COMPANY RESEARCH AND ANALYSIS REPORT

Veritas In Silico Inc.

130A

Tokyo Stock Exchange Growth Market

7-Nov.-2025

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Contents

Summary

Deploying hybrid business based on mRNA-targeted drug discovery platform

1. Full-scale deployment of hybrid business model combining platform-based and pipeline-based drug discovery

Veritas In Silico Inc. <130A> (hereafter, also "the Company") is a company that develops innovative drugs* that target mRNA (hereafter, "mRNA-targeted drugs*"), the blueprint for protein synthesis in the body, by adopting in silico technology (a method of performing life science research using simulations and data analysis with large-scale computers).

> * mRNA-targeted drugs: Unlike conventional drugs that act directly on the proteins that cause diseases, these drugs inhibit the synthesis of the proteins by acting on messenger RNA (mRNA), which encodes information on disease-causing proteins, thereby suppressing diseases and obtaining therapeutic effects. In terms of mRNA-targeted drugs, the Company is engaged in drug discovery research of small molecule drugs and nucleic acid drugs.

The Company developed the drug discovery platform, ibVIS®, (hereafter, "ibVIS"), for discovering small molecule drugs and nucleic acid drugs, and entered into joint drug discovery research agreements with pharmaceutical companies. This platform business, which generates upfront payments when a contract is signed and milestone payments based on the progress of drug discovery research, is currently the Company's main source of revenue. By using ibVIS, pharmaceutical companies that enter into agreements with the Company are able to leverage their accumulated technologies and experience such as existing compound libraries to engage in mRNA-targeted drug discovery. This approach has the potential to be applied to a wide range of diseases, including those for which it has been difficult to develop effective treatments using conventional drug discovery approaches.

Furthermore, along with the platform-based business described above, the Company is also engaged in pipeline-based business. This involves using ibVIS to conduct its own in-house drug discovery research, including nucleic acid drugs. Going forward, the Company intends to fully shift to a hybrid business that combines platform-based and pipeline-based drug discovery.

2. ibVIS: drug discovery platform enabling creation of mRNA-targeted small molecule drugs

The Company develops technologies specializing in mRNA-targeted drug discovery, and the establishment of ibVIS, which enables it to consolidate the technologies required at each stage of drug discovery and offer them on a one-stop basis, is a major business strength. ibVIS has already built up a track record through joint drug discovery research with multiple pharmaceutical companies, especially in small molecule drug discovery targeting mRNA. Furthermore, ibVIS has the versatility to technically address any mRNA as a drug target. Another strength is the efficient and effective utilization of accumulated data through AI technology. There are few companies in the world that are developing a platform-based business similar to the Company's, and such drug discovery technology is rare. In the field of small molecule drug discovery targeting mRNA, it is therefore difficult for pharmaceutical companies to pursue drug discovery and development of mRNA-targeted small molecule drugs unless they partner with a biotech company that can provide drug discovery technology such as that offered by the Company.

3. Medium-term plan: two new platform contracts and one in-house drug discovery pipeline annually

The Company is deploying a hybrid business that will pursue in-house pipeline development in parallel with expanding the platform-based business. Based on this, its ultimate target is to establish a foothold as a specialty pharma company handling mRNA-related drug discovery by 2030, with the aim of evolving a business model that enables continuous growth. To achieve this target, the Company's medium-term management plan states that it will enter into two new agreements per year in the platform-based business, which is positioned as the medium-term revenue base. In the pipeline-based business, by leveraging the technological strength of ibVIS, the Company plans to create one in-house pipeline per year that addresses a disease chosen based on specific selection criteria. For its first pipeline modality* for FY12/25, the Company has started in-house drug discovery research on nucleic acid drugs, which will have significant future value and allow for a relatively short drug discovery period. The target disease for this research is ischemic acute kidney injury (AKI) induced after cardiovascular surgery.

> * Modality: For drugs, a modality refers to the methods or means of the drug discovery or the classification of drugs based on them. Specifically, it is a term that indicates the category of drugs and how they are made, such as small molecule drugs, antibody drugs, nucleic acid drugs, cell therapy, and gene therapy.

4. 1H FY12/25 results progressing as expected; upfront and milestone payments anticipated from 3Q onward

In the FY12/25 forecasts, the Company expected significant growth in revenue and profits, with business revenue projected to increase 305.1% year on year (YoY) to ¥788mn and operating profit to reach ¥163mn (compared to an operating loss of ¥212mn in the previous fiscal year).

In the 1H FY12/25 results, business revenue was ¥43mn (down 62.6% YoY) and there was an operating loss of ¥186mn (compared to operating loss of ¥66mn in 1H of the previous fiscal year). In the platform-based business, in joint drug discovery research with Shionogi & Co., Ltd. <4507>, the Company achieved a milestone by successfully identifying compounds that will enables the selection of lead compounds. Furthermore, in joint drug discovery research with RaQualia Pharma Inc. <4579>, the Company identified small molecule compounds that may serve as starting points for drug discovery research. Thus, its various joint drug discovery research projects with pharmaceutical companies are progressing well. The Company also entered into a new joint research agreement with Mitsubishi Gas Chemical Company, Inc. <4182>. Meanwhile, in the pipeline-based business, the Company has selected a target disease and gene candidates and started in-house nucleic acid drug discovery research.

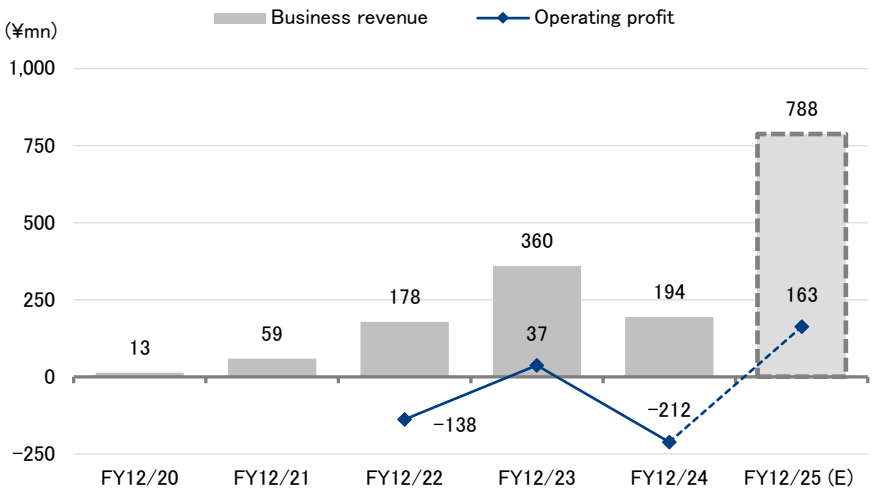
In terms of business revenue, there were only milestone and research support payments, but results progressed as expected. In 3Q and beyond, it is expected that results will progress steadily toward the full-year forecasts due to milestone and research support payments from joint drug discovery research with pharmaceutical companies, upfront payments from the conclusion of new contracts, and other factors.

Key Points

- Full-scale development of a hybrid business model that combines platform-based business and pipeline-based business
- Strengths of the Company include offering an mRNA-targeted small molecule drug discovery platform, which very few companies globally have developed, and an established research track record with multiple pharmaceutical companies
- Progress in FY12/25 is as expected. The Company expects upfront payments due to the conclusion of a large-scale contract in 3Q to 4Q resulting in significant full-year revenue and profit growth

Summary

Results trends



Source: Prepared by FISCO from the Company's financial results and securities reports

Company profile

At the forefront of mRNA-targeted drug discovery

1. Company profile

Using in silico technology as a basis, the Company has established a drug discovery system for mRNA-targeted small molecule drugs based on a new concept that targets substructures of mRNA*1—the blueprint that codes for proteins—by exploring the true nature of RNA (ribonucleic acid), the origin of life. Furthermore, to efficiently pursue drug discovery research for mRNA-targeted small molecule drugs, the Company has established the ibVIS drug discovery platform, which integrates in silico technology and experimental technology, and is developing its business as a frontrunner in the field of mRNA-targeted small molecule drug discovery. By using ibVIS, pharmaceutical companies that sign contracts with the Company are able to leverage their accumulated in-house small molecule drug discovery technologies and experience, infrastructure such as compound libraries, and other resources, to engage in creating mRNA-targeted small molecule drugs, which have the potential to be applied to a wide range of diseases, including those where effective treatments have been difficult to develop using conventional protein-targeted drug discovery approaches. Meanwhile, the Company is pursuing the establishment of in-house pipelines, and during FY12/25, it plans to create a pipeline for nucleic acid drugs targeting mRNA. Based on this, it will deploy a fully hybrid business that combines the platform-based business and in-house pipelines. Ultimately, based on its management philosophy: "To build a warm society where every patient, especially those with diseases that currently have no satisfactory treatments, can look forward to a brighter future through the realization of mRNA-targeted drugs," the Company intends to evolve into a specialty pharma company engaged in R&D of mRNA-targeted small molecule drugs and nucleic acid drugs, as well as mRNA drugs*2 and ncRNA-targeted drugs*3.

*1 mRNA: messenger RNA. This is RNA that transcribes genetic information from DNA sequences and transmits the information for the purpose of protein synthesis. RNA is a nucleic acid (a biological macromolecule formed by the polymerization of multiple nucleotides composed of bases, sugars, and phosphates), with ribose as its sugar component, and is thus also known as ribonucleic acid. It is involved in various biological processes in living organisms, such as the transmission of genetic information. mRNA provides the blueprint of protein synthesis inside cells, and individual mRNA exists corresponding to each protein.

*2 mRNA drugs: These are drugs that utilize artificially synthesized mRNA encoding information for proteins that are expected to be effective in preventing and treating diseases. When an mRNA drug is administered, the target protein is synthesized in cells, enabling the treatment or prevention of the disease related to the target protein. Among these drugs, those that encode antigenic proteins, which elicit host immunity against antigens, are known as mRNA vaccines. The world's first mRNA drug to be put into practical use was an mRNA vaccine against COVID-19, whose use was approved on an emergency basis.

*3 ncRNA-targeted drugs: These are drugs that target various types of RNA that do not encode proteins. They are expected to be effective against various diseases, including cancer.

ibVIS-powered steady growth leading to successful IPO

2. History

The Company was founded in Shibuya Ward, Tokyo, in November 2016 by its Representative Director and CEO, Shingo Nakamura. In 2004, while employed at Takeda Pharmaceutical Company Ltd. <4502>, he launched a project that aimed at small molecule drug discovery targeting mRNA, which was a pioneering idea at the time. In 2011, when he left Takeda Pharmaceutical Company Ltd., he received the research findings and related equipment during his time there from the company. After that, he adopted the theories of statistical mechanics and thermodynamics to research RNA structure and utilized cutting-edge technologies such as calculation software to apply these theories to analysis, thereby establishing the basic technology for once again realizing mRNA-targeted small molecule drug discovery. In parallel with this, he acquired practical experience in the pharmaceutical business, pharmaceutical manufacturing, venture business investment and management, and marketing. Through these experiences, he became convinced that offering mRNA-targeted small molecule drug discovery to a wide range of pharmaceutical companies would solve a common issue in the pharmaceutical industry, leading him to found the Company.

After its establishment, the Company initially obtained investment from chemical manufacturer Mitsubishi Gas Chemical Company, Inc. and others in 2017 and embarked on nucleic acid drug research. It set up a research site at Niigata University of Pharmacy and Applied Life Sciences, with which Professor Masayuki Nashimoto, a leading authority on nucleic acid drug research, is affiliated. Meanwhile, the Company decided to enter the business of mRNA-targeted small molecule drug discovery, given that a series of companies pursuing RNA-targeted small molecule drug discovery had started up in the US beginning in the late 2010s. The Company started joint drug discovery research for mRNA-targeted small molecule drug discovery with pharmaceutical companies in 2018, and set up a research site to engage in small molecule drug discovery research at the Kawasaki Business Incubation Center (KBIC) in Kawasaki City, Kanagawa. In 2019, the Company officially began its mRNA-targeted small molecule drug discovery platform business. With the business growing steadily, including achieving steady profit from revenue generated by a series of joint drug discovery research projects with pharmaceutical companies, the Company was listed on the Tokyo Stock Exchange Growth Market in February 2024.

As of early August 2025, the Company was conducting joint drug discovery research to create mRNA-targeted small molecule drugs with four partner companies (Toray Industries, Inc. <3402>, Shionogi & Co., Ltd., RaQualia Pharma Inc., and Takeda Pharmaceutical Company Ltd.) and joint research to create nucleic acid drugs and establish a manufacturing method with Mitsubishi Gas Chemical Company, Inc. The Company is also pursuing research to create an in-house nucleic acid drug pipeline.

History

Date	Summary
November 2016	Veritas In Silico Inc. founded in Shibuya Ward, Tokyo
May 2017	Based on investment from Mitsubishi Gas Chemical Company, Inc. and venture capital firms, starts drug discovery research for nucleic acid drugs targeting mRNA, leveraging RNA structural analysis technology as its main business
July 2017	Opens research site at Niigata University of Pharmacy and Applied Life Sciences (Akiha Ward, Niigata City, Niigata), a joint research partner
October 2017	Moves head office to Shinagawa Ward, Tokyo
April 2018	Shifts main business from nucleic acid drugs to drug development platform business for small molecule drugs targeting mRNA Opens research site for mRNA-targeted small molecule drug discovery research in Kawasaki Business Incubation Center (Saiwai Ward, Kawasaki City, Kanagawa)
March 2019	Decides on policy of focusing on drug development platform business for small molecule drugs targeting mRNA
October 2020	Obtains patent (Japan) for business model for RNA-targeted small molecule drug discovery
July 2021	Signs joint drug discovery research contract with Toray Industries Inc. for the purpose of creating small molecule drugs with mRNA as the drug discovery target
November 2021	Signs joint drug discovery research contract with Shionogi & Co., Ltd. for the purpose of creating small molecule drugs with mRNA as the drug discovery target
December 2022	Signs joint drug discovery research contract with RaQualia Pharma Inc. for the purpose of creating small molecule drugs with mRNA as the drug discovery target
May 2023	Starts business partnership with France's Oncodesign Services for the purpose of meeting the needs of pharmaceutical companies seeking to develop small molecule drugs with mRNA as the drug discovery target
June 2023	Signs joint drug discovery research contract with Takeda Pharmaceutical Company Ltd. for the purpose of creating small molecule drugs with mRNA as the drug discovery target
February 2024	Lists on Tokyo Stock Exchange Growth Market
December 2024	Signs joint research and commercialization contract for mRNA-targeted small molecule drugs with England's Liverpool ChiroChem Ltd. (changed name to LCC Technologies Ltd. in May 2025)
January 2025	Obtains patent (Europe) for basic technology for small molecule drug discovery targeting RNA
June 2025	Decides on target disease for in-house mRNA-targeted nucleic acid drug pipeline
June 2025	Signs joint research contract with Mitsubishi Gas Chemical Company, Inc. for the purpose of creating nucleic acid drugs and establishing methods to manufacture them
July 2025	Obtains patent (US) for basic technology for small molecule drug discovery targeting RNA

Source: Prepared by FISCO from the Company's securities reports

Business overview

Fully switching to hybrid business in FY12/25

1. Business description

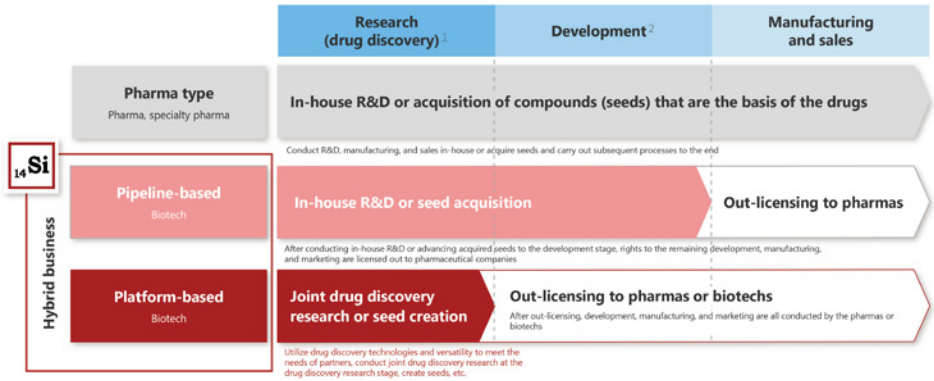
Until now, the Company has been developing a platform business, but it is now transitioning to a hybrid business that will pursue the platform-based business in parallel with a pipeline-based business. Furthermore, the business model it evolve into the future is a specialty pharma company (pharma-type business). Using the technological capabilities of ibVIS, capable of meeting a wide range of needs, the platform-based business engages in joint drug discovery research for mRNA-targeted small molecule drugs. In the hybrid business, along with its platform-based business, the Company conducts in-house drug discovery research on mRNA-targeted drugs, including nucleic acid drugs, and out-licenses to pharmaceutical companies and affiliated companies for manufacturing and sales.

Business overview

As of early August 2025, in the platform-based business that uses ibVIS, the Company was conducting joint drug discovery research to create mRNA-targeted small molecule drugs with four companies (Toray Industries, Inc., Shionogi & Co., Ltd., RaQualia Pharma Inc., and Takeda Pharmaceutical Company Ltd.) and joint research to create nucleic acid drugs and establishing a manufacturing method with Mitsubishi Gas Chemical Company, Inc. The Company is also pursuing research to create an in-house nucleic acid drug pipeline. The joint drug discovery research projects with each company are progressing well, and in January to June 2025, the Company achieved a milestone by successfully identifying compounds that will lead to the selection of lead compounds in its joint drug discovery research project with Shionogi & Co., Ltd. In joint drug discovery research with RaQualia Pharma Inc., which is targeting the creation of a cancer treatment, the Company expanded the research scope of the target genes and conducted multiple screenings. These screenings successfully identified multiple small molecule compounds that may serve as starting points for drug discovery research.

Recently, the Company has been generating revenue in the platform-based business, while in the hybrid business aimed at creating an in-house pipeline, it has been investing in an area that is expected to generate significant revenue in the future (in-house pipeline development). The Company intends to improve shareholder value by increasing its future revenue potential while steadily progressing with concrete initiatives aimed at achieving them. Ultimately, with 2030 as the target, it aims to evolve into a pharma-type business in the form of a specialty pharma company covering the entire value chain from manufacturing to sales.

Business model



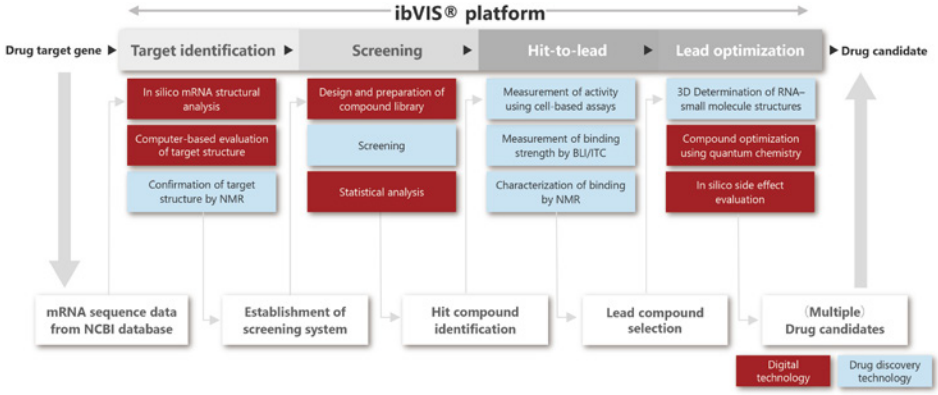
Notes 1: "Drug discovery research" refers to research stages up to the creation of a drug candidate compound that demonstrates adequate efficacy and safety as a drug.
2: "Development" refers to the stages up to proving the efficacy, safety, etc. of a drug candidate compound identified in drug discovery and obtaining approval to manufacture and sell it. It includes nonclinical studies.
Source: The Company's results briefing materials

ibVIS: one-stop drug discovery platform with extensive track record of advanced research

2. Platform-based business

Using its own ibVIS drug discovery platform, the Company conducts drug discovery research to create mRNA-targeted small molecule drugs through joint projects with pharmaceutical companies with which it has signed contracts. ibVIS is a platform that integrates in silico RNA structural analysis technologies that explore substructures to serve as mRNA-related drug discovery targets and experimental technologies, such as screening methods that identify compounds binding to a target structure. The fact that the Company provides a one-stop platform for conducting drug discovery research, from acquiring and analyzing mRNA sequence data for targeted genes to identifying and selecting drug candidate compounds, is a major point of differentiation from other companies. It should be noted that the mRNA-targeted small molecule drug discovery technology provided by ibVIS represents a breakthrough due to its potential for application to a wide range of diseases, including those for which developing treatment through conventional drug discovery targeting protein had been considered difficult. In joint drug discovery research with pharmaceutical companies, the Company mainly handles processes other than screening and cell-based assays, while pharmaceutical companies are responsible for screening using methods suggested by the Company, measuring efficacy with cell-based assays (verifying screening results), conducting compound synthesis, pharmacokinetic and safety studies, and animal experiments to verify the efficacy of the compounds, among other tasks. Through the multiple joint drug discovery research projects it has conducted to date, the Company has built up a significant track record of scientifically advanced research, including extensive RNA structural analysis data, a series of screenings and demonstration experiments, and proven effectiveness in lead compound optimization through in-house research. Along with the advantage of its technological capabilities as presented earlier, its accumulation of a wealth of data and expertise is another factor differentiating it from other companies.

ibVIS drug discovery platform



Note: In joint drug discovery research, pharmaceutical companies are mainly responsible for conducting screenings as suggested by the Company and cell-based assays. In addition, they conduct compound synthesis, pharmacokinetic and safety studies, and animal experiments to verify the efficacy of the compounds, among other tasks.
Source: The Company's results briefing materials

Also starting development of in-house pipeline using ibVIS

3. Pipeline-based business

The pipeline-based business involves the in-house creation of mRNA-targeted small molecule drugs and nucleic acid drugs using ibVIS. From thousands of gene candidates, the Company narrowed them down to three based on its selection criteria, such as those expected to have high future value or those for which the R&D time until market entry is anticipated to be relatively short. Then, in June 2025, the Company announced its decision to focus on nucleic acid drugs as the modality for its first in-house pipeline, targeting ischemic acute kidney injury (AKI) induced after cardiovascular surgery. The Company has since started in-house drug discovery research.

Furthermore, the Company has signed a joint research agreement with Mitsubishi Gas Chemical Company, Inc. for the purpose of creating nucleic acid drugs and establishing methods to manufacture them. In July 2025, the Company announced that, over a stipulated three-year research period, it would engage in drug discovery of antisense oligonucleotides (ASOs*1) targeting long-chain RNA*2 based on Quality by Design (QbD). In this joint research, the Company will create ASO development candidates using its own drug discovery platform, ibVIS, while Mitsubishi Gas Chemical Company, Inc. will be responsible for establishing manufacturing methods for these ASOs. The Company holds the rights to most of the findings obtained through this joint research project, with Mitsubishi Gas Chemical Company, Inc. holding some rights.

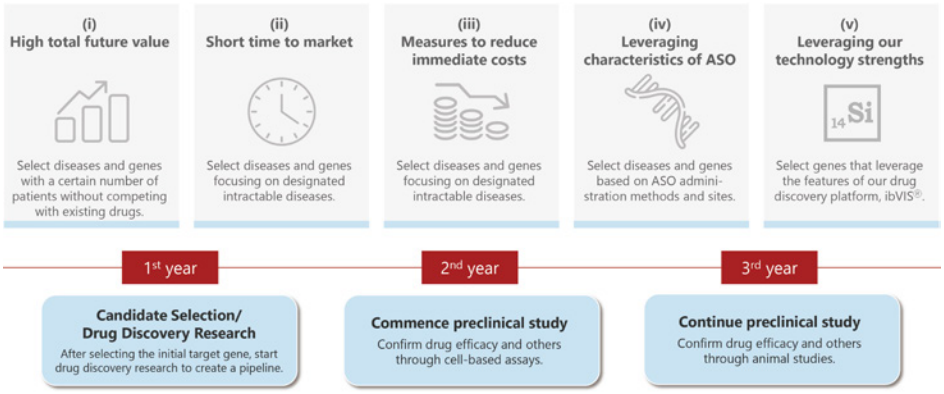
> *1 ASO is an abbreviation of antisense oligonucleotide. Antisense oligonucleotides (antisense nucleic acids) are a type of nucleic acid drug. Composed of single-stranded DNA or RNA, they bind to mRNA with complementary sequences and primary function to regulate protein synthesis (translation). It is possible to introduce various chemical modifications for purposes such as increasing the stability of ASOs or adding functions.
> *2 Long-chain RNA: These are RNA molecules at least 300 base long, which play an important role in protein synthesis and other cellular functions. There are types such as mRNA, pre-mRNA, and long non-coding RNA.

A notable point about this joint research is that the concept of QbD has been adopted from the initial drug discovery stage. QbD is a general approach to product creation that considers both the ease of manufacturing, which impacts manufacturing costs, and the level of quality right from the product design stage. It is used in the manufacturing sector for products other than drugs. In the pharmaceutical industry to date, the priority has been on the performance (efficacy) of drugs, and ease of manufacturing and manufacturing costs have tended to be overlooked for conventional small molecule drugs in particular, for which the proportion of manufacturing costs to the total product cost is low. However, drugs such as antibody drugs has emerged for which manufacturing costs are high and the proportion of manufacturing costs to the product price is similar to those in the general manufacturing sector. The importance of QbD, which considers manufacturing from the product design stage, is therefore growing. As a result, in parallel with drug discovery research, the Company is pursuing development of the manufacturing methods and processes required for commercial production of ASOs. Based on this, along with factors related to drug efficacy such as high activity and low toxicity, the Company aims to establish the reliability of quality and reduction of costs in commercial manufacturing at an early stage. The purpose of this is to enable rapidly advancement to clinical trials, as well as smooth progression toward market introduction.

The Company aims for ASOs developed through this joint research with Mitsubishi Gas Chemical Company, Inc. to be its second in-house pipeline (FY12/26).

The hybrid business is a business model with two sources of revenue: platform-based business and pipeline-based business. However, with the aim of realizing its management philosophy to become a specialty pharma company, the Company may have entered the execution phase to achieve its ultimate goal.

Policies and future timeline for pipeline creation



Source: The Company's results briefing materials

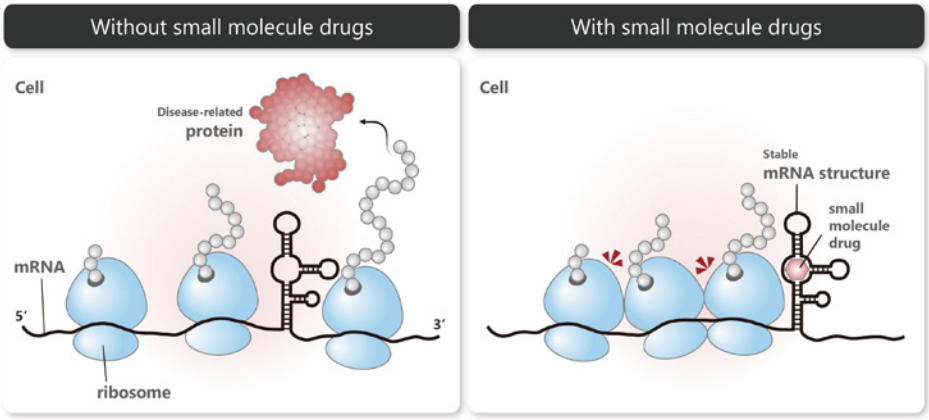
Exploring the blue ocean of mRNA-targeted drug discovery

4. Mechanism of action and market outlook for mRNA-targeted drugs

(1) mRNA-targeted small molecule drugs

mRNA-targeted small molecule drugs inhibit the synthesis of disease-related proteins by binding to the mRNA that encodes a specific disease-related protein and inhibiting the action of ribosomes, which synthesize proteins based on mRNA templates in cells. Unlike protein-targeted small molecule drugs, which are currently the mainstream, mRNA-targeted small molecule drugs suppress the function of mRNAs, blueprints for proteins, thereby stopping the synthesis of disease-related proteins. Protein-targeted small molecule drugs, on the other hand, need to act directly on active sites of disease-related proteins. In protein-targeted small molecule drug discovery, as a result of many pharmaceutical companies in Japan and overseas undertaking R&D, it has recently been pointed out that the scarcity of disease-related proteins suitable to serve as small molecule drug discovery targets is an issue. On the other hand, mRNA-targeted small molecule drug discovery is a new field in which research began in the late 2010s, and globally, almost no drugs have reached the market yet. This approach is extremely versatile and creates the potential for new treatments for disease-related proteins that were previously undruggable with conventional protein-targeted drug discovery. It therefore has the potential to open a large market in the future and is expected to open a blue ocean. The Company has entered into joint research agreements with multiple pharmaceutical companies and is pursuing research on a wide range of candidate diseases, including cancer, central nervous system diseases, circulatory system diseases, immune system diseases, and infectious diseases. This is expected to contribute to the cancer field, which has an especially large number of patients, and to the treatment of central nervous system diseases, which are difficult to reach with antibody drugs and analogous therapeutics due to the blood-brain barrier.

mRNA-targeted small molecule drug mechanism

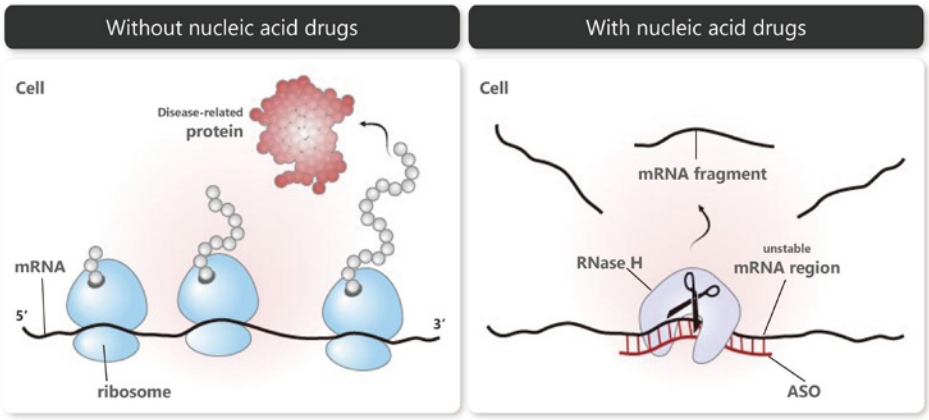


Source: The Company's results briefing materials

(2) Nucleic acid drugs

The ibVIS drug discovery platform can be applied not just to mRNA-targeted small molecule drug discovery but also to mRNA-targeted nucleic acid drug discovery. Small molecule compounds bind to stable substructures with a high probability of existence on mRNA, whereas ASOs, which the Company is trying to develop in its pipeline-based business, bind to unstable substructures with a high probability of existence. Since ASOs are medium molecule drugs, they have higher target specificity than small molecule drugs, and in its research to date, the Company has identified ASOs that can pass through cell membranes and enter cells, in contrast to large molecule antibody drugs, which cannot pass through cell membranes. Nucleic acid drugs may be considered suitable for treating rare diseases, but their manufacturing costs are high, which has been noted as an issue. From a medical economics perspective, administering small molecule drugs, which are inexpensive in terms of both manufacturing costs and unit cost, is preferable for common diseases.

Nucleic acid drug (ASO) mechanism

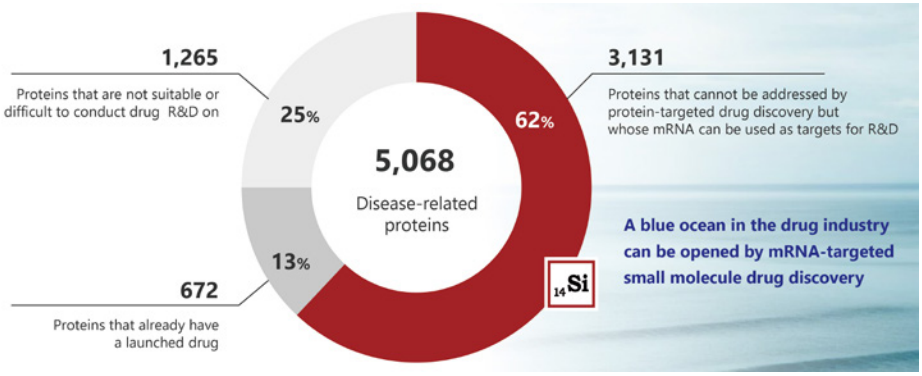


Note: RNaseH is an enzyme that breaks down mRNA
Source: The Company's results briefing materials

(3) Marketability of mRNA-targeted drugs

Based on the mRNA-targeted drug discovery technologies presented so far, it is expected that in the future, diseases that were considered “undruggable” with conventional drug discovery technologies targeting proteins will become “druggable,” and it is highly probable that these technologies will be able to meet unmet medical needs (medical needs for diseases for which there is no effective treatment), which account for over half of disease-related proteins. In particular, if mRNA-targeted small molecule drug discovery approach can be practically implemented, it is highly likely that a new market category will be opened that will co-exist with protein-targeted small molecule drugs (the largest category on the current drug market) and offer low-cost small molecule drugs that are advantageous from a medical economics perspective and can be administered orally as tablets, powders, etc. The mRNA-targeted small molecule drug market in this case would grow as an addition to the current market for protein-targeted small molecule drugs, whose market size is expected to reach around ¥55tn by 2030 (source: Research Report on Issues with the Industrialization of Drugs, Regenerative Medicine, Cellular Therapy, and Gene Therapy and Initiatives Needed to Solve Them (FY2020), a project commissioned by the Cabinet Secretariat’s Health and Medical Strategy Office). In the medium to long term, the market for mRNA-targeted small molecule drugs may be expected to grow to around the same size as that for protein-targeted small molecule drugs. Meanwhile, considering the progress in developing nucleic acid drugs for rare diseases, it is possible that a new market for nucleic acid drugs with relatively high drug prices will be formed. High growth is expected for both the mRNA-targeted small molecule drug and mRNA-targeted nucleic acid drug markets, and there is increasing expectation that these markets will contribute to the revenue of the Company—which has established itself as a pioneer in this area—in the future.

mRNA-targeted drug discovery target market



Source: The Company’s results briefing materials

Revenue stabilization driven by future business expansion

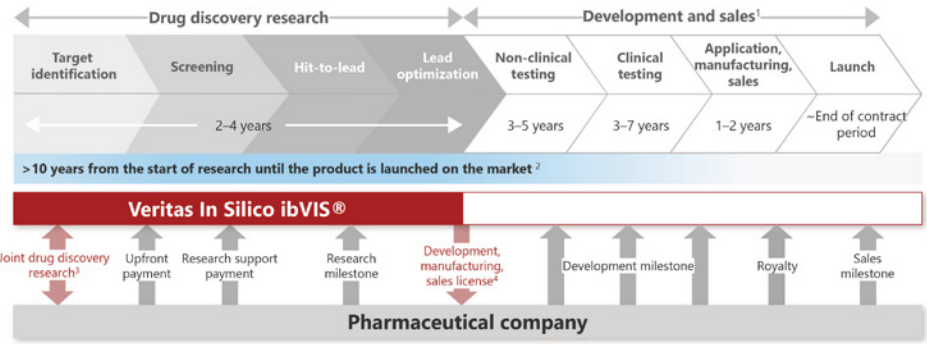
5. Revenue structure

At present, business revenue is generated only by the platform-based business. Revenue from the platform-based business varies depending on the joint drug discovery research agreement signed with each company, but it is mainly divided into the following four categories: “upfront payments” received as a one-time payment upon contract signing, “research support payments” received as compensation for conducting joint drug discovery research, “milestone payments” received when conditions specified in advance based on the progress of R&D or future sales results after a product launches are achieved, and “royalties” received based on annual business revenue once drug sales commence. On the other hand, business revenue from the pipeline-based business is expected to be generated in the medium to long term by out-licensing mRNA-targeted drugs developed in-house to pharmaceutical companies or developing and selling them as in-house pipeline products.

If one looks at the Company’s revenue generation situation, it may still be viewed as unstable. In the future, platform-based business revenue will grow as new joint drug discovery research agreements are signed and drug discovery projects that are currently underway make progress, and while there is an element of uncertainty regarding whether development of in-house pipelines will succeed, these collective efforts will lead to stabilizing the revenue of the Company.

The Company will seek to modify the terms of future agreements to increase research support payments and milestone payments while decreasing upfront payments, which is also expected to stabilize revenue in the medium term.

Revenue structure of platform business



Notes 1: As of August 31, 2025, there is no track record of proceeding to the development and sales stage in drug discovery projects with pharmaceutical companies.
2: It may vary considerably based on the actual R&D status during the period until a product is released.
3: Collaboration between the Company and pharmaceutical companies using ibVIS is limited to the drug discovery research period.
4: In some cases, decisions about development, manufacturing, and sales licenses are included in the joint drug discovery research contract.
Source: The Company’s results briefing materials

ibVIS drug discovery platform

Strengths rooted in proprietary ibVIS platform and one-stop drug discovery solutions

1. Business strengths

The Company's strength is that it has built its own drug discovery platform, ibVIS, which enables it to provide a series of drug discovery technologies and digital technologies to conduct mRNA-targeted small molecule drug discovery research efficiently and precisely. These technologies include computational science using the Fugaku supercomputer owned by RIKEN and in silico technology that uses AI for data analysis and forecasting. Through joint drug discovery research projects with multiple pharmaceutical companies, the Company has already built up a research track record and steadily accumulated over 50 screening datasets and related expertise. Other strengths include the ability to apply its technologies to any mRNA based on its research track record and expertise and the potential to use accumulated data in future research through AI. mRNA-targeted small molecule drug discovery is a relatively new approach, with full scale research having only recently begun. Therefore, pharmaceutical companies seeking to engage in mRNA-targeted small molecule drug discovery research or development face significant challenges unless they partner with a biotech company, such as the Company, possessing advanced technology in this field. As a result, even though founded only ten years ago, the Company is already collaborating with multiple major pharmaceutical companies and chemical manufacturers and has been able to pursue business on terms that are favorable to it, such as signing contracts that secure favorable economic terms from the initial agreement stage through to the out-licensing of drug candidate compounds.

ibVIS is not limited to mRNA-targeted small molecule drugs but can also handle nucleic acid drugs. Various issues with nucleic acid drugs have been pointed out, including the high manufacturing costs, the challenge of definitively assessing their toxicity until phase III clinical trials, and the low commercial viability due to these issues. The Company has already succeeded in creating nucleic acid drugs that are sufficiently active using only clinically applied technologies, which also makes it possible to reduce manufacturing costs while preventing unknown toxicity risks from being carried over into phase III clinical trials. Supported by these strengths, the Company has steadily built up expertise as a pioneer in a new field and carved out its own niche in both the platform-based business and pipeline-based business.

ibVIS drug discovery platform

Leveraging proprietary technologies to fuel business growth

2. Technical advantages

For proteins whose three-dimensional structure has been thoroughly researched, the approach adopted until now has been to identify target structures for small molecule drug discovery. mRNA, on the other hand, exhibits diverse and non-fixed structures, which makes structural research very difficult. Achieving small molecule drug discovery targeting mRNA was thought to be impossible. However, in recent years, with the depletion of target proteins being pointed out, mRNA has attracted interest as a new drug discovery target and there is growing recognition of its potential to generate drug targets at least equivalent, if not superior, to proteins. Under these circumstances, the Company's own RNA structural analysis based on statistical mechanics and thermodynamics has provided a significant technical advantage, and it has successfully conducted unified analysis of the countless substructures present on mRNA using metrics such as existence probability and stability. This has made it possible to conduct small molecule drug discovery research targeting substructures on various types of mRNA.

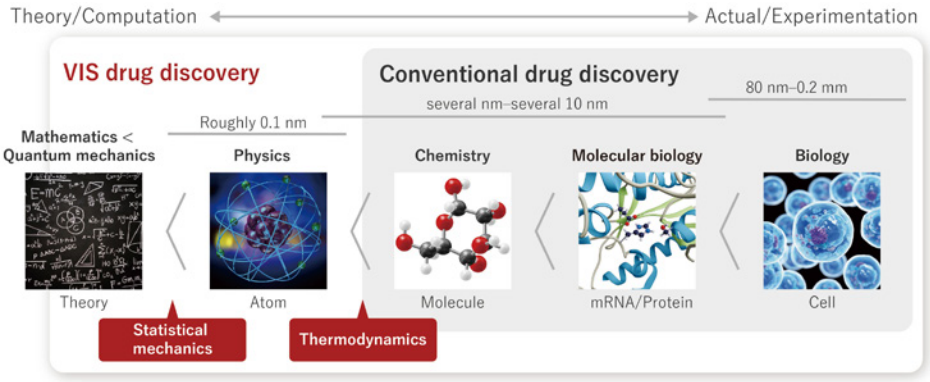
mRNA-targeted small molecule drug discovery is based on an assembly of multiple essential technologies functioning together organically as a seamless system. The Company integrates all the drug discovery processes until a compound is optimized—including RNA structural analysis technology that discovers substructures on mRNA using in silico calculation, screening techniques for small molecule compounds that bind to these substructures, and 3D structural analysis of RNA-compound complexes—into a single platform. Mitsubishi Gas Chemical Company, Inc., which is engaged in the development of nucleic acid drug manufacturing methods, made an investment in the Company after evaluating these advantageous technical capabilities, and the two companies are currently conducting joint research incorporating the QbD approach for the purpose of creating mRNA-targeted nucleic acid drugs and establishing their manufacturing methods.

With regard to creating mRNA-targeted small molecule drug pipelines, the Company has partnered with England's LCC Technologies Ltd., which has a chemical technology platform that complements the Company's capabilities, including proprietary chemical synthesis technology for small molecule compounds. In the future, it may be possible to establish mRNA-targeted small molecule drug pipelines through joint projects with chemical manufacturers, along with platform-based joint discovery research with pharmaceutical companies.

These strong business development capabilities, which are unusual for a tech startup, may be considered a strength of the Company.

ibVIS drug discovery platform

mRNA-targeted small molecule drug discovery based on the theories of statistical mechanics and thermodynamics



Notes 1: nm = 10^{-6} mm
2: The research areas addressed by existing drug discovery primarily encompass biology to chemistry. The Company analyzes RNA structures by incorporating microscopic physics theory (statistical mechanics and thermodynamics) into existing drug discovery research, which has enabled small molecule drug discovery research targeting mRNA substructures.
Sources: The Company's securities reports

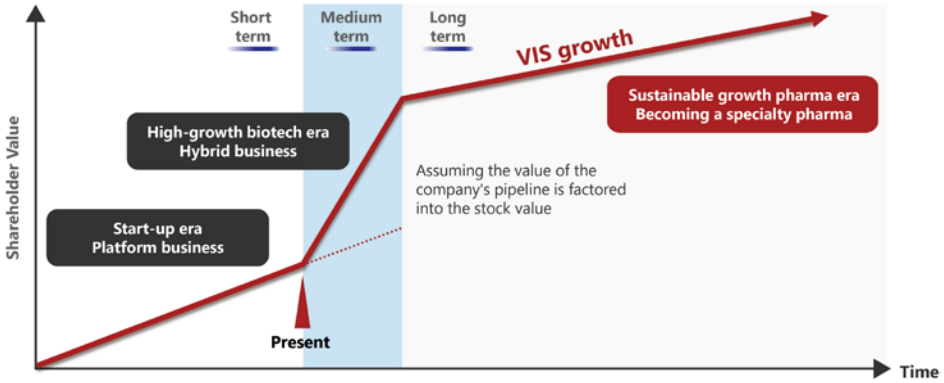
Growth strategy

Establishing a firm foothold as a specialty pharma by 2030

1. Management philosophy and long-term targets

To date, as a startup company, the Company has solidified its revenue base through integrating its mRNA-targeted small molecule drug discovery expertise into a platform, offering it to pharmaceutical companies, and conducting joint drug discovery research. Going forward, the Company will expand its platform-based business while developing a hybrid business that combines it with its in-house pipeline-based business. Furthermore, its ultimate target is to establish a foothold as a specialty pharma company focusing on mRNA-related drug discovery by 2030, with the aim of evolving into a business capable of continuous growth. In conjunction with this, as a medium- to long-term target, the Company also intends to consider M&A deals for the purpose of obtaining the organizations, functions, human resources, etc. required of a pharmaceutical company.

Outline of long-term growth



Note: VIS = the Company
Source: The Company's results briefing materials

Strategic shift to a hybrid business model during the medium-term management plan

2. Medium-term management plan

In its medium-term management plan, the Company announced that it will operate a hybrid business engaged in both the platform-based business and pipeline-based business with the aim of becoming a specialty pharma company. In platform-based business, the Company is targeting the signing of two new contracts per year, and the number of companies with which it is conducting negotiations under confidential disclosure agreements is steadily growing. The joint drug discovery research projects currently underway are also progressing well, with the Company building up its track record (including the generation of milestone payments). In the medium term, this is expected to provide a foundation supporting its revenue. In the pipeline-based business, the Company plans to create one pipeline per year, beginning in FY12/25, by leveraging the benefits of ibVIS based on its proprietary technology. For its first pipeline planned for FY12/25, the Company has selected nucleic acid drugs targeting a disease for which there is significant expected future value and a relatively short R&D time. The Company has already started research activities. In the future, the Company may create pipelines more efficiently—including mRNA-targeted small molecule drugs—by conducting activities such as joint research with academia while sharing research activities and costs with partner companies. Furthermore, along with securing business revenue, the Company plans to engage in enhancing its R&D functions, including organizational changes such as adding more researchers to expand its business and expanding its facilities (including relocating its research site).

Securing sustainable revenue through a hybrid business model

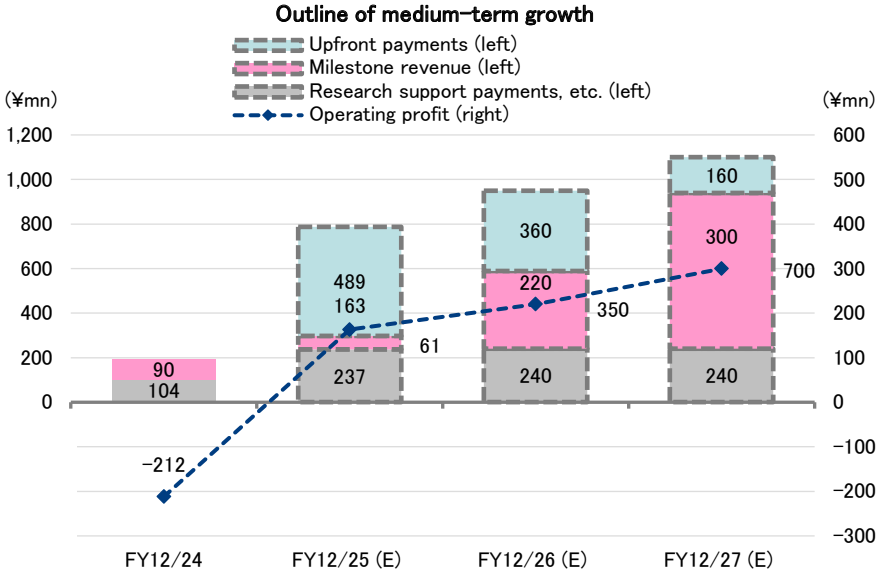
3. Outline of medium-term growth

The specific strategies for each fiscal period in the medium-term management plan are as follows. In the platform-based business in FY12/25, which will be explained in more detail below, the Company plans to sign four new contracts, including projects that were delayed from FY12/24. In the pipeline-based business, the Company plans to create its first pipeline (patent application for drug candidate compound). Furthermore, the Company intends to undertake preparations for relocating the Shinkawasaki Research Institute. In terms of revenue, research support payments, milestone payments, and upfront payments are all expected to grow significantly. Business expenses will rise due to factors such as hiring more researchers and increasing employees' base salary, but the Company expects to make an operating profit.

In FY12/26, the Company plans to sign two new contracts in the platform-based business, create the second pipeline and start the first nonclinical study in the pipeline-based business. It also expects to complete the relocation of the Shinkawasaki Research Institute. Regarding business revenue, the Company anticipates that upfront payments will shrink and research support payments will remain stable, but growth in milestone payments is expected due to the business becoming more stable and joint drug discovery research progressing. While business expenses will keep rising, operating profit is expected to continue growing. It is also possible that there will be a new source of revenue in the pipeline-based business if out-licensing to pharmaceutical companies is realized.

In FY12/27, the Company plans to sign two new contracts in the platform-based business and expects to create its third pipeline in the pipeline-based business, as well as continue nonclinical studies. In terms of business revenue, while upfront payments will shrink and research support payments will remain stable, milestone payments are projected to grow due to the progress of joint drug discovery research. Expansion of the revenue base is therefore expected to advance. As a result, even though business expenses will keep rising, operating profit is expected to increase further. Accordingly, we at FISCO believe that if the plan progresses well, the Company could achieve business revenue of around ¥1.0bn and operating profit of around ¥0.3bn by FY12/27. At present, new agreements are established on a one-contract-per-company basis, but in the future, if joint drug discovery research progresses well, it is possible that the Company may sign multiple agreements with companies with which it has already entered into an agreement. If that is the case, growth in the number of new contracts will accelerate, which is assumed to have a positive impact on business revenue and operating profit. From a financial perspective, the Company's approach is to remain profitable while considering the balance between business revenue and investment in the future. Given that the Company held around ¥2.0bn in cash and deposits as of the end of 1H FY12/25, it seems that there is no need to raise funds at present. That said, if one bears in mind the launch of clinical trials for its in-house pipelines and M&A deals, it is also possible that the Company will consider raising new funds.

Growth strategy



Note: Figures for FY12/26 onward are FISCO's projections.
Source: Prepared by FISCO from results briefing materials

Results trends

Revenue and profit decline in FY12/24 duo to timing shifts in income recognition

1. FY12/24 results trends

In FY12/24 results, business revenue decreased 46.0% YoY to ¥194mn, while the Company recorded operating loss of ¥212mn (compared to profit of ¥37mn in the previous fiscal period), ordinary loss of ¥233mn (compared to profit of ¥35mn), and net loss of ¥236mn (compared to profit of ¥33mn). Business progressed well, broadly in line with expectations, as drug discovery research progressed steadily in the mRNA-targeted small molecule drug discovery platform-based business and pipeline-based business. However, since some projects for which new contracts were expected were delayed until FY12/25, revenue and profit decreased compared to FY12/23. Furthermore, due to this, business revenue fell short of the initial forecast by ¥481mn, operating profit by ¥356mn, ordinary profit by ¥361mn, and net income by ¥344mn.

Results trends

FY12/24 results

(¥mn)

	FY12/23		FY12/24		
	Results	% of net sales	Results	% of net sales	YoY
Business revenue	360	100.0%	194	100.0%	-46.0%
Upfront payments	150	41.6%	-	-	-
Milestone payments	99	27.5%	90	46.2%	-9.3%
Research support payments, etc.	110	30.8%	104	53.8%	-5.8%
Business expenses	322	89.6%	407	209.4%	26.3%
R&D expenses	136	37.9%	172	88.6%	26.3%
SG&A expenses	186	51.7%	235	120.7%	26.0%
Operating profit	37	10.4%	-212	-	-
Ordinary profit	35	10.0%	-233	-	-
Net income	33	9.2%	-236	-	-

Source: Prepared by FISCO from the Company's financial results and securities reports

In the platform-based business, in joint drug discovery research leveraging the ibVIS drug discovery platform, the Company achieved milestones with Takeda Pharmaceutical Company Ltd. and Shionogi & Co., Ltd., while research with RaQualia Pharma Inc. and Toray Industries, Inc. also progressed steadily. The most advanced of these projects reached the hit compound validation stage. Furthermore, with the aim of signing new contracts, the Company attended various exhibitions and symposiums in Japan and abroad to reach out to domestic and international pharmaceutical companies that could be potential partners. The Company introduced its mRNA-targeted drug discovery technology and presented its platform. In the pipeline-based business, the Company started initiatives aimed at creating in-house pipelines and undertook its own research to more efficiently identify highly active ASOs for mRNA-targeted nucleic acid drug discovery as it moves toward transitioning to a hybrid business. Meanwhile, the Company continued to consider the possibility of collaboration with Mitsubishi Gas Chemical Company, Inc. for the purpose of researching, developing, and manufacturing ASOs. In December 2024, the Company signed a contract to pursue joint research and commercialization with England's Liverpool ChiroChem Ltd. (now LCC Technologies Ltd.), with which it has agreed on a partnership for mRNA-targeted small molecule drug discovery.

As a result, while the Company obtained research support payments and milestone payments similar to the previous fiscal period, there were no upfront payments, leading to a YoY decrease in business revenue. Meanwhile, upfront investments such as R&D expenses and SG&A expenses were made for the transition to a hybrid business and business expenses rose, resulting in an operating loss. Furthermore, the Company recorded non-operating expenses such as expenses associated with its listing on the Tokyo Stock Exchange Growth Market in February 2024 and new share issuance expenses associated with a public stock offering. Results fell short of the initial forecasts, mainly due to the signing of new contracts with two companies scheduled for FY12/24 being pushed back to FY12/25. One of the two companies scheduled to sign a contract in FY12/25 (LCC Technologies Ltd.) signed a contract ahead of schedule in FY12/24, but under the terms of the agreement, the Company will obtain proprietary rights to drug candidate compounds identified based on the research results instead of receiving an upfront payment. As a result, no upfront payment was recorded in FY12/24. To stabilize its revenue, the Company is revising the form of its agreements to favor research support payments and milestone payments rather than depending on one-time upfront payments when a contract is signed. However, the platform-based business is still in the process of growing and monetization of the pipeline-based business remains some way off, so at present, revenue is in a holding pattern. Nevertheless, going forward, gradual improvement in the revenue structure may be expected as the Company implements its medium-term management plan.

Significant profit growth and return to profitability in FY12/25

2. FY12/25 forecasts

For the FY12/25 forecasts, the Company expects significant revenue and profit growth, with business revenue increasing 305.1% YoY to ¥788mn, operating profit at ¥163mn (compared to a loss of ¥212mn in previous fiscal period), ordinary profit at ¥170mn (compared to a loss of ¥233mn), and net income to be ¥168mn (compared to a loss of ¥236mn).

FY12/25 forecasts

(¥mn)

	FY12/24		FY12/25		
	Results	% of net sales	Forecast	% of net sales	YoY
Business revenue	194	100.0%	788	100.0%	305.1%
Upfront payments	-	-	489	62.1%	-
Milestone payments	90	46.2%	61	7.7%	-32.2%
Research support payments, etc.	104	54.8%	237	30.1%	126.5%
Business expenses	407	209.4%	625	79.3%	53.4%
R&D expenses	172	88.6%	331	42.0%	91.9%
SG&A expenses	235	120.7%	293	37.2%	24.7%
Operating profit	-212	-	163	20.7%	-
Ordinary profit	-233	-	170	21.6%	-
Net income	-236	-	168	21.3%	-

Source: Prepared by FISCO from the Company's results briefing materials and financial results

In terms of business revenue, the Company expects regular research support payments received from pharmaceutical companies and milestone payments generated from research results, as well as upfront payments accompanying the signing of new contracts to conduct joint drug discovery research with a total of four companies (two of which remaining to be signed as of August 2025). These include the two companies targeted annually (one of which is LCC Technologies Ltd., which already signed a contract ahead of schedule in FY12/24) and two companies whose contracts were delayed from the previous fiscal year. Based on this, the Company expects significant revenue growth YoY. Conversely, business expenses are projected to experience double-digit growth. This increase is attributed to higher labor costs resulting from expanded personnel recruitment and base salary increases, as well as additional payments and compensation, such as expenses for running the general meeting of shareholders. Furthermore, there will be investment in preparation for relocating the Shinkawasaki Research Institute. However, this rise in expenses is expected to be offset by the effect of increased revenue, leading to considerable operating profit growth and the Company returning to profitability. Moreover, the Company also anticipates creating the nucleic acid drug that will serve as its first in-house pipeline (with a patent application for drug candidate compound). To date, the Company has accumulated a research track record in nucleic acid drugs, such as filing patent application for two ASOs. Given that it is possible to create a new nucleic acid drug pipeline in approximately one year, it seems highly likely that this goal will be achievable.

Results progressed as expected through 1H FY12/25

3. 1H FY12/25 results trends

The 1H FY12/25 results showed business revenue of ¥43mn (down 62.6% YoY), an operating loss of ¥186mn (compared to a loss of ¥66mn in 1H of previous fiscal year), an ordinary loss of ¥182mn (compared to a loss of ¥88mn), and a net income loss of ¥184mn (compared to a loss of ¥90mn). In the platform-based business, negotiations to sign new contracts and mRNA-targeted small molecule drug discovery research with pharmaceutical companies proceeded as planned. Furthermore, the pipeline-based business ramped up, including the commencement of selection for target disease and gene candidates for its in-house pipeline (nucleic acid drug). The Company's transition to a hybrid business has therefore begun in earnest. Business revenue is progressing as expected, including steadily receipt of research support payments and milestone payments, and the FY12/25 forecasts remain unchanged.

1H FY12/25 results

(¥mn)

	1H FY12/24		1H FY12/25		
	Result	% of net sales	Result	% of net sales	YoY
Business revenue	115	100.0%	43	100.0%	-62.6%
Business expenses	182	157.5%	229	529.0%	25.7%
R&D expenses	70	60.6%	94	218.3%	34.0%
SG&A expenses	112	97.0%	135	120.5%	20.5%
Operating profit	-66	-	-186	-	-
Ordinary profit	-88	-	-182	-	-
Net income	-90	-	-184	-	-

Source: Prepared by FISCO from the Company's financial results

In the platform-based business, various joint drug discovery projects with partner companies (Toray Industries, Inc., Shionogi & Co., Ltd., RaQualia Pharma Inc., and Takeda Pharmaceutical Company Ltd.) using ibVIS progressed. The joint drug discovery research with Shionogi & Co., Ltd. reached a milestone, successfully identifying compounds that will lead to lead compounds with a high difficulty level. Furthermore, the joint drug discovery research with RaQualia Pharma Inc., which is targeting the creation of cancer treatment, successfully expanded the research scope of the target genes covered by the research, conducted multiple screenings for multiple genes, and identified multiple small molecule compounds that may serve as starting points for drug discovery research. With the aim of acquiring new collaborators, the Company also promoted its platform technology to domestic and international pharmaceutical companies that are interested in mRNA-targeted small molecule drug discovery and continued negotiations with multiple Japanese and foreign companies, aiming to sign contracts with them. As a result of these efforts, the Company signed new CDAs with European companies in January and June 2025. In addition, in June 2025, the Company signed a new joint research agreement with Mitsubishi Gas Chemical Company, Inc., and the number of companies with which contract negotiations are currently being conducted under a CDA increased to seven (up one from the end of the previous fiscal year and up three from the end of 1H in the previous fiscal year). Moreover, among the patents held by the Company, patent rights covering the basic elements of ibVIS were granted within Europe in January 2025 and within the US in July 2025.

In the pipeline-based business, the Company moved forward with efforts to create its own in-house pipeline of new drugs targeting mRNA with the aim of establishing the hybrid business. In terms of developing nucleic acid drugs, the Company is engaged in its own research to efficiently identify highly active ASOs. Furthermore, the Company has decided on ischemic acute kidney injury (AKI)induced after cardiovascular surgery as a target disease for its first in-house pipeline, and started the drug discovery research on nucleic acid drugs.

In addition, the Company filed for two new patents that could enhance the business value of its in-house pipelines, expanding its intellectual property rights.

As a result of the above, with regards to business revenue, the Company did not record any upfront payments accompanying the signing of new contracts, but it recorded research support payments received regularly based on the terms of the joint drug discovery research agreements with four partner companies and milestone payments based on the progress/success of research activities. Business revenue decreased YoY mainly because milestone payments dropped ¥50mn YoY. Meanwhile, with regards to SG&A expenses, there was an increase in R&D expenses due to hiring more researchers in conjunction with expanding the research system and raising the base salary paid to researchers, along with a rise in business expenses such as commission fees paid due to incurring expenses related to holding the general meeting of shareholders. In terms of profit, the Company recorded an operating loss as it initially forecasted.

In 3Q and beyond, the Company intends to continue pursuing joint drug discovery research with partner companies. Negotiations are underway to sign new contracts with a third and fourth company in FY12/25. If these are concluded as planned, upfront payments will be generated. Furthermore, with regards to expanding IP rights, the Company will file for a third patent, and review of patents for which it has already applied is in progress, with an announcement expected to be made.

Based on all the above, the results through 1H are more or less on track, and they are also expected to broadly progress as planned in 3Q and beyond. The full-year forecasts therefore remain unchanged from the initially announced forecasts.

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