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July 14, 2023

## Non-consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]

Company name: TMS Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4891  
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 Scheduled date to file quarterly securities report: July 14, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results briefing: None

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

### 1. Non-consolidated financial results for the three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

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

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
May 31, 2023	–	–	(151)	–	(148)	–	(148)	–
May 31, 2022	–	–	–	–	–	–	–	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
May 31, 2023	(4.07)	–
May 31, 2022	–	–

Notes: 1. The Company began disclosing the non-consolidated financial results for the first three months of the fiscal year starting from the fiscal year ending February 29, 2024. Therefore, the figures and the year-on-year changes for the three months ended May 31, 2022 and the year-on-year changes for the three months ended May 31, 2023 are not shown.

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

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

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
May 31, 2023	3,635	3,565	98.1
February 28, 2023	3,790	3,714	98.0

Reference: Equity  
 As of May 31, 2023                      ¥3,565 million  
 As of February 28, 2023                ¥3,714 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2023	–	0.00	–	0.00	0.00
Fiscal year ending February 29, 2024	–				
Fiscal year ending February 29, 2024 (Forecast)		0.00	–	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 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 have 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 “(3) Explanation of earnings forecasts and other forward-looking statements” under “1. Qualitative information regarding financial results for the three months ended May 31, 2023” on page 3 of the attached material.

**\* Notes**

(1) Adoption of accounting treatment specific to the preparation of quarterly financial statements: Yes

Note: For details, please refer to “Adoption of accounting treatment specific to the preparation of quarterly financial statements” under “(3) Notes to quarterly financial statements” of “2. Quarterly financial statements and significant notes thereto” on page 7 of the attached material.

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of May 31, 2023	36,574,880 shares
As of February 28, 2023	36,574,880 shares

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

As of May 31, 2023	– shares
As of February 28, 2023	– shares

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

Three months ended May 31, 2023	36,574,880 shares
Three months ended May 31, 2022	– shares

Note: The Company began disclosing the non-consolidated financial results for the first three months of the fiscal year starting from the fiscal year ending February 29, 2024. Therefore, the average number of shares outstanding during the three months ended May 31, 2022 is not shown.

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ significantly from the forecasts for various reasons. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “(3) Explanation of earnings forecasts and other forward-looking statements” of “1. Qualitative information regarding financial results for the three months ended May 31, 2023” on page 3 of the attached material.

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## 1. Qualitative information regarding financial results for the three months ended May 31, 2023

### (1) Explanation of operating results

In the first quarter of this fiscal year (March 1, 2023 - May 31, 2023), normalization of economic activities was noted in the Japanese economy. However, the economic outlook remains unclear due to prolonged geopolitical risks, concerns over global economic recession and uncertainty in financial and capital markets. Under these circumstances, the Company vigorously conducted the business activities, aiming at developing unique drugs based on unconventional mechanisms and bringing them to the market.

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

TMS-007 (BIIB131) is a drug candidate for the treatment of acute ischemic stroke which was acquired by Biogen MA Inc. (Biogen) in May 2021. A Phase 2b clinical trial was planned to be initiated in the first half of 2023. Details of the study were published in the U.S. clinical trial database, ClinicalTrials.gov, on March 10, 2023, in which the estimated study start date was stated as April 17, 2023. On April 25, 2023, Biogen announced that it would pause the initiation of the Phase 2b clinical trial of TMS-007 (BIIB131) and reassess whether it should initiate the trial in its first quarter 2023 financial results report. Thereafter, the information in the ClinicalTrials.gov was updated on April 26, 2023, to indicate the estimated start of the trial on August 21, 2023. The key information of the study is summarized in the table below. The Company continues to make efforts to collect related information by closely communicating with Biogen.

(<https://clinicaltrials.gov/ct2/show/NCT05764122>)

Official Title	A Multicenter, Operationally Seamless, Double-Blind, Dose-Ranging, Placebo-Controlled, Randomized, Parallel-Group, Phase 2b Study to Evaluate the Efficacy and Safety of Intravenous BIIB131 for Participants With Ischemic Stroke Between 4.5 and 24 Hours After Last Known Well
Estimated Enrollment	760 participants
Estimated Start Date	August 21, 2023 <sup>1</sup>
Estimated Completion Date	July 7, 2025

[Note] 1. The registered information was updated on April 26, 2023, from April 17, 2023, to August 21, 2023.

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

TMS-008 is a drug candidate for the treatment of acute kidney injury and cancer cachexia. Progress was made in CMC (Chemistry, Manufacturing, and Control) and non-clinical GLP toxicology studies, preparing for a Phase 1 clinical trial. Manufacturing of the drug substance for a clinical trial will be started in the second quarter of this fiscal year. The Company also completed submission to request a consultation meeting with the PMDA (Pharmaceuticals and Medical Devices Agency), which will be held in June 2023.

TMS-009 is a backup compound of TMS-008; the Company has initiated the preparation in exploratory manufacturing during this reporting period.

#### (iii) Pipeline expansion

The Company has made substantial efforts 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 (TMS-007 and TMS-008). To achieve this goal, the Company has been taking multiple approaches including optimization of AI-generated compounds and screening of a natural compound library. 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. The Company entered into an option agreement with Hokkaido University on May 8, 2023, to exclusively evaluate and license certain compounds.

(iv) Reorganization of research and development structure to enhance activities

Effective on April 1, 2023, Keiji Hasumi, Ph.D., a co-founder of the Company, was assigned as a full-time Chief Scientific Officer, following the retirement from the professor position at Tokyo University of Agriculture and Technology on March 31, 2023. Dr. Hasumi will lead the research activities in the Company. He continues to be the member of the board and the Chairman of the Company. Accordingly, the research and development activities of the Company will be led by Dr. Hasumi, Chief Scientific Officer and Noriaki Inamura, Ph.D., Executive Vice President, Development, as summarized below. In addition, in April 2023, a research alliance laboratory with Tokyo University of Agriculture and Technology sponsored by the Company was established in order to strengthen its research and development functions.

Name	Title	New field in charge	Old field in charge
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 three months ended May 31, 2023 totaled ¥151,762 thousand, which included ¥76,927 thousand in research and development expenses, mainly for TMS-008, and ¥74,834 thousand in other selling, general and administrative expenses.

Based on these results, operating loss was ¥151,762 thousand, ordinary loss was ¥148,619 thousand, and net loss was ¥148,856 thousand.

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

(2) Explanation of financial position

Assets

Total assets as of the end of the first quarter were ¥3,635,882 thousand, a decrease of ¥154,332 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥166,305 thousand in cash and deposits mainly due to payments for operating expenses.

Liabilities

Total liabilities as of the end of the first quarter were ¥70,685 thousand, a decrease of ¥5,476 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥14,486 thousand in income taxes payable due to payments for income taxes, and an increase of ¥7,341 thousand in provision for bonuses.

Net assets

Net assets as of the end of the first quarter were ¥3,565,196 thousand, a decrease of ¥148,856 thousand from the end of the previous fiscal year. This was mainly due to a decrease of retained earnings, resulting from the recording of ¥148,856 thousand in net loss.

(3) Explanation of earnings forecasts and other forward-looking statements

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. Quarterly financial statements and significant notes thereto

### (1) Quarterly balance sheet

(Thousands of yen)

	As of February 28, 2023	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	3,584,667	3,418,362
Supplies	223	223
Advance payments to suppliers	121,715	123,655
Prepaid expenses	12,970	24,189
Consumption taxes refund receivable	47,033	47,033
Other	36	48
<b>Total current assets</b>	<b>3,766,646</b>	<b>3,613,512</b>
Non-current assets		
Property, plant and equipment	12,142	11,490
Intangible assets	4,112	3,829
Investments and other assets	7,314	7,050
<b>Total non-current assets</b>	<b>23,568</b>	<b>22,369</b>
<b>Total assets</b>	<b>3,790,215</b>	<b>3,635,882</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	28,690	27,477
Accrued expenses	19,557	25,998
Income taxes payable	19,315	4,828
Provision for bonuses	2,447	9,788
Other	6,151	2,592
<b>Total current liabilities</b>	<b>76,161</b>	<b>70,685</b>
<b>Total liabilities</b>	<b>76,161</b>	<b>70,685</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,160,988	1,160,988
Capital surplus	2,337,131	2,337,131
Retained earnings	215,933	67,076
<b>Total shareholders' equity</b>	<b>3,714,053</b>	<b>3,565,196</b>
<b>Total net assets</b>	<b>3,714,053</b>	<b>3,565,196</b>
<b>Total liabilities and net assets</b>	<b>3,790,215</b>	<b>3,635,882</b>



(2) Quarterly statement of income  
(Cumulative)

(Thousands of yen)

	Three months ended May 31, 2023
Operating revenue	—
Operating expenses	
Research and development expenses	76,927
Other selling, general and administrative expenses	74,834
Total operating expenses	151,762
Operating loss	(151,762)
Non-operating income	
Subsidy income	3,202
Total non-operating income	3,202
Non-operating expenses	
Foreign exchange losses	59
Total non-operating expenses	59
Ordinary loss	(148,619)
Loss before income taxes	(148,619)
Income taxes	237
Net loss	(148,856)

(3) Notes to quarterly financial statements

Notes on premise of going concern

Not applicable.

Notes when there are significant changes in amounts of shareholders' equity

Not applicable.

Adoption of accounting treatment specific to the preparation of quarterly financial statements

*Calculation of tax expenses*

The Company calculates tax expenses by rationally estimating the effective tax rate after applying the tax effect on income before income taxes for the fiscal year including the first quarter of the year ending February 29, 2024, and multiplying income before income taxes by the estimated effective tax rate. However, in cases where the calculation of tax expenses using the estimated effective tax rate yields a result that is considered not to be reasonable to a significant extent, the effective statutory tax rate is used.

Segment information

*[Segment information]*

Three months ended May 31, 2023

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

## Subsequent events

### *Issuance of Share Acquisition Rights as stock options*

The Company resolved to issue the share acquisition rights (“Share Acquisition Rights”) as stock options to its Board Members (including outside Board Members), Audit & Supervisory Board Members and employees, in accordance with Articles 236, 238 and 240 of the Companies Act of Japan at the meeting of the Board of Directors held on June 15, 2023, and issued the Share Acquisition Rights on July 10, 2023.

#### I. Purpose of issuing Share Acquisition Rights as stock options

The Company issues the Share Acquisition Rights as stock options to its Board Members (including outside Board Members) and employees, with the purpose of sharing benefits and risks of share price changes with shareholders and providing them with incentives to motivate and inspire themselves to improve the Company’s performance, thereby enhancing sound management, its enterprise value, and trust from society. The issuance of Share Acquisition Rights to the Audit & Supervisory Board members is also for the purpose of sharing the value of shareholders and thereby increasing their motivations to contribute to the prevention of damage to the Company’s enterprise value and the maintenance of its credibility.

#### II. Summary of the issuing of Share Acquisition Right

##### 1. Total number of Share Acquisition Rights

1,681 units

##### 2. The amount to be paid in for Share Acquisition Rights

¥31,400 per unit of the Share Acquisition Rights (¥314 per share)

This is the fair value of the Share Acquisition Rights and does not constitute a Favorable Issue.

The Company shall pay to the person to whom the Share Acquisition Rights are allotted a monetary remuneration equivalent to the total amount to be paid for the Share Acquisition Rights to be allotted, and the person to whom the Share Acquisition Rights are allotted shall, in lieu of payment of such amount to be paid, offset it with the remuneration claim against the Company and shall not be required to pay any monetary amount.

##### 3. Details of the Share Acquisition Rights

###### (1) Class and number of shares subject to the Share Acquisition Rights

The number of shares to be issued upon exercise of one unit of the Share Acquisition Right (the “Number of Granted Shares”) shall be 100 common shares of the Company.

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 the number of shares for the Share Acquisition Rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of Granted Shares after adjustment = Number of Granted Shares 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.

###### (2) The amount of property to be contributed upon the exercise of the Share Acquisition Rights

The amount of property to be contributed upon the exercise of each Share Acquisition Right shall be the amount obtained by multiplying the exercise price per share (the “Exercise Price,” which shall be ¥1) that can be delivered by exercising each such Share Acquisition Right by the Number of Granted Shares.

###### (3) The period in which the Share Acquisition Rights can be exercised

July 11, 2023 through July 10, 2038 (or, if the last day is not a bank business day, the preceding bank business day).

(4) Matters concerning share capital and legal capital surplus to be increased

- 1) The amount of increase in share capital by issuing shares upon exercise of Share Acquisition Rights shall be half of the maximum amount of increase in share capital calculated in accordance with Article 17, paragraph 1 of the Regulations on Corporate Accounting, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen.
- 2) The amount of increase in legal capital surplus by issuing shares upon exercise of Share Acquisition Rights shall be the maximum amount of increase in share capital as described in 1) above less the amount of increase in share capital set out therein.

(5) Restriction on acquisition of the Share Acquisition Rights by transfer

Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Company.

(6) Conditions for exercising the Share Acquisition Rights

- 1) 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.
- 2) Any partial exercise of one unit of the Share Acquisition Rights is not allowed.
- 3) In the event of the death of a holder of the Share Acquisition Rights, his/her heir may exercise the right.
- 4) Other conditions shall be set forth in the Share Acquisition Right allotment agreement to be executed between the Company and each holder of the Share Acquisition Rights.

4. Allotment date of Share Acquisition Rights

July 10, 2023

5. Matters relating to an acquisition of Share Acquisition Rights

- (1) 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.

- (2) If a holder of the Share Acquisition Rights becomes unable to exercise his/her Share Acquisition Rights pursuant to the provisions set forth in 3. (6) above 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.
  - (3) 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.
6. Matters concerning the handling of Share Acquisition Rights in the event of Organizational Restructuring

In the event of a merger (limited to cases wherein the Company becomes a dissolving company), absorption-type company split, incorporation-type company split, share exchange, or share transfer (the “Organizational Restructuring”), the Company shall grant Share Acquisition Rights of the stock companies listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (the “Restructured Company”) to the holders of Share Acquisition Rights on the effective date of the Organizational Restructuring in each case. 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.

- (1) Number of Share Acquisition Rights of the Restructured Company to be issued  
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.
- (2) Class of shares of the Restructured Company to be issued upon exercise of Share Acquisition Rights  
Common shares of the Restructured Company
- (3) Number of shares of the Restructured Company to be issued upon exercise of Share Acquisition Rights  
To be decided in accordance with 3. (1) above, taking into consideration the conditions of the Organizational Restructuring.
- (4) The amount of property to be contributed upon the exercise of the Share Acquisition Rights  
The amount of property to be contributed upon the exercise of Share Acquisition Rights shall be the post-reorganization Exercise Price obtained by adjusting the Exercise Price set forth in 3. (2) above, multiplied by the number of shares of the Restructured Company to be issued for such Share Acquisition Rights determined in accordance with 6. (3) above, taking into consideration the conditions of the Organizational Restructuring and other factors.
- (5) Exercise period of Share Acquisition Rights  
Starting from the later of the commencement date of the exercise period of Share Acquisition Rights as stipulated in 3. (3) above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Acquisition Rights as stipulated in 3. (3) above.
- (6) Matters concerning share capital and legal capital surplus to be increased in the event of the issuance of shares upon the exercise of Share Acquisition Rights  
To be determined in accordance with 3. (4) above.
- (7) Restriction on acquisition of the Share Acquisition Rights by transfer  
Acquisition by transfer shall require approval by a resolution of the Board of Directors of the Restructured Company.
- (8) Other terms and conditions of exercising Share Acquisition Rights  
To be determined in accordance with 3. (6) above.

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

To be determined in accordance with 5. above.

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

7. Matters related to Share Acquisition Right certificates for Share Acquisition Rights

The Company shall not issue any certificates for the Share Acquisition Rights.

8. Rules pertaining to fractions of less than one share resulting from the exercise of Share Acquisition Rights

Fractions of less than one share in the number of shares to be granted to Share Acquisition Rights Holders who exercised Share Acquisition Rights shall be rounded down.

9. Number of allottees and allotment of Share Acquisition Rights

904 units for 6 Board Members (including 114 units for 2 outside Board Members)

98 units for 4 Audit & Supervisory Board Members

679 units for 15 employees