COMPANY RESEARCH AND ANALYSIS REPORT

Veritas In Silico Inc.

130A

Tokyo Stock Exchange Growth Market

11-Jun.-2026

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Summary

Aiming to establish new therapies by combining nucleic acid drugs with novel DDS, in addition to small molecule drug discovery

Veritas In Silico <130A> (hereafter, also "the Company") is an AI drug discovery biotech startup founded in 2016 based on its independently developed AI drug discovery platform, aibVIS*1. This technology makes the untreatable treatable. It enables the development not only of nucleic acid drugs for rare diseases, but also of small molecule drugs that address diseases affecting many patients. The Company achieved growth through its platform business, under which it entered into joint drug discovery research agreements with multiple pharmaceutical companies and others to pursue the creation of mRNA*2-targeted small molecule drugs, and was listed on the Tokyo Stock Exchange (hereinafter, TSE) Growth Market in 2024. Starting in 2025, the Company launched the pipeline business engaging in the development of its own nucleic acid drug pipelines.

*1 Previously called ibVIS. Renamed aibVIS in January 2026 as drug discovery research advanced further with the start of using multiple new data-driven AI that incorporated accumulated research data and other materials into the AI engine as training data, in addition to conventional rule-based AI.

*2 mRNA: Among types of ribonucleic acid (RNA), an important molecule that forms the foundation of life by carrying genetic information, synthesizing proteins, and so forth, mRNA carries information from DNA to ribosomes (intracellular structures that synthesize proteins) and directs protein synthesis. mRNA provides the blueprint of protein synthesis inside cells, and individual mRNA exists corresponding to each protein. mRNA-targeted small molecule drugs: Unlike conventional small molecule drugs that act directly on the proteins that cause diseases, these drugs inhibit the formation of the proteins by acting on messenger RNA (mRNA), which encodes information on disease-causing proteins, thereby obtaining therapeutic effects in suppressing diseases similar to conventional small molecule drugs. Given that, it is possible that diseases for which small molecule drugs acting on proteins could not be developed may become treatable with mRNA-targeted small molecule drugs. This is garnering the drugs worldwide attention.

1. Trends in the platform business

In the platform business, a theme that can be cited for FY12/25 was that, in joint drug discovery research with Shionogi & Co., Ltd. <4507>, the Company obtained highly active hit compounds that exhibit specific effects unattainable through conventional protein-targeted drug discovery. It achieved a milestone as a result. Going forward, the Company will advance to the phase of optimizing lead compounds to drug candidate compounds. No mRNA-targeted small molecule drugs have been launched anywhere in the world. Future development trends will attract attention. In FY12/26, while responding to changes in the external environment, the Company is also considering an expansion into the agrochemical market on a fresh basis. It aims to conclude two new contracts.

2. Trends in the pipeline business

In the pipeline business, a topic for FY12/25 was that the Company decided to designate, as its own first pipeline, a nucleic acid drug to prevent the onset of ischemic acute kidney disease induced after cardiovascular surgery. At present, there is no effective prophylaxis to prevent the onset of acute kidney disease. This area is therefore one of significant unmet medical needs. The Company plans to start with development efforts targeting seniors aged 65 and over, who are at high risk of disease onset. The estimated domestic market size for this, in terms of peak annual sales, is around ¥15.0bn. Should development be successful, the Company will also consider expanding overseas and broadening indications to other ischemic diseases, among other efforts. In FY12/26, the Company is scheduled to begin associated animal experiments. It aims to enter the clinical trial stage as early as 2028. Additionally, its second development pipeline will be decided in FY12/26. The Company will also leverage the manufacturing technologies of Mitsubishi Gas Chemical Company, Inc. <4182>, a joint research partner, to advance development ahead of industry trends based on the concept of QbD*. As it does, it will take quality and manufacturing costs into account from the design stage. The Company aims to create three pipelines by 2027.

> * QbD: Abbreviation for Quality by Design. A development process for product creation that considers both the ease of manufacturing, which impacts manufacturing costs, and the level of quality right from the product design stage.

3. About the “Perfusio” DDS

The Company established its New Business Development Office in 2026. It then got started on the commercialization of Perfusio, a catheter-based DDS*. The Company independently conceived Perfusio, and has already obtained an associated patent in Japan. Citable characteristics of Perfusio include the ability to boost therapeutic efficacy and substantially reduce the risk of side effects compared with systemic administration by being able to deliver and recover drugs selectively to and from the necessary target site. They also include the ability to reduce drug costs due to being able to minimize dosing, as well as the potential to shorten the clinical development period. The Company aims to secure insurance coverage for Perfusio, initially using it in combination with its pipelines. In addition, the Company envisions generating revenue through out-licensing Perfusio to third parties, as other pharmaceutical companies that abandoned development of candidate compounds due to side-effect issues could potentially resume development using Perfusio. For starters, it plans to actively disseminate joint research data at academic conferences and other forums in order to raise awareness.

> * Drug Delivery System (DDS): A technology that enables the delivery of necessary drugs at the required time and to the appropriate site.

4. Results trends

In FY12/25, business revenue decreased 53.2% year on year (YoY) to ¥91mn, and operating loss came to ¥396mn (compared with a loss of ¥212mn in the previous fiscal year). A decline in milestone payments was the primary factor behind lower revenue. Increases in R&D expenses and SG&A expenses also widened the loss.

For FY12/26, the Company anticipates business revenue will increase 24.2% to ¥113mn, with an operating loss of ¥569mn. Business revenue is expected to consist of research support payments and milestone payments in the platform business. The Company is not factoring upfront payments from new joint drug discovery research, etc. into its plan. Should new contracts be concluded, they could be an upside factor. Meanwhile, on the cost side, the Company is anticipating the incurrence of one-time expenses due to the relocation of its research institute, an increase in R&D expense in line with the strengthening of the pipeline business, and an increase in personnel costs. It projects that losses will continue.

Additionally, in April 2026, the Company announced the termination of a joint drug discovery research agreement with Takeda Pharmaceutical Company Limited <4502>. As the impact on results is limited, there is no change to the Company's earnings forecasts.

5. Medium- to long-term growth strategy

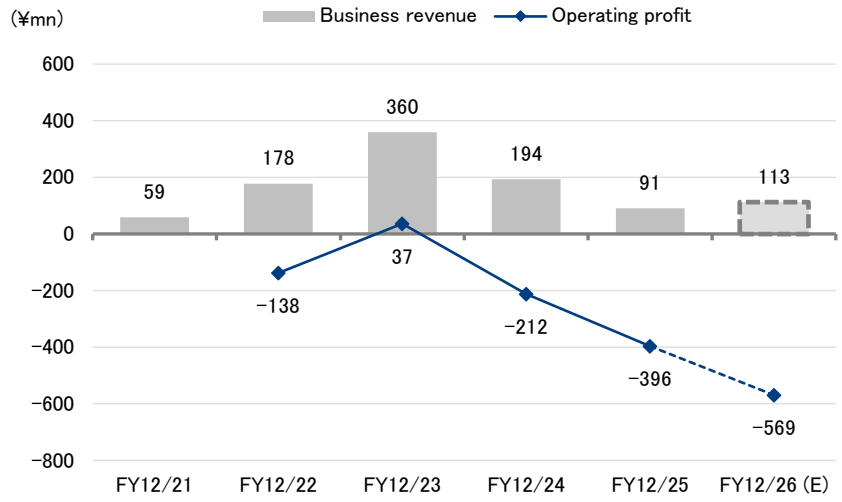
As its medium- to long-term growth strategy, the Company aims to achieve growth by deploying a hybrid business model based on a combination of the platform business and the pipeline business. While the Company is in an upfront investment phase for the time being, from 2028 onward, progress in joint drug discovery research projects is expected to increase development milestone payments. In the pipeline business as well, from 2031 onward, the Company can be expected to secure upfront payments, milestone payments, and so forth. In the future, the Company will aim to achieve sustainable growth by evolving into a specialty pharmaceutical company that is also equipped with R&D and sales capabilities. Moreover, should all existing joint drug discovery research projects* be successful, revenues of up to approximately ¥10.0bn from research support payments and R&D milestone payments and up to approximately ¥105.0bn from post-launch sales milestone payments are expected.

* The Company is pursuing projects with Toray Industries, Inc. <3402>, Shionogi & Co., Ltd., RaQualia Pharma Inc. <4579>, and Takeda Pharmaceutical Company Limited. in oncology, central nervous system diseases, infectious diseases, and other areas.

Key Points

- Achieved a project milestone with Shionogi & Co., Ltd. in May 2025
- Initiated development of nucleic acid drugs targeting ischemic acute kidney disease following cardiovascular surgery
- Projecting FY12/26 results conservatively; anticipating losses to continue due to an increase in R&D expenses
- Expanding operations through hybrid business; entering growth trajectory starting in 2028

Results trends



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

Company profile

A biotech company leveraging an AI drug discovery platform engaging in mRNA-targeted drug discovery

1. Company profile

The Company is a biotech company that has built an originally developed AI drug discovery platform, aibVIS, which integrates In Silico RNA structure analysis technology as well as multiple rule-based AIs and drug discovery technologies optimized to target RNA, and is primarily engaged in creating mRNA-targeted drugs. By using aibVIS, pharmaceutical companies that sign contracts with the Company are able to leverage their own conventional protein-targeted small molecule drug discovery approaches including technologies and experience, infrastructure such as compound libraries, and other resources to efficiently engage in creating mRNA-targeted small molecule drugs applicable to a wide range of diseases, including those for which drugs have been difficult to develop using their drug discovery approaches. At the same time, the Company has also begun developing its own pipelines. It announced a nucleic acid drug candidate as its own first pipeline in 2025. The Company espouses a management philosophy of “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” through mRNA-targeted drug discovery. It is expanding its business through a hybrid business model that combines the platform business and the pipeline business through which it advances its own drug discovery. The Company’s ultimate aim is to evolve into a specialty pharmaceutical company that handles everything from R&D to sales. At the end of March 2026, the number of its employees was 21, of whom 11 were R&D personnel.

Growth through joint drug discovery research powered by aibVIS led to successful IPO in 2024

2. History

The Company was founded in November 2016 by its Representative Director and CEO, Shingo Nakamura. In 2004, while employed at Takeda Pharmaceutical Company Limited., Nakamura launched a project that aimed at small molecule drug discovery targeting mRNA, a pioneering idea at the time. In 2011, when resigning, he received the research findings during his tenure and the related equipment from Takeda Pharmaceutical Company Limited. 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.

Not long after its establishment, the Company initially obtained investment from Mitsubishi Gas Chemical Company, Inc. and others, and embarked on nucleic acid drug research in 2017. 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 on its policy of developing a mRNA-targeted small molecule drug discovery business, 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 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. In 2020, the Company obtained a business model patent in Japan for RNA-targeted small molecule drug discovery. From 2021 onward, it actively developed this business, entering into a series of joint drug discovery research agreements with major chemical and pharmaceutical companies. The Company achieved profitability in FY12/23 through revenue gained from its joint drug discovery research, and listed its shares on the TSE Growth Market in February 2024 for the purpose of raising funds for further growth.

In June 2025, it decided on the development of nucleic acid drugs to prevent the onset of ischemic acute kidney disease induced after cardiovascular surgery as its first pipeline. The Company has also begun developing new technologies through various efforts, including the acquisition of patent for Perfusio in Japan in December 2025. This DDS selectively and precisely delivers nucleic acid drugs to target organs. As of the end of February 2026, the Company and four partners including Toray Industries, Inc., Shionogi & Co., Ltd., RaQualia Pharma Inc., and Takeda Pharmaceutical Company Limited. engaged in joint drug discovery research to create mRNA-targeted small molecule drugs. Additionally, in June 2025, the Company entered into a joint research agreement with Mitsubishi Gas Chemical Company, Inc. aimed at the discovery of nucleic acid drugs and the establishment of manufacturing methods. It intends to create its own new pipelines, which will be determined in or after 2026, from the joint research. Furthermore, in January 2026, the Company signed a memorandum of understanding with SpiroChem AG of Switzerland for discovery research on mRNA-targeted compounds, further expanding its collaborations with European companies.

History

Date	Summary
November 2016	Veritas In Silico Inc. founded in 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, a joint research partner
April 2018	Shifts main business from nucleic acid drugs to drug discovery platform business for small molecule drugs targeting mRNA Opens research site for mRNA-targeted small molecule drug discovery research in Kawasaki Business Incubation Center
March 2019	Decides on policy of focusing on drug discovery 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 agreement 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 agreement 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 agreement 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 agreement with Takeda Pharmaceutical Company Limited. for the purpose of creating small molecule drugs with mRNA as the drug discovery target
February 2024	Lists on the 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 its own mRNA-targeted nucleic acid drug pipeline Signs joint research agreement 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
September 2025	Signs joint research agreement with the Jikei University School of Medicine for the purpose of enhancing primary therapeutic effects and reducing side effects through efficient the delivery of drugs to target organs
November 2025	Starts joint research with Shimane University for the purpose of researching and developing new drugs to suppress dysfunction after lung transplantation
December 2025	Obtains patent (Japan) for Perfusio, a DDS that selectively and accurately delivers nucleic acid drugs to target organs Files substance patent (Japan) for nucleic acid drugs indicated for ischemic acute kidney disease following cardiovascular surgery
January 2026	Improves AI implemented in the AI drug discovery platform, ibVIS®, and enhances its functionality to upgrade ibVIS to aibVIS
January 2026	Signs a memorandum of understanding with SpiroChem AG, Switzerland, for discovery research on mRNA-targeted compounds
April 2026	Relocates the Shin-Kawasaki Research Institute to expand research facilities, renaming it the Kawasaki Research Institute

Source: Prepared by FISCO from the Company's securities report and press releases

Business overview

Developing platform and pipeline businesses

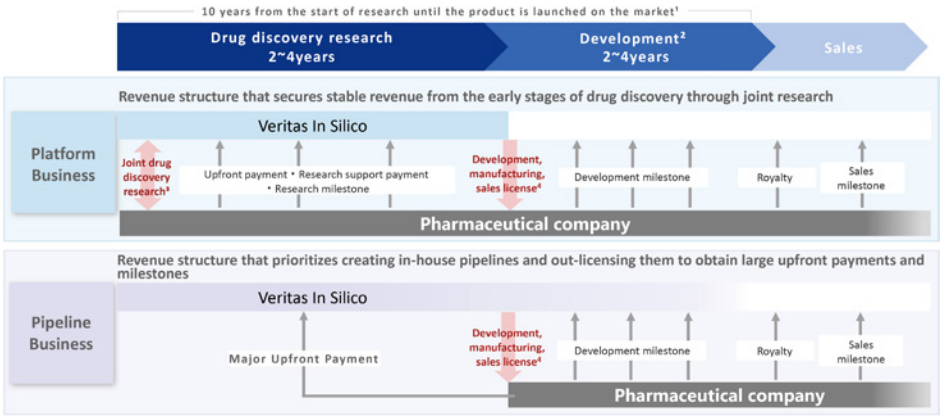
1. Business description

Leveraging the high versatility and scalability of its proprietary AI drug discovery platform, aibVIS, the Company has shifted to a hybrid business under its medium-term management plan beginning in 2025, in addition to its platform business, which it has developed as its mainstay to date.

In the platform business, by entering into drug discovery research agreements, the Company can expect stable revenue from the early stages of drug discovery. This revenue includes upfront payments as well as research support payments and milestone payments tied to research progress. Additionally, under this business model, after transitioning to the development stage, the Company earns development milestone payments as development progresses. Following launch, it earns royalty income based on sales and sales milestones set according to cumulative net sales. Upon transitioning to the development stage, the Company also enters into development, manufacturing, and sales license agreements. The terms relating to the contracts are basically already incorporated into the executed joint drug discovery research agreement. Currently, should all of the existing projects based on joint drug discovery research agreements with four companies succeed, the Company would receive up to approximately ¥1.94bn in total in upfront payments, research support payments, and research milestone payments (of which ¥0.921bn has already been received), up to approximately ¥8.05bn in development milestone payments, and up to approximately ¥105.0bn in sales milestone payments. However, it must be borne in mind that the probability of successful drug discovery and development efforts is low, and that in reality, not all projects will succeed.

Meanwhile, in the pipeline business, the Company advances its own drug discovery using aibVIS, which has a proven track record in drug discovery with other companies, and out-licenses the platform to pharmaceutical companies at some stage of R&D. Under this business model, it receives upfront payments, development milestone payments, and, with a successful launch, royalty income and sales milestone payments.

Business model



Note: Gray arrows indicate points where revenue is generated.
Notes 1: It may differ considerably based on the actual R&D status during the period until a product is released.
Notes 2: At present (as of December 31, 2025), there is no track record of proceeding to the stage of development and sales by pharmaceutical companies.
Notes 3: Collaboration between the Company and pharmaceutical companies using aibVIS is limited to the drug discovery research period.
Notes 4: Licensing arrangements for development, manufacturing, and sales are basically included upon the signing of the joint drug discovery research agreement.
Source: The Company's results briefing materials

Realizing efficient drug discovery research with the AI drug discovery platform, aibVIS

2. Platform business

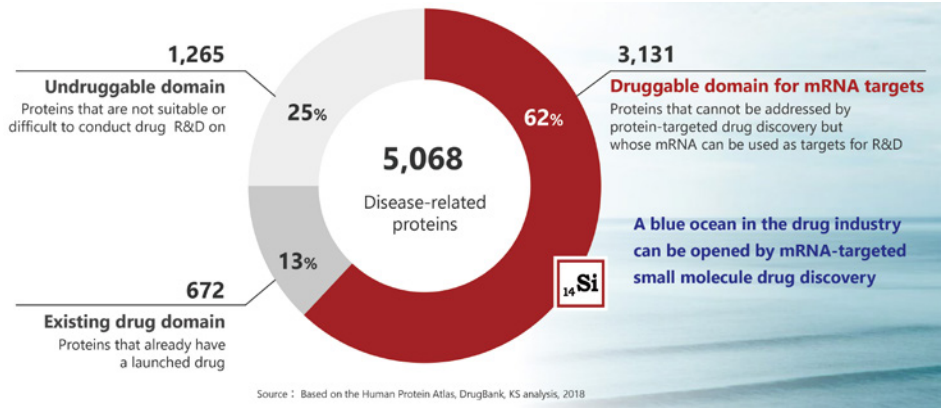
Using its proprietary AI drug discovery platform, aibVIS, the Company conducts drug discovery research to create mRNA-targeted small molecule drugs through joint projects with pharmaceutical companies with which it has signed contracts. aibVIS is a platform that integrates technologies such as RNA structural analysis, which leverages AI drug discovery technologies to identify substructures on mRNA that can serve as drug targets, and biological experimental technologies including a screening method to search for compounds that bind to a target structure. The Company's RNA-focused structural analysis technology enables the targeting of mRNA in drug discovery. Furthermore, exhaustive supercomputer analysis of interactions between mRNA target structures and small molecule compounds makes it possible to support the rational design of highly active, selective small molecule compounds for mRNA targets. Utilizing aibVIS in such a fashion enables the detailed implementation of previously infeasible drug discovery targeting mRNA and the acquisition of drug candidate compounds.

Note that the mRNA-targeted small molecule drug discovery technology provided by aibVIS represents a breakthrough due to its applicability to a wide range of diseases, including those for which drugs have been difficult to develop using conventional protein-targeted drug discovery. According to the Company, there are 5,068 disease-related proteins. Of these, about 60% are proteins that cannot be addressed through protein-targeted drug discovery, but are considered to have potential for the development of drugs by targeting mRNA. Currently, those proteins amount to 4.7 times the number of disease-related proteins which have been already targeted by approved drugs. This indicates how large the latent potential is for R&D in mRNA-targeted small molecule drug discovery.

While aibVIS is applicable to a number of diseases, there is particularly strong demand in oncology and central nervous system disorders, where small molecule drug development is sought. As for oncology, it is because there are many cancers that cannot be treated sufficiently with conventional protein-targeted drug discovery. For many cancer patients, drug discovery for small molecule compounds, which has relatively low manufacturing costs compared with the likes of antibody-drugs, is desired. For central nervous system disorders as well, antibody-drugs and the like are blocked by the blood-brain barrier (BBB)*. For that reason, there is a strong need for the development of small molecule drugs that can cross the BBB.

* Blood-brain barrier: A mechanism that restricts the exchange of substances between the blood and the brain's interstitial fluid.

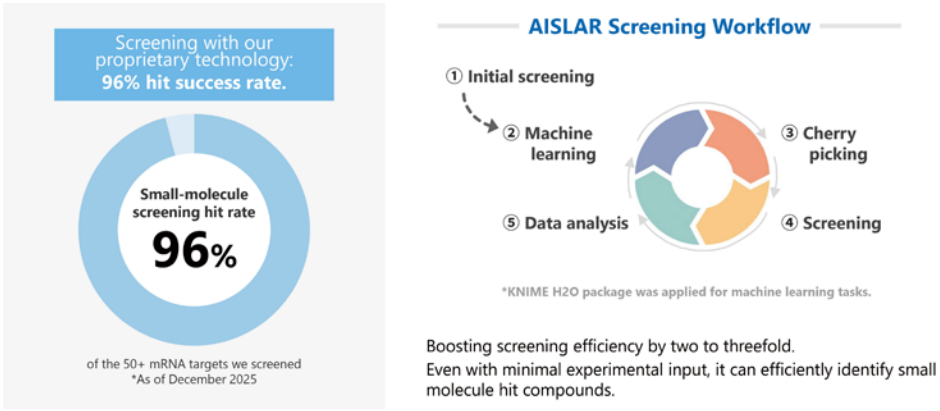
Areas with potential for mRNA-targeted drug discovery



Source: The Company's business plan and briefing materials on growth potential

In joint drug discovery research with pharmaceutical companies, the Company mainly handles processes other than screening, cell-based assays, and chemical compound synthesis. Using the screening method licensed from the Company, the pharmaceutical companies conduct screening, and are responsible for measuring efficacy with cell-based assays (verifying screening results), conducting compound synthesis, performing pharmacokinetic and safety studies, and administering animal experiments to verify the efficacy of the compounds, among other tasks. The Company has accumulated a considerable amount of scientifically advanced data, starting with RNA structural analysis data based on the multiple joint drug discovery research projects it has conducted to date. This also includes a series of screenings and demonstration experiments and proven effectiveness in lead compound optimization through its own research. Incorporating these as training data into aibVIS successfully streamlines the process of identifying candidate compounds. This screening method, which was granted a patent in the US as well July 2025 following patents in Japan and Europe, is a factor that differentiates the Company from other companies at the basic research stage of drug discovery.

Screening method using aibVIS



Note: A hit compound refers to a candidate compound that can become a lead compound.
Source: The Company's business plan and briefing materials on growth potential

Note that in Japan, the only companies advancing the development of mRNA-targeted small molecule drugs are the Company and its partners. Meanwhile, overseas, there are at least three biotech companies* in the US. None of these companies have gone public yet. Additionally, the compounds handled by each company have yet to enter the clinical development stage. However, these companies have entered into license agreements with major pharmaceutical companies. Future development trends warrant attention, because interest in mRNA-targeted small molecule drugs will surge once a track record of market launches has been established.

* The three companies are Arrakis Therapeutics, Ribometrix, and Anima Biotech.

Started a pipeline business for nucleic acid drugs from 2025

3. Pipeline business

The Company has launched the pipeline business through which it secures revenue by leveraging aibVIS to create pipelines and out-license them to pharmaceutical companies. Citable factors behind the Company's entry into this business are its initial aim of pursuing a hybrid business combining its pipeline and platform businesses and the change in trends of drug discovery research at major pharmaceutical companies. Major pharmaceutical companies have been increasing the number of clinical developments advanced using the promising pipelines licensed from biotechnology companies and other parties rather than conducting their own research and development from the basic research stage. The Company is aware of such shifts in trends which are beginning to also affect contract negotiations in the platform business. While R&D costs are mounting, it has concluded that cultivating a pipeline business that can be expected to generate earnings over the medium to long term will lead to higher corporate value in the future.

For drug targets, the Company has several selection criteria. Those include that it can be expected to yield high future value (diseases that have a certain number of patients and involve no competition with approved drugs) and that the R&D period leading up to market launch is short and its costs are low (designated intractable diseases and other rare diseases). Based on these criteria, the Company creates a pipeline per year for three years, and conducts related research activities.

Additionally, the Company entered into a joint research agreement with Mitsubishi Gas Chemical Company, Inc. in June 2025 for the purpose of creating nucleic acid drugs and establishing manufacturing methods (the scheduled research period is three years). The aim of the agreement is to engage in drug discovery for long-chain RNA*1-targeted antisense oligonucleotides (ASO*2) based on a Quality by Design (QbD) approach. The Company will create ASO compounds for development using its drug discovery platform, aibVIS, while Mitsubishi Gas Chemical Company, Inc. will handle the establishment of manufacturing methods for these compounds from the early stages. By incorporating the QbD approach from the earliest stages of research, the joint research aims to develop high value-added pharmaceuticals that are not only highly potent and low in toxicity, but also realize high quality and lower cost in commercial manufacturing. Note that the rights to the deliverables obtained from the joint research are to be primarily held by the Company, with Mitsubishi Gas Chemical Company, Inc. holding a portion.

*1 Long-chain RNA: RNA molecules at least 300 base long. These play an important role in protein synthesis and other cellular functions. There are types such as mRNA, pre-mRNA, and long non-coding RNA.
*2 ASO: An abbreviation of antisense oligonucleotide, 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). Various chemical modifications are possible for purposes such as increasing the stability of ASOs or adding functions.

Small molecule drug market to continue steady growth; nucleic acid drugs forecast to see high growth

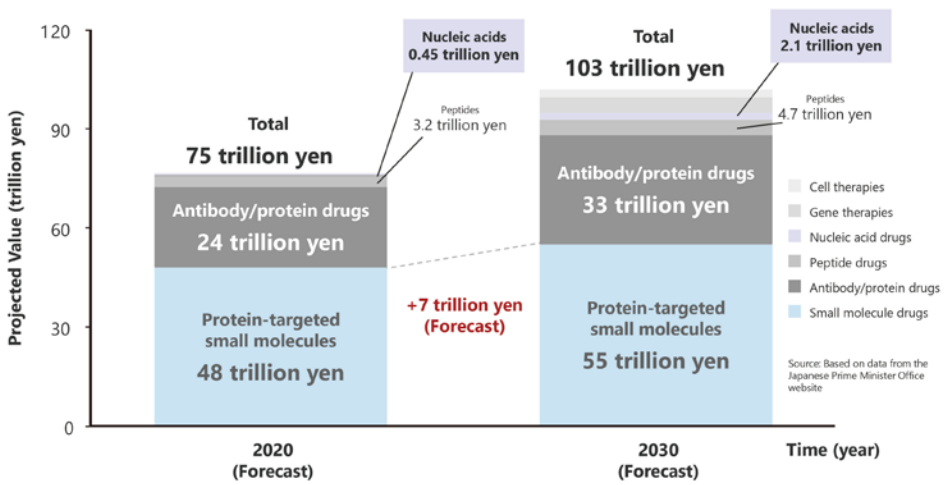
4. Outlook on the drug market

The size of the global drug market is projected* to expand from ¥75tn in 2020 to ¥103tn in 2030. Within that market, small molecule drugs, the largest by modality, have entered a mature phase, with moderate growth at an annual rate of 1% from approximately ¥48tn in 2020 to approximately ¥55tn in 2030. Even so, they will retain their position as the largest market in 2030 as well, accounting for a little over 50% of the total. However, these projected values do not take into account mRNA-targeted small molecule drugs that have no track record of market launches. As noted above, many disease-related proteins remain that cannot be addressed by protein-targeted drug discovery. Given that, if mRNA-targeted small molecule drugs reach that area, small molecule drug market is expected to expand further.

> * Based on the Cabinet Secretariat Office of Healthcare Policy Commissioned Project "FY2020 survey report on issues for the industrialization of pharmaceuticals, regenerative medicine, cell therapy, and gene therapy and initiatives necessary to resolve them."

Meanwhile, the market size for nucleic acid drugs that the Company is working on in the pipeline business is expected to grow 17% annually, from approximately ¥0.45tn in 2020 to approximately ¥2.1tn in 2030. With many development efforts targeting rare diseases with significant unmet medical needs and the prospect of premium drug prices, R&D activity is robust. Within the drug market, nucleic acid drugs are positioned as a high-growth market alongside gene therapy. Interest from pharmaceutical companies is strong as well. If development efforts progress smoothly, the likelihood of early out-licensing is also expected to increase.

Market projections



Note: Prepared by the Company based on the Cabinet Secretariat, Office of Healthcare Policy Commissioned Project "FY2020 survey report on issues for the industrialization of pharmaceuticals, regenerative medicine, cell therapy, and gene therapy and initiatives necessary to resolve them"
Source: The Company's business plan and briefing materials on growth potential

One-stop solutions with aibVIS as their foundation constitute a key business strength

5. Business strengths

One business strength of the Company is aibVIS, its proprietary drug discovery platform, which has been built to allow the one-stop provision of a suite of AI drug discovery technologies required at each stage of joint drug discovery research in the new drug discovery approach of mRNA-targeted small molecule drug discovery. As a result of an accumulation of research results and expertise in the Company, the platform can be technologically applied to any mRNA. In addition, training an AI engine on the large volume of accumulated data enables efficient R&D for each specific drug discovery challenge. Among the pharmaceutical companies with which the Company has entered into joint drug discovery research agreements up to this point, at Shionogi & Co., Ltd., research results have begun to emerge, including the successful discovery of a lead compound candidate in 2025.

As aibVIS is applicable not only to mRNA-targeted small molecule drugs but also to the development of nucleic acid drugs, it provides a technological underpinning when building its own pipelines. This can also be regarded as a business strength. The Company's independently designed Extraordinary Curated Modulation (ECM)-type nucleic acid drugs feature a simple double-stranded structure based on a design principle that can be expected to deliver high activity and efficacy without the use of special chemical modifications. This new design concept that places particular emphasis on safety is attracting attention, as it could also help address toxicity, one of the challenges of conventional nucleic acid drugs. Moreover, should joint research with Mitsubishi Gas Chemical Company, Inc. yield the successful development of high-quality, low-cost nucleic acid drugs by QbD, it can also be expected to resolve manufacturing-related issues, another challenge for nucleic acid drugs. The Company's technological capabilities would attract even greater attention as a result.

Comparison of ECM-type nucleic acid drugs and conventional nucleic acid drugs

	Existing nucleic acid drugs	ECM-type nucleic acid drugs
Design	Based on existing modalities	The Company's proprietary design concept
Characteristics	Activity is target-dependent	Simple, highly effective design
Challenges	Complex due to double-strand reinforcement, etc.	Design that circumvents problematic areas
Aim	Existing target control	Balances high activity and low risk

Source: Prepared by FISCO from the Company's business plan and briefing materials on growth potential

Trends by business

Achieved a project milestone with Shionogi & Co., Ltd. in May 2025

1. Platform business

(1) Progress in FY12/25

In FY12/25, joint drug discovery research with multiple partners progressed steadily. Notably, the project with Shionogi & Co., Ltd. reached a milestone, representing a major achievement (Milestone payments of ¥10mn were recorded). A contract for the project was signed in November 2021. The purpose of the research under this project is to take multiple genes associated with infectious diseases and psychiatric and neurological disorders as drug discovery targets, identify target structures on the corresponding mRNA, and obtain drug candidate compounds that act on these target structures and demonstrate efficacy in animal models. Reaching this milestone represents the successful obtaining of a lead compound candidate exhibiting a specific action that could not be achieved with the protein targeting method. As the first such success within this research project, it is highly significant. Going forward, the Company will proceed to the phase of optimizing the lead compound candidates obtained into drug candidate compounds. Once a drug candidate compound is obtained, development will proceed to clinical trials after nonclinical studies in animal experiments.

In addition, in July a US patent for the target identification and screening method, the core technology of the drug discovery platform, aibVIS, was granted. This means intellectual property rights have now been secured in the key jurisdictions of Japan, Europe, and the US. However, one joint drug discovery research agreement that had been expected to be concluded in 2025 fell through. This became a negative factor behind the downward revision to earnings forecasts. Changes in pharmaceutical companies' approach to basic research in drug discovery are seen as one factor.

(2) Planned approach to FY12/26

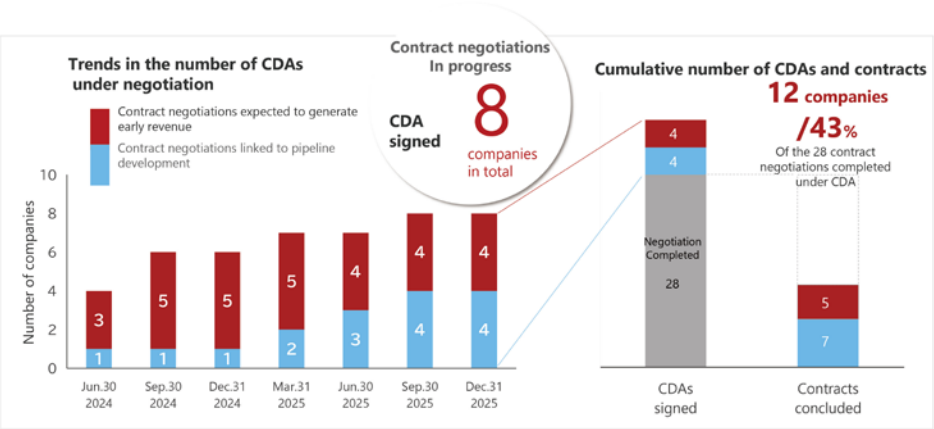
As its planned approach to FY12/26, the Company will advance initiatives to broaden opportunities while keeping abreast of trends in the basic research field. It will start by steadily advancing its existing joint drug discovery researches and establishing success stories for mRNA-targeted small molecule drug discovery. Also, the Company will conclude contracts with domestic and overseas biotech companies with strong drug discovery ambitions and promote projects whose future value will grow. In addition, it will continue contract negotiations with major pharmaceutical companies as it aims to realize projects that generate early revenue. As of the end of December 2025, the Company was in negotiations with eight companies under confidential disclosure agreements (CDAs) (including three European companies). It aims to conclude two new contracts with 2 of those companies.

In December 2025, the Company agreed to conduct joint exploratory research on mRNA-targeted compounds with SpiroChem AG, Switzerland. The purpose of this research is to create world-leading mRNA-targeted small molecule drugs by combining SpiroChem's world-class expertise in macrocycles, peptides, and other compounds with the Company's aibVIS and cell-based experimental technologies. Regarding the research results, the Company aims to generate revenue through joint out-licensing to third parties in the future.

Note that with respect to the drug discovery platform, aibVIS, the Company will develop businesses with an eye towards applications in the agrochemical field as well. As the Company has received inquiries from multiple major agrochemical manufacturers in Japan and overseas citing the desire to use the platform for the development of new agrochemicals, it has entered into confidential disclosure agreements and is pursuing negotiations.

Trends by business

Status of business development efforts



Source: The Company's results briefing materials

Initiated development of nucleic acid drugs targeting the prevention of ischemic acute kidney disease induced after cardiovascular surgery

2. Pipeline business

(1) Progress in FY12/25

Having decided on nucleic acid drugs targeting the prevention of ischemic acute kidney disease induced after cardiovascular surgery as its own first pipeline, the Company filed a patent application in Japan in December 2025. During cardiovascular surgery, blood flow is temporarily interrupted. This poses a risk of ischemic reperfusion injury. The kidneys, which are particularly susceptible to the effects of ischemia reperfusion, are prone to acute kidney disease. There are currently no effective preventive treatments. Successful development efforts would significantly contribute to improving patients' pre- and postoperative quality of life (QOL).

Expression of p53, the target gene, is involved in apoptosis*1 of renal cells. Given that, it is known that inhibiting p53 can prevent kidney disease. In phase II clinical trials conducted on candidate compounds for siRNA drugs*2 under development by peer companies, it was confirmed that inhibiting p53 yields significant effects in preventing kidney disease. The candidate compound developed by the Company is believed to hold the promise of being less expensive and less toxic than peer companies' candidate compounds. Moreover, because it exhibits higher activity (stronger inhibition of p53), it is also believed that more effective treatment can be expected of it. The Company will begin associated animal experiments in 2026. It seeks to enter clinical trials as early as 2028. Moreover, in animal experiments, the Company is advancing the development of treatments with greater efficacy and fewer side effects by using Perfusio, its newly developed DDS. Upon market launch, it aims to secure insurance coverage as a new treatment that also incorporates the use of Perfusio.

*1 Apoptosis: It is also known as programmed cell death. A mechanism by which old or unnecessary cells undergo programmed cell death for the organism to maintain its health. In this system, the cells themselves shrink and fragment, and are then cleared as waste by other cells. It does not cause inflammation, and is an essential function for maintaining the body in a healthy state.

*2 siRNA drugs: A type of nucleic acid drug that binds to specific mRNA, promotes its degradation, and prevents the production in the body of proteins that cause disease. This suppresses the onset of disease. The Company expects peak annual net sales of approximately ¥15.0bn.

The Company estimates peak annual sales at approximately 15.0bn. In Japan, approximately 50,000 cardiovascular surgeries are performed annually. Of these, elderly patients aged 65 or older with a high risk of onset account for 35% (17,500 cases). To begin with, the Company will proceed with development efforts targeting patients aged 65 and over. Of these, assuming an actual utilization rate of 85% (14,900 cases) and a drug price of ¥1.0mn, net sales would be approximately ¥15.0bn annually. If development proves successful, the Company plans to pursue overseas expansion, application to non-elderly patients, the broadening of indications to other ischemic diseases, and more. This will further expand the Company's sales.

In addition, in the Company's pipeline business, in November 2025, the Company commenced joint research with Shimane University for the purpose of conducting R&D on new pharmaceuticals to suppress dysfunction after lung transplantation. This could become a new pipeline candidate. Also, in January 2026, the substance patent for nucleic acid drugs serving as a treatment for amyotrophic lateral sclerosis (ALS) that the Company had conducted advanced joint research on with the Jikei University School of Medicine was published. Given the high difficulty of developing ALS therapeutics and the substantial R&D expenses involved, the Company intends to out-license the rights if any pharmaceutical company expresses interest.

(2) FY12/26 targets and commercialization of Perfusio

As a goal for 2026, in addition to working on creating its own second pipeline, the Company will actively promote initiatives aimed at commercializing the DDS, Perfusio, which has the potential to fundamentally solve various issues related to nucleic acid drugs.

Structurally, Perfusio consists of a combination of an already approved catheter and a balloon occlusion catheter. As for its mechanism, the combined balloon catheters are inserted into the artery and vein supplying the target organ. Afterwards, the balloons are inflated to temporarily occlude the vessels to isolate the target organ from systemic blood flow. With the vessels occluded, a liquid containing a drug is infused from the arterial side to the target organ and delivered intensively. The used drug is then collected from the venous side. This enables reliable delivery of the required amount of the drug to the target organ. Although, with intravenous injection, the drug is circulated throughout the body and the risk of side effects increases, Perfusio administers only the required amount to the target organ and then recovers it, offering the additional benefit of significantly reducing the risk of side effects. The use of Perfusio could also make it possible to resume development even for compounds whose development was previously abandoned due to adverse effects occurring.

The Company aims not only to use this DDS in its own pipelines, but also to monetize it through out-licensing to pharmaceutical companies. As a first step, it intends to build partnership networks with catheter manufacturers and put in place a manufacturing and sales framework to offer the product as a general-purpose medical device that can be used for any organ in the body. Additionally, to raise awareness of Perfusio, the Company will also actively promote external presentations of research results at the Jikei University School of Medicine, its joint research partner. Using Perfusio to administer existing pharmaceuticals (that are approved for systemic administration) is allowed under a doctor's discretion. The Company's policy is to permit free use in clinical settings and not to charge license fees to medical institutions.

For internal use, development efforts will proceed on the premise of using Perfusio in its own pipeline from the outset. Should other companies wish to use Perfusio in their drug development efforts, the Company will out-license it at the clinical trial and other stages. Target indications are expected to include the likes of solid tumors, for which there are numerous therapies with severe adverse effects.

Results trends

Second consecutive revenue decline and recording of loss for FY12/25 results

1. FY12/25 results trends

In FY12/25 results, business revenue decreased ¥103mn YoY to ¥91mn, operating loss increased ¥183mn to ¥396mn, ordinary loss increased ¥157mn to ¥390mn, and net loss increased ¥189mn to ¥425mn. Revenue declined for the second consecutive fiscal year, and the Company recorded a loss.

FY12/25 results

(¥mn)

	FY12/24 Result	FY12/25		YoY	Vs. forecasts
		Initial forecasts	Result		
Business revenue	194	788	91	-103	-696
Upfront payments	-	489	-	-	-489
Milestone payments	90	61	10	-80	-51
Research support payments, etc.	104	237	81	-23	-156
R&D expenses	172	331	215	43	-115
SG&A expenses	235	293	272	37	-20
Operating profit	-212	163	-396	-183	-559
Ordinary profit	-233	170	-390	-157	-560
Net income	-236	168	-425	-189	-593

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

Business revenue saw declines in both milestone payments and research support payments, etc., including those for joint drug discovery research. Milestone payments decreased ¥80mn to ¥10mn and research support payments, etc. decreased ¥23mn to ¥81mn. Additionally, while the initial plan assumed ¥489mn in an upfront payment for a joint drug discovery research agreement, the anticipated deal fell through, and no revenue was recognized. This also weighed on performance.

Among business expenses, R&D expenses increased ¥43mn YoY to ¥215mn in part due to the creation of its own pipelines and an increase in headcount in researchers. However, they were ¥115mn below the plan, mainly because an expected new project in joint drug discovery research fell through. SG&A expenses, mainly personnel expenses, increased ¥37mn to ¥272mn. However, with spending for certain expense items, including recruitment-related expenses, kept low, the figure came in ¥20mn below the plan. Additionally, non-operating income and expenses improved slightly as the ¥22mn in non-operating expenses recorded in the previous fiscal year, including listing-related expenses and share issuance costs, were not incurred. At the same time, the Company recorded an impairment loss of ¥31mn under extraordinary losses.

Note that at the end of the fiscal year, the number of employees was unchanged from the end of the previous fiscal year at 19 (11 in the R&D division). However, workforce renewal is progressing. Meanwhile, the Company is conducting intensive, practical joint research with multiple pharmaceutical companies. The individual skills of its researchers and other personnel are steadily improving as a result. Due to this, while the Company continues to make mid-career employees who can contribute immediately a core focus of hiring, it has shifted its policy to also secure younger personnel, including new graduates, and develop them within the Company.

Projecting FY12/26 results conservatively; anticipating losses to continue due to an increase in R&D expenses

2. FY12/26 forecasts

In FY12/26, losses are forecast to persist, with business revenue increasing ¥21mn YoY to ¥113mn, operating loss increasing ¥172mn to ¥569mn, ordinary loss increasing ¥173mn to ¥564mn, and net loss increasing ¥141mn to ¥567mn. Reflecting on the fact that results for the previous fiscal year fell short of former initial plan, the current business revenue plan is conservative, as it does not factor in upfront payments under joint drug discovery research agreements. The Company's goal is to sign two new contracts. Potential partners are broadening beyond the traditional large pharmaceutical companies to include the likes of biotechnology companies and agrochemical manufacturers. FISCO therefore believes there is a strong likelihood that the Company will enter into agreements.

FY12/26 forecasts

(¥mn)

	FY12/25 Result	FY12/26 Plan	YoY
Business revenue	91	113	21
Milestone payments	10	40	30
Research support payments, etc.	81	73	-8
R&D expenses	215	380	164
SG&A expenses	272	301	28
Operating profit	-396	-569	-172
Ordinary profit	-390	-564	-173
Net income	-425	-567	-141

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

For the breakdown of business revenue, the Company expects ¥40mn in milestone payments, an increase of ¥30mn YoY, and ¥73mn in research support payments, etc., a decrease of ¥8mn. Milestone payments are based on the assumption that research will progress in existing joint drug discovery projects. For research support payments, etc., securing new contracts would be an upside factor. However, because the Company incorporated revenue expected from existing projects in its plan, figures have a high degree of certainty.

Among business expenses, the Company expects R&D expenses to come to ¥380mn, an increase of ¥164mn, due to upfront outlays that include capital expenditures associated with relocating the Research Institute and enhancing equipment. This is in addition to R&D investments to create the Company's second pipeline. The Company anticipates that SG&A expenses will come to ¥301mn, an increase of ¥28mn. These mainly reflect higher personnel expenses. Regarding the relocation of the research institute, upon the lease for the Shin-Kawasaki Research Institute expiring in March 2026, the research institute relocated to another site within Kawasaki City, enhanced its research facilities, and changed the name to the Kawasaki Research Institute, commencing research activities in April. With this relocation, the Research Institute's floor area will be expanded to increase the office space to 1.5 times and the laboratory space to 4 times, and state-of-the-art equipment and facilities for research will be introduced, enabling more advanced research than before. In addition, improvements in the workplace environment that include greater transportation accessibility, as well as improvements in work-life balance, will see progress. This is expected to lead to a stronger research framework.

With respect to the hiring of personnel, the decision has been made to hire new graduates as researchers in Spring 2026 to bolster the framework of the R&D division. The Company also plans to increase headcount in the administrative division to help reinforce its management base.

In addition, on April 13, 2026, the Company announced the termination of the joint drug discovery research agreement with Takeda Pharmaceutical Company Limited. regarding mRNA-targeted small molecule drugs. The Company has not revised the earnings forecasts announced at the start of the fiscal year because the impact on its results is limited. While the research had yielded certain results to date, following discussions between Takeda and the Company, the research was terminated amicably effective on April 13, 2026. Going forward, the Company will consult and consider with the counterparty how to apply the insights gained through this study.

Implemented capital reduction to ensure flexibility and agility in capital policy

3. Financial position

At the end of FY12/25, total assets were ¥1,884mn, a decrease of ¥364mn from the end of the previous fiscal year. In current assets, cash and deposits decreased ¥348mn. In non-current assets, property, plant and equipment decreased ¥14mn due to recognition of impairment loss and depreciation. At the same time, guarantee deposits increased ¥17mn.

Total liabilities came to ¥101mn, an increase of ¥61mn from the end of the previous fiscal year. This mainly owed to a ¥55mn increase in advances received under current liabilities. Total net assets came to ¥1,783m, a decrease of ¥425mn. Retained earnings decreased ¥425mn due to recording of net loss for FY12/25. In addition, to ensure flexibility and agility in its capital policy, the Company implemented a capital reduction in May 2025, resulting in a ¥67mn decrease in capital, with the same amount transferred to capital surplus.

Looking at management indicators, the Company's equity ratio, an indicator of its financial soundness, decreased from 98.2% at the end of the previous fiscal year to 94.6%. Nonetheless, it remains at a high level. While it is expected that the Company will keep recording losses, its cash and deposits are at a level slightly over ¥1.8bn. As such, there appears to be no need for urgent financing. That being said, should losses persist from FY12/27 onward, it is expected to pose a challenge to be considered as part of the Company's financial strategy.

Balance sheet

(¥mn)

	FY12/22	FY12/23	FY12/24	FY12/25	Change
Current assets	1,547	1,629	2,232	1,865	-366
Cash and deposits	1,484	1,549	2,173	1,825	-348
Accounts receivable - trade	35	59	21	8	-12
Non-current assets	51	26	16	19	2
Total assets	1,598	1,655	2,248	1,884	-364
Total liabilities	55	79	39	101	61
Interest-bearing debt	-	-	-	-	-
Total net assets	1,542	1,575	2,209	1,783	-425
Financial soundness					
Equity ratio	96.5%	95.2%	98.2%	94.6%	-3.6pp
Interest-bearing debt ratio	0%	0%	0%	0%	0%

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

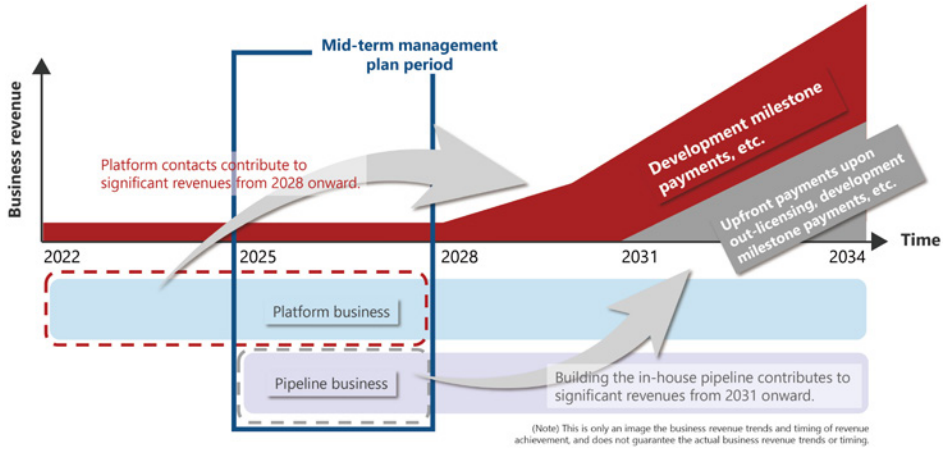
Medium- to long-term growth strategy

Expanding operations through hybrid business; entering growth trajectory starting in 2028

Under the three-year medium-term management plan that started in FY12/25, the Company is advancing initiatives to promote the hybrid business, which has two pillars: the platform business and the pipeline business based on its own drug discovery, aiming to become a specialty pharmaceutical company in line with the policy established at its founding. In the platform business, the Company has set forth a target of concluding two new contracts per year. In the immediate term, amid shifting trends in drug discovery research, the Company will push forward with joint drug discovery research alongside biotech companies that have strong drug discovery and development needs while continuing to negotiate contracts with major pharmaceutical companies. As it does so, its future revenue-sharing arrangements are expected to increase. As existing projects progress and new projects are added, milestone payments are expected to increase gradually from 2028 onward.

Meanwhile, in the pipeline business, the Company will create pipelines at a pace of one per year through 2027. Advancement to clinical trials will not take place until 2028 at the earliest. For that reason, the scale of R&D expenses is unlikely to be particularly large. The timing at which pipelines will contribute to revenue in the form of upfront and milestone payments is expected to be from 2031 onward. By that time, clinical trial data will have accumulated to some extent. Still, the possibility of the Company entering into a license agreement at nonclinical studies cannot be ruled out. In particular, this will entail the development of a treatment leveraging Perfusio, the new DDS. Should animal experiments yield favorable data (including that on efficacy and safety), it is expected to attract greater attention. Note that for the fourth and subsequent pipelines, the Company's policy will be to formulate strategies while taking into account its external environment and financial position at the time, among other factors. In the future, the Company aims to evolve into a specialty pharmaceutical company that is also equipped with R&D and sales capabilities. Forthcoming trends in its R&D efforts will be closely watched.

Outline of medium- to long-term growth



Source: Prepared by FISCO from results briefing materials

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