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January 13, 2023

Non-consolidated Financial Results for the Nine Months Ended November 30, 2022 (Under Japanese GAAP)

Company name: TMS Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4891
 URL: <https://www.tms-japan.co.jp/>
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 Scheduled date to file quarterly securities report: January 13, 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 nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
November 30, 2022	–	–	(412)	–	(753)	–	(753)	–
November 30, 2021	–	–	–	–	–	–	–	–

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2022	(22.67)	–
November 30, 2021	–	–

Notes: 1. The Company began disclosing the non-consolidated financial results for the first nine months of the fiscal year starting from the fiscal year ending February 28, 2023. Therefore, the figures and the year-on-year changes for the nine months ended November 30, 2021 and the year-on-year changes for the nine months ended November 30, 2022 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
As of	Millions of yen	Millions of yen	%
November 30, 2022	3,998	3,821	95.6
February 28, 2022	2,739	2,453	89.5

Reference: Equity

As of November 30, 2022	¥3,821 million
As of February 28, 2022	¥2,453 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, 2022	–	0.00	–	0.00	0.00
Fiscal year ending February 28, 2023	–	0.00	–		
Fiscal year ending February 28, 2023 (Forecast)				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 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2023	–	–	(602)	–	(943)	–	(942)	–	(27.69)

Notes: 1. Revisions to the forecast of financial results most recently announced: Yes

2. Basic earnings per share was calculated by taking into consideration the capital increase through public offering (3,432,800 shares) with the payment date of November 21, 2022 associated with the listing of the Company's shares on the Tokyo Stock Exchange Growth Market and the issuance of new shares (40,000 shares) through the exercise of share acquisition rights in the nine months ended November 30, 2022.

*** 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 6 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: 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 “(3) Notes to quarterly financial statements” of “2. Quarterly financial statements and significant notes thereto” on page 6 of the attached material.

(3) Number of issued shares (common shares)

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

As of November 30, 2022	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 November 30, 2022	– shares
As of February 28, 2022	– shares

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

Nine months ended November 30, 2022	33,228,218 shares
Nine months ended November 30, 2021	– shares

Note: The Company began disclosing the non-consolidated financial results for the first nine months of the fiscal year starting from the fiscal year ending February 28, 2023. Therefore, the average number of shares outstanding during the nine months ended November 30, 2021 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 nine months ended November 30, 2022” on page 3 of the attached material.

Attached Material

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1. Qualitative information regarding financial results for the nine months ended November 30, 2022

(1) Explanation of operating results

In the nine months ended November 30, 2022, the Japanese economy was on a path of modest recovery amid the normalization of economic activities. On the other hand, the outlook remains uncertain mainly due to concerns over the deteriorating consumer sentiment as a result of inflation caused by rising resource and energy prices against the backdrop of the increasingly serious Russia-Ukraine situation, the rapid weakening of the yen and strengthening of the dollar, and other factors.

Under these circumstances, the Company actively promoted its business activities, aiming to develop unique drugs based on non-conventional mechanisms and bring them to market.

(i) TMS-007-related activities

Pertaining to TMS-007, a drug candidate for treatment of acute ischemic stroke, which Biogen MA Inc. (Biogen) took over as a result of an option exercised by Biogen in May 2021, Biogen is proceeding with development according to its plan to start a phase IIb clinical trial in the first half of 2023. The Company continues to cooperate with Biogen in various aspects.

(ii) TMS-008-related activities

Regarding the CMC (Chemistry, Manufacturing, and Control) development for TMS-008, a drug candidate for treating acute kidney injury and cancer cachexia, the Company is evaluating the pharmaceutical formulation for clinical studies following the manufacturing of the active pharmaceutical ingredient. The Company has completed manufacturing the pharmaceutical formulation for GLP toxicology studies and the active pharmaceutical ingredient for a scale-up production run. The Company is conducting GLP toxicology studies in preparation for the phase I clinical trial. In addition, while evaluating early clinical development strategies, the Company also continues to explore the possibilities for other new indications.

(iii) Activities related to other research and development

TMS-009 is positioned as a backup to TMS-008. With respect to the pipeline other than for SMTP compounds, based on the knowledge related to soluble epoxide hydrolase (sEH) inhibition gained from SMTP research and development, the Company is searching for compounds that will serve as candidates for new sEH inhibitors and has started a joint research project with an external organization. In addition, the Company is considering the introduction of external assets and is collecting and evaluating experimental data.

As a result of these activities, operating expenses for the nine months ended November 30, 2022 totaled ¥412,616 thousand, which included ¥202,631 thousand in development expenses for TMS-008 and other research and development expenses and ¥209,985 thousand in other selling, general and administrative expenses.

Based on these results, operating loss was ¥412,616 thousand, ordinary loss was ¥753,942 thousand mainly due to the recording of ¥328,186 thousand in going public expenses as non-operating expenses, and loss was ¥753,159 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 third quarter were ¥3,998,254 thousand, an increase of ¥1,258,472 thousand from the end of the previous fiscal year. This was mainly due to an increase of ¥1,223,193 thousand in cash and deposits as a result of proceeds from the issuance of new shares associated with the capital increase through public offering, etc. despite payments for operating expenses, going public expenses and other expenses, and an increase of ¥101,473 thousand in advance payments to suppliers for conducting various trials.

Liabilities

Total liabilities as of the end of the third quarter were ¥176,433 thousand, a decrease of ¥110,346 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥149,729 thousand in accounts payable - other due to payments for royalties, etc.

Net assets

Net assets as of the end of the third quarter were ¥3,821,820 thousand, an increase of ¥1,368,818 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 capital increase through public offering, etc., and retained earnings decreasing, resulting from the recording of ¥753,159 thousand in loss.

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

For the earnings forecasts, in light of recent performance trends and other factors, the Company revised the forecast of non-consolidated financial results for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023) announced on November 22, 2022. For details, please refer to “Notice Concerning Revisions to Full-Year Financial Results Forecasts,” which was released today (January 13, 2023). The Company has determined the earnings forecasts based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ significantly from the forecast figures for various reasons in the future.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheet

(Thousands of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	2,598,002	3,821,195
Advance payments to suppliers	41,070	142,544
Prepaid expenses	8,859	7,124
Consumption taxes receivable	68,587	-
Other	6,371	2,495
Total current assets	2,722,891	3,973,359
Non-current assets		
Property, plant and equipment	4,409	12,920
Intangible assets	4,109	4,394
Investments and other assets	8,371	7,578
Total non-current assets	16,890	24,894
Total assets	2,739,781	3,998,254
Liabilities		
Current liabilities		
Accounts payable - other	168,955	19,225
Accrued expenses	111,132	131,155
Income taxes payable	950	14,486
Provision for bonuses	1,497	9,072
Other	2,749	2,494
Total current liabilities	285,284	176,433
Non-current liabilities		
Deferred tax liabilities	1,495	-
Total non-current liabilities	1,495	-
Total liabilities	286,780	176,433
Net assets		
Shareholders' equity		
Share capital	100,000	1,160,988
Capital surplus	1,276,142	2,337,131
Retained earnings	1,076,859	323,699
Total shareholders' equity	2,453,001	3,821,820
Total net assets	2,453,001	3,821,820
Total liabilities and net assets	2,739,781	3,998,254

(2) Quarterly statement of income
(Cumulative)

(Thousands of yen)

	Nine months ended November 30, 2022
Operating revenue	-
Operating expenses	
Research and development expenses	202,631
Other selling, general and administrative expenses	209,985
Total operating expenses	412,616
Operating loss	(412,616)
Non-operating income	
Interest on tax refund	89
Total non-operating income	89
Non-operating expenses	
Going public expenses	328,186
Share issuance costs	12,598
Other	630
Total non-operating expenses	341,415
Ordinary loss	(753,942)
Loss before income taxes	(753,942)
Income taxes	(783)
Loss	(753,159)

(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

The Company's shares were listed on the Tokyo Stock Exchange Growth Market on November 22, 2022. Due to the issuance of new shares through public offering with the payment date of November 21, 2022 associated with the above listing and the issuance of new shares through the exercise of share acquisition rights in the nine months ended November 30, 2022, share capital and legal capital surplus each increased by ¥1,060,988 thousand.

As a result, as of the end of the third quarter, share capital and legal capital surplus totaled ¥1,160,988 thousand and ¥1,410,487 thousand, respectively.

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 profit before income taxes for the fiscal year including the third quarter of the year ending February 28, 2023, and multiplying profit 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.

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 first quarter of the fiscal year ending 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 on March 1, 2022 or the quarterly statement of income for the nine months ended November 30, 2022.

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 first quarter of the fiscal year ending 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 quarterly financial statements.

Segment information

[Segment information]

Nine months ended November 30, 2022

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