of the distribution or defining factors of a health-related situation or event in a particular population. It is commonly used to refer to the number of people affected by a disease or its distribution.
Acute blood purification treatment	A treatment that balances the blood by performing extracorporeal circulation of blood and using blood purifiers to remove etiologic agents present in the blood or to replenish missing substances.
Ghrelin receptor agonist	Ghrelin is a peptide hormone produced by the stomach. It works in the pituitary gland to promote the secretion of growth hormone and in the hypothalamus to increase appetite. A ghrelin receptor agonist is a drug with a MOA similar to ghrelin.
Inflammatory cytokines	Cytokines are proteins secreted mainly from immune system cells and are responsible for communication between cells. Inflammatory cytokines are among those that promote the inflammatory response.
First-In-Human Study	The first study in the world to administer a test drug to humans rather than animals.
Tolerability	An indication of the extent to which the apparent adverse effects of a drug are acceptable to the patient. A drug is "well-tolerated" if it is well tolerated by the patient, even if the drug causes adverse effects.
POC	Stands for Proof of Concept, which means that the usefulness and efficacy of a new drug candidate under research and development can be demonstrated by administering it to animals or humans.

4. Overview of Subsidiaries and Associates

Not applicable.

5. Employees

(1) Employees of TMS

As of February 29, 2024

Number of employees	Average age	Average years of service	Average annual salary (Thousands of yen)
14 (2)	43.2	3.9	7,526

Notes: 1. The number of employees is the number of full-time employees only, and the average number of temporary workers, including part-timers and contract employees, is stated in parentheses.

2. Average annual salary includes bonuses and extra pay.

3. As the Company operates a single segment of drug development business, segment information is omitted.

(2) Labor union

No labor union is organized within the Company, but labor relations are harmonious.

(3) Percentage of female workers in managerial positions, percentage of male workers taking parental leave, and wage differences between male and female workers

A description is omitted since the Company is not subject to the publication obligation under the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

II. Business Overview

1. Management Policy, Business Environment, and Issues to Be Addressed

The Company's management policy, business environment and issues to be addressed are as follows. Any forward-looking statements in the text are based on the judgment of the Company's management as of February 29, 2024.

(1) Management Policy, Management Environment and Management Strategy

The Company's mission is to develop drug candidates based on novel MOA and to deliver innovative drugs to patients to address unmet medical needs.

The amount of R&D spending by drug development companies required to bring a new drug to market has been increasing each year, which makes it more difficult for drug development companies to recover development costs. In such an environment, it is advantageous for drug development companies to approach the world's major drug markets simultaneously because there is little difference in efficacy of drugs by race or ethnicity and therefore the same product can serve the global market. Global drug development is becoming more common as the International Conference on Harmonization of Pharmaceutical Regulations (ICH) has become adopted broadly, facilitating simultaneous development in developed countries.

The Company has a track record of discovering a novel compound from our original SMTP family based on an underappreciated MOA, and developing all the way from research to clinical POC stage by itself and partnered with a non-Japanese multinational pharmaceutical company. There are few Japanese biotechnology companies which have realized this kind of achievement. The Company intends to leverage this unique experience to bring innovative pharmaceutical products to the world.

While the Company is emphasizing on discovery and development of drugs based on anti-inflammatory effects of soluble epoxide hydrolase (sEH) inhibition in the near term, it will strive to expand its R&D programs based on other MOAs. The Company will pursue molecules involved in unique and underappreciated MOAs rather than targeting molecules that are being pursued by large pharmaceutical companies. The efforts will also be made to incorporate experience the Company has gained through development of naturally derived compounds, including its lead pipeline product TMS-007, into the Company's drug discovery and development capabilities.

The Company has successfully advanced development of a product derived from a Japanese academic institution from research to pre-clinical and then clinical POC stage. The Company also achieved partnering with a large global pharmaceutical company along the way. The Company's management team consists of members who experienced the process and concluded the deal. The Company aims to promote its growth by leveraging such experience and achievements gained as follows: 1) establishing a foundation as a listed company based on pipelines in the clinical development stage including SMTP compounds, especially TMS-007, the lead pipeline product for treatment of acute ischemic stroke which showed promising results in clinical trials and which are in the late stage of the clinical trial; TMS-008 which is under development as a new treatment for acute kidney injury (AKI); and JX09 for which we have newly acquired a right to commercialize in Japan through a partnership with JIXING, 2) proactively introducing early-stage products primarily from Japanese academia to expand the pipeline and develop them for the global pharmaceutical market thus bridging between scientific breakthroughs in Japanese academic institutions and the global pharmaceutical industry.

(2) Objective indicators to judge achievement of management goals

As the Company aims to bring therapeutic drugs to market as expeditiously as possible, the Company considers that effective management of R&D process and continuous appreciation of pipeline value is the most important factor. In addition, extending pipeline is essential for stabilization and appreciation of corporate value. As the Company's entire assets are in R&D stage, identifying effective objective indicators to determine the status of achievement of its management goals is not appropriate. The Company, instead, advances its business activities as setting enhancement of its R&D activities and expansion of pipeline as the important objectives.

(3) Priority business and financial issues to be addressed

(i) Supporting development of TMS-007

As Biogen transferred its position in the option agreement to JIXING due to the change in its strategy, JIXING is responsible for the future development and approval of TMS-007, the Company's lead pipeline product, in all countries except Japan.

The Company has a right to commercialize TMS-007 in Japan, and will work to develop TMS-007 in Japan in cooperation with the global development by JIXING. Through the activities of the Joint Development and Commercialization Committee, we will actively participate in the development of TMS-007 by JIXING to accelerate its development.

(ii) Advancing development of JX09

The Company has acquired Japan rights to commercialize JX09, which JIXING is developing for the treatment of resistant and/or uncontrolled hypertension, through a partnership with JIXING.

JX09 is currently undergoing Phase I clinical trial in Australia. The Company will strengthen cooperation with JIXING through the Joint Development and Commercialization Committee and prepare for the timely launch of the development in Japan in collaboration with the global development by JIXING.

(iii) Advancing development of TMS-008

TMS-008, with sEH inhibition as its primary MOA, has the potential to be a therapeutic agent for a wide variety of inflammatory diseases. The Company has submitted a Clinical Trial Plan Notification to start Phase I clinical trial for TMS-008 for the treatment of acute kidney injury and entered the clinical development stage. We will steadily advance the clinical trial in close cooperation with relevant organizations.

(iv) Pipeline expansion

TMS-007, TMS-008 and TMS-009 all belong to the SMTP compound family and share similar MOA. In order to broaden the scope of the portfolio, the Company has been making efforts to expand its pipeline outside of SMTP compounds. In addition to acquiring the rights to commercialize JX09 in Japan through a partnership with JIXING and adding it to our pipeline, utilizing the Company’s knowledge and experience in sEH inhibition accumulated through development of SMTP compounds, a search for novel sEH inhibitors has been initiated. Furthermore, extensive searches for early-stage drug candidates under research and development in academia, research institutions, or biopharma companies have been conducted. Multiple programs were identified as potential in-licensing candidates and further evaluation is ongoing.

(v) Promotion of business development activities

The Company's basic business model is to promote development by obtaining lump-sum contract payments and milestone revenues while reducing development risks through partnerships with pharmaceutical companies, and to receive royalties after market launch.

We have acquired the rights to commercialize TMS-007 and JX09 in Japan, and TMS-008 has also moved to the clinical stage. Therefore, our business development activities have increased the importance in anticipation of future monetization. In order to maximize the value of each pipeline, we will establish a system enables to promote business development activities with appropriate strategies.

(vi) Securing human resources and strengthening the organization structure

The development of drugs with novel MOA is like following a path that no one has walked before and is considered to be a mission that requires a particularly high level of competence and experience in pharmaceutical R&D. Therefore, it is essential to secure competent human resources and to create an organizational structure that enables the personnels to fully demonstrate their capabilities. The Company aims to create an organization in which personnels with expertise in research, development, manufacturing, and regulatory affairs can engage in free and vigorous discussions, rather than being vertically divided by specialty. The Company will actively recruit competent human resources.

(vii) Expansion of financial foundation

A drug discovery biotechnology company generally requires a large amount of capital to discover and develop drug candidates. The Company also anticipates higher level of capital requirement as the number of pipelines in the clinical development phase increases in addition to the promotion of R&D investment for development and acquisition of pipeline programs. In order to advance its R&D programs, the Company will expand and stabilize its financial base through diversified funding source, including milestone revenues and other earnings, debt from financial institutions and other sources, equity capital from stock market, and subsidies, at appropriate times as needed.

2. Approach and Initiatives to Sustainability

The Company's approach and initiatives on sustainability are as follows.

Any forward-looking statements in the text are based on the judgment of the Company’s management as of February 29, 2024.

Based on our corporate philosophy of "Create impactful therapeutics by the power of relentless exploration and challenge," the Company will strive to deliver breakthrough drugs to patients as quickly as possible in order to meet unmet medical needs around the world by repeating and developing our style that we have cultivated in the process of involving in research on compounds discovered in an university laboratory and developing it into full-scale clinical study toward the global market and by actively cooperating with external scientists and conducting drug discovery projects that sincerely address science.

(1) Governance

The Company monitors and manages sustainability-related risks and opportunities in an integrated manner with other management risks and opportunities. For details, please refer to "VI. Information on the Company, 4. Corporate Governance, (1) Overview of Corporate Governance."

(2) Strategy

(Human resources development policy)

We work to disseminate our corporate philosophy of "Create impactful therapeutics by the power of relentless exploration and challenge" and aim to build a strong core team capable of making multifaceted decisions even with a small number of people through the creation of an organization that allows human resources with expertise in research, manufacturing, pharmaceutical affairs, development, etc. to freely and openly engage in discussions, rather than being divided vertically by field of expertise.

(Development of internal environment)

The Company combines flexible working patterns with telework in an effort to promote work-life balance. All employees work under a discretionary or flexible working hours system, which is a form of work that is not tied to time. By combining such system with telework, we strive to create a comfortable workplace where employees are respected for their individuality and diversity so that they can maximize their performance.

(3) Risk management

The Company monitors and manages sustainability-related risks and opportunities in an integrated manner with other management risks and opportunities. For details, please refer to "VI. Information on the Company, 4. Corporate Governance, (1) Overview of Corporate Governance, (iii) Other matters concerning corporate governance, b. Risk management system."

(4) Indicators and targets

With regard to risk assessment and response to our sustainability initiatives, the Company determines priorities to be addressed and sets targets from the viewpoint of the effectiveness of management resources in accordance with the importance of impacts. At present, we have not set quantitative indicators or targets for our policies on human resource and internal environmental development. However, we plan to closely monitor the progress toward achievements and continue to examine whether or not indicators and targets should be set.

3. Business and Other Risks

The following are the major risks recognized by the management of the Company that could have a significant impact on the financial position, business performance, and cash flow, among other matters related to the status of the business and accounting, as stated in the securities report. The Company is engaged in the development of pharmaceutical products, which requires significant research expenses and a lengthy time. Furthermore, the development of each product candidate is not necessarily guaranteed to be successful. In particular, biotechnology companies with pipeline products in R&D stage are considered relatively high-risk investments for general investors, depending on the stage and status of the products. Investment in the Company falls under this category.

Forward-looking statements in the text are based on the Company's judgment as of the date of submission of this document.

(1) The risks regarding the pharmaceutical research and development and the pharmaceutical industry

(i) Uncertainty in new drug development

The development of medical drugs requires a large amount of R&D investment and a long period of time, and success in preclinical and early clinical trials does not necessarily guarantee success in subsequent clinical trials or approval by regulatory authorities. In the drug development processes, there is a possibility that research and development may not proceed as planned due to failure to demonstrate efficacy and safety in clinical trials or delay in reaching agreement with regulatory authorities on the methods or implementation of clinical trials. This may result in a delay of development or a decision to terminate the development. In addition, in order to market the Company’s pharmaceutical products in major countries around the world, including Japan, the U.S., and European countries, the Company is subjected to laws and regulations such as pharmaceutical laws and regulations in each country, and the Company must obtain approval based on rigorous examinations by the authorities before manufacturing and marketing new drugs. If the Company is unable to obtain sufficient data about efficacy, safety, and quality to meet the requirements of such review, if the Company is unable to obtain approval for the indications or patient populations for which the Company wishes to market a drug, if the policies of the regulatory authorities change during the development period, or if additional clinical trials are required as a condition for approval or other marketing authorization by the regulatory authorities, the Company may not be able to obtain the necessary approval for the drug. In such cases, the Company may not be able to launch the product at the expected time or may abandon the launch. If the Company abandons the development of a drug candidate, it may lose its entire investment in the development of the drug candidate.

In addition, when the Company markets their products outside of the major countries of the world, it must obtain approval from the authorities in each region for the launch of the product separately from the approvals in the major countries, and it may need to obtain approval for sales prices and other matters. Even if approval is obtained in the major countries, the Company may not be able to obtain these approvals in a timely manner.

This is also the case when the Company licenses out its pipeline to other companies (i.e., sell or license out patent rights and know-how related to new drug candidate compounds to other companies). In the event that the launch of the Company’s drug candidates or those licensed out to other companies is delayed or cancelled, the Company may not be able to obtain milestone or royalty income related to the development and marketing of the drug at the expected time or at all, which may have a significant impact on its business performance and financial position.

To address this risk, the Company is working to expand its pipeline of compounds and target diseases, and is building a system to promote projects by securing personnel internally and externally with experience in drug development and commercialization. In addition, the Company will strive to collect information from physicians and other professionals who are familiar with the target disease, and it will promote development by obtaining appropriate advice through prior consultation with the regulatory authorities when planning and conducting clinical trials.

(ii) Risks related to the development of drugs for Acute Ischemic Stroke

The Company’s lead pipeline product, TMS-007 (BIIB131), is being developed for the treatment of acute ischemic stroke.

The only FDA-approved product for the treatment of acute ischemic stroke is tissue-type plasminogen activator (t-PA), and several other drug candidates are in clinical development, including tenecteplase and sovateltide (PMZ-1620). Tenecteplase is an engineered t-PA, which was approved for the treatment of acute myocardial infarction, and currently being evaluated for the treatment of AIS in a Phase 3 study. Sovateltide (PMZ-1620), being developed by Pharmazz, Inc., has approved for marketing in India and has reached a protocol agreement with the US FDA for Phase 3 clinical trial in the United States. In addition, there is a possibility that biosimilars (bio-follow-on products developed by different manufacturers that have the same quality, safety, and efficacy as the reference biopharmaceuticals) with equivalent efficacy and safety to t-PA could enter the market.

In the biotechnology and pharmaceutical industries, there are potential competitors, such as major pharmaceutical companies, that have abundant financial and technological resources in the development and marketing of drugs. If a

competitor's research and development take a lead in the area of stroke, the superiority of TMS-007 may decrease. The approval of a new treatment for acute ischemic stroke, the introduction of a new drug by a competitor, a shortage of patients who can be treated with TMS-007 when clinical trials are limited to patients who cannot receive t-PA, or the spread of a novel coronavirus infection could delay the enrollment of subjects in TMS-007 clinical trials or cause delays in the clinical trials. In addition, if the number of enrolled subjects fails to reach the target number of subjects, the clinical trial may be terminated, which could have a significant impact on the Company's business strategies and operating results.

Furthermore, if our partner determines that the business potential of TMS-007 has been significantly damaged by the development of a competing new drug or the launch of a competing new drug, the development schedule for TMS-007 may be delayed or development may be suspended at our partner's discretion. Even if TMS-007 is launched, it may not receive the drug price that the Company had expected due to other companies selling products with similar efficacy and safety, or TMS-007 may not be well accepted by the medical community due to the increased use of endovascular therapies such as catheterization, which may result in the Company not receiving the royalty income that it had expected. As a result, the Company's business, business performance, and financial position may be affected.

As Biogen exercised its option right under the option agreement and transferred its right to JIXING, JIXING is responsible for the future development of TMS-007.

(iii) Adverse reactions and product liability

Drugs may have unforeseen side effects during clinical trials and after launch, especially as product candidates are used on a larger scale and for longer periods of time, and side effects that were not observed in previous trials may occur. Unexpected adverse reactions may also occur with respect to the Company's drug candidates, which could delay or halt the development of such drugs or require additional clinical trials by the regulatory authorities. Although, the Company may purchase insurance to cover various types of liability, including product liability, in case of unexpected side effects, there is no guarantee that the insurance will ultimately pay out an amount equivalent to the entire amount of compensation the Company bear. Even if a claim for damages against the Company is not approved, the negative image of the Company and its products may be negatively affected by such a claim, and demand for its products may decrease. As mentioned above, the occurrence of unforeseen side effects could have a significant impact on its business performance and financial position, as well as on its business development through loss of public trust.

(iv) Risks related to laws and regulations pertaining to pharmaceuticals, and pressure to reduce healthcare costs

Even if the drugs the Company develops are approved by regulatory authorities, they will continue to be subjected to various regulations, including those related to manufacturing, labeling, advertising, conducting post-marketing surveillance, submitting information on safety and efficacy, and the regulation of exaggerated advertising under the Pharmaceutical Affairs Law. In recent years, regulatory authorities in many countries have been working to strengthen post-approval monitoring, which may result in regulatory authorities issuing recommendations regarding the use of products, including suspension of product use. If the Company fails to comply with applicable regulatory requirements, regulators may take civil, criminal, or administrative actions against the Company, which could have a material adverse effect on its business, operating results, and financial condition.

In addition, drugs are subjected to regulations regarding medical insurance systems and drug prices imposed by the governments of Japan and other countries. In Japan, measures to curb medical expenses are continuously implemented, and drug prices may be suppressed due to trends in government policies related to the medical care system and health insurance, including annual revisions of NHI drug price standards and promotion of the use of generic drugs, which may adversely affect the Company's business performance and financial position. Moreover, cost containment in healthcare has become a global trend, and medical drugs are subject to various regulations overseas as well. For example, in the U.S., they are subject to price pressures from managed care groups that manage the provision of medical services to control medical expenses, as well as from government purchasers. In recent years, there has been a move to revise pricing regulations in response to the rising prices of medical drugs. While the impact on the Company's development products is currently unknown, the "Inflation Reduction Act of 2022" was enacted in August 2023 as a pricing-related law. In Europe, the Company may be adversely affected by trends in government policies and pressure to reduce healthcare costs, such as competition from parallel imports and generics, and increased use of cost-effectiveness-based medical technology assessment, which may result in downward pressure on drug prices (including a decrease in royalty income earned by the Company from the sale of product candidates).

(2) Risks related to business operation

(i) Dependence on an alliance agreement for specific pipeline, revenue volatility and uncertainty

The Company out-licensed TMS-007 for the treatment of acute ischemic stroke, however other pipeline products are still

in the research or early development stage.

The Company's revenue plan is dependent on the milestone and royalty income that we will receive from our partner under the option agreement for the out-licensing of TMS-007. Since our partner is responsible for research and development, regulatory filings, manufacturing and marketing activities after out-licensing, our revenue will depend on its strategies and development progress, and will fluctuate significantly. Our partner is the sole owner of the patents related to TMS-007 and will solely manage the major part of its future clinical trials. If favorable results are not obtained in the clinical trials conducted by our partner, unexpected side effects occur, or if our partner reviews the portfolio due to a change in its strategy, decisions such as the discontinuation or postponement of development may be made. In addition, if the scope or period of the patents is insufficient to prevent the entry of generics, or if milestone and royalty income received by the Company is reduced due to commercialization using SMTP compounds other than TMS-007, or if our partner commercializes non-intravenous administration formulations that are not subject to our milestone and royalty income under option contracts, this may affect our business, financial condition, and performance.

In addition, the Company has not the complete right of access to our partner's information regarding the development and commercialization of TMS-007. Therefore, there is no guarantee that we will be able to obtain sufficient information from our partner in a timely manner. The information that we can provide to our shareholders is limited to information that our partner has made public and information that we have obtained from our partner that can be disclosed under the terms of the agreement with our partner. The Company cannot confirm that the information released by our partner is accurate or up-to-date, and we may not be able to accurately predict future revenues. In addition, although our partner has a commercial obligation to use commercially reasonable efforts to develop TMS-007, there is no guarantee that our partner will continue the development of TMS-007 and therefore, if our partner were to discontinue the development of TMS-007, the Company and our partner are expected to discuss the transfer of related intellectual property rights and other related matters. However, there is a possibility that our partner will not transfer the intellectual property or that our partner will offer terms of transfer that are not commercially reasonable to us. In addition, if our partner transfers its rights to the related products to a third party, such third party will be obligated to use commercially reasonable efforts to develop TMS-007, but there can be no assurance that the third party will continue to develop the product or will be successful in developing or commercializing the product.

In addition, with respect to TMS-008 and TMS-009, which are in our pipeline other than TMS-007, the Company has a free license from our partner to develop specific compounds (grant-back compounds) related to intellectual property transferred to our partner under option agreement for specific indications only, and we are required to develop such compounds within the scope of such free license. Such restrictions could have an adverse effect on the development and commercialization of our product candidates and its business. In addition, in order for us at the Company to prevent our partner from developing and commercializing SMTP compounds other than grant-back compounds for indications (diseases) that we will develop using grant-back compounds, we must notify our partner of the development no later than May 11, 2026, five years after the date of exercise of the option rights, and commence clinical trials within five years of the notification.

SMTP compounds currently comprise a major portion of the Company's pipeline, and if an SMTP compound ultimately proves to be ineffective for a given indication, its business and its growth could be materially adversely affected. Due to the Company's limited financial, manufacturing, and managerial resources, the Company may forego or delay pursuing opportunities in other product candidates and indications even if they are identified as having greater market opportunities, and the Company may not be able to take advantage of lucrative market opportunities.

(ii) Dependence on limited key personnel as a small organization

As of the end of the fiscal year under review, the Company is a small organization with 6 board members (including 2 outside board members), 4 auditors (including 2 part-time auditors), and 14 full-time employees. The current internal control system is appropriate for such an organization. The Company intends to expand its internal control system as its business expands in the future.

The current management team, including Chief Executive Officer Takuro Wakabayashi, MBA, founder and Chief Scientific Officer Keiji Hasumi, Ph.D., and Executive Vice President, Development, Noriaki Inamura, Ph.D., as well as the managers of each section and key R&D personnel, are engaged in highly specialized tasks, and the Company’s business activities are heavily dependent on these key personnel. Therefore, the Company is constantly striving to secure and train excellent human resources. However, if the Company is unable to secure and train personnel smoothly, or if there are massive resignations, its business activities may be hindered, and its business performance and financial position may be severely impacted.

If the Company expands its pipeline or manufactures or markets product candidates in the future, it will need to expand the number of employees and the scope of its business, and recruit and retain personnel in charge of commercialization. If the Company is unable to properly manage its business expansion and hire appropriate personnel, its growth may be affected.

The Company will strive to penetrate the Company's philosophy and create a corporate culture in which people with

expertise in research, manufacturing, regulatory affairs, development would feel a sense of fulfillment through the creation of an organization that is not vertically segmented by specialty but where people can freely and openly discuss issues. The Company will also strengthen its internal structure, including the hiring of new employees.

(iii) Intellectual property

(a) Risks related to intellectual property rights held by the Company or its business partners

Although the Company and its business partners have obtained and applied for various patents in connection with product candidates, obtaining and maintaining patents involves certain costs. There is no assurance that patent applications will be registered, and patents obtained by the Company, or its business partners may not be sufficiently broad in scope or valid in duration to provide protection or to provide the Company with a competitive advantage. If the Company or its partners fail to obtain, maintain, or extend the term of patents, the Company's ability to successfully commercialize its product candidates or the Company's business plans and results of operations could be adversely affected. In particular, with respect to TMS-007, our partner's royalties are payable until the expiration of the longest valid patent or eight years from the date of first commercial sale of the product, whichever comes later. The Company expects that important patents granted will expire in 2030 or in 2042 if pending patent applications are granted. If the applicable term extensions for the relevant patents are not granted, or if such patent applications do not vest and is unable to secure exclusivity for TMS-007, the amount of milestone and royalty income we will receive could be adversely affected. With respect to TMS-008 and TMS-009, granted patents are expected to expire in 2027, and unless the Company is able to obtain additional patents on these product candidates, its ability to continue to develop and commercialize its product candidates may be adversely affected. In addition, our partner has the exclusive right to exercise the intellectual property and other rights related to the SMTP compounds held by our partner. if our partner does not exercise such rights properly, the Company's ability to develop and commercialize its product candidates, including TMS-008, could be adversely affected.

In addition, changes in patent laws or interpretations thereof, the application of laws that compel patent holders to grant licenses to third parties, or the failure of some countries or regions to provide the same level of protection as the laws and regulations of the United States, Japan, or European countries could adversely affect the Company's or its business partners' ability to obtain patents and to enforce or defend those patents obtained, or its business performance and financial position.

In addition, if the Company or its business partners fail to protect its rights to the trademarks and trade names of product candidates in the future, or if third parties distribute or sell inferior counterfeit products that infringe on the intellectual property rights of the Company or its business partners and cause health problems to purchasers, the Company's business, performance, and financial position may be affected due to harmful rumors about the Company or its products and damage to brand recognition of the developed products.

(b) Risks related to licensing

Although the Company has entered into the license agreements necessary to develop its product candidates, including the free-of-charge license from our partner for TMS-008, TMS-009 and JX09, the Company's ability to develop its product candidates may be adversely affected if the scope of the licenses is inadequate. In addition, in the event that the Company's future development of product candidates requires the use of patents or proprietary technologies of third parties, if the Company is unable to obtain a license to such patents or technologies, if the Company is forced to grant licenses under unfavorable terms, or if the Company is unable to comply with the terms of the licenses granted to the Company, material damage could be caused to its business.

(c) Risks related to handling lawsuits and claims related to intellectual property

As of the end of the current fiscal year, the Company is not aware of any complaints or lawsuits with third parties concerning intellectual property rights, such as patent rights, in connection with the Company's business. In addition, the Company has established a system that enables it to promote commercialization by duly receiving assignments of "patent rights or rights to receive patents" or "licensing rights" from inventors, intellectual property management institutions such as universities under the TLO Law (Technology Transfer Organization Law), companies, and research institutes.

However, as a general risk in the drug development business, there is a possibility that patents of third parties may be involved in addition to the patents applied for by the Company. In the event that the Company becomes involved in a dispute with a third party, its policy is to consider countermeasures according to the nature of the dispute after consulting with its attorneys and patent attorneys. In such cases, there is a possibility that its financial position and business performance will be affected. In addition, in the future, the Company's business, financial condition, and operating results may be affected by business restrictions such as an order to stop development of a product candidate due to infringement of patent rights held by other companies. When embarking on a new development project, the Company will reduce risk by conducting a search

to confirm that the Company does not infringe on the patent rights of other companies. If a dispute arises with a third party, the Company will work with its legal advisors and patent attorneys to respond promptly.

(d) Risks related to employee inventions

In the event that the Company receives an assignment of the right to obtain a patent for an employee invention from an officer or employee, as long as the Japanese Patent Law is applicable, the Company will pay "reasonable profit" as stipulated in the Law. In addition, if its former employees or collaborators, as employee inventors or joint inventors, claim to have some rights to patents owned by the Company or licensed to the Company and demand payment of remuneration from the Company, there is a possibility that may affect the Company's business performance and financial position.

(iv) Dependence on third-party service providers

In order to ensure the agility and efficiency of development and to control the fixed costs, the Company utilizes specialized third-party institutions and service providers for tasks required at each stage of research and development, instead of expanding internal capabilities. Therefore, its business is dependent on these outside contractors. For example, the Company relies on third-party contract manufacturing organizations such as MicroBiopharm Japan, Co., Ltd. to manufacture and supply product candidates since the Company does not have manufacturing facilities. The Company expects to hire third-party contract manufacturing organizations for future products as well. There are some contractors, such as MicroBiopharm Japan, Co., Ltd. that possess specialized capabilities for which it is difficult to secure alternative contractors.

The Company takes careful measures in establishing and maintaining relationships with such contractors, however, there is a possibility that a contract with a contractor is terminated due to unforeseen reasons, that the execution of contracted operations is hindered due to a natural disaster such as an earthquake or windstorm, an accident, or a crackdown by regulatory authorities at the contractor, or in the event that the Company is unable to comply with its obligations to the contractor under the contract with the contractor (including the obligation to involve MicroBiopharm Japan, Co., Ltd. in the manufacture of TMS-007). In such events, the Company's business activities may be disrupted, and its business performance and financial position may be seriously affected. In an event that the Company is unable to comply with its contractual obligations to the subcontractor, its business activities may be impeded, and its business performance and financial position may be severely impacted.

The same is applied when the Company licenses out its pipeline products to other companies. If the contract manufacturer of a drug candidate that the Company has licensed out to another company were to experience difficulties in manufacturing the product, it could have a significant impact on the Company's business performance and financial position.

With regard to the manufacturing of TMS-007 for the planned Phase 3 clinical trials and commercial production, there is a possibility that royalty payments may be requested by the existing contractor if additional contractor(s) is hired in order to increase the production capacity. The development schedule of TMS-007 may be delayed because of negotiations with these contractors. Furthermore, since the same contractor, such as MicroBiopharm Japan Co., Ltd., is hired for the manufacturing of both TMS-007 and TMS-008, there is a possibility that the development schedule of either product may be affected due to the overlapping manufacturing schedule.

(v) Risks related to relationships with research institution such as Tokyo University of Agriculture and Technology (TUAT)

The Company conducts joint research with research institutions such as Tokyo University of Agriculture and Technology, and it is the Company's policy to maintain good relationships with the University and to continue joint research in the future. However, if, for some reason, it becomes difficult to renew these contracts or to conduct business with them due to termination or other reasons, its business activities may be severely affected, such as delays in R&D.

In addition, with regard to transactions with universities, the Company complies with laws and regulations and pays sufficient attention through monitoring by the Board of Directors and other means to ensure that the interests of the Company or its shareholders are not harmed while maintaining good relationships.

(vi) Risks related to the establishment of development, manufacturing and sales structures

The Company's basic business model is to partner with domestic and overseas pharmaceutical companies to develop, manufacture, and sell drug candidates, and to receive milestone and royalty income from the partner pharmaceutical companies. If the Company is unable to secure or maintain an appropriate pharmaceutical partner, if the terms of the agreement with the partner are not optimal for the Company, or if for some reason the partner has difficulty in development, such as establishing manufacturing methods, manufacturing structures and sales structures, the Company’s operating results and future business development may be severely affected. In this case, its business performance and future business development may be severely affected.

(vii) Risks related to relationship with medical professionals

Business relationships between the Company or its business partners and medical professionals and third-party payers may be subject to domestic and foreign healthcare-related laws and regulations, and any violation of such laws and regulations may result in criminal proceedings, civil suits, or administrative sanctions. In such cases, the Company's business performance and competitiveness in the market may be adversely affected.

(viii) Risks related to information management

With respect to information security, management of confidential information, and personal information related to research and development, the Company operates in accordance with its information security management regulations, personal information protection management regulations, and personal information protection policy, while utilizing information systems. However, the leakage of important confidential and personal information related to its R&D and other activities due to the carelessness or willful misconduct of its officers and employees, or business partners, security failures, or attacks by third parties could affect its business development and operating results. In order to reduce such risks, the Company has executed confidentiality agreements with its business partners and suppliers, and makes efforts to manage information in accordance with regulations. However, the Company does not currently have cyber security insurance in place. In addition, the Company faces to rapidly changing data privacy and security regulations, including those of foreign countries, and failure to comply with such regulations could result in damage to the Company's reputation, regulatory action or sanctions, including suspension of operations, or litigation, which could adversely affect the Company's business results. This could have a negative impact on its business performance.

(ix) Concurrent positions held by representative director

Takuro Wakabayashi, Chief Executive Officer of the Company, concurrently serves as Representative Director of Advanced Science and Technology Enterprise Corporation. Since the company only manages assets and is virtually dormant, this concurrent position does not interfere with the execution of the Company's business operations.

(x) Risks related to the occurrence of natural disasters

In addition, natural disasters such as earthquakes, windstorms and flood damage, unforeseen accidents such as fire, and the spread of infectious diseases that disrupt the safety of its employees or the infrastructure facilities the Company uses could have a significant impact on its business.

(xi) Risks related to estimated market size

The Company estimates the Total Addressable Market (TAM) based on certain assumptions and premises, as well as estimates provided by third-party institutions. Although the Company uses data that it believes to be reliable in making its estimates, there are limitations to the accuracy of the estimates. If the data, assumptions, or premises used in the forecast are inaccurate or inappropriate, for example, if the number of patients targeted by the product candidate is smaller than expected due to factors such as a decrease in the number of stroke patients due to improved lifestyles, or if the drug price is lower than expected, the actual size of the potential market may be significantly smaller than the forecast. In such cases, the actual size of the potential market may be significantly smaller than estimated.

Furthermore, even if the potential market estimates are accurate, there can be no assurance that the Company's product candidates will achieve sufficient market share due to competition or other factors.

(xii) Risks related to overseas expansion

There is a possibility that the Company or its business partners may market drugs in the U.S., Europe, China and other markets in the future. In expanding into overseas markets, the Company may face difficulties in manufacturing and sales in those markets, as well as laws, regulations, and practices, including pharmaceutical laws and regulations, political instability, uncertainties in economic trends, changes in tax systems and diversity of interpretation, fluctuations in foreign exchange rates, and differences in business practices in those regions, which may cause compliance-related problems. These events may significantly affect its business performance and financial position.

(xiii) Risks related to environmental issues

The Company's business involves the controlled use of certain hazardous materials, and it believes that the safety measures it employs in handling and disposing of such hazardous materials comply with the standards required by the government. However, in the event of environmental contamination or personal injury caused by such hazardous materials, the Company could incur substantial liability or fines, which could have a material adverse effect on its business.

(xiv)Risks related to internal control

Although the Company has established and is operating an internal control system to ensure the appropriateness of its financial reporting in accordance with laws and regulations, the Company cannot deny the possibility that significant deficiencies may be discovered in its financial reporting, and there is no guarantee that the Company will always be able to establish and operate an effective internal control system in the future. Furthermore, because of the inherent limitations inherent in its internal control system, if the system of internal control over financial reporting does not function effectively or if significant deficiencies occur in the system of internal control over financial reporting, the reliability of the Company's financial reporting may be affected.

(3) Risks related to business performance

(i) Negative retained earnings carryforwards and tax loss carryforwards

The Company is a biotechnology company that mainly engages in research and development of pharmaceuticals. Pharmaceutical R&D requires a large initial investment and requires a relatively long payback period compared to other industries, so when biotechnology companies engage in this business, they generally tend to have negative earnings for the period.

The Company aims to increase profits in the future by promoting the development of its pipeline including drugs for acute ischemic stroke. However, there is a possibility that retained earnings brought forward may be negative further due to the Company’s inability to earn milestone payments and other revenues as expected, as a result of a failure to make aggressive investment in development, or delays or suspension in the development and commercialization of TMS-007 by our partner.

In addition, because the Company has a limited history of operation and has not yet conducted large late-stage clinical trials or commercialized a drug in the past, it is particularly difficult to infer future performance, from past performance. There are also unknown risks regarding the Company's ability to respond to problems and other issues that it has not experienced.

As of the end of the fiscal year ended February 29, 2024, the Company has a tax loss carryforward of 2,452 million yen. However, there is no assurance that the Company will generate sufficient taxable income to utilize all or part of the tax loss carryforwards within the carryforward period. In addition, if its business performance is favorable and the tax loss carryforwards are eliminated, or if taxable income from tax loss carryforwards is no longer allowed to be deducted due to tax law revisions, the Company will be subjected to corporate, inhabitant, and enterprise taxes based on normal tax rates, which may affect its business, performance, and financial position.

(ii) Recognition of revenues

The Company's revenue structure is based on the compensations derived from licensing agreements with pharmaceutical companies, composed of up-front payments, milestone payments and royalty payments. The financial terms are defined based on the valuation of the product at its clinical POC. The Company expects to receive up-front and milestone payments and royalty income according to the advances of the program to the launch of the products and its sales.

In order to out license a drug candidate to a pharmaceutical company, it is required to provide compelling data to demonstrate the efficacy and safety of the drug candidate, as well as information regarding the market size, pricing, and intellectual properties to evaluate business potential. Therefore, if the Company fails to generate data to indicate the viability of the drug candidate, or even if the Company generates the data but not in a timely manner due to delay in R&D, there is a possibility that the Company is unable to out license the product in the planned timing or in the condition it anticipates. This may affect its business, business performance, and financial position.

Even after out license the product to a pharmaceutical company, there is a possibility that the development by the licensee may delay or be discontinued because of the events which may reduce the market potential of the drug, including the failure of clinical trials to demonstrate efficacy and/or safety of the drug, failure to obtain regulatory approval, launch of competing products, changes in the clinical practice, or disputes in intellectual properties.

Even in the event that a drug is launched, there is a possibility that the drug price will be much lower than anticipated or that market conditions will worsen than expected.

Furthermore, the Company's earnings may fluctuate significantly depending on the development progress and strategy of our partner, a company who is licensed and currently developing the Company's lead pipeline product, TMS-007.

The Company does not anticipate any revenue other than milestone payments and royalty income related to TMS-007 from our partner in the near term. The next milestone payment is set to be the completion of the dosing in the fifth patient in the TMS-007 Phase 3 clinical trial outside than Japan.

JIXING, our partner, is a foreign company, and our transactions with our partner are denominated in U.S. dollars. All foreign currency transactions are converted into yen for financial statement purposes. Even if the value of these items in the local currency did not change, the yen value of these items may be affected by the exchange rate at the time of translation.

(iii) Fundraising

As an R&D-oriented biotechnology company, the Company requires a large amount of R&D funds, and its upfront investment period continues to support expensive and lengthy R&D costs. During this period of upfront investment, the Company tends to record continuous operating losses and negative cash flow from operating activities. Except for certain fiscal years, the Company's operating cash flow has been negative, and the Company does not currently have sufficient stable sources of revenue.

Therefore, until the Company secures a stable revenue source, it is the Company's policy to strengthen its financial base by raising funds at appropriate times in accordance with the progress of product candidate development. However, if the Company is unable to secure funds at the necessary time or under appropriate conditions, there may be serious concerns about the continuation of the Company's business, or the rights of shareholders may be affected.

(iv) Use of proceeds

The Company plans to use the funds raised through the issuance of new shares at the time of its stock listing in November 2022 and funds through the issuance of new shares by a third-party allotment, which was resolved in January 2024, for business expenses, mainly for research and development of pharmaceutical products. However, since drug development is a lengthy, expensive and uncertain process, it will take long time for R&D investments to generate returns and there is no guarantee that the R&D investments result in the expected return. There is a possibility that the Company will use the funds raised for purposes other than those mentioned above at its discretion. As a result, there is a possibility that the investment of procured funds may not lead to the expected profits.

(v) Fundraising through the issuance of new shares

As a pharmaceutical R&D-oriented biotechnology company, the Company may flexibly raise funds, mainly through capital increase, to expand its R&D activities in the future. In such cases, the increase in the number of the Company's outstanding shares may dilute the per-share value of the Company's shares, which may affect the formation of the Company's stock price.

(vi) Stock warrants

The Company has adopted a stock option plan in order to motivate and raise the morale of its Board Members, Audit & Supervisory Board Members, employees and outside collaborators to improve the Company's performance and to secure

excellent human resources. In accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, the Company issues and grants stock acquisition rights to its Board Members, Audit & Supervisory Board Member, employees and outside collaborators upon approval at the General Meeting of Shareholders.

As of the end of fiscal year ended February 29, 2024, the Company had 40,304,367 shares outstanding. If these stock acquisition rights were exercised, 2,331,780 new shares would be newly issued, diluting the value per share of the Company's stock and possibly affecting stock price formation.

In addition, the Company may continue to offer similar incentive plans in the future in order to attract talented personnel. Therefore, if the stock acquisition rights granted in the future are exercised, the value per share of the Company's stock will be diluted and may affect the formation of its stock price.

(vii) Dividend policy

Pharmaceutical R&D requires a large initial investment, and the recovery of that investment tends to take a long time. Under these circumstances, the Company believes that increasing corporate value by aggressively promoting development is the only way to maximize shareholder returns.

Therefore, for the time being, the Company plans not to pay dividends, prioritizing the enhancement of internal reserves to promote aggressive research and development of pharmaceuticals.

The Company recognizes that returning profits to shareholders is an important management issue, and in the future, when new drugs currently under development are brought to market and net income is generated from the sales of such drugs, the Company will consider implementing a return of profits while taking into consideration its operating results and financial position.

(viii) Shareholdings by venture capitalists

Of the 40,304,367 shares issued by the Company as of the end of fiscal year ended February 29, 2024, the percentage of shares held by venture capitalists and investment partnerships formed by venture capitalists (hereinafter collectively referred to as "VCs") is as high as 37%.

In general, investments in unlisted companies by VCs are made with the aim of earning capital gains by selling the shares after the listing of the Company's stock. In such cases, the supply-demand balance may change, which may affect the market price of the Company's shares.

(ix) Impact of changes in major shareholders on management

In accordance with the resolution of the Board of Directors held on January 11, 2024, the Company issued new shares through third-party allotment to three funds managed by RTW Investments, LP (RTW), and the ownership ratio of these funds totaled 9.09% of the total number of our voting rights at the time of allotment. However, RTW has confirmed that it is a party to the capital and business alliance between JIXING and the Company and has no intention of intervening in the management of TMS.

4. Management's Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of Operating Results

Financial position, operating results, and cash flows ("Operating Results") of the Company are as follows.

(i) Operating results

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, the Company carried out the following business activities with the aim of developing unique drugs based on unconventional mechanisms and bringing them to market.

A. TMS-007-related activities

Biogen was developing TMS-007 which it acquired from the Company in May 2021 for the indication of acute cerebral infarction. Biogen had planned to initiate a late-stage Phase 2 clinical trial in the first half of 2023, and an outline of the trial was registered on ClinicalTrials.gov on March 10, 2023 (estimated start date April 17, 2023). However, it 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 re-evaluated.

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 and 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.
  - i. Development milestones up to a maximum total of US$12.5 million
  - ii. Sales milestones up to a maximum total of US$355 million
  - ii. 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. 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 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.

B. 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.

C. 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.

D. 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 with Hokkaido University in July 2022, including an examination of GMP manufacturing grade drug substances and formulations. The Company established the Joint Research Program at Tokyo University of Agriculture and Technology in April 2023 (see item E below) to cultivate new pipeline candidates by leveraging the collaboration with the said university.

E. 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 at 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, 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.

(ii) Financial position

(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.

(iii) Cash flows

For the fiscal year ended February 29, 2024, 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. 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. 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.

As a result, the balance of cash and cash equivalents as of the end of the fiscal year ended February 29, 2024 was ¥3,446,630 thousand, a decrease of ¥138,037 thousand from the end of the previous fiscal year.

(vi) Production, orders received and sales

a. Production

Not applicable as the Company does not produce.

b. Orders received

Not applicable as the Company does not receive orders.

c. Sales

Not applicable.

(2) Management Recognition, Analysis and Discussion on Business Performance

Management's recognition, analysis and discussion of business performance of the Company is as follows.

Any forward-looking statements in the following discussion are based on the judgment of the Company's management as of the date of filing this document.

(i) Recognition, analysis and discussion of financial position and operating results

a. Recognition and analysis of financial position

Total assets as of the end of the fiscal year ended February 29, 2024 were ¥3,554,754 thousand, down 6.2% from the end of the previous fiscal year. The main reasons for the change from the end of the previous fiscal year were 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, and a decrease of ¥89,056 thousand in advance payments to suppliers for conducting various trials despite proceeds from the issuance of new shares through third-party allotment etc. Total liabilities and net assets were ¥97,689 thousand, up 28.3%, and ¥3,457,065 thousand, down 6.9% from the end of the previous fiscal year. The main reasons for the change from the end of the previous fiscal year were an increase in accrued expenses for outsourced studies, and a decrease in retained earnings brought forward resulting from the recording net loss despite increases in share capital and legal capital surplus, respectively, due to the issuance of new shares.

b. Recognition and analysis of operating results

・Operating revenues, operating expenses, and operating Income or loss

Operating expenses for the fiscal year ended February 29, 2024 totaled ¥943,253 thousand, up 81.3% from the previous fiscal year, which included ¥607,728 thousand in research and development expenses, mainly for development expenses for TMS-008, and ¥335,525 thousand in other selling, general and administrative expenses. As a result, operating loss for the fiscal year ended February 29, 2024 was ¥943,253 thousand (operating loss of ¥520,149 thousand in the previous fiscal year).

・Non-operating income, non-operating expenses, and ordinary income or loss

Non-operating income was ¥3,328 thousand, up 3,523.7% year-on-year, due to the recording of subsidy income, and non-operating expenses were ¥3,470 thousand, down 99.0% year-on-year, resulting from the recording of share issuance costs. As a result, ordinary loss was ¥943,395 thousand (ordinary loss of ¥861,471 thousand in the previous fiscal year). ・Extraordinary gain or loss, income taxes, and net income

Extraordinary loss was ¥15,694 thousand due to the recording of impairment losses on non-current assets. As a result, net loss was ¥960,040 thousand (net loss of ¥860,925 thousand in the previous fiscal year).

c. Factors that have material impacts on financial position and operating results

See "II. Business Overview, 2. Risk Factors" for factors that have material impacts on the Company's financial position and operating results.

(ii) Analysis and discussion of cash flows and information on sources of funding and funds liquidity

a. Analysis and discussion of cash flows

The Company raises working capital and funds for capital expenditures through internal funds or capital increases.

See "II. Business Overview, 4. Management's Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of Operating Results, (c) Cash flows" for analysis of the Company's cash flows.

b. Information on sources of funding and funds liquidity

The Company's need for funds is for research expenses for drug discovery concepts and seeds, development expenses for pipeline commercialization, and administrative expenses for company operations. The Company had used the funds on hand raised through a third-party allotment of new shares to cover operating expenses. As a result of operating revenue obtained from the exercise of Biogen's option in May 2021 and the financing of the Company's stock listing in November 2022 and through a third-party allotment of new shares in January 2024, the Company believes that its current cash level is sufficient for the immediate future business and therefore there is no risk to its liquidity.

(iii) Significant accounting policies and estimates and assumptions used for the estimates

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in Japan. The preparation of financial statements requires management’s choice and application of accounting policies and estimates that may affect the reported amounts and disclosures of assets, liabilities and revenues and expenses. Although management reasonably estimates and accounts for these estimates taking into account past performance, current conditions and other factors, actual results may differ from these estimates due to uncertainties inherent in such estimates.

Significant accounting policies adopted in the Company’s financial statements are described in "V. Financial Information. 1. Financial Statements (1) Notes to Financial Statements: Significant Accounting Policies."

(iv) Awareness of the issues by management and future policies

See “1. Management Policy, Business Environment, Issues to be Addressed, (3) Business and financial challenges to be addressed preferentially” for awareness of the issues by management and future policies.

5. Material Contracts

(1) Agreements on Licensing-in of Technology and Transfer-in of Patent

Name of Counterparty (Country)	Contract Item	Date of Signing Contract	Contract Period	Details
Tokyo University of Agriculture and Technology (Japan)	Patent transfer agreement	July 10, 2015	From the date of signing the agreement to the latest date before the expiration of the term of the patent, etc.	An agreement under which the Company receives patent applications, etc., for SMTP compounds owned by the transferor and pays license fees when the patent, etc., is used
Tokyo University of Agriculture and Technology TLO CO., Ltd. (Japan)	Patent transfer agreement	July 10, 2015	From the date of signing the agreement to the latest date before the expiration of the term of the patent, etc.	An agreement under which the Company receives the substance and process patents, etc., for SMTP compounds owned by the transferor and pays license fees when the patents, etc., are used
Showa University (Japan)	Patent transfer agreement	July 10, 2015	From the date of signing the agreement to the latest date before the expiration of the term of the patent, etc.	An agreement under which the Company receives the transferor's interest in patent applications, etc., for SMTP compounds owned by the transferor and pays license fees when the patent, etc., is used
Tohoku University (Japan)	Patent transfer agreement	June 18, 2018	From the date of signing the agreement to the date when all rights on this patent expires	An agreement under which the Company receives a right to obtain the patent held by the transferor and pays license fees when the said patent, etc., is used
Ji Xing Pharmaceuticals Hong Kong Limited (Hong Kong)	AMENDED AND RESTATED OPTION AGREEMENT	January 11, 2024	From the date of signing the agreement to the date when the relevant patent rights expire (regarding the right to commercialize TMS-007 in Japan)	・The Company obtains royalty-free licensing of a right to develop multiple SMTP compounds subject to a certain range of indications for an indefinite period of time ・The Company obtains royalty-free licensing of a right to commercialize TMS-007 in Japan ・Basic agreement to grant the Company royalty-free licensing of a right to commercialize JX09 in Japan
Ji Xing Pharmaceuticals Hong Kong Limited (Hong Kong)	LICENSE AND COLLABORATION AGREEMENT	February 23, 2024	From the date of signing the agreement to the date when the relevant patent rights are expired	An agreement under which the Company receives a right to commercialize JX09 in Japan at no cost

(2) Agreements on Licensing-out of Technology

Name of Counterparty (Country)	Contract Item	Date of Signing Contract	Contract Period	Details
Ji Xing Pharmaceuticals Hong Kong Limited (Hong Kong)	AMENDED AND RESTATED OPTION AGREEMENT	January 11, 2024	From the date of signing the agreement to the date when the relevant patent rights expire (regarding the payment of the transfer consideration)	An agreement to transfer the contractual position of Biogen MA Inc. under the Option Agreement for the transfer of TMS-007 and related assets to Ji Xing Pharmaceuticals Hong Kong Limited and to change the consideration for the transfer (including milestones and royalties)

(3) Other Material Contracts

Name of Counterparty (Country)	Contract Item	Date of Signing Contract	Contract Period	Details
Mercian Corporation (currently, MicroBiopharm Japan Co., Ltd.) (Japan)	Agreement on manufacturing of APIs	August 1, 2007	From the date of signing the agreement to the conclusion of the next-phase agreement	Contract manufacturing of APIs for TMS-007 Mercian's duty to make efforts for its manufacturing and supply rights
Japan Science and Technology Agency (Japan)	Agreement on implementation of new technology development results	September 10, 2015	10 years from the date of signing the agreement; provided however, in the case of implementing results beyond the said period, until the end of implementation	Agreement to pay royalties for new technologies related to a treatment for ischemic stroke using SMTP compounds developed by using the funds of the counterparty when the development results are implemented
	Memorandum on implementation of development results and transfer of rights	June 4, 2018		
MicroBiopharm Japan Co., Ltd. (Japan)	Joint development agreement	August 1, 2019	Until March 31, 2025	Agreement on outsourcing of the development of the manufacturing method of TMS-008 and the manufacturing of GMP samples, etc., and sharing know-how, generated in the process

6. Research and Development

See “I. Overview of the Company, 3. Description of Business” for details on the pipeline.

The Company is promoting research and development activities with the aim of building assets that will generate cash flows as new pharmaceutical products in the future through promotion and enhancement of the development of its pipeline.

As shown by the track record of licensing out university-developed compounds to a non-Japanese pharmaceutical company with global operations, R&D division of the Company focuses on and nurtures compounds that are in the early research stages in academia and other fields. In promoting research and development, the Company has built an efficient system by actively utilizing external resources, through joint research with external institutions and contract research, from basic research at the exploratory stage to non-clinical and clinical trial stages.

As of the end of the fiscal year ended February 29, 2024, the number of employees engaged in research and development was 13, and R&D expenses were ¥607,728 thousand.

As the Company operates a single segment of drug development business, segment information is omitted.

III. Property, Plant, and Equipment

1. Overview of Capital Expenditures

There were no significant capital investments and no significant facility retirements or sales during the fiscal year ended February 28, 2023. For the fiscal year ended February 29, 2024, the Company recognized an impairment loss of ¥15,694 thousand. See "V. Financial Information. 1. Financial Statements (1) Notes to Financial Statements, Notes on Statement of Income, *Impairment loss," for details of impairment loss.

As the Company operates a single segment of drug development business, segment information is omitted.

2. Major Facilities

As of February 29, 2024

Office Name (Location)	Type of Facilities	Carrying Amount			Number of employees (persons)
		Buildings (Thousands of yen)	Tools, furniture and fixtures (Thousands of yen)	Total (Thousands of yen)	
Headquarters (Fuchu, Tokyo)	Head office functions and R&D	0	0	0	14

Notes: 1. There are no major facilities currently out of service.

2. As the Company operates a single segment of drug development business, segment information is omitted.

3. Major leased facilities include:

Office Name (Location)	Type of Facilities	Number of Employees	Area (m2)	Annual rent (Thousands of yen)
Headquarters (Fuchu, Tokyo)	Office (lease)	14	194.24	10,147

3. Plans for New Facility Construction, Old Facility Disposal, etc.

The Company determines its capital investment by comprehensively taking into account economic forecasts, industry trends, investment efficiency and other factors.

The following are the plans of new construction and retirement of important facilities:

(1) New Construction of Important Facilities

Not applicable.

(2) Retirement of Important Facilities

Not applicable.

IV. Information on the Company

1. Information on the Company's Shares

(1) Total Number of Shares and Other Related Information

(i) Total number of shares

Class	Total Number of Shares Authorized to be Issued (shares)
Common stock	120,000,000
Total	120,000,000

(ii) Number of shares issued

Class	Number of shares issued at the end of the fiscal year (shares) (February 29, 2024)	Number of shares issued as of the filing date (May 29, 2024)	Names of stock exchanges on which the Company is listed or names of authorized financial instruments firms association with which the Company Is registered	Description
Common stock	40,304,367	40,304,367	Growth Market of Tokyo Stock Exchange	Shares with full voting rights, which are standard shares of the Company with no restrictions on rights. The number of shares per unit is 100 shares.
Total	40,304,367	40,304,367	-	-

(2) Stock Acquisition Rights

(i) Description of stock option plans

3rd Stock Acquisition Rights

Date of resolution	March 28, 2017
Classification and number of grantees	Board members of the Company: 1 Audit & Supervisory Board members of the Company: 1 Advisers of the Company: 3 Employees of the Company: 3 (Note) 5
Number of stock acquisition rights (units) *	9,600
Class, description and the number of shares to be issued upon exercise of stock acquisition rights (shares) *	Common stock: 384,000 (Notes) 1 and 6
Amount to be paid in upon exercise of stock acquisition rights (yen) *	100 (Notes) 2 and 6
Exercise period of stock acquisition rights *	March 29, 2019 to March 28, 2027
Issue price and the amount of capitalization upon exercise of stock acquisition rights (yen) *	Issue price: 100 Amount of capitalization: 50 (Note) 6
Conditions for exercise of stock acquisition rights *	(Note) 3
Matters regarding transfer of stock acquisition rights *	Acquisition of stock acquisition rights through transfer shall be subject to an approval by resolution of the Board of Directors.
Matters regarding the grant of stock acquisition rights associated with the Company's reorganization *	(Note) 4

* Information as of the end of the current fiscal year (February 29, 2024). There were no changes from the end of the current fiscal year to April 30, 2024 (the end of the month preceding the filing date).

Notes: 1. The number of underlying shares per unit of stock acquisition right is 40 shares of the Company's common stock.

In the event that the Company carries out a stock split or stock consolidation after the allotment date of the stock acquisition rights, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one (1) share resulting from such adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split or consolidation

2. In the event that the Company splits or consolidates its common stock after the allotment date of the stock acquisition right, the paid-in amount shall be adjusted according to the following formula on and after the day following the allotment date for the stock split in the case of a stock split, and on and after the effective date of the stock consolidation in the case of a stock consolidation. Any fraction less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, in cases where it is appropriate to adjust the exercise price, such as when issuing new shares or disposing of treasury stock at a price lower than the exercise price after the allotment date of the stock acquisition rights, the Company shall adjust the exercise price according to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of shares newly issued (disposed)} \times \text{Paid-in amount per share}}{\text{Market value}}}{\text{Number of previously issued shares} + \text{Number of shares newly issued (disposed)}}$$

In the above formula, "Number of previously issued shares" means the total number of issued shares of the Company less the number of treasury shares held by the Company. Furthermore, in case of capital reduction, issuance of shares for subscription by way of a shareholder allotment, gratis allotment of shares, merger, share exchange, company split or other

events that require the Company to adjust the number of shares to be issued after the issuance of stock acquisition rights, the exercise price shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such matter. In the above formula, "Market value" means a fair price per share calculated at the time of the issuance of new shares or the disposal of treasury stock at a price lower than the exercise price.

3. Conditions for exercise of stock acquisition rights are as follows.
   (i) At the time of the exercise of the stock acquisition rights, a person who has received allotment of stock acquisition rights must be a board member, Audit & Supervisory Board member, adviser or employee of the Company; provided, however, that this shall not apply in the case of approval by the Board of Directors.
   (ii) In the event of the death of a grantee, his or her heirs may not exercise the stock acquisition rights; provided, however, that this shall not apply in the case of approval by the Board of Directors.
4. The following are matters regarding the issuance of stock acquisition rights upon reorganization.
   In the event that the Company conducts a merger (only if the Company is to be dissolved as a result of the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively referred to as the "Reorganization"), the Company will deliver stock acquisition rights of companies set out in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereafter, referred to as the "Reorganized Company") to holders who hold the remaining stock acquisition rights as of the effective date of the Reorganization (hereafter, referred to as the "Remaining Stock Acquisition Rights") under the following conditions. In this case, the Remaining Stock Acquisition Rights will be extinguished, and the Reorganized Company will issue new stock acquisition rights. The foregoing shall only apply if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
   (i) Number of stock acquisition rights of the Reorganized Company for delivery
   Based on the number of stock acquisition rights held by the holders of the Remaining Stock Acquisition Rights, the number shall be reasonably determined by taking into consideration the terms and conditions of the Reorganization.
   (ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
   Common stock of the Reorganized Company
   (iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
   The number shall be reasonably determined by taking into account the terms and conditions of the Reorganization.
   (iv) Amount of assets to be contributed upon exercise of stock acquisition rights
   The amount shall be calculated by multiplying the exercise price after the reorganization specified in Note 2 by the number of shares of the Reorganized Company to be issued upon exercise of the stock acquisition rights as determined in accordance with the preceding item taking into consideration the terms and conditions of the Reorganization.
   (v) Exercise period of stock acquisition rights
   The exercise period shall be from the later of the commencement date of the exercise period or the effective date of the Reorganization, to the expiration date of the exercise period.
   (vi) Matters regarding share capital and capital reserve to be increased
   To be determined in accordance with the following:
   ・Share capital to be increased due to issuance of shares upon exercise of stock acquisition rights shall be a half of the paid-in amount and the remainder shall be recorded in capital reserve.
5. As a board member of the Company retired and assumed a post of Audit & Supervisory Board Member and due to the termination of advisory agreements with three advisers of the Company, the exercise of stock acquisition rights by three former advisers and an Audit & Supervisory Board Member of the Company, and the retirement of one employee of the Company, as of the date of this filing, eligible persons consist of one Audit & Supervisory Board Members and two employees of the Company, and one former employee of the Company.
6. The Company conducted a 40-for-1 common stock split effective on September 21, 2021 following a resolution of the Board of Directors held on September 3, 2021. As a result, "Class, description and the number of shares to be issued upon exercise of stock acquisition rights," "Amount to be paid in upon exercise of stock acquisition rights" and "Issue price and the amount of capitalization upon exercise of stock acquisition rights" have been adjusted.

5th Stock Acquisition Rights

Date of resolution	May 29, 2020
Classification and number of grantees	Board members of the Company: 4 Employees of the Company: 7 (Note) 5
Number of stock acquisition rights (units) *	22,392
Class, description and the number of shares to be issued upon exercise of stock acquisition rights (shares) *	Common stock: 895,680 (Notes) 1 and 6
Amount to be paid in upon exercise of stock acquisition rights (yen) *	150 (Notes) 2 and 6
Exercise period of stock acquisition rights *	May 30, 2022 to May 29, 2030
Issue price and the amount of capitalization upon exercise of stock acquisition rights (yen) *	Issue price: 150 Amount of capitalization: 75 (Note) 6
Conditions for exercise of stock acquisition rights *	(Note) 3
Matters regarding transfer of stock acquisition rights *	Acquisition of stock acquisition rights through transfer shall be subject to an approval by resolution of the Board of Directors.
Matters regarding the grant of stock acquisition rights associated with the Company's reorganization *	(Note) 4

* Information as of the end of the current fiscal year (February 29, 2024). There were no changes from the end of the current fiscal year to April 30, 2024 (the end of the month preceding the filing date).

Notes: 1. The number of underlying shares per unit of stock acquisition right is 40 shares of the Company's common stock.

In the event that the Company carries out a stock split or stock consolidation after the allotment date of the stock acquisition rights, the number of underlying shares shall be adjusted according to the formula outlined below. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one (1) share resulting from such adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split or consolidation

2. In the event that the Company splits or consolidates its common stock after the allotment date of the stock acquisition right, the exercise price shall be adjusted according to the following formula on and after the day following the allotment date for the stock split in the case of a stock split, and on and after the effective date of the stock consolidation in the case of a stock consolidation. Any fraction less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, in cases where it is appropriate to adjust the exercise price, such as when issuing new shares or disposing of treasury stock at a price lower than the exercise price after the allotment date of the stock acquisition rights, the Company shall adjust the exercise price according to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of shares newly issued (disposed)} \times \text{Paid-in amount per share}}{\text{Market value}}}{\text{Number of previously issued shares} + \text{Number of shares newly issued (disposed)}}$$

In the above formula, "Number of previously issued shares" means the total number of issued shares of the Company less the number of treasury shares held by the Company. Furthermore, in case of capital reduction or other events that require the Company to adjust the number of shares to be issued after the allotment date of stock acquisition rights, the exercise price shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such matter. In the above formula, "Market value" means a fair price per share calculated at the time of the issuance of new shares or the disposal of treasury stock at a price lower than the exercise price.

3. Conditions for exercise of stock acquisition rights are as follows.

(i) Partial exercise of stock acquisition rights is not allowed.

(ii) In the event of the death of a holder of stock acquisition rights, their heirs shall be entitled to exercise their rights.

(iii) Pursuant to the provisions of Article 29-2, Paragraph 1, Item 6 of the Act on Special Measures Concerning Taxation, a holder of stock acquisition rights shall trust the custody or entrust the management of the Company's shares to be acquired through the exercise of the stock acquisition rights to a business office or other office of a securities company, etc., that the Company designates. Such securities company will be notified by the Company to the holders of stock acquisition rights.

(iv) Other terms and conditions shall be stipulated in the agreement for the stock acquisition rights within the scope provided by laws and regulations and these Guidelines.

The Stock Acquisition Rights Allotment Agreement stipulates that two thirds (2/3) of the number of stock acquisition rights allotted thereto will be cancelled if a holder of stock acquisition rights loses the position of board member or employee of the Company, or its subsidiary or affiliate (except for reasons other than mandatory retirement and certain other exceptions; The same shall apply hereafter), within one year of the applicable allotment date, while one third (1/3) of the number of stock acquisition rights allotted thereto will be cancelled if such holder loses such position within one to two years from such allotment date.

4. The following are matters regarding the issuance of stock acquisition rights upon reorganization.

In the event that the Company reorganizes its structure, the Company will deliver stock acquisition rights of companies set out in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereafter, referred to as the "Reorganized Company") to holders who hold the remaining stock acquisition rights as of the effective date of the Reorganization (hereafter, referred to as the "Remaining Stock Acquisition Rights") under the following conditions. In this case, the Remaining Stock Acquisition Rights will be extinguished, and the Reorganized Company will issue new stock acquisition rights. The foregoing shall only apply if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.

(i) Number of stock acquisition rights of the Reorganized Company for delivery

Based on the number of stock acquisition rights held by the holders of the Remaining Stock Acquisition Rights, the number shall be reasonably determined by taking into consideration the terms and conditions of the Reorganization.

(ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

Common stock of the Reorganized Company

(iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

The number shall be reasonably determined by taking into account the terms and conditions of the Reorganization.

(iv) Amount of assets to be contributed upon exercise of stock acquisition rights

The amount shall be calculated by multiplying the exercise price after the reorganization, which is obtained by adjusting the exercise price specified in Note 2, by the number of shares of the Reorganized Company to be issued upon exercise of the stock acquisition rights as determined in accordance with 3) above taking into consideration the terms and conditions of the Reorganization.

(v) Exercise period of stock acquisition rights

The exercise period shall be from the later of the commencement date of the exercise period or the effective date of the Reorganization, to the expiration date of the exercise period.

(vi) Matters regarding share capital and capital reserve to be increased

To be determined in accordance with the following:

- Share capital to be increased due to issuance of shares upon exercise of stock acquisition rights shall be a half of the maximum amount of increase in share capital, etc., which is calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one (1) yen resulting from such calculation shall be rounded up.
- Capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights shall be the amount calculated by deducting the amount of increase in share capital stated above from the above maximum amount of increase in share capital, etc.

(vii) Reason for acquisition of stock acquisition rights

To be determined in accordance with the following:

- In the event that a holder of stock acquisition rights becomes unable to exercise their stock acquisition rights or relinquishes all or part of their stock acquisition rights, the Company may acquire such stock acquisition rights without compensation.
- In the event that stock acquisition rights expire in accordance with the provisions of the Stock Acquisition Rights Allotment Agreement, the Company may acquire such expired subscription rights without compensation.

5. Due to the retirement of one board member of the Company, the exercise of stock acquisition rights by a former board member and the retirement of three employees of the Company, as of the date of this filing, eligible persons consist of three board members and four employees of the Company, and three former employees of the Company.
6. The Company conducted a 40-for-1 common stock split effective on September 21, 2021 following a resolution of the Board of Directors held on September 3, 2021. As a result, "Class, description and the number of shares to be issued upon exercise of stock acquisition rights," "Amount to be paid in upon exercise of stock acquisition rights" and "Issue price and the amount of capitalization upon exercise of stock acquisition rights" have been adjusted.

6th Stock Acquisition Rights

Date of resolution	February 15, 2021
Classification and number of grantees	Board members of the Company: 1 Employees of the Company: 2
Number of stock acquisition rights (units) *	6,000
Class, description and the number of shares to be issued upon exercise of stock acquisition rights (shares) *	Common stock: 240,000 (Notes) 1 and 5
Amount to be paid in upon exercise of stock acquisition rights (yen) *	150 (Notes) 2 and 5
Exercise period of stock acquisition rights *	February 16, 2023 to February 15, 2031
Issue price and the amount of capitalization upon exercise of stock acquisition rights (yen) *	Issue price: 150 Amount of capitalization: 75 (Note) 5
Conditions for exercise of stock acquisition rights *	(Note) 3
Matters regarding transfer of stock acquisition rights *	Acquisition of stock acquisition rights through transfer shall be subject to an approval by resolution of the Board of Directors.
Matters regarding the grant of stock acquisition rights associated with the Company's reorganization *	(Note) 4

* Information as of the end of the current fiscal year (February 29, 2024). There were no changes from the end of the current fiscal year to April 30, 2024 (the end of the month preceding the filing date).

Notes: 1. The number of underlying shares per unit of stock acquisition right is 40 shares of the Company's common stock.

In case of capital reduction, issuance of shares for subscription by way of a shareholder allotment, gratis allotment of shares, merger, share exchange, company split or other events that require the Company to adjust the number of shares to be issued after the allotment date of stock acquisition rights, the number of shares to be granted shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such matter.

Such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one (1) share resulting from such adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split or consolidation

2. In the event that the Company splits or consolidates its common stock after the allotment date of the stock acquisition right, the exercise price shall be adjusted according to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, in cases where it is appropriate to adjust the exercise price, such as when issuing new shares or disposing of treasury stock at a price lower than the exercise price after the allotment date of the stock acquisition rights, the Company shall adjust the exercise price according to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of shares newly issued (disposed)} \times \text{Paid-in amount per share}}{\text{Market value}}}{\text{Number of previously issued shares} + \text{Number of shares newly issued (disposed)}}$$

In the above formula, "Number of previously issued shares" means the total number of issued shares of the Company less the number of treasury shares held by the Company. Furthermore, in case of capital reduction or other events that require the Company to adjust the number of shares to be issued after the allotment date of stock acquisition rights, the exercise price shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such matter. In the above formula, "Market value" means a fair price per share calculated at the time of the issuance of new shares or the disposal of treasury stock at a price lower than the exercise price.

3. Conditions for exercise of stock acquisition rights are as follows.
   (i) Partial exercise of stock acquisition rights is not allowed.
   (ii) In the event of the death of a holder of stock acquisition rights, their heirs shall be entitled to exercise their rights.
   (iii) Pursuant to the provisions of Article 29-2, Paragraph 1, Item 6 of the Act on Special Measures Concerning Taxation, a holder of stock acquisition rights shall trust the custody or entrust the management of the Company's shares to be acquired through the exercise of the stock acquisition rights to a business office or other office of a securities company, etc., that the Company designates. Such securities company will be notified by the Company to the holders of stock acquisition rights.
   (iv) Other terms and conditions shall be stipulated in the agreement for the stock acquisition rights within the scope provided by laws and regulations and these Guidelines.
   The Stock Acquisition Rights Allotment Agreement stipulates that two thirds (2/3) of the number of stock acquisition rights allotted thereto will be cancelled if a holder of stock acquisition rights loses the position of board member or employee of the Company, or its subsidiary or affiliate (except for reasons other than mandatory retirement and certain other exceptions; The same shall apply hereafter), within one year of the applicable allotment date, while one third (1/3) of the number of stock acquisition rights allotted thereto will be cancelled if such holder loses such position within one to two years from such allotment date.
4. The following are matters regarding the issuance of stock acquisition rights upon reorganization.
   In the event that the Company reorganizes its structure, the Company will deliver stock acquisition rights of companies set out in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereafter, referred to as the "Reorganized Company") to holders who hold the remaining stock acquisition rights as of the effective date of the Reorganization (hereafter, referred to as the "Remaining Stock Acquisition Rights") under the following conditions. In this case, the Remaining Stock Acquisition Rights will be extinguished, and the Reorganized Company will issue new stock acquisition rights. The foregoing shall only apply if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
   (i) Number of stock acquisition rights of the Reorganized Company for delivery
   Based on the number of stock acquisition rights held by the holders of the Remaining Stock Acquisition Rights, the number shall be reasonably determined by taking into consideration the terms and conditions of the Reorganization.
   (ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
   Common stock of the Reorganized Company
   (iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
   The number shall be reasonably determined by taking into account the terms and conditions of the Reorganization.
   (iv) Amount of assets to be contributed upon exercise of stock acquisition rights
   The amount shall be calculated by multiplying the exercise price after the reorganization, which is obtained by adjusting the exercise price specified in Note 2, by the number of shares of the Reorganized Company to be issued upon exercise of

the stock acquisition rights as determined in accordance with 3) above taking into consideration the terms and conditions of the Reorganization.

(v) Exercise period of stock acquisition rights

The exercise period shall be from the later of the commencement date of the exercise period or the effective date of the Reorganization, to the expiration date of the exercise period.

(vi) Matters regarding share capital and capital reserve to be increased

To be determined in accordance with the following:

・Share capital to be increased due to issuance of shares upon exercise of stock acquisition rights shall be a half of the maximum amount of increase in share capital, etc., which is calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one (1) yen resulting from such calculation shall be rounded up.

・Capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights shall be the amount calculated by deducting the amount of increase in share capital stated above from the above maximum amount of increase in share capital, etc.

(vii) Reason for acquisition of stock acquisition rights

To be determined in accordance with the following:

・In the event that a holder of stock acquisition rights becomes unable to exercise their stock acquisition rights or relinquishes all or part of their stock acquisition rights, the Company may acquire such stock acquisition rights without compensation.

・In the event that stock acquisition rights expire in accordance with the provisions of the Stock Acquisition Rights Allotment Agreement, the Company may acquire such expired subscription rights without compensation.

5. The Company conducted a 40-for-1 common stock split effective on September 21, 2021 following a resolution of the Board of Directors held on September 3, 2021. As a result, "Class, description and the number of shares to be issued upon exercise of stock acquisition rights," "Amount to be paid in upon exercise of stock acquisition rights" and "Issue price and the amount of capitalization upon exercise of stock acquisition rights" have been adjusted.

7th Stock Acquisition Rights

Date of resolution	February 26, 2021
Classification and number of grantees	Board members of the Company: 1
Number of stock acquisition rights (units) *	16,100
Class, description and the number of shares to be issued upon exercise of stock acquisition rights (shares) *	Common stock: 644,000 (Notes) 1 and 5
Amount to be paid in upon exercise of stock acquisition rights (yen) *	150 (Notes) 2 and 5
Exercise period of stock acquisition rights *	February 27, 2023 to February 26, 2031
Issue price and the amount of capitalization upon exercise of stock acquisition rights (yen) *	Issue price: 150 Amount of capitalization: 75 (Note) 5
Conditions for exercise of stock acquisition rights *	(Note) 3
Matters regarding transfer of stock acquisition rights *	Acquisition of stock acquisition rights through transfer shall be subject to an approval by resolution of the Board of Directors.
Matters regarding the grant of stock acquisition rights associated with the Company's reorganization *	(Note) 4

* Information as of the end of the current fiscal year (February 29, 2024). There were no changes from the end of the current fiscal year to April 30, 2024 (the end of the month preceding the filing date).

Notes: 1. The number of underlying shares per unit of stock acquisition right is 40 shares of the Company's common stock.

In the event that the Company carries out a stock split or stock consolidation after the allotment date of the stock acquisition rights, the number of underlying shares shall be adjusted according to the formula outlined below. In addition, in case of capital reduction, issuance of shares for subscription by way of a shareholder allotment, gratis allotment of shares, merger, share exchange, company split or other events that require the Company to adjust the number of shares to be issued after the allotment date of stock acquisition rights, the number of shares to be granted shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such matter.

Such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one (1) share resulting from such adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split or consolidation

2. In the event that the Company splits or consolidates its common stock after the allotment date of the stock acquisition right, the exercise price shall be adjusted according to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, in cases where it is appropriate to adjust the exercise price, such as when issuing new shares or disposing treasury stock at a price lower than the exercise price after the allotment date of the stock acquisition rights, the Company shall adjust the exercise price according to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of previously issued shares} + \dfrac{\text{Number of shares newly issued (disposed)} \times \text{Paid-in amount per share}}{\text{Market value}}}{\text{Number of previously issued shares} + \text{Number of shares newly issued (disposed)}}$$

In the above formula, "Number of previously issued shares" means the total number of issued shares of the Company less the number of treasury shares held by the Company. Furthermore, in case of capital reduction or other events that require the Company to adjust the number of shares to be issued after the allotment date of stock acquisition rights, the exercise price shall be adjusted to the extent reasonable taking into consideration the terms and conditions of such matter. In the above formula, "Market value" means a fair price per share calculated at the time of the issuance of new shares or the disposal of treasury stock at a price lower than the exercise price.

3. Conditions for exercise of stock acquisition rights are as follows.
   (i) Partial exercise of stock acquisition rights is not allowed.
   (ii) In the event of the death of a holder of stock acquisition rights, their heirs shall be entitled to exercise their rights.
   (iii) Pursuant to the provisions of Article 29-2, Paragraph 1, Item 6 of the Act on Special Measures Concerning Taxation, a holder of stock acquisition rights shall trust the custody or entrust the management of the Company's shares to be acquired through the exercise of the stock acquisition rights to a business office or other office of a securities company, etc., that the Company designates. Such securities company will be notified by the Company to the holders of stock acquisition rights.
   (iv) Other terms and conditions shall be stipulated in the agreement for the stock acquisition rights within the scope provided by laws and regulations and the Guidelines for Issuance of Stock Acquisition Rights.
4. The following are matters regarding the issuance of stock acquisition rights upon reorganization.
   In the event that the Company reorganizes its structure, the Company will deliver stock acquisition rights of companies set out in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereafter, referred to as the "Reorganized Company") to holders who hold the remaining stock acquisition rights as of the effective date of the Reorganization (hereafter, referred to as the "Remaining Stock Acquisition Rights") under the following conditions. In this case, the Remaining Stock Acquisition Rights will be extinguished, and the Reorganized Company will issue new stock acquisition rights. The foregoing shall only apply if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
   (i) Number of stock acquisition rights of the Reorganized Company for delivery
   Based on the number of stock acquisition rights held by the holders of the Remaining Stock Acquisition Rights, the number shall be reasonably determined by taking into consideration the terms and conditions of the Reorganization.
   (ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
   Common stock of the Reorganized Company
   (iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
   The number shall be reasonably determined by taking into account the terms and conditions of the Reorganization.
   (iv) Amount of assets to be contributed upon exercise of stock acquisition rights
   The amount shall be calculated by multiplying the exercise price after the reorganization, which is obtained by adjusting the exercise price specified in Note 2, by the number of shares of the Reorganized Company to be issued upon exercise of the stock acquisition rights as determined in accordance with 3) above taking into consideration the terms and conditions of the Reorganization.

(v) Exercise period of stock acquisition rights

The exercise period shall be from the later of the commencement date of the exercise period or the effective date of the Reorganization, to the expiration date of the exercise period.

(vi) Matters regarding share capital and capital reserve to be increased

To be determined in accordance with the following:

・Share capital to be increased due to issuance of shares upon exercise of stock acquisition rights shall be a half of the maximum amount of increase in share capital, etc., which is calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one (1) yen resulting from such calculation shall be rounded up.

・Capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights shall be the amount calculated by deducting the amount of increase in share capital stated above from the above maximum amount of increase in share capital, etc.

(vii) Reason for acquisition of stock acquisition rights

To be determined in accordance with the following:

・In the event that a holder of stock acquisition rights becomes unable to exercise their stock acquisition rights or relinquishes all or part of their stock acquisition rights, the Company may acquire such stock acquisition rights without compensation.

・In the event that stock acquisition rights expire in accordance with the provisions of the Stock Acquisition Rights Allotment Agreement, the Company may acquire such expired subscription rights without compensation.

5. The Company conducted a 40-for-1 common stock split effective on September 21, 2021 following a resolution of the Board of Directors held on September 3, 2021. As a result, "Class, description and the number of shares to be issued upon exercise of stock acquisition rights," "Amount to be paid in upon exercise of stock acquisition rights" and "Issue price and the amount of capitalization upon exercise of stock acquisition rights" have been adjusted.

8th Stock Acquisition Rights

Date of resolution	June 15, 2023
Classification and number of grantees	Board members of the Company: 6 Audit & Supervisory Board members of the Company: 4 Employees of the Company: 15
Number of stock acquisition rights (units) *	1,681
Class, description and the number of shares to be issued upon exercise of stock acquisition rights (shares) *	Common stock: 168,100 (Notes) 1 and 2
Amount to be paid in upon exercise of stock acquisition rights (yen) *	1
Exercise period of stock acquisition rights *	July 11, 2023 to July 10, 2038
Issue price and the amount of capitalization upon exercise of stock acquisition rights (yen) *	Issue price: 315 Amount of capitalization: 157.5
Conditions for exercise of stock acquisition rights *	(Note) 3
Matters regarding transfer of stock acquisition rights *	Acquisition of stock acquisition rights through transfer shall be subject to an approval by resolution of the Board of Directors.
Matters regarding the grant of stock acquisition rights associated with the Company's reorganization *	(Note) 4

* Information as of the end of the current fiscal year (February 29, 2024). There were no changes from the end of the current fiscal year to April 30, 2024 (the end of the month preceding the filing date).

Notes: 1. The number of underlying shares per unit of stock acquisition right is 100 shares of the Company's common stock.

2. The Number of Granted Shares shall be adjusted by the following formula if the Company conducts a share split (including allotment of the Company's shares without contribution; the same shall apply hereinafter) or a share consolidation after the allotment date of the Share Acquisition Rights. However, such adjustment shall be made only to those subject to stock acquisition rights unexercised at the time of such adjustment, and any fraction less than one (1) share resulting from such adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split or consolidation

If the Company conducts a merger, corporate split, share exchange, or share delivery, or in a similar event that necessitates the adjustment of the Number of Granted Shares after the allotment date of Share Acquisition Rights, the Company may

appropriately adjust the Number of Granted Shares to a reasonable extent.

3. Conditions for exercise of stock acquisition rights are as follows.

(i) Partial exercise of stock acquisition rights is not allowed.

(ii) In the event of the death of a holder of stock acquisition rights, their heirs shall be entitled to exercise their rights.

(iii) A portion of the Share Acquisition Rights out of the total number of the Share Acquisition Rights allotted to the holder shall be finalized (finalization of Share Acquisition Rights is hereinafter referred to as "vesting" or "vested") on each of the dates specified in the items below for the number of the Share Acquisition Rights specified in such item. The holder of the Share Acquisition Rights may exercise only those Share Acquisition Rights that have been vested. However, if the holder of Share Acquisition Rights ceases to be a Board Member, Audit & Supervisory Board Member, executive officer or employee of the Company or its affiliates (except when such holder resigns from his/her position as a Board Member, Audit & Supervisory Board Member, executive officer or employee of the Company or its affiliates for reasons deemed justifiable by the Board of Directors of the Company), the vesting after such point in time shall be terminated.

i) The date one year after the allotment of the Share Acquisition Rights

One-third of the Share Acquisition Rights allotted (if there is a fraction of less than one unit, only the number of Share Acquisition Rights rounded down to the nearest one unit may be exercised; the same shall apply in the following items.)

ii) The date two years after the allotment of the Share Acquisition Rights

One-third of the Share Acquisition Rights allotted

iii) The date three years after the allotment of the Share Acquisition Rights

The balance of Share Acquisition Rights that have not been vested up to the previous day to the aforementioned day

(iv) Other terms and conditions shall be stipulated in the agreement for the stock acquisition rights within the scope provided by laws and regulations and the Guidelines for Issuance of Stock Acquisition Rights.

4. The following are matters regarding the issuance of stock acquisition rights upon reorganization.

In the event that the Company reorganizes its structure, the Company will deliver stock acquisition rights of companies set out in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act (hereafter, referred to as the "Reorganized Company") to holders who hold the remaining stock acquisition rights as of the effective date of the Reorganization (hereafter, referred to as the "Remaining Stock Acquisition Rights") under the following conditions. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan that Share Acquisition Rights of the Restructured Company shall be delivered in accordance with the following conditions.

(i) Number of stock acquisition rights of the Reorganized Company for delivery

The Company shall deliver Share Acquisition Rights, the number of which shall equal the number of Share Acquisition Rights held by the holder of the Share Acquisition Rights.

(ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

Common stock of the Reorganized Company

(iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

To be decided in accordance with (Notes) 1 and 2 above, taking into consideration the conditions of the Organizational Restructuring.

(iv) Amount of assets to be contributed upon exercise of stock acquisition rights

The amount shall be calculated by multiplying the exercise price after the reorganization, which is obtained by adjusting the exercise price, by the number of shares of the Reorganized Company to be issued upon exercise of the stock acquisition rights as determined in accordance with (iii) above taking into consideration the terms and conditions of the Reorganization.

(v) Exercise period of stock acquisition rights

The exercise period shall be from the later of the commencement date of the exercise period or the effective date of the Reorganization, to the expiration date of the exercise period.

(vi) Matters regarding share capital and capital reserve to be increased

To be determined in accordance with the following:

・Share capital to be increased due to issuance of shares upon exercise of stock acquisition rights shall be a half of the maximum amount of increase in share capital, etc., which is calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than one (1) yen resulting from such calculation shall be rounded up.

・Capital reserve to be increased due to issuance of shares upon exercise of stock acquisition rights shall be the amount calculated by deducting the amount of increase in share capital stated above from the above maximum amount of increase in share capital, etc.

(vii) Reasons for acquisition of Share Acquisition Rights by transfer

Limitation on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Restructured

Company.

(viii) Other terms and conditions of exercising Share Acquisition Rights

To be determined in accordance with (Note) 3.

(ix) Reasons and conditions for acquisition of Share Acquisition Rights

To be determined in accordance with the following:

- In the event that a general meeting of shareholders approves (or if approval by a general meeting of shareholders is not required, the Board of Directors resolves) a merger agreement under which the Company will become a dissolving company, a company split agreement or plan under which the Company will become a splitting company, or a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary, the Company may acquire all of the Share Acquisition Rights without contribution on a date separately determined by the Board of Directors of the Company.
- If a holder of the Share Acquisition Rights becomes unable to exercise his/her Share Acquisition Rights pursuant to the provisions set forth in (Note) 3 before exercising the right, the Company may acquire such Share Acquisition Rights without contribution on a date separately determined by the Board of Directors of the Company.
- In the event that a holder of Share Acquisition Rights becomes none of the Board Members, Audit & Supervisory Board Members, executive officers or employee of the Company or its affiliates, the Company may acquire any Share Acquisition Rights held by such holder that have not been vested without contribution, on a date separately determined by the Board of Directors of the Company.

(x) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

(ii) Description of rights plan

Not applicable.

(iii) Other stock acquisition rights

Not applicable.

(3) Exercise Status of Bonds with Stock Acquisition Rights Containing a Clause for Exercise Price Adjustments

Not applicable.

(4) Changes in the Total Number of Outstanding Shares, Share Capital, etc.

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
February 27, 2020 Notes: 1.	Class D-2 Preferred Stock 103,562	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-2 Preferred Stock 103,562	310,686	409,686	310,686	772,778
February 27, 2020 (Note) 2	Class D-1 Preferred Stock 64,813	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 103,562	174,995	584,681	174,995	947,774

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
April 20, 2020 (Note) 3	-	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 103,562	(574,681)	10,000	(947,774)	-
June 5, 2020 (Note) 4	Class D-2 Preferred Stock 2,500	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 106,062	7,500	17,500	7,500	7,500
September 30, 2020 (Note) 5	Class D-2 Preferred Stock 106,069	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 212,131	318,207	335,707	318,207	325,707

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
November 25, 2020 (Note) 6	-	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 212,131	(325,707)	10,000	(325,707)	-

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
December 28, 2020 (Note) 7	Class D-3 Preferred Stock 74,958	Common stock 105,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 212,131 Class D-3 Preferred Stock 74,958	224,874	234,874	224,874	224,874
May 28, 2021 (Note) 8	Common stock 1,000	Common stock 106,400 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 212,131 Class D-3 Preferred Stock 74,958	250	235,124	250	225,124
July 20, 2021 (Note) 8	Common stock 16,500	Common stock 122,900 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 212,131 Class D-3 Preferred Stock 74,958	4,125	239,249	4,125	229,249

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
August 10, 2021 (Note) 8	Common stock 39,750	Common stock 162,650 Class A Preferred Stock 112,500 Class B Preferred Stock 50,000 Class C Preferred Stock 150,000 Class D-1 Preferred Stock 64,813 Class D-2 Preferred Stock 212,131 Class D-3 Preferred Stock 74,958	119,250	358,499	119,250	348,499
August 12, 2021 (Note) 9	Common stock 664,402 Class A Preferred Stock (112,500) Class B Preferred Stock (50,000) Class C Preferred Stock (150,000) Class D-1 Preferred Stock (64,813) Class D-2 Preferred Stock (212,131) Class D-3 Preferred Stock (74,958)	Common stock 827,052	-	358,499	-	348,499
September 17, 2021 (Note) 8	Common stock 500	Common stock 827,552	1,000	359,499	1,000	349,499
September 21, 2021 (Note) 10	Common stock 32,274,528	Common stock 33,102,080	-	359,499	-	349,499
February 28, 2022 (Note) 11	-	Common stock 33,102,080	(259,499)	100,000	-	349,499
November 21, 2022 (Note) 12	Common stock 3,432,800	Common stock 36,534,880	1,057,988	1,157,988	1,057,988	1,407,487
November 22, 2022 (Note) 8	Common stock 40,000	Common stock 36,574,880	3,000	1,160,988	3,000	1,410,487
June 23, 2023 (Note) 8	Common stock 20,000	Common stock 36,594,880	1,000	1,161,988	1,000	1,411,487
November 14, 2023 (Note) 8	Common stock 10,000	Common stock 36,604,880	500	1,162,488	500	1,411,987

Date	Changes in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
January 19, 2024 (Note) 8	Common stock 40,000	Common stock 36,644,880	2,000	1,164,488	2,000	1,413,987
January 31, 2024 (Note) 13	Common stock 3,659,487	Common stock 40,304,367	342,162	1,506,650	342,162	1,756,149

Notes: 1. Third-party allotment with payment
Class D-2 Preferred Stock 103,562 shares
Issue price: ¥6,000
Amount of capitalization: ¥3,000
Allottees: Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership, Nissay Capital No. 9 Investment Limited Partnership, Ibis New Growth Investment Partnership No. 5, Tetsuo Kato, THVP No. 1 Investment Limited Partnership, Eigo Nosaka, Mitsubishi UFJ Capital IV Limited Partnership, OCP No. 1 Investment Limited Partnership, Mizuho Growth Fund No. 3 Limited Partnership, Innovation Discovery No. 1 Investment Limited Partnership, EXIT Solutions Inc. and Shin Nippon Biomedical Laboratories, Ltd.

2. An increase due to the acquisition of bonds with stock acquisition rights in exchange for shares.
3. Reduction of share capital and capital reserves to ensure flexibility and mobility in capital policy. As a result, share capital decreased by ¥574,681 thousand (capital reduction ratio: 98.3%) and capital reserve decreased by ¥947,774 thousand (capital reduction ratio: 100.0%).
4. Third-party allotment with payment
Class D-2 Preferred Stock 2,500 shares
Issue price: ¥6,000
Amount of capitalization: ¥3,000
Allottees: Sugar V Co., Ltd.
5. Third-party allotment with payment
Class D-2 Preferred Stock 106,069 shares
Issue price: ¥6,000
Amount of capitalization: ¥3,000
Allottees: Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership, Nissay Capital No. 9 Investment Limited Partnership, Ibis New Growth Investment Partnership No. 5, Tetsuo Kato, THVP No. 1 Investment Limited Partnership, Eigo Nosaka, Mitsubishi UFJ Capital IV Limited Partnership, OCP No. 1 Investment Limited Partnership, Mizuho Growth Fund No. 3 Limited Partnership, Innovation Discovery No. 1 Investment Limited Partnership, Sugar V Co., Ltd., EXIT Solutions Inc. and Shin Nippon Biomedical Laboratories, Ltd.
6. Reduction of share capital and capital reserves to ensure flexibility and mobility in capital policy. As a result, share capital decreased by ¥325,707 thousand (capital reduction ratio: 97.0%) and capital reserve decreased by ¥325,707 thousand (capital reduction ratio: 100.0%).
7. Third-party allotment with payment
Class D-3 Preferred Stock: 74,958 shares
Issue price: ¥6,000
Amount of capitalization: ¥3,000
Allottees: Nissay Capital No. 10 Investment Limited Partnership, Mitsubishi UFJ Capital IV Limited Partnership, OCP No. 1 Investment Limited Partnership, Tetsuo Kato, Innovation Discovery No. 1 Investment Limited Partnership, EXIT Solutions Inc., Oita VC Success Fund No. 6 Investment Limited Partnership and Oita SME Growth Fund Investment Limited Partnership
8. An increase due to exercise of stock acquisition rights.
9. Based on resolutions at the extraordinary meetings of the Board of Directors held on July 28, 2021 and August 11, 2021, in accordance with provisions of the Articles of Incorporation, effective on August 12, 2021, the Company bought back 112,500 shares of Class A preferred shares, 50,000 shares of Class B preferred shares, 150,000 shares of Class C preferred shares, 64,813 shares of Class D-1 preferred shares, 212,131 shares of Class D-2 preferred shares, and 74,958 shares of Class D-3 preferred share as treasury shares. The Company issued 664,402 shares of common stock as consideration for the buy-back. In addition, based on the resolutions of those extraordinary meetings of the Board of Directors, the Company cancelled all of Class A preferred shares, Class B preferred shares, Class C preferred shares, Class D-1 preferred shares, Class D-2 preferred shares, and Class D-3 preferred shares held as treasury shares on August 12, 2021.
10. Due to stock split at a ratio of 40 shares for each common stock.
11. Reduction of share capital to ensure flexibility and mobility in capital policy. As a result, share capital decreased by

¥259,499 thousand (capital reduction ratio: 72.2%).

12. Paid-for general public offering (book building method)
    - Issue price: ¥670
    - Underwriting price: ¥616.40
    - Amount of capitalization: ¥308.20
    - Total paid-in amount: ¥2,115,977,000
13. Third-party allotment with payment
    - Common stock 3,659,487 shares
    - Issue price: 187 yen
    - Amount of capitalization: 93.5 yen
    - Allottees: RTW Master Fund, Ltd., RTW Innovation Master Fund, Ltd., and RTW Biotech Opportunities Ltd.

(5) Status by Type of Holder

As of February 29, 2024

Classification	Status of shares (1 unit = 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	-	2	27	57	22	37	9,027	9,172	-
Number of shares held (Trading units)	-	2,292	21,301	26,395	48,741	727	303,520	402,976	6,767
Percentage of shares held (%)	-	0.57	5.29	6.55	12.10	0.18	75.32	100	-

(Note) 10 shares of treasury stock are included in "Shares less than one unit."

(6) Major Shareholders

As of February 29, 2024

Name	Address	Number of shares held (shares)	Percentage of shares held to total outstanding shares (excluding treasury stock) (%)
Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	4,107,920	10.19
Mitsubishi UFJ Capital IV, Limited Partnership	2-3-4, Nihombashi, Chuo-ku, Tokyo	3,677,420	9.12
MORGAN STANLEY & CO. LLC (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1585 Broadway New York, New York 10036,U. S. A. (Otemachi Financial City South Tower, 1-9-7, Otemachi, Chiyoda-ku, Tokyo)	3,482,616	8.64
THVP 1 Investment Limited Partnership	468 -1, Aoba, Aramaki, Aoba-ku, Sendai, Miyagi	2,845,960	7.06
Nissay Capital No. 9 Investment Limited Partnership	Yusen Building, 2-3-2, Marunouchi, Chiyoda-ku, Tokyo	1,569,580	3.89
SHIN NIPPON BIOMEDICAL LABORATORIES, LTD.	2438, Miyanouracho, Kagoshima, Kagoshima	1,433,320	3.55
Nissay Capital No. 7 Investment Limited Partnership	Yusen Building, 2-3-2, Marunouchi, Chiyoda-ku, Tokyo	1,352,700	3.35
Keiji Hasumi	Fuchu, Tokyo	804,000	1.99
OCP 1 Investment Limited Partnership	14th Floor, Muromachi-Higashi Mitsui Building, 2-2-1, Nihombashi-Muromachi, Chuo-ku, Tokyo	644,500	1.59
Tetsuro Yamamoto	Meguro-ku, Tokyo	580,000	1.43
Total	-	20,498,016	50.85

Notes: 1. The shareholding ratio is calculated by deducting treasury stock (10 shares) and rounded down to the nearest unit.

2. Mitsubishi UFJ Capital IV, Limited Partnership, which was a major shareholder at the end of the previous fiscal year, ceased to be a major shareholder at the end of the current fiscal year.

3. Although the Report of Possession of Large Volume, which became available for public inspection on February 5, 2024, stated that RTW Investments, LP owned the following shares as of January 31, 2024, the Company is unable to confirm the effective number of shares held as of the record date for exercise of voting rights. Therefore, RTW is not included in the above status of major shareholders.

The details in the Report of Possession of Large Volume is as follows:

Name	Address	Number of shares held (shares)	Shareholding ratio (%)
RTW Investments, LP. (RTW Investments,LP)	7th Floor, 40 10 Avenue, New York, NY 10014, USA	3,659,487	9.09

4. Although the Report of Possession of Large Volume (Change Report), which became available for public inspection on March 7, 2024, stated that NISSAY CAPITAL CO., LTD. owned the following shares as of February 29, 2024, the Company is unable to confirm the effective number of shares held as of the record date for exercise of voting rights. Therefore, NISSAY is not included in the above status of major shareholders.

   The details in the Report of Possession of Large Volume (Change Report) is as follows:

Name	Address	Number of shares held (shares)	Shareholding ratio (%)
NISSAY CAPITAL CO., LTD.	Yusen Building, 2-3-2, Marunouchi, Chiyoda-ku, Tokyo	3,403,640	8.44

(7) Status of Voting Rights

(i) Outstanding shares

As of February 29, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Non-voting shares	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	-	-	-
Shares with full voting rights (others)	Common stock 40,297,600	402,976	Shares with full voting rights, which are standard shares of the Company with no restrictions on rights. The number of shares per unit is 100 shares.
Shares less than one trading unit	Common stock 6,767	-	-
Total number of outstanding shares	40,304,367	-	-
Total number of voting rights	-	402,976	-

(Note) Common stock in the "Shares less than one trading unit" column includes 10 shares of treasury stock owned by the Company.

(ii) Treasury stock, etc.

As of February 29, 2024

Name of holder	Address of holder	Number of shares held in holder's own name (shares)	Number of shares held in the name of another person (shares)	Total number of shares held (shares)	Percentage of shares held to total outstanding shares (%)
Kabushiki Kaisha TMS	1-9, Fuchucho, Fuchu, Tokyo	-	-	-	-
Total	-	-	-	-	-

(Note) The Company holds 10 shares of treasury stock less than one trading unit.

2. Information on Purchase, etc. of Treasury Stock

[Class of shares] Purchase of common stocks falling under Article 155, Item 7 of the Companies Act

(1) Purchase of Treasury Stock Approved at the Annual General Meeting of Shareholders

Not applicable.

(2) Purchase of Treasury Stock Approved by the Board of Directors Meeting

Not applicable.

(3) Purchase not Based on Approval at the Annual General Meeting of Shareholders or Board of Directors Meeting

Classification	Number of shares (shares)	Total value (yen)
Treasury stock acquired in the current fiscal year	10	2,660
Treasury stock acquired during the period	-	-

(Note) Treasury stock acquired during the period does not include the number of shares due to the acquisition of shares less than one unit from March 1, 2024 to the filing date of the Annual Securities Report.

(4) Status of Disposition and Holding of Purchased Treasury Stock

Classification	Fiscal 2023		Current period	
	Number of shares (shares)	Total disposal value (yen)	Number of shares (shares)	Total disposal value (yen)
Purchased treasury stock solicited for subscribers	-	-	-	-
Purchased treasury stock disposed of for cancellation	-	-	-	-
Purchased treasury stock transferred through merger, share exchange, share delivery, or corporate split	-	-	-	-
Others (Note)	-	-	-	-
Number of treasury stock held	10	-	10	-

(Note) Treasury stock held during the period does not include the number of shares due to the buyback or sale of shares less than one unit from March 1, 2024 to the filing date of the Annual Securities Report.

(3) Dividend Policy

The Company recognizes the return of profits to shareholders as one of its key policies, and its dividend policy is determined by taking into account the enhancement of retained earnings to prepare for investments in research and development. The Company does not anticipate paying any cash dividends in the foreseeable future in order to promote aggressive drug research and development and intend to use all of its retained earnings to fund research and development.

If the Company decides to pay dividends of surplus, it may declare one year-end dividend per fiscal year by a resolution of its general shareholders meeting.

In addition, the Company's Articles of Incorporation provide that the Company may, by a resolution of the Board of Directors, pay an interim dividend with the record date set at the end of August each year.

In current fiscal year, no dividend was paid in order to secure funds for research and development through retained earnings.

4. Corporate Governance

(1) Overview of Corporate Governance

(i) Basic policy on corporate governance

The Company is mainly engaged in the research and development of pharmaceutical products. The Company aims to develop unique drugs based on novel and differentiable MOA, and to bring truly groundbreaking drugs to the market. For TMS-007, in partnership with an overseas company, we have begun to consider its future course of action. For TMS-008, our next pipeline drug, we submitted a Clinical Trial Plan Notification in February 2024 and prepared for the start of the clinical trials. For JX09, JIXING has started Phase 1 clinical study in February 2024 in Australia. In order to expand our development pipeline, we are conducting research on TMS-008 and other compounds through joint research with external organizations and by using contract research.

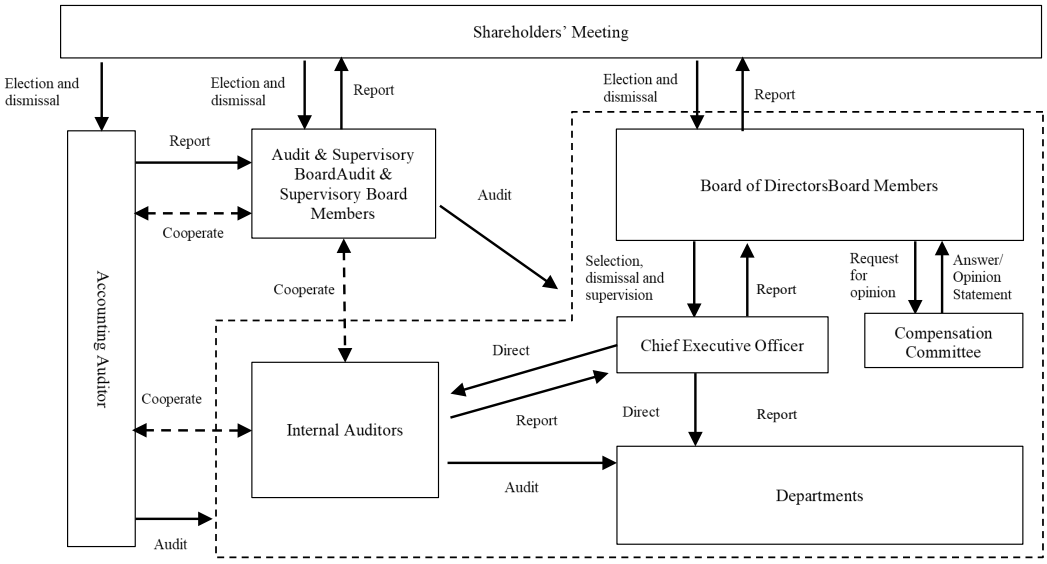
The Company will enhance and strengthen corporate governance, under the recognition that it is essential to earn the trust of all stakeholders, including shareholders, in order to realize the sustainable development and growth of the Company and the enhancement of corporate value, and that it is important to strengthen the organizational structure and internal control system which support sustainable growth, while adopting to changes in the business environment.

(ii) Overview of corporate governance structure and reason for adopting such structure

The Company has adopted an Audit & Supervisory Board system for its corporate governance structure, taking into consideration factors such as the size and form of our business and the efficiency of management. The Company believes that the current structure functions effectively by achieving the efficient management through prompt decision-making and business execution, and the management system capable of adequate supervision and monitoring.

To this end, the Company will continue to employ the Audit & Supervisory Board system, while making efforts to confirm the effectiveness of corporate governance and to ensure thorough corporate ethics and compliance.

The overview of our corporate governance structure is as follows.



(Board of Directors) The Company's Board of Directors consists of six Board Members. The Articles of Incorporation stipulate that the Company shall have no more than ten directors and a term of office of two years.

In principle, the Board of Directors meets once a month. In addition, Board meetings are held from time to time as necessary to ensure prompt management decisions.

The Board of Directors resolves basic management policies, management strategies, business plans, important business execution matters of the Company, matters authorized by resolutions of the Shareholders' Meeting, as well as matters stipulated by laws and regulations and the Articles of Incorporation, and receives reports on matters stipulated by laws and regulations and the status of important business execution.

Audit & Supervisory Board members attend meetings of the Board of Directors to supervise the execution of business by Board Members and to express their opinions when necessary. In addition, two of the Board Members are outside Board Members and conduct management monitoring from an independent perspective.

The attendance of each Board Member is as follows:

Position	Name	Number of meetings held	Number in attendance
Chief Executive Officer (Chairperson)	Takuro Wakabayashi	17	17
Board Members	Keiji Hasumi	17	17
Board Members	Go Ito	17	17
Board Members	Noriaki Inamura	17	17
Outside board members	Ken Takanashi	17	17
Outside board members	Reiko Namikawa	17	17

For the fiscal year under review, the Board of Directors mainly discussed specific matters related to the management policy, R&D policy, budget plan, financial results, disclosure, and other matters related to the conclusion of important contracts.

(Audit & Supervisory Board)

The Company has established an Audit & Supervisory Board in accordance with the Companies Act. The Audit & Supervisory Board consists of four Audit & Supervisory Board members and meets once a month in principle to monitor the day-to-day operations, including the execution of duties of the board members. The Company appoints Audit & Supervisory Board members who have expertise in the audit work to strengthen and ensure the effectiveness of audit functions. In addition, three of Audit & Supervisory Board members are outside Audit & Supervisory Board members and they conduct monitoring of the management from an independent perspective.

Members: Nobuaki Kobayashi (full-time, outside Audit & Supervisory Board Member (Chairperson)), Kazuo Honda (full-time Audit & Supervisory Board Member), Kenichi Nakamura (outside Audit & Supervisory Board Member), Hiroyuki Hasegawa (outside Audit & Supervisory Board Member)

(Compensation Committee)

The Company has established a Compensation Committee as a voluntary advisory body to the Board of Directors in order to strengthen fairness, transparency and objectivity of procedures concerning the compensation of board members and to enhance corporate governance in the Company.

The Compensation Committee consists of three or more members from the board members or Audit & Supervisory Board members of the Company, and shall include one or more outside board members or Audit & Supervisory Board members. The selection and dismissal of the Compensation Committee members and the selection of the chairperson of the Committee are determined by resolution of the Board of Directors.

The Compensation Committee deliberates on the compensation structure of board members and other matters consulted by the Board of Directors, and has the authority to make recommendations or make statements to the Board of Directors.

During the fiscal year under review, the Company held two meetings of the Compensation Committee to discuss the compensation of directors.

Position	Name	Number of meetings held	Number in attendance
Chief Executive Officer (Chairperson)	Takuro Wakabayashi	2	2
Outside board members	Ken Takanashi	2	2
Outside board members	Reiko Namikawa	2	2

(Internal Auditor)

The Company appoints an internal auditor in the Administration Department with a board member in charge of administration as a person in charge of internal audits. The internal auditor of the Administration Department conducts audits of the operations of all departments other than their department in line with the internal audit plan, and the audit for the Administration Department is provided by an internal auditor of other department so as to ensures the appropriateness of its business operations.

(Independent Auditor)

The Company has appointed GYOSEI & CO. as its independent auditor and has undergone a statutory audit. The Independent Auditor, Audit & Supervisory Board members and internal auditors hold regular meetings to exchange audit plans and explain

and report on audit results, etc., in an effort to improve audit quality.

(iii) Other matters concerning corporate governance

a. Development of internal control system

The Company, at the meeting of the Board of Directors, resolved the following basic policy for developing systems to ensure the appropriateness of business operations.

(1) System for retention and management of information concerning the execution of the duties of board members

The Board of Directors appoints a person in charge of company-wide supervision for the retention and management of information related to the execution of the duties of board members, and information related to the execution of duties is recorded and maintained in writing or electromagnetic information. The period and place to maintain these documents shall be appropriately managed in accordance with the Document Management Rules and the Information Security Management Rules. Directors and Audit & Supervisory Board members shall maintain access to these documents at all times and develop a system in which information to be disclosed is collected in a timely and appropriate manner and disclosed adequately in accordance with laws and regulations.

(2) Rules and other systems for managing the risk of loss

For the management of risk of loss, risk situations across the organization are identified and monitored as appropriate, and risks associated with each business are identified and monitored by each department. A department in charge of administration shall coordinate with Audit & Supervisory Board members, assume specific risks, develop a system to ensure prompt and adequate communication in the event of an emergency, and establish an emergency system. In addition, it shall report matters related to risks to the Board of Directors in case of accident. Risk Management Rules define risk-related measures and responses to ensure a system to take adequate measures with Chief Executive Officer as chief risk officer and a board member in charge of administration as risk manager.

(3) System to ensure that the duties of board members are executed efficiently

(i) In accordance with the Board of Directors Rules, the Company has put in place a system that holds a meeting of the Board of Directors as necessary when important matters arise and determines matters stipulated by laws and regulations or the Articles of Incorporation, as well as management policies and other important management issues.

(ii) A system responsible for the execution of duties is established in accordance with the Rules of Division of Duties, which define the organization, job structure, chain of command, and division of duties, and the Rules of Administrative Authorities, which stipulate basic matters related to the operation of the approval system, so as to execute duties efficiently in response to changes in the business environment.

(4) Systems to ensure that board members and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties

(i) In accordance with various rules, a department in charge of administration shall monitor the performance of duties by board members and employees, and based on these results, in-house education and training shall be conducted as necessary.

(ii) In accordance with the Internal Audit Rules, internal audits shall be conducted in a planned manner with respect to the overall business of the Company by an Internal Auditor who is approved and appointed by the CEO.

(iii) In order to ensure the compliance of board members and employees with laws and regulations and the Articles of Incorporation, the Board of Directors has established and enforced the Compliance Rules, and the Company has also put in place a whistleblower system as a reporting system when employees are found to be in violation of laws and regulations and the Articles of Incorporation. At the same time, the Company has established internal and external contact points as monitoring bodies where board members and employees can directly consult and report violations of laws and regulations and misconduct in order to strengthen early detection and prevention of misconduct and compliance management.

(iv) The Company makes a clear declaration of a stance to eliminate anti-social forces, put in place a specific system, and keeps board members and employees informed it thoroughly.

(5) Employees whose duties should be assisted by Audit & Supervisory Board members and the independence of such employees from board members

(i) Audit & Supervisory Board members may ask employees of a department in charge of administration to provide necessary assistance for their audit work. Employees who become assistants are placed under the direction and command of Audit & Supervisory Board members.

(ii) The selection, transfer or changes in treatment of employees who should assist with the duties of Audit & Supervisory Board members shall be subject to the consent of Audit & Supervisory Board members.

(6) System for board members and employees to report to Audit & Supervisory Board members and other matters related to

reporting to Audit & Supervisory Board members

(i) Board members and employees promptly report to Audit & Supervisory Board members on matters that may have a material impact on the Company, the status of internal audits, and other matters required for the performance of the duties of Audit & Supervisory Board members, in addition to matters prescribed by laws and regulations.

(ii) Internal auditors shall report to Audit & Supervisory Board members on the status of execution of their duties as appropriate.

(7) Other systems to ensure that the audits by Audit & Supervisory Board members are conducted effectively

(i) Audit & Supervisory Board members attend meetings of the Board of Directors and receive reports on the Company's business operations.

(ii) Board members and employees shall, upon the request of Audit & Supervisory Board members, cooperate with interviews necessary for the performance of audit duties.

(iii) Upon the request of Audit & Supervisory Board members, board members shall exchange opinions with them from time to time to promote mutual communication and to establish a system that enables Audit & Supervisory Board members to conduct audits effectively.

(iv) In the execution of duties by Audit & Supervisory Board members, and when they deem it necessary, the Company develops an environment in which they can collaborate with outside experts such as lawyers and certified public accountants.

b. Risk management system

The Company has established and operated the risk management system adequately in accordance with the basic policy of the internal control system and the Risk Management Rules. In addition, the Company receives proper advice on matters requiring legal judgment from our corporate lawyer.

c. Summary of limited liability agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company has entered into agreements with Ken Takanashi and Reiko Namikawa, outside Board Members, and Kazuo Honda, Audit & Supervisory Board Member, Nobuaki Kobayashi, Kenichi Nakamura and Hiroyuki Hasegawa, outside Audit & Supervisory Board Members, to limit their liability for damages under Article 423, Paragraph 1 of the same Act. The maximum amount of liability for damages under such agreements is the minimum liability amount provided for under Article 425, Paragraph 1 of the Companies Act if they are in good faith and without gross negligence in performing their duties.

d. Summary of indemnification agreement

The Company has entered into a directors and officers liability insurance policy with an insurance company as provided for in Article 430-3, Paragraph 1 of the Companies Act. The scope of the insured in the policy is board members and Audit & Supervisory Board members, and the insured does not pay any premiums. The liability insurance policy covers losses that the insured person would incur (such as payment of compensation and litigation expenses) as a result of a claim for damages made against the insured during the insurance period due to an act committed by the insured in their official capacity. However, certain exclusions apply, such as no coverage for damages caused by an illegal act that is willfully committed by the insured.

e. Constant number of board members

The Company’s Articles of Incorporation stipulate that the Company shall have no more than ten board members.

f. Election criteria for board members

The Company’s Articles of Incorporation stipulate that resolutions to elect board members shall be made by a majority vote by shareholders present at the meeting where one third or more of the eligible shareholders are present, and shall not be based on cumulative voting.

g. Special resolutions of the General Meeting of Shareholders

For the purpose of ensuring smooth management of the General Meeting of Shareholders by easing the quorum for special resolutions at the General Meeting of Shareholders, the Company’s Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided by Article 309, Paragraph 2 of the Companies Act shall be made by two thirds or more of the votes of the shareholders present at the meeting where one third or more of the eligible shareholders are present.

h. Exemption from liability of Board Members and Audit & Supervisory Board Members

In order to ensure that they can fulfill their expected roles to the fullest extent, by resolution of the Board of Directors and in accordance with Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company may exempt board members (including former board members) and Audit & Supervisory Board members (including former Audit & Supervisory Board members) from liability for damages as provided in Article 423, Paragraph 1 of the same Act to the extent provided in laws and regulations. This is for the purpose of developing an environment in which board members and Audit & Supervisory Board members can fully demonstrate their abilities and fulfill their expected roles in the performance of their duties.

i. Interim dividend

In order to facilitate flexible return of profits to shareholders, the Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay an interim dividend with the record date of the last day of August each year in accordance with Article 454, Paragraph 5 of the Companies Act.

j. Purchase of treasury stock

In accordance with Article 165, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company may repurchase its own shares through market transactions or other means based on resolutions of the Board of Directors in order to flexibly implement capital policies according to changes in business environment.

(2) Information on the Company's Officers

(i) List of the Company's officers

9 male Board members and one female Board members (percentage of female: 10.0%)

Position	Name	Date of birth	Career summary	Term of office	Number of shares held
Chief Executive Officer	Takuro Wakabayashi	February 26, 1967	Apr. 1989 Joined Recruit Co., Ltd. Apr. 2001 Founded Advanced Science and Technology Enterprise Corporation as Representative Director (current position) Nov. 2005 Partner of Xseed Partners, LLP May 2011 Representative Director of the Company Sept. 2015 Representative Director of BioMedCore, Inc. May 2018 Chief Executive Officer, Board Member of the Company (current position)	(Note 3)	-
Chief Scientific Officer	Keiji Hasumi	September 13, 1957	Apr. 2003 Professor at Faculty of Agriculture, Tokyo University of Agriculture and Technology Apr. 2004 Professor at Graduate School, Tokyo University of Agriculture and Technology June 2005 Board members of the Company: May 2011 Chief Executive Officer, Board Member May 2018 Board members of the Company: July 2021 Chief Scientific Officer, Board Member (current position) April 2023 Specially-Appointed Professor at Tokyo University of Agriculture and Technology (current position)	(Note 3)	804,000
Board Members	Go Ito	May 1, 1970	Apr. 1993 Joined Nippon Steel Corporation Nov. 1995 Joined Misawa Business Management Inc. Apr. 2000 Joined Scientia Corporation (currently, OneHR Co., Ltd.) Nov. 2006 Director of Administration of Scientia Corporation Feb. 2018 Joined the Company as Manager of Administration May 2018 Board Member of the Company (current position)	(Note 3)	-
Board Members	Noriaki Inamura	June 25, 1955	Apr. 1981 Joined Fujisawa Pharmaceutical Co., Ltd. (currently, Astellas Pharma Inc.) Apr. 2004 Director of Discovery Research Laboratory of Fujisawa Pharmaceutical Apr. 2005 Joined Astellas Pharma Inc., Director of Fermentation Research Laboratory Sept. 2007 Joined Sanofi-Aventis K.K. (currently, Sanofi K.K.) Oct. 2008 Joined Seikagaku Corporation Apr. 2009 Director of Central Research Laboratory of Seikagaku Corporation June 2015 Director & General Manager of Glyco-Business Affairs Dept. of Seikagaku Corporation July 2018 Joined Bonac Corporation Apr. 2019 Director, Drug Discovery Department of Bonac Corporation Apr. 2020 Managing Executive Officer, Business Development Department of Bonac Corporation Dec. 2020 Board Member of the Company (current position)	(Note 3)	-

Position	Name	Date of birth	Career summary	Term of office	Number of shares held
Board Members	Ken Takanashi	May 23, 1964	Apr. 1987 Joined Mitsubishi Corporation Dec. 1996 SUASA KRISTAL(M) BERHAD Nov. 1998 Executive Vice President of SUASA KRISTAL Dec. 2002 Director of Shin Nippon Biomedical Laboratories, Ltd. (SNBL) Apr. 2004 Executive Officer of SNBLRegistered as a U.S. Certified Public Accountant June 2004 Senior Managing Director of SNBL July 2012 WAVE Life Sciences Ltd. Director of WAVE Life Sciences Ltd. (current position) Apr. 2015 Board Member of PPD-SNBL K.K. June 2016 Audit & Supervisory Board Member of PPD-SNBL (current position) Satsuma Pharmaceuticals, Inc. Director of WAVE Life Sciences Ltd. (current position) June 2016 Executive Vice President of Shin Nippon Biomedical Laboratories, Ltd. (SNBL) June 2017 Executive Vice President and Representative Director of SNBL (current position) Mar. 2020 Board Member of the Company (current position)	(Note 3)	-
Board Members	Reiko Namikawa	September 15, 1953	Mar. 1979 MD June 1984 Assistant Professor of Aichi Medical University Oct. 1988 Systemix Inc., Senior Scientist Apr. 1993 DNAX Research Institute, Senior Research Associate Apr. 1997 Independent business development consultant Sept. 2002 Clearview Projects, Inc. Executive Director, Science & Medicine Nov. 2005 Independent consultant: non-clinical and clinical development strategies and business development (current position) Mar. 2007 Senior Vice President, Research and Strategy of REGiMMUNE Corporation Senior Vice President, Research and Strategy Aug. 2014 NapaJen Pharma, Inc. Board Member November 2017 Promethera Biosciences , Board Member May 2021 Board Member of the Company (current position) June 2022 Executive Vice President, Clinical Development of REGiMMUNE Limited (current position) December 2023 Mitsui & Co. Global Investment, Inc. Venture Partner (current position)	(Note 3)	-

Position	Name	Date of birth	Career summary		Term of office	Number of shares held
Full-Time Audit & Supervisory Board Member	Nobuaki Kobayashi	October 30, 1954	Apr. 1978 Apr. 1997 Apr. 2002 Apr. 2004 Oct. 2006 June 2008 Nov. 2009 Apr. 2014 Apr. 2015 Oct. 2015 Nov. 2015 Sept. 2016 May 2017 May 2021	Joined The Sanwa Bank, Ltd. (currently, MUFG Bank, Ltd.) General Manager, Tachikawa Branch of The Sanwa Bank General Manager, Shibuya Branch and Sales Manager, Shibuya Corporate Sales Department of The Sanwa Bank General Manager, Muromachi Branch of The Sanwa Bank Managing Executive Officer and General Manager of Development Division of NATIONAL STUDENTS INFORMATION CENTER CO., LTD. Joined AEON Bank, Ltd., General Manager of Sales Planning Department Executive Officer, General Manager of Corporate Sales Department of AEON Bank Executive Officer and General Manager of Legal Compliance Department of AEON Bank Executive Officer and General Manager of Audit Department of AEON Bank Seconded to AEON Financial Services Co., Ltd., General Manager of Overseas Business Headquarters Director of AEON Financial Service (Hong Kong) Co., Ltd. AEON Reit Management Co., Ltd. Audit & Supervisory Board Members Corporate Auditor of Maxvalu Tokai Co., Ltd. Full-time Corporate Auditor of Aeonpet. Co. LTD. Audit & Supervisory Board Member of the Company (current position)	(Note 4)	-
Full-Time Audit & Supervisory Board Member	Kazuo Honda	September 19, 1949	Apr. 1974 Aug. 1979 Aug. 1997 June 1999 Aug. 2003 Apr. 2004 Apr. 2015 May 2015 May 2017	Joined Mitsubishi Chemical Industries Limited (currently, Mitsubishi Chemical Corporation) Joined Yamanouchi Pharmaceutical Co., Ltd. (currently, Astellas Pharma Inc.) Director of Pharmacology Research Institute of Yamanouchi Pharmaceutical General Manager of International Development Department of Yamanouchi Pharmaceutical Director and Deputy Head of Quality Assurance and Regulatory Affairs of Yamanouchi Pharmaceutical Professor of Showa University School of Pharmacy Joined the Company, General Manager of R&D Department Board members of the Company: Audit & Supervisory Board Member of the Company (current position)	(Note 4)	-

Position	Name	Date of birth	Career summary		Term of office	Number of shares held
Audit & Supervisory Board Members	Kenichi Nakamura	July 9, 1975	Oct. 2002 Apr.2006 Aug. 2007 July 2009 Sept. 2010 May 2013	Joined ChuoAoyama Audit Corporation (MISUZU Audit Corporation) Registered as a certified public accountant Joined Shin Nihon & Co. (currently, Ernst & Young ShinNihon LLC) Founded Kenichi Nakamura CPA & TAX Office (current position) Registered as a certified tax accountant Audit & Supervisory Board Member of the Company (current position)	(Note 4)	10,000
Audit & Supervisory Board Members	Hiroyuki Hasegawa	August 13, 1976	Oct. 2001 Apr. 2011 Feb. 2013 Jan. 2014 Mar. 2016 Mar. 2017 May 2019	Registered as a lawyer (Tokyo Bar Association) Joined Nagashima Ohno & Tsunematsu Joined Securities and Exchange Surveillance Commission Joined KATAOKA & KOBAYASHI LPC Partner of KATAOKA & KOBAYASHI (current position) Corporate Auditor of SIOS Technology, Inc. (currently, SIOS Corporation) Board Member, Audit & Supervisory Committee Member of SIOS Technology, Inc. (currently, SIOS Corporation) Audit & Supervisory Board Member of the Company (current position)	(Note 4)	-
Total						814,000

Notes: 1. Ken Takanashi and Reiko Namikawa are outside Board Members.
2. Nobuaki Kobayashi, Kenichi Nakamura and Hiroyuki Hasegawa are outside Audit & Supervisory Board members.
3. From the conclusion of the 19th Annual General Meeting of Shareholders held on May 30, 2023, to the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within two years after their election.
4. From the conclusion of the Extraordinary General Meeting of Shareholders held on August 12, 2021 to the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after their election.

(ii) Outside officers

The Company has two outside Board members and three Audit & Supervisory Board members.

Ken Takanashi, MBA, an outside Board Member, has extensive experience in corporate management in the field of life science. He advises the Company's management from an outside perspective and supervises the Company's management using his work background, experience, and knowledge. While he has 57 units of stock acquisition rights of the Company (5,700 shares), he has no other personal, capital, business or other interests with the Company. However, he is a shareholder of the Company and Executive Vice President and Representative Director of Shin Nippon Biomedical Laboratories, Ltd. (SNBL), which has a business relationship with the Company involving contracted services.

Reiko Namikawa, MD. Ph.D., an outside Board Member has a wealth of knowledge in non-clinical and clinical development and business development, including overseas activities, as well as her knowledge as a physician. She advises the Company's management from an outside perspective and supervises the Company's management using her work background, experience, and knowledge. While she has 57 units of stock acquisition rights of the Company (5,700 shares), she has no other personal, capital, business or other interests with the Company.

Nobuaki Kobayashi, an outside Audit & Supervisory Board Member, has a wealth of experience in the administrative departments of financial institutions and other companies, as well as experience as a corporate auditor. He advises the Company's management from an outside perspective and monitors the legality of the Company's management using his work background, experience, and knowledge. While he has 35 units of stock acquisition rights of the Company (3,500 shares), he has no other personal, capital, business or other interests with the Company.

Kenichi Nakamura, an outside Audit & Supervisory Board Member, has expert knowledge as a certified public accountant and tax accountant, and provides advice to the Company's management from an outside perspective and monitors the legality of the Company's management using his work experience, experience and knowledge. While he has common stock of 10,000 shares and 18 units of stock acquisition rights of the Company (1,800 shares), he has no other personal, capital, business or other interests with the Company.

Hiroyuki Hasegawa, an outside Audit & Supervisory Board Member, is a lawyer with extensive experience and deep insight as a legal expert. He provides advice on the Company's management from an outside perspective, and utilizes his work

background, experience, and knowledge to strengthen the Company's audit system and monitor the legality of the Company's management. While he has 18 units of stock acquisition rights of the Company (1,800 shares), he has no other personal, capital, business or other interests with the Company.

The Company has not established any clear independence standards or policies for the appointment of outside Board members or outside Audit & Supervisory Board members. In appointing them, however, the Company determines based on the assumption that they will be sufficiently independent to perform their duties as outside officers independent of the Company management, taking into account their backgrounds and relationships with the Company.

(iii) Mutual cooperation between supervision or audits by outside board members or outside Audit & Supervisory Board Members, internal audits, audits by Audit & Supervisory Board and accounting audits, and relationship with the internal control section

Outside board members understand the status of internal audits through the Board of Directors, and outside Audit & Supervisory Board members receive reports on audits conducted by internal auditors through the Board of Directors and the Audit & Supervisory Board, and communicate with internal auditors on a daily basis, creating a system that enables effective audits throughout the company. The Audit & Supervisory Board, the Independent Auditor, and internal auditors exchange information and opinions on a quarterly basis to ensure mutual cooperation.

The Audit & Supervisory Board, the Independent Auditor, and internal auditors hold meetings with internal control departments such as administrative departments, as necessary, and report and exchange opinions on internal controls. In addition, each Audit & Supervisory Board member, led by a full-time Audit & Supervisory Board member, communicates with board members and the internal control department in an effort to collect information and develop an auditing environment.

(3) State of Audit

(i) Audit by Audit & Supervisory Board

The Company is a company with an Audit & Supervisory Board, which consists of two full-time Audit & Supervisory Board members and two part-time Audit & Supervisory Board members, and three of them are outside Audit & Supervisory Board members. Each Audit & Supervisory Board member conducts audits based on the audit plan, and audits the execution of the duties of Board Members and the legality of the Company's management by attending meetings of the Board of Directors and other important meetings, viewing important documents, and interviewing business units.

Kenichi Nakamura, an outside Audit & Supervisory Board Member, is a certified public accountant and has considerable knowledge of finance and accounting. Hiroyuki Hasegawa, an outside Audit & Supervisory Board Member, is a qualified lawyer and has considerable knowledge of corporate legal affairs.

In the current fiscal year, the Company held meetings of Audit & Supervisory Board once a month in principle, and the attendance of each Audit & Supervisory Board Member is as follows.

Name	Number of meetings held	Number in attendance
Nobuaki Kobayashi	21	21
Kazuo Honda	21	21
Kenichi Nakamura	21	21
Hiroyuki Hasegawa	21	21

Each Audit & Supervisory Board member attends the Board of Directors meetings, meets with Chief Executive Officer four times a year, and meets with each board member to exchange views on management policies and governance issues and make recommendations to them as necessary.

In addition to the above, the activities of full-time Audit & Supervisory Board members include attending important meetings, viewing material documents such as contracts and requests for approval, and checking the results of fund receipts and disbursements to keep track of the status of business management. Audit & Supervisory Board members are also working to build an effective and efficient audit system through mutual cooperation, such as holding tripartite discussions and sharing audit plans with internal auditors and the Independent Auditor.

The Audit & Supervisory Board considers such matters as the status of the execution of duties by board members and audits by Audit & Supervisory Board members, in addition to activity reports by full-time Audit & Supervisory Board members. In the current fiscal year, the Audit & Supervisory Board provided audits focusing on: (1) the legality and adequacy of the execution of duties by board members, (2) the efficiency of the execution of duties by board members, (3) the development and operation of the compliance system, (4) the appropriateness of the financial statements and business reports, and (5) the management of the Company's assets.

(ii) Internal audit

Although the Company has not established an independent section dedicated to internal audits as our organizational structure is still a small number of people, the Company has defined basic matters related to internal audits in the Internal Audit Rules and conduct internal audits through departmental mutual audits with a structure consisting of one internal audit officer and two internal auditors. Specifically, an internal auditor in the Administration Department provides business audits covering the entire company, excluding their department, while another internal auditor in a department other than the Administration Department conducts audits of the Administration Department. They encourage improvements as necessary, and follow up to provide internal audits with highly effective internal controls.

Internal auditors conduct audits in collaboration with Audit & Supervisory Board members and the Independent Auditor while exchanging views on the status of internal control and other matters.

Internal auditors report audit results, etc. to the Representative Director, communicate with Audit & Supervisory Board members on a case-by-case basis by sharing internal audit reports, etc., and also report to the Board of Directors as necessary. In addition, internal auditors hold quarterly regular meetings with the Independent Auditor and Audit & Supervisory Board members to share information.

(iii) Accounting audit

a. Name of audit firm

GYOSEI & CO.

b. Consecutive auditing period

Four years

c. Certified public accountants who performed accounting audit

Hitake Fukuda, Designated Engagement Partner

Satoshi Ogawa, Designated Engagement Partner

d. Composition of assistants engaged in audit service

Assistants involved in the Company’s accounting audit work are four certified public accountants and seven others.

e. Policy and reasons on the appointment of Accounting Auditor

The Company appoints an independent auditor based on a comprehensive consideration of the audit firm's business execution and quality control systems, the adequacy of audit operations and the level of audit fees. The Company believes that GYOSEI & CO. has a system in place to ensure the appropriate and reasonable accounting audit of the Company.

If the Audit & Supervisory Board deems it necessary to do so, such as when there is a problem with the Independent Auditor’s performance of duty, it shall decide on the content of a proposal regarding the dismissal or non-reappointment of the Independent Auditor to be submitted to the General Meeting of Shareholders.

In the case that the Independent Auditor is deemed to fall under the matters provided in each item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board may, with the unanimous consent of Audit & Supervisory Board members, the Independent Auditor will be dismissed. In this case, an Audit & Supervisory Board member selected by the Audit & Supervisory Board will report the fact of dismissal of the Independent Auditor and the reason thereof at the first general meeting of shareholders to be convened after the dismissal.

f. Assessment of the independent auditor by the Audit & Supervisory Board and its members

The Audit & Supervisory Board and its members understand the status of accounting audits through the exchange of opinions with board members and other officers, reports and opinions from the Independent Auditor, and make comprehensive evaluations by taking into account compliance with the relevant provisions of the Companies Act and other relevant regulations, the business execution and quality control systems of the auditing firm, the adequacy of the execution of audit operations and the level of audit fees.

The Company determines that GYOSEI & CO., the Company's Independent Auditor, has no problems with its auditing system, independence and expertise and is qualified.

(iv) Details of audit fees

a. Details of fees paid to the certified public accountant auditor

Fiscal 2022		Fiscal 2023	
Compensation based on audit and attestation services (Thousands of yen)	Fee for non-audit service (Thousands of yen)	Compensation based on audit and attestation services (Thousands of yen)	Fee for non-audit service (Thousands of yen)
36,500	13,943	15,000	970

Non-audit services provided to the Company in the previous fiscal year related to advisory services on documents related to initial public offerings, responses to interviews conducted by the lead underwriter and preparation of comfort letters. Non-audit services provided to the Company in the current fiscal year related to advisory and instruction services on preparing financial statements in English.

b. Details of fees paid to member firms of the same global network as the Company’s accounting auditor

Fiscal 2022		Fiscal 2023	
Compensation based on audit and attestation services (Thousands of yen)	Fee for non-audit service (Thousands of yen)	Compensation based on audit and attestation services (Thousands of yen)	Fee for non-audit service (Thousands of yen)
-	3,711	-	-

Non-audit services provided to the Company for the previous fiscal year was fees for consultation and filing procedures on German tax filing for GYC Tax Co. of ¥3,711 thousand.

c. Details of other significant fees for audit and attestation services

Not applicable.

d. Policy on determination of audit fee

Audit fees for certified public accountant auditors are determined in consultation with the audit firm and with the consent of the Audit & Supervisory Board, based on the past years' audit performance, the Company's size and business characteristics, and by comprehensively taking into account the audit plan, audit system, and audit time.

e. Reason the Audit & Supervisory Board consented to the Independent Auditor fees

The Audit & Supervisory Board determines to agree on the Independent Auditor fees after conducting necessary verification whether the Independent Auditor's audit plan, the performance of the Independent Auditor's duties, and the basis for calculating audit fees are adequate.

(4) Remuneration for Officers

(i) Policies concerning the calculation method or the amount of remuneration for officers of the Company

The Company has established the "Internal Regulations on Executive Remuneration" approved by the Board of Directors as the policy for determining remuneration for each board members. In addition, in order to strengthen the fairness, transparency and objectivity of procedures for determining the remuneration for officers and to enhance our corporate governance, the Company has established the Compensation Committee, a voluntary advisory body of which the majority of members are outside officers. The "Internal Regulations on Executive Remuneration" define a policy on how to determine the content of remunerations for officers as follows.

Officers' compensation consists of basic compensation as fixed compensation, executive bonuses as monetary compensation other than basic compensation, and stock option compensation as non-monetary compensation. Chief Executive Officer prepares a draft of compensation for each board member within the limits approved by the General Meeting of Shareholders and asks the Compensation Committee to discuss it, then the compensation of each board member is determined by a resolution of the Board of Directors, with reference to the opinions of the Compensation Committee. Basic compensation is monthly fixed payment and is determined on the basis of such factors as job responsibilities and contribution level, business performance, and the standards of other companies. Executive bonuses and stock option compensation is determined to be paid or granted by comprehensively taking into account the Company's business performance and forecasts on the business environment. The amount when such bonuses or stock options are paid or granted is determined by comprehensively taking into account each board member's job responsibilities and contribution level, and business performance. Compensation for Audit & Supervisory Board members is determined through consultation among Audit & Supervisory Board members within the compensation limit resolved at the General Meeting of Shareholders.

The amount of executive remuneration of the Company was approved at the Annual General Meeting of Shareholders held on May 28, 2021, to be no more than ¥200 million per year (excluding the portion of employee salaries of board members who concurrently serve as employees. As of the date of the resolution, the number of board members was eight, including those who were newly elected at the same Annual General Meeting of Shareholders.) and the amount of remuneration for Audit & Supervisory Board members was approved to be no more than ¥50 million per year (As of the date of the resolution, the number of Audit & Supervisory Board members was four including those who were newly elected at the same Annual General Meeting of Shareholders). In addition, the amount of remuneration related to stock acquisition rights as stock options is separately set aside from the above compensation. The Annual General Meeting of Shareholders held on May 30, 2023 approved the amount of stock acquisition rights as stock options of up to ¥135 million per year for board members (of which, up to ¥15 million per year for outside board members, and excluding the portion of employee salaries of board members who concurrently serve as employees; as of the date of the resolution, the number of board members was six), and up to ¥15 million per year for Audit & Supervisory Board members (As of the date of the resolution, the number of Audit & Supervisory Board members was four).

The compensation of each board member for the fiscal year ended February 2024 was resolved at the Board of Directors meeting held on May 30, 2023, based on the opinions of the Compensation Committee held on May 18, 2023. The Board of Directors confirmed that how to determine compensation for each board member for the current fiscal year and the determination method and content of the compensation determined are consistent with the "Internal Regulations on Executive Remuneration" with proper regard for the report from the Compensation Committee, and determined that this was in line with the aforementioned policy.

(ii) Total amount of remuneration, etc., by officer category, total amount of remuneration, etc., by type, and number of eligible officers

Officer category	Total amount of remuneration, etc. (Thousands of yen)	Total amount of remuneration, etc., by type (Thousands of yen)					Number of eligible officers (persons)
		Fixed	Performance-linked	Stock option	Retirement benefits	Of the following, non-monetary remuneration, etc.	
Board Members (excluding outside board members)	79,862	74,350	-	5,512	-	5,512	4
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	5,288	5,100	-	188	-	188	1
Outside board members	11,595	10,800	-	795	-	795	2
Outside Audit & Supervisory Board Members	13,695	13,200	-	495	-	495	3

(iii) Total amount of remuneration, etc., for each officer

Omitted because there is no officer whose total compensation exceeds 100 million yen.

(5) Information on Shareholdings

(i) Standards and policies on classification of investment securities

The Company classifies investment securities into two categories of being held for pure investment purpose and for purposes other than pure investment. Investment securities held for pure investment purposes refer to those are held for being benefited from fluctuation in the values of shares or from receiving dividends. Any other investment is classified as investment securities held for purposes other than pure investment.

(ii) Investment securities held for purposes other than pure investment

a. Examination method of the shareholding policies and its rationality and details of verification at the Board of Directors, etc. concerning appropriateness of holding each of shares

Omitted since the Company does not hold any listed shares.

b. Number of securities and amount recorded in the balance sheet

	Number of shares held (Stock name)	Total amount recorded in the balance sheet (Million yen)
Unlisted shares	1	-
Other than unlisted shares	-	-

(Increase in the number of securities held as of February 29, 2024)

	Number of shares held (Stock name)	Total amount acquired due to increase in number of share held (Million yen)	Reasons of increase
Unlisted shares	1	-	Acquired free of charge as an upfront due to changes in the Option Agreement on TMS-007 at the start of collaboration on TMS-007 and JX09.
Other than unlisted shares	-	-	-

(Decrease in the number of securities held as of February 29, 2024)

Not applicable.

c. The number of securities per stock name for specified investment and for being regarded as holding, as well as the amount recorded in the balance sheet

Not applicable.

(iii) Investment securities for pure investment

Not applicable.

V. Financial Information

1. Basis of preparation of the financial statements

The financial statements of the Company are prepared in accordance with the “Regulation for Terminology, Forms and Preparation of Financial Statements” (Ministry of Finance Ordinance No. 59, 1963).

2. Audit certification

The Company’s financial statements for the fiscal year from March 1, 2023 to February 29, 2024 were audited by GYOSEI & CO. in accordance with provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Consolidated financial statements

The Company has no subsidiaries and therefore does not prepare consolidated financial statements.

4. Special measures to ensure appropriateness of the financial statements

The Company has taken special measures to ensure the appropriateness of the financial statements. Specifically, to establish a system that enables proper understanding of accounting standards, etc., and appropriate response to changes in accounting standards, etc., the Company participates in seminars sponsored by disclosure support companies, etc., and subscribes to financial and accounting information magazines.

1. Financial Statements

(1) Financial Statements

(i) Balance Sheets

(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)	*1 (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
Stock warrants	-	11,729
Total net assets	3,714,053	3,457,065
Total liabilities and net assets	3,790,215	3,554,754

(ii) 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	*1 297,895	*1 607,728
Other selling, general and administrative expenses	*2 222,254	*2 335,525
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	—	*3 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)

(iii) 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								
		Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
	Share capital	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	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 stock								(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

	Stock warrants	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 stock		(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

(iv) 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 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
Increase in inventories	(223)	223
Increase in advance payments to suppliers	(80,644)	89,056
(Increase) decrease in consumption taxes refund	21,554	(7,892)
(Decrease) increase 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)
Cash flows from 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)	-
Cash flows from 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 stock acquisition rights	6,000	7,000
Payment for going public expenses	(420,569)	-
Other	-	(2)
Cash flows from financing activities	1,688,809	688,133
Net increase 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	*1 3,584,667	*1 3,446,630

Notes to Financial Statements

(Significant Accounting Policies)

1. Depreciation methods for non-current assets

Property, plant and equipment (excluding lease assets)

The Company uses the declining-balance method.

However, for buildings (excluding building improvements) acquired on or after April 1, 2016, the straight-line method is applied.

The estimated useful lives of major assets are as follows.

Buildings	8-15 years
Tools, furniture and fixtures	4-6 years

Intangible assets (excluding lease assets)

Intangible assets are amortized by the straight-line method.

Software for internal use is amortized over the estimated useful life (5 years) using the straight-line method.

2. Treatment of deferred assets

Share issuance costs

Share issuance costs are fully expensed when incurred.

3. Standards for translation of assets and liabilities in foreign currencies into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income.

4. Standards for provision

Provision for bonuses

A provision for bonuses is provided based on the estimated amount to cover future bonuses payments to employees at the end of fiscal year corresponding to the current fiscal year.

5. Basis for recognition of revenues and expenses

The Company is engaged in the research and development of pharmaceuticals, and our basic business model is to generate lump-sum payments, milestones, and royalty income based on out-licensing contracts to pharmaceutical companies. The details of our principal performance obligations with respect to revenue arising from contracts with customers and the usual point in time at which such performance obligations are satisfied (the usual point on recognition of revenue) are as follows:

Lump-sum contract proceeds are recognized when events such as the transfer of rights occur due to the conclusion of out-licensing contracts which is a point of meeting performance obligations.

Milestone revenue is recognized upon the recognition of the achievement of contractually defined milestones on progress in development and sales, which may result in contractually defined performance obligations.

Royalty income is the consideration for a contract calculated based on revenues generated by a counterparty, and revenue is recognized when the revenue generated by the counterparty is recognized.

6. Scope of cash and cash equivalent on the statements of cash flows

The funds (cash or cash equivalents) consist of cash-in-hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

7. Other basis for preparation of financial statements

Accounting for non-deductible consumption taxes

Non-deductible consumption taxes and local consumption taxes are recorded as expenses for the current fiscal year.

(Changes in Accounting Policies)

Not applicable.

(Notes on Balance Sheet)

*1 Accumulated depreciation of property, plant and equipment for the fiscal year ended February 2024 includes accumulated impairment losses.

(Notes on Statement of Income)

*1 Major items and amounts of R&D expenses are as follows: (Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Outsourcing	128,337	370,829
Payroll and allowances	47,287	63,049
Depreciation	5,135	5,391
Provision for bonuses	1,775	2,375

*2 Major items and amounts of other selling, general and administrative expenses are as follows: (Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Compensations	74,322	151,601
Board members' remuneration	53,775	63,500
Taxes and dues	18,776	23,391

*3 Impairment losses

Fiscal year ended February 28, 2023

Not applicable.

Fiscal year ended February 29, 2024

During the fiscal year ended February 29, 2024, the Company recorded impairment losses on the following assets:

(1) Summary of assets recognized for impairment loss and amount of impairment loss

Location	Use	Class	Amount (Thousands of yen)
Fuchu, Tokyo	Business assets	Buildings	3,214
		Tools, furniture and fixtures	6,413
		Software	2,981
		Other (investments and other assets)	3,084
Total			15,694

(2) Background to recognition of impairment loss

For the fiscal year ended February 29, 2024, by taking into account future business outlook, the Company wrote down the carrying values of these assets to their recoverable values due to the high uncertainty of future cash inflows at this stage, and recognized such reduction as impairment losses in extraordinary losses.

(3) Asset grouping method

As the Company operates a single segment of drug development business, all non-current assets are classified in a single asset group.

(4) Method of calculating recoverable value

The recoverable value is measured by value in use and is evaluated as zero.

(Notes on Statement of Changes in Equity)

Fiscal year ended February 28, 2023

1. Type and total number of issued shares and treasury shares

	Number of shares at March 1, 2022 (shares)	Increase (shares)	Decrease (shares)	Number of shares at February 28, 2023 (shares)
Issued shares				
Common stock (Note)	33,102,080	3,472,800	-	36,574,880
Total	33,102,080	3,472,800	-	36,574,880
Treasury shares				
Common stock	-	-	-	-
Total	-	-	-	-

(Note) The number of shares of common stock outstanding increased 3,472,800 shares due to increases of 3,432,800 shares followed by the issuance of shares for subscription and 40,000 shares upon the exercise of stock acquisition rights.

2. Stock Acquisition Rights, etc.

Classification	Description	Class of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights (shares)				Balance at February 28, 2023 (Thousands of yen)
			March 1, 2022	Increase	Decrease	February 28, 2023	
The Company	3rd Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	5th Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	6th Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	7th Stock Acquisition Rights as stock options	-	-	-	-	-	-
Total			-	-	-	-	-

3. Dividend

Not applicable.

Fiscal year ended February 29, 2024

1. Type and total number of issued shares and treasury shares

	Number of shares at March 1, 2023 (shares)	Increase (shares)	Decrease (shares)	Number of shares at February 29, 2024 (shares)
Issued shares				
Common stock (Note 1)	36,574,880	3,729,487	-	40,304,367
Total	36,574,880	3,729,487	-	40,304,367
Treasury shares				
Common stock (Note 2)	-	10	-	10
Total	-	10	-	10

Notes: 1. The number of shares of common stock outstanding increased 3,729,487 shares due to increases of 3,659,487 shares

followed by the issuance of new shares through third-party allotment and 70,000 shares upon the exercise of stock acquisition rights.

2. An increase of 10 shares of common stock in treasury stock resulted from the buyback of shares less than one unit.

2. Stock Acquisition Rights, etc.

Classification	Description	Class of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights (shares)				Balance at February 29, 2024 (Thousands of yen)
			March 1, 2023	Increase	Decrease	February 29, 2024	
The Company	3rd Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	5th Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	6th Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	7th Stock Acquisition Rights as stock options	-	-	-	-	-	-
The Company	8th Stock Acquisition Rights as stock options	-	-	-	-	-	11,729
Total			-	-	-	-	11,729

3. Dividend

Not applicable.

(Notes on Cash Flow Statements)

*1 Reconciliation of cash and deposits shown in the balance sheets and cash and cash equivalents shown in the statements of cash flows as of February 29, 2024 and February 28, 2023 is as follows: (Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash and deposits	3,584,667	3,446,630
Time deposits with maturities exceeding three months	-	-
Cash and cash equivalents	3,584,667	3,446,630

(Financial Instruments)

1. Matters concerning situations of financial instruments

(1) Policies for using financial instruments

The Company limits its fund management to short-term deposits and raises necessary funds mainly by issuing shares. The Company has a policy not to utilize derivative financial instruments.

(2) Details of financial instruments and related risk

The Company has no financial instruments exposed to risks.

Accounts payable-other, which are operating payable, are due within one year.

(3) Risk management for financial instruments

(i) Credit risk management (default risk of counterparties)

Not applicable.

(ii) Market risk management (foreign exchange and interest rate fluctuation risk)

Not applicable.

(iii) Liquidity risk associated with funding (default risk at due date)

To manage liquidity risk, a division responsible for risk management prepares and updates a cash management plan in a timely manner while maintaining a certain level of liquidity on hand.

(4) Supplemental information on fair value of financial instruments

The fair value of financial instruments is based on variable factors, and if different assumptions are applied, those values may vary.

2. Matters concerning fair values of financial instruments

Fiscal 2022 (as of February 28, 2023)

Cash and deposits, consumption taxes refunds receivable, accounts payable-other and income taxes payable are omitted because they are cash and because their fair values approximate their book values due to settlement in short periods.

Fiscal 2023 (as of February 29, 2024)

Cash and deposits, consumption taxes refunds receivable, accounts payable-other and income taxes payable are omitted because they are cash and because their fair values approximate their book values due to settlement in short periods.

(Note) Redemption schedule for receivables after the balance sheet date

Fiscal 2022 (as of February 28, 2023)

	Within 1 year (Thousands of yen)	Over 1 year within 5 years (Thousands of yen)	Over 5 years within 10 years (Thousands of yen)	Over 10 years (Thousands of yen)
Cash and deposits	3,584,667	-	-	-
Consumption taxes refund receivable	47,033	-	-	-
Total	3,631,700	-	-	-

Fiscal 2023 (as of February 29, 2024)

	Within 1 year (Thousands of yen)	Over 1 year within 5 years (Thousands of yen)	Over 5 years within 10 years (Thousands of yen)	Over 10 years (Thousands of yen)
Cash and deposits	3,446,630	-	-	-
Consumption taxes refund receivable	54,925	-	-	-
Total	3,501,555	-	-	-

3. Breakdown of fair value of financial instruments by level

Not applicable.

(Retirement Benefits)

Not applicable.

(Stock Options)

1. Expenses related to stock options and relevant account titles

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Research and development expenses	-	6,629
Other selling, general and administrative expenses	-	5,100

2. Details and size of stock options and their changes

(1) Details of stock options

	3rd Stock Acquisition Rights	5th Stock Acquisition Rights
Classification and number of grantees (Note 1)	Board members of the Company: 1 Audit & Supervisory Board members of the Company: 1 Advisors of the Company: 3 Employees of the Company: 3	Board members of the Company: 4 Employees of the Company: 7
Number of stock options granted by class of shares (Notes 1, 2)	Common stock: 474,000 shares	Common stock: 1,102,400 shares
Grant date	March 30, 2017	June 1, 2020
Vesting conditions	Not applicable	Not applicable
Service period	Not specified	Not specified
Exercise period	March 29, 2019 to March 28, 2027	May 30, 2022 to May 29, 2030

	6th Stock Acquisition Rights	7th Stock Acquisition Rights
Classification and number of grantees (Note 1)	Board members of the Company: 1 Employees of the Company: 2	Board members of the Company: 1
Number of stock options granted by class of shares (Notes 1, 2)	Common stock: 240,000 shares	Common stock: 644,000 shares
Grant date	February 19, 2021	February 26, 2021
Vesting conditions	Not applicable	Not applicable
Service period	Not specified	Not specified
Exercise period	February 16, 2023 to February 15, 2031	February 27, 2023 to February 26, 2031

	8th Stock Acquisition Rights
Classification and number of grantees (Note 1)	Board members of the Company: 6 Audit & Supervisory Board members of the Company: 4 Employees of the Company: 15
Number of stock options granted by class of shares (Notes 1)	Common stock: 168,100 shares
Grant date	July 10, 2023
Vesting conditions	As stated in “IV. Information on the Company, 1. Information on the Company's Shares, (2) Stock Acquisition Rights.”

	8th Stock Acquisition Rights
Service period	July 10, 2023 to July 10, 2026
Exercise period	July 11, 2023 to July 10, 2038

Notes: 1. Information as of the grant date is presented.
2. The number of stock options is converted into the number of shares. The number of shares has been restated to reflect a 40-for-1 common stock split effective on September 21, 2021.

(2) Size of stock options and their changes

It covers stock options that existed in the current fiscal year (ended February 2024), and the number of stock options is converted into the number of shares. The number of shares has been restated to reflect a 40-for-1 common stock split effective on September 21, 2021.

(i) Number of stock options

	3rd Stock Acquisition Rights	5th Stock Acquisition Rights
Non-vested (shares)		
February 28, 2023	-	-
Granted	-	-
Forfeited	-	-
Vested	-	-
Outstanding as of February 28, 2024	-	-
Vested (shares)		
February 28, 2023	454,000	895,680
Vested	-	-
Exercised	70,000	-
Forfeited	-	-
Outstanding as of February 28, 2024	384,000	895,680

	6th Stock Acquisition Rights	7th Stock Acquisition Rights
Non-vested (shares)		
February 28, 2023	-	-
Granted	-	-
Forfeited	-	-
Vested	-	-
Outstanding as of February 29, 2024	-	-
Vested (shares)		
February 28, 2023	240,000	644,000
Vested	-	-
Exercised	-	-
Forfeited	-	-
Outstanding as of February 29, 2024	240,000	644,000

	8th Stock Acquisition Rights
Non-vested (shares)	
February 28, 2023	-
Granted	168,100
Forfeited	-
Vested	-
Outstanding as of February 29, 2024	168,100
Vested (shares)	
February 28, 2023	-
Vested	-
Exercised	-
Forfeited	-
Outstanding as of February 29, 2024	-

(ii) Unit price information

	3rd Stock Acquisition Rights	5th Stock Acquisition Rights
Exercise price (yen)	100	150
Average stock price at exercise date (yen)	278	-
Fair value at grant date (yen)	-	-

	6th Stock Acquisition Rights	7th Stock Acquisition Rights
Exercise price (yen)	150	150
Average stock price at exercise date (yen)	-	-
Fair value at grant date (yen)	-	-

	8th Stock Acquisition Rights
Exercise price (yen)	1
Average stock price at exercise date (yen)	-
Fair value at grant date (yen)	31,400

3. Method for estimating the fair value of stock options

(1) As the Company was an unlisted company at the grant date of the 3rd, 5th, 6th and 7th stock options, the fair value of the stock options is based on the estimated intrinsic value per unit. The intrinsic value of per unit is estimated based on the stock price determined under the discounted cash flow method.

(2) The following is the method for estimating the fair value of the 8th Stock Acquisition Rights.

(i) Evaluation technique used: Black-Scholes model

(ii) Major base values and estimation methods

	8th Stock Acquisition Rights
Price volatility (Note 1)	63.68%
Estimated remaining period (Note 2)	9.01 years
Expected dividend (Note 3)	0 yen per share
Risk-free interest rate (Note 4)	0.41%

Notes: 1. Price volatility is calculated based on the simple average of volatilities of similar listed companies since the Company has not a sufficient period after the listing.
2. Estimated remaining period is estimated assuming that options are exercised at the midpoint of the exercise period.
3. Expected dividend is based on dividends paid in the most recent fiscal year.
4. Risk-free interest rate is a yield on government bonds corresponding to the estimated remaining period.

4. Method for estimating the number of vested stock options

The actual numbers of forfeited options are used to estimate the number of vested stock options because it is basically difficult to reasonably estimate future forfeitures.

5. Total intrinsic value of the stock options calculated based on the intrinsic value per unit as of February 28, 2023, and total intrinsic value of the stock options exercised during the year as of the date of exercise

(1) Total intrinsic value as of February 29, 2024: ¥397,844 thousand

(2) Total intrinsic value of the stock options exercised during the year as of the date of exercise: ¥12,340 thousand

(Deferred Tax Accounting)

1. Major components of deferred tax assets and liabilities are as follows: (Thousands of yen)

	Fiscal 2022 (As of February 28, 2023)	Fiscal 2023 (February 29, 2024)
Deferred tax assets		
Tax loss carryforwards (Note 2)	464,059	750,855
Other	8,505	15,093
Subtotal	472,565	765,949
Valuation allowance for tax loss carryforwards (Note 2)	(464,059)	(750,855)
Valuation allowance for total deductible temporary differences	(8,505)	(15,093)
Total valuation allowance (Note 1)	(472,565)	(765,949)
Total deferred tax assets	-	-

Notes: 1. Changes in valuation allowance are mainly due to an increase in valuation allowance for tax loss carryforward.

2. Tax loss carryforwards and related deferred tax assets by the expiry date

Fiscal 2022 (as of February 28, 2023)

	Within 1 year (Thousands of yen)	Due after 1 year through 2 years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Due after 3 years through 4 years (Thousands of yen)	Due after 4 years through 5 years (Thousands of yen)	Due after 5 years (Thousands of yen)	Total (Thousands of yen)
Tax loss carryforwards (Note 1)	-	-	-	-	-	464,059	464,059
Valuation allowance	-	-	-	-	-	(464,059)	(464,059)
Deferred tax assets	-	-	-	-	-	-	-

*1: Tax loss carryforwards were determined by multiplying the statutory tax rate.

Fiscal 2023 (as of February 29, 2024)

	Within 1 year (Thousands of yen)	Due after 1 year through 2 years (Thousands of yen)	Due after 2 years through 3 years (Thousands of yen)	Due after 3 years through 4 years (Thousands of yen)	Due after 4 years through 5 years (Thousands of yen)	Due after 5 years (Thousands of yen)	Total (Thousands of yen)
Tax loss carryforwards (Note 1)	-	-	-	-	-	750,855	750,855
Valuation allowance	-	-	-	-	-	(750,855)	(750,855)
Deferred tax assets	-	-	-	-	-	-	-

*1: Tax loss carryforwards were determined by multiplying the statutory tax rate.

2. Major components of significant differences between the statutory effective tax rate and the corporate tax rate after adoption of deferred tax accounting

Fiscal 2022 (as of February 28, 2023)

Information is omitted because a net loss before taxes was recorded.

Fiscal 2023 (as of February 29, 2024)

Information is omitted because a net loss before taxes was recorded.

(Asset Retirement Obligations)

Fiscal year ended February 28, 2023

Asset retirement obligations of the Company mainly represent the restoration obligation of the headquarters office upon withdrawal under the real estate rental agreement. Since the leasehold deposit under this agreement is recognized as assets, instead of recognizing as liabilities, the Company uses the method of reasonably estimating the amount that will not be recovered ultimately from the deposit and recording the part of that amount belonging to the respective fiscal year under expenses.

There is no significant change in the amount that will not be recovered ultimately from the deposit.

Fiscal year ended February 29, 2024

Asset retirement obligations of the Company mainly represent the restoration obligation of the headquarters office upon withdrawal under the real estate rental agreement. Since the leasehold deposit under this agreement is recognized as assets, instead of recognizing as liabilities, the Company uses the method of reasonably estimating the amount that will not be recovered ultimately from the deposit and recording the part of that amount belonging to the respective fiscal year under expenses.

There is no significant change in the amount that will not be recovered ultimately from the deposit.

(Revenue Recognition)

1. Breakdown of information on revenues from contracts with customers

Not applicable.

2. Information that forms the basis for understanding revenues from contracts with customers

Information that forms the basis for understanding revenues is described in "Significant Accounting Policies, 5. Revenue and expenses."

For the fiscal year ended February 29, 2024, the Company acquired 1,483,503 shares of common stock of Ji Xing Pharmaceuticals Limited without consideration as an up-front due to changes in the Option Agreement on TMS-007. No revenue was recorded as a result of the calculation of the transaction price under the Agreement based on the market value of these shares.

3. Information on the relationship between satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in and after the following fiscal year from contracts with customers existing at the end of the current fiscal year

Not applicable.

(Segment Information, etc.)

[Segment information]

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

[Related information]

Fiscal year ended February 28, 2023

1. Information by product or service

Information is omitted because there was no operating revenue.

2. Information by geographical area

(1) Operating revenue

Information is omitted because there was no operating revenue.

(2) Property, plant and equipment

Information is omitted because there were no property, plant and equipment located outside Japan.

3. Information about major customers

Information is omitted because there was no operating revenue.

Fiscal year ended February 29, 2024

1. Information by product or service

Information is omitted because there was no operating revenue.

2. Information by geographical area

(1) Operating revenue

Information is omitted because there was no operating revenue.

(2) Property, plant and equipment

Information is omitted because there were no property, plant and equipment located outside Japan.

3. Information about major customers

Information is omitted because there was no operating revenue.

[Information about impairment losses on non-current assets by reportable segment]

Fiscal year ended February 28, 2023

Not applicable.

Fiscal year ended February 29, 2024

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

[Information about amortization of goodwill and balance of unamortized goodwill by reportable segment]

Not applicable.

[Information about gain on negative goodwill by reportable segment]

Not applicable.

Related Parties

Transactions with related parties

Parent company and major shareholders (companies only)

Fiscal year ended February 28, 2023

Not applicable.

Fiscal year ended February 29, 2024

Not applicable.

(Per Share Information)

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

Notes: 1. Diluted net income per share is not stated because, although the Company has potentially dilutive shares, the Company recorded a net loss per share.

2.The basis for calculating the basic net 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)
Amount not attributable to common shareholders (thousands of yen)	-	-
Net loss attributable to common stock (thousands of yen)	(860,925)	(960,040)
Average number of shares of common stock outstanding during the year (shares)	34,053,422	36,896,144
Outline of potentially dilutive shares that were not included in the calculation of diluted net income per share due to their anti-dilutive effect	4 classes of stock acquisition rights (No. of stock acquisition rights: 55,842 units; No. of potentially dilutive shares: 2,233,680 shares)	5 classes of stock acquisition rights (No. of stock acquisition rights: 55,773 units; No. of potentially dilutive shares: 2,331,780 shares)

3.The basis for calculating net assets per share is as follows:

	Fiscal 2022 (AS of February 28, 2023)	Fiscal 2023 (February 29, 2024)
Total net asset (thousands of yen)	3,714,053	3,457,065
Amount to be deducted from total net assets (thousands of yen)	-	11,729
(of which, stock acquisition rights (thousands of yen))	(-)	(11,729)
Net assets related to common stock at the end of fiscal year (thousands of yen)	3,714,053	3,445,335
Number of shares of common stock at the end of fiscal year used for the calculation of net assets per share	36,574,880	40,304,357

(Significant Subsequent Events)

Not applicable.

(v) Supplementary Schedule

[Schedule of Securities]

Not applicable.

[Schedule of Property, Plant and Equipment]

Class of assets	Balance at beginning of period (Thousands of yen)	Increase (Thousands of yen)	Decrease (Thousands of yen)	Balance at end of period (Thousands of yen)	Accumulated depreciation/amortization at the end of period (Thousands of yen)	Depreciation/amortization (Thousands of yen)	Net balance at end of period (Thousands of yen)
Property, plant and equipment							
Buildings	3,828	114	-	3,943	3,943	3,584 (3,214)	0
Tools, furniture and fixtures	62,994	3,191	1,360	64,825	64,825	11,864 (6,413)	0
Total property, plant and equipment	66,823	3,306	1,360	68,769	68,769	15,448 (9,628)	0
Intangible assets							
Software	5,398	-	2,981 (2,981)	2,416	2,416	1,130	-
Total intangible assets	5,398	-	2,981 (2,981)	2,416	2,416	1,130	-

Notes: 1. The column "Accumulated depreciation/amortization at the end of period" includes accumulated impairment losses.

2. The amounts in parentheses under “Decrease” and “Depreciation/amortization” represent the amount of impairment loss recorded.

[Schedule of Bonds]

Not applicable.

[Schedule of Borrowings]

Not applicable.

[Details of Allowance]

Classification	Balance at beginning of period (Thousands of yen)	Increase (Thousands of yen)	Decrease (Intended use) (Thousands of yen)	Decrease (Others) (Thousands of yen)	Balance at end of period (Thousands of yen)
Provision for bonuses	2,447	2,956	2,447	-	2,956

[Schedule of Asset Retirement Obligations]

Not applicable.

(2) Major Assets and Liabilities

(i) Current assets

a. Cash and deposits

Classification	Amount (Thousands of yen)
Cash	12
Deposits	
Saving account	3,446,618
Subtotal	3,446,630
Total	3,446,630

(ii) Current liabilities

Not applicable.

(3) Other

Quarterly information, etc., for the current fiscal year

(Cumulative period)	1Q	2Q	3Q YTD	Fiscal 2023
Operating revenues (Thousands of yen)	-	-	-	-
Net loss before income taxes (Thousands of yen)	(148,619)	(342,149)	(563,602)	(959,090)
Net loss (Thousands of yen)	(148,856)	(342,624)	(564,315)	(960,040)
Net loss per share (yen)	(4.07)	(9.37)	(15.42)	(26.02)

(Accounting period)	1Q	2Q	3Q YTD	4Q
Net loss per share (yen)	(4.07)	(5.30)	(6.06)	(10.46)

VI. Overview of Administrative Procedures for Shares of the Company

Fiscal year	From March 1 to February 28
Annual general meeting of shareholders	Within three months after the end of each fiscal year
Record date	End of each fiscal year
Record dates for dividends of surplus	August 31 and February 28 of each year
Number of shares per trading unit	100 shares
Buyback of shares less than one unit	
Place of handling	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Administrator of shareholder registry	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	-
Fees for buyback	Amount separately determined as the amount equivalent to brokerage commissions
Method of giving public notice	By way of electronic public notice. However, in cases where electronic public notice is not available due to accidents or any other unavoidable circumstances, public notice will be given in the Nihon Keizai Shimbun. URL for public notice: https://www.tms-japan.co.jp/
Shareholder privileges	Not applicable.

(Note) It is stipulated in the Articles of Incorporation that shareholders of the Company may not exercise any rights other than those listed below with regard to their shares less than one trading unit.

(1) Rights under each item of Article 189, Paragraph 2 of the Companies Act

(2) Rights to demand the acquisition of shares with put option

(3) Rights to receive an allotment of shares to be offered or stock acquisition rights according to the number of shares held by shareholders

VII. Reference Information on the Company

1. Information on the Parent Company

The Company does not have a parent company or other companies prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended February 28, 2023 to the filing date of Annual Securities Report.

(1) Annual Securities Report, its accompanying documents, and Confirmation Letter

Fiscal year (19th term) (from March 1, 2022, to February 28, 2023): Filed with the Director of the Kanto Local Finance Bureau on May 31, 2023.

(2) Internal Control Report and its accompanying documents

Filed with the Director of the Kanto Local Finance Bureau on May 31, 2023.

(3) Quarterly Report and Confirmation Letter

(First quarter of the 20th term) (from March 1, 2023, to May 31, 2023): Filed with the Director of the Kanto Local Finance Bureau on July 14, 2023.

(Second quarter of the 20th term) (from June 1, 2023, to August 31, 2023): Filed with the Director of the Kanto Local Finance Bureau on October 13, 2023.

(Third quarter of the 20th term) (from September 1, 2023, to November 30, 2023): Filed with the Director of the Kanto Local Finance Bureau on January 15, 2024.

(4) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on May 31, 2023.

This is an Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (results of resolution at the general meeting of shareholders)

Filed with the Director of the Kanto Local Finance Bureau on June 15, 2023.

This is an Extraordinary Report pursuant to Article 24(5), Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs.

Filed with the Director of the Kanto Local Finance Bureau on January 11, 2024.

This is an Extraordinary Report pursuant to Article 24(5), Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs.

Filed with the Director of the Kanto Local Finance Bureau on January 31, 2024.

This is an Extraordinary Report pursuant to Article 24(5), Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 4 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs.

(5) Extraordinary Amendments to the Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on July 10, 2023.

This is an Extraordinary Amendment to the Extraordinary Report filed on June 15, 2023.

(6) Securities Registration Statement (Third-party Allotment with Payment) and its accompanying documents

Filed with the Director of the Kanto Local Finance Bureau on January 11, 2024.

(7) Amendments to the Securities Registration Statement

Filed with the Director of the Kanto Local Finance Bureau on January 15, 2024.

These are an Amendment to the Securities Registration Statement filed on January 11, 2024.

Part II. Information on Guarantors, etc., for the Company

Not applicable.

(TLANSLATION)

NOTES TO READERS:
The following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

INDEPENDENT AUDITOR'S REPORT

May 29, 2024

To the Board of Directors of TMS Co., Ltd.

GYOSEI & CO.
Tokyo Office, Japan
Designated Partner
Engagement Partner
Certified Public Accountant Hitake Fukuda

Designated Partner
Engagement Partner
Certified Public Accountant Satoshi Ogawa

Audit Opinion

We have audited the financial statements of TMS Co., Ltd. (the "Company") for the 20th fiscal year from March 1, 2023 to February 29, 2024 as referred to in the Financial Information section, comprising the balance sheet, statement of income, statement of changes in equity, statement of cash flows, significant accounting policies, other notes, and supplementary schedules, in order to certify the audit pursuant to the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 29, 2024, and the results of its performance and cash flows for the year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the rules of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current fiscal year. These key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Attribution of research and development expenses to the relevant fiscal year	
Key audit matter	How the matter was addressed in our audit
The Company is a drug discovery bio-venture company, whose major businesses are to conduct the research and development of drug candidates based on the research and development results of academia and other research institutions, and to expand such drugs into the global pharmaceutical market.	The audit procedures we performed when considering the attribution of research and development expenses to the relevant fiscal year include the following, among others: ・We inspected the records of the implementation of internal controls regarding certain transactions selected

The Company's basic business model is that they conduct drug development from the discovery and research stage to the early clinical stage, and from the late clinical stage, collaborate with domestic and foreign pharmaceutical companies to grant development, manufacturing, and marketing rights to them, and in return they receive upfront fees (milestone) and/or royalties. The Company's research and development expenses for the current fiscal year totaled ¥607,728 thousand, accounting for 64.4% of operating expenses. In addition, as stated in [Notes] (Notes to Statement of Income), outsourcing was ¥370,829 thousand, accounting for 61.0% of research and development expenses. Outsourcing, which accounts for a large portion of the Company's research and development expenses, are expenses based on outsourcing contracts for research and development entered into with external parties. These contracts may include numerous different tasks with different completion dates. Therefore, it is necessary to recognize the time of completion for each outsourced task, and an error in the recognition of the time of completion could lead to an error in the attribution of research and development expenses to the relevant fiscal year. Based on the above, we have determined that the attribution of research and development expenses to the relevant fiscal year is particularly important in our audit of the financial statements for the current fiscal year and that it constitutes a key audit matter.	for the sample in order to evaluate the effectiveness of the design and operation of internal controls pertaining to the recording of research and development expenses, including outsourcing. ・We asked management and others a set of questions, and inspected the minutes of meetings of the Board of Directors and related documents in order to understand the progress of research and development activities. ・After ascertaining the accrual of research and development expenses for each outsourced task, we confirmed through asking questions that research and development expenses were recorded in accordance with the progress of the task. ・We inspected vouchers with regard to research and development expenses, such as invoices, delivery slips, and reports related to transactions selected on the basis of monetary importance and other factors. ・We used certain criteria to select samples from the business partners to whom research and development tasks are outsourced and performed external confirmation procedures to ascertain whether the outsourced tasks had been completed.

2. Accounting for shares with no market price acquired at no cost due to the option agreement amendments regarding TMS-007	
Key audit matter	How the matter was addressed in our audit
As described in [Notes] (revenue recognition), the Company has acquired at no cost 1,483,503 common shares of Ji Xing Pharmaceuticals Limited (hereinafter referred to as "JIXING") as an up-front transaction for the option agreement amendments regarding TMS-007 in the fiscal year under review. The transaction was conducted due to the option agreement amendments made concurrently with the transfer of US-based Biogen MA Inc.'s contractual position to JIXING based on the option agreement regarding TMS-007. It was not only the acquisition of shares at no cost but also carried out as a part of a series of transactions including change to the milestone and royalty fee of the option agreement, acquisition at no cost of the rights to develop and market TMS-007 in Japan, license at no cost of the rights held by JIXING to develop	We mainly carried out the following audit procedures for primary matters to be considered regarding auditing. ・To properly comprehend the economic reality of the capital and business alliance including the said transactions, we posed questions to management and reviewed various documents including the information obtained from external sources by the Company, and to confirm the existence, we also reviewed the term sheet for the option agreement amendments, the share allotment contract, and the payment record for capital increase through third-party allotment, and other relevant documents. ・To confirm that the transactions were decided on by the appropriate organization, we reviewed the minutes of the Board of Directors meeting, and posed questions to Audit & Supervisory Board Members.

and market JX09 in Japan, and capital increase through the third-party allotment to funds managed by RTW Investments, LP holding 80% or more of shares in JIXING. To implement the appropriate accounting procedures, it is essential to properly comprehend the economic reality of transactions. In addition, under accounting standards, it is required to calculate on the basis of market value when the consideration for revenue is other than cash. However, because its shares acquired from JIXING are unlisted and have no market price, the calculation of their market value can involve subjective judgment by management in choosing inputs used for valuation techniques and calculations. Moreover, the possibility cannot be ruled out that obtaining appropriate inputs become difficult. Based on the above, we have determined that the said matter is particularly important in our audit of the financial statements for the current fiscal year and that it constitutes a key audit matter.	To confirm the validity of market value of shares acquired with no market value, in addition to reviewing the documents prepared by the Company, we posed questions to management to examine the reasonableness of the calculation method of market value, and also examined the validity of inputs used for the selected calculation method through review of relevant documents.

Other Information

The other information comprises the information included in the annual securities report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the design and operation of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any opinion thereon.

Our responsibility in connection with our audit of the financial statements is to read the other information carefully and, in doing so, to consider whether there are any material differences between the content of the other information and the financial statements or our knowledge obtained during the audit, and to pay attention to whether there are any indications of material errors in the content of the other information other than such material differences.

If, based on the work we have performed, we conclude that there are material errors in the content of the other information, we are required to report those facts.

We have nothing to report regarding the content of the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan. This includes the design and implementation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements with the assumption of the Company's ability to continue as a going concern, and disclosing, as necessary, matters related to the going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the design and operation of the financial reporting process.

Auditor's Responsibility for the Audit of Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express our opinion on the financial statements from an independent standpoint in the audit report, based on out audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identity and assess the risks of material misstatement whether due to fraud or error, and design and perform audit procedures responsive to the risks of material misstatement. The selection and application of audit procedures are based on our judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, when performing risk assessment procedures, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of auditing the financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, and whether the presentation, structure and content of the financial statements, including related notes, and the financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the rules of professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards taken to remove or mitigate disincentives.

From among the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determined those matters that were judged to be of most significance in the audit of the financial statements of the current fiscal year as the key audit matters. We describe the matters in our auditor's report, unless laws and regulations preclude public disclosure about those matters or when, in extremely rare circumstances, we determined that those matters should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflict of Interest

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.