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April 14, 2023

## Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 [Japanese GAAP]

Company name: TMS Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4891  
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 Scheduled date of annual general meeting of shareholders: May 30, 2023  
 Scheduled date to commence dividend payments: –  
 Scheduled date to file annual securities report: May 31, 2023  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

### 1. Non-consolidated financial results for the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

#### (1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2023	–	–	(520)	–	(861)	–	(860)	–
February 28, 2022	1,946	–	1,135	–	1,079	–	1,076	–

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
February 28, 2023	(25.28)	–	(27.9)	(26.4)	–
February 28, 2022	53.36	–	60.2	54.6	58.3

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

Fiscal year ended February 28, 2023      ¥– million

Fiscal year ended February 28, 2022      ¥– million

- Notes
- Diluted earnings per share is not stated because, although potential shares exist for the fiscal year ended February 28, 2022, the Company's shares are unlisted and it is therefore not possible to ascertain an average share price during the period, and also because, although potential shares exist for the fiscal year ended February 28, 2023, a basic loss per share was recorded.
  - The Company conducted a 40-for-1 share split of its common shares on September 21, 2021. Basic earnings (loss) per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

#### (2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
February 28, 2023	3,790	3,714	98.0	101.55
February 28, 2022	2,739	2,453	89.5	74.10

Reference: Equity

As of February 28, 2023 ¥3,714 million

As of February 28, 2022 ¥2,453 million

Note: The Company conducted a 40-for-1 share split of its common shares on September 21, 2021. Net assets per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

### (3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2023	(688)	(13)	1,688	3,584
February 28, 2022	1,261	(16)	246	2,598

## 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended February 28, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending February 29, 2024 (Forecast)	–	0.00	–	0.00	0.00		–	

### 3. Forecast of non-consolidated financial results for the fiscal year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

The forecast of non-consolidated financial results for the fiscal year ending February 29, 2024 has not been presented as it is difficult to reasonably calculate the forecast for financial results. For details concerning the reasons, business policy, estimated costs, etc. for the fiscal year ending February 29, 2024, please refer to “(4) Future Outlook” under “1. Overview of operating results and others” on page 3 of the attached material.

**\* Notes**

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

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

Note: For details, please refer to “Changes in accounting policies” under “(5) Notes to financial statements” of “3. Financial statements and significant notes thereto” on page 9 of the attached material.

(2) Number of issued shares (common shares)

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

As of February 28, 2023	36,574,880 shares
As of February 28, 2022	33,102,080 shares

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

As of February 28, 2023	– shares
As of February 28, 2022	– shares

(iii) Average number of shares outstanding during the period

Fiscal year ended February 28, 2023	34,053,422 shares
Fiscal year ended February 28, 2022	20,179,787 shares

Note: The Company conducted a 40-for-1 share split of its common shares on September 21, 2021.

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

\* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ significantly from the forecasts for various reasons. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “(4) Future outlook” of “1. Overview of operating results and others” on page 3 of the attached material.

## Attached Material

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## 1. Overview of operating results and others

### (1) Overview of operating results for the fiscal year ended February 28, 2023

In the fiscal year ended February 28, 2023, the Japanese economy saw an easing of restrictions on movement, which were aimed at preventing the spread of the novel coronavirus disease (COVID-19), and the normalization of economic activities. However, the economic outlook remains uncertain due to inflation mainly as a result of rising resource prices and energy prices caused by Russia's military invasion of Ukraine, and the depreciation in the yen. Under these circumstances, the Company conducted the following business activities, aiming to develop unique drugs based on non-conventional mechanisms and bring them to market.

#### (i) TMS-007-related activities

TMS-007 (BIIB131) is a drug candidate for treatment of acute ischemic stroke which was acquired by Biogen MA Inc. (Biogen) in May 2021. A randomized, Phase 2b clinical trial is planned to be initiated in the first half of 2023. Detailed clinical trial information is available in ClinicalTrials.gov (NCT05764122). The Company continued to cooperate with Biogen in various aspects.

#### (ii) TMS-008-related activities

TMS-008 is a drug candidate for the treatment of acute kidney injury and cancer cachexia. Progresses were made in CMC (Chemistry, Manufacturing, and Control), preparing for the Phase 1 clinical trial. The Company also started nonclinical GLP (Good Laboratory Practice) toxicology studies, including preliminary evaluation for formulation optimization. At the same time, other preparations for the clinical trial, including protocol development and organizational arrangement, were also undertaken. In addition, the Company continued to evaluate new candidate indications.

TMS-009 is a backup compound of TMS-008; no substantial efforts were made for this program during the fiscal year ended February 28, 2023.

#### (iii) Pipeline expansion

In the fiscal year ended February 28, 2023, efforts have been made to expand the Company's pipeline.

Exploiting Company's knowledge and experience on soluble epoxide hydrolase (sEH) inhibition accumulated through the development of SMTP compounds (TMS-007 and TMS-008), search for novel sEH inhibitors was initiated using multiple approaches, including optimization of AI-generated compounds and screening of a natural product library. In addition, extensive search for early-stage drug candidates being developed in academia, research institutions, or biopharma companies was conducted. Multiple programs were identified as potential in-licensing candidates and evaluated.

As a result of these activities, operating expenses for the fiscal year ended February 28, 2023 totaled ¥520,149 thousand, which included ¥297,895 thousand in research and development expenses, mainly for development expenses for TMS-008, and ¥222,254 thousand in other selling, general and administrative expenses. Based on these results, operating loss for the fiscal year ended February 28, 2023 were ¥520,149 thousand (operating income of ¥1,135,635 thousand in the previous fiscal year), ordinary loss was ¥861,471 thousand mainly due to the recording of ¥328,186 thousand as going public expenses (ordinary income of ¥1,079,304 thousand in the previous fiscal year), and net loss was ¥860,925 thousand (net income of ¥1,076,859 thousand in the previous fiscal year).

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

### (2) Overview of financial position for the fiscal year ended February 28, 2023

#### Assets

Total assets as of the end of the fiscal year ended February 28, 2023 were ¥3,790,215 thousand, an increase of ¥1,050,433 thousand from the end of the previous fiscal year.

This was mainly due to an increase of ¥986,664 thousand in cash and deposits as a result of proceeds from the issuance of new shares despite payments for operating expenses, going public expenses and other expenses, and an increase of ¥80,644 thousand in advance payments to suppliers for conducting various trials.

### Liabilities

Total liabilities as of the end of the fiscal year ended February 28, 2023 were ¥76,161 thousand, a decrease of ¥210,618 thousand from the end of the previous fiscal year.

This was mainly due to a decrease of ¥140,264 thousand in accounts payable - other due to payments for royalties, etc., and a decrease of ¥91,575 thousand in accrued expenses due to payments for going public expenses.

### Net assets

Net assets as of the end of the fiscal year ended February 28, 2023 were ¥3,714,053 thousand, an increase of ¥1,261,052 thousand from the end of the previous fiscal year.

This was due to share capital and legal capital surplus each increasing by ¥1,060,988 thousand, resulting from the issuance of new shares despite retained earnings decreasing, resulting from the recording of ¥860,925 thousand in net loss.

## (3) Overview of cash flows for the fiscal year ended February 28, 2023

Cash and cash equivalents (“cash”) as of the end of the fiscal year ended February 28, 2023 were ¥3,584,667 thousand, an increase of ¥986,664 thousand from the end of the previous fiscal year. The respective cash flows for the fiscal year ended February 28, 2023 and factors thereof are as follows.

### Cash flows from operating activities

Net cash used in operating activities totaled ¥688,423 thousand (compared to ¥1,261,786 thousand provided in the previous fiscal year). This was mainly due to the recording of ¥861,471 thousand in loss before income taxes as a result of investment in the development of TMS-008 and other research and development.

### Cash flows from investing activities

Net cash used in investing activities totaled ¥13,721 thousand (compared to ¥16,958 thousand used in the previous fiscal year). This was mainly due to purchase of property, plant and equipment.

### Cash flows from financing activities

Net cash provided by financing activities totaled ¥1,688,809 thousand (compared to ¥246,482 thousand provided in the previous fiscal year). This was mainly due to ¥2,103,379 thousand in proceeds from issuance of shares notwithstanding ¥420,569 thousand in payment for going public expenses.

## (4) Future outlook

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

In the fiscal year ending February 29, 2024, the Company will continue to develop TMS-008. In addition, it will work on expanding its pipeline by looking for compounds that will serve as candidates for new sEH inhibitors, leveraging its existing drug discovery expertise. The Company will also look to introduce early-stage programs from academia, research institutions, and biopharma companies.

In light of this, operating expenses for the fiscal year ending February 29, 2024 are expected to be as follows.

Research and development expenses are expected to be in the range of ¥500 million to ¥800 million.

Other selling, general and administrative expenses are expected to be in the range of ¥350 million to ¥450 million.

## 2. Basic rationale for selection of accounting standards

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

### 3. Financial statements and significant notes thereto

#### (1) Balance sheet

(Thousands of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,598,002	3,584,667
Supplies	-	223
Advance payments to suppliers	41,070	121,715
Prepaid expenses	8,859	12,970
Consumption taxes refund receivable	68,587	47,033
Other	6,371	36
<b>Total current assets</b>	<b>2,722,891</b>	<b>3,766,646</b>
Non-current assets		
Property, plant and equipment		
Buildings	3,828	3,828
Tools, furniture and fixtures	49,661	62,994
Accumulated depreciation	(49,081)	(54,681)
<b>Total property, plant and equipment</b>	<b>4,409</b>	<b>12,142</b>
Intangible assets		
Software	4,109	4,112
<b>Total intangible assets</b>	<b>4,109</b>	<b>4,112</b>
Investments and other assets		
Other	8,371	7,314
<b>Total investments and other assets</b>	<b>8,371</b>	<b>7,314</b>
<b>Total non-current assets</b>	<b>16,890</b>	<b>23,568</b>
<b>Total assets</b>	<b>2,739,781</b>	<b>3,790,215</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	168,955	28,690
Accrued expenses	111,132	19,557
Income taxes payable	950	19,315
Provision for bonuses	1,497	2,447
Other	2,749	6,151
<b>Total current liabilities</b>	<b>285,284</b>	<b>76,161</b>
Non-current liabilities		
Deferred tax liabilities	1,495	-
<b>Total non-current liabilities</b>	<b>1,495</b>	<b>-</b>
<b>Total liabilities</b>	<b>286,780</b>	<b>76,161</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	100,000	1,160,988
Capital surplus		
Legal capital surplus	349,499	1,410,487
Other capital surplus	926,643	926,643
<b>Total capital surplus</b>	<b>1,276,142</b>	<b>2,337,131</b>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,076,859	215,933
<b>Total retained earnings</b>	<b>1,076,859</b>	<b>215,933</b>
<b>Total shareholders' equity</b>	<b>2,453,001</b>	<b>3,714,053</b>
<b>Total net assets</b>	<b>2,453,001</b>	<b>3,714,053</b>
<b>Total liabilities and net assets</b>	<b>2,739,781</b>	<b>3,790,215</b>



## (2) Statement of income

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue	1,946,520	–
Operating expenses		
Research and development expenses	304,275	297,895
Other selling, general and administrative expenses	506,609	222,254
Total operating expenses	810,884	520,149
Operating income (loss)	1,135,635	(520,149)
Non-operating income		
Interest on tax refund	77	89
Foreign exchange gains	38,586	–
Other	155	1
Total non-operating income	38,819	91
Non-operating expenses		
Going public expenses	95,150	328,186
Share issuance costs	–	12,598
Other	–	628
Total non-operating expenses	95,150	341,413
Ordinary income (loss)	1,079,304	(861,471)
Income (loss) before income taxes	1,079,304	(861,471)
Income taxes - current	950	950
Income taxes - deferred	1,495	(1,495)
Total income taxes	2,445	(545)
Net income (loss)	1,076,859	(860,925)

## (3) Statement of changes in equity

Fiscal year ended February 28, 2022

(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	234,874	224,874	1,401,154	1,626,028	-	(734,009)	(734,009)	1,126,892	1,126,892
Changes during period									
Issuance of new shares	124,625	124,625		124,625				249,250	249,250
Transfer from share capital to other capital surplus	(259,499)		259,499	259,499				-	-
Deficit disposition			(734,009)	(734,009)		734,009	734,009	-	-
Net income						1,076,859	1,076,859	1,076,859	1,076,859
Net changes in items other than shareholders' equity									-
Total changes during period	(134,874)	124,625	(474,510)	(349,885)	-	1,810,868	1,810,868	1,326,109	1,326,109
Balance at end of period	100,000	349,499	926,643	1,276,142	-	1,076,859	1,076,859	2,453,001	2,453,001

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

## (4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	1,079,304	(861,471)
Depreciation	737	6,596
Increase (decrease) in provision for bonuses	533	950
Going public expenses	95,150	328,186
Share issuance costs	–	12,598
Decrease (increase) in inventories	–	(223)
Decrease (increase) in advance payments to suppliers	(2,734)	(80,644)
Decrease (increase) in consumption taxes refund receivable	(8,483)	21,554
Increase (decrease) in accrued expenses	(43,129)	807
Increase (decrease) in accounts payable - other	159,770	(140,875)
Increase/decrease in other assets/liabilities	(18,412)	25,048
Subtotal	1,262,736	(687,473)
Income taxes paid	(950)	(950)
Net cash provided by (used in) operating activities	1,261,786	(688,423)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,490)	(12,721)
Purchase of intangible assets	(4,398)	(1,000)
Payments of leasehold and guarantee deposits	(8,460)	–
Other, net	390	–
Net cash provided by (used in) investing activities	(16,958)	(13,721)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	–	2,103,379
Proceeds from issuance of shares resulting from exercise of share acquisition rights	249,250	6,000
Payment for going public expenses	(2,767)	(420,569)
Net cash provided by (used in) financing activities	246,482	1,688,809
Net increase (decrease) in cash and cash equivalents	1,491,310	986,664
Cash and cash equivalents at beginning of period	1,106,691	2,598,002
Cash and cash equivalents at end of period	2,598,002	3,584,667

(5) Notes to financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting policies

*Application of Accounting Standard for Revenue Recognition, etc.*

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended February 28, 2023. Revenue is recognized when the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. There is no effect on the balance of retained earnings brought forward on March 1, 2022 or the statement of income for the fiscal year ended February 28, 2023.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

*Application of Accounting Standard for Fair Value Measurement, etc.*

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended February 28, 2023. New accounting policies provided for by the Accounting Standard for Fair Value Measurement, etc. are applied prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect of this application on the financial statements.

Income (loss) of entities accounted for using equity method

Not applicable.

Segment information

*[Segment information]*

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

Per share information

	(Yen)	
	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net assets per share	74.10	101.55
Basic earnings (loss) per share	53.36	(25.28)

- Notes:
1. Diluted earnings per share for the previous fiscal year is not stated because, although potential shares exist, the Company’s shares are unlisted and it is therefore not possible to ascertain an average share price during the period. Diluted earnings per share for the fiscal year ended February 28, 2023 is not stated because, although potential shares exist, a basic loss per share was recorded.
  2. The Company conducted a 40-for-1 share split of its common shares on September 21, 2021. Basic earnings (loss) per share are calculated on the assumption that the splitting of shares had been made at the beginning of the previous fiscal year.
  3. Basis for calculation of basic earnings (loss) per share is as follows:

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net income (loss) (Thousands of yen)	1,076,859	(860,925)
Value not attributable to shareholders of common shares (Thousands of yen)	–	–
Net income (loss) related to common shares (Thousands of yen)	1,076,859	(860,925)
Average number of common shares outstanding during the period (Shares)	20,179,787	34,053,422
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	4 types of share acquisition rights (Number of share acquisition rights: 56,842 units, potential shares: 2,273,680 shares)	4 types of share acquisition rights (Number of share acquisition rights: 55,842 units, potential shares: 2,233,680 shares)

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

	As of February 28, 2022	As of February 28, 2023
Total net assets (Thousands of yen)	2,453,001	3,714,053
Number of common shares used to calculate net assets per share (Shares)	33,102,080	36,574,880

#### Subsequent events

Not applicable.

#### 4. Others

##### Changes of management structure

The Company made changes of status, responsibilities and title descriptions. For details, please refer to “Notice Regarding the Changes of Management Structure” disclosed on March 15, 2023.