



MEDRx Co., Ltd

Supplementary explanation
in regards to Financing

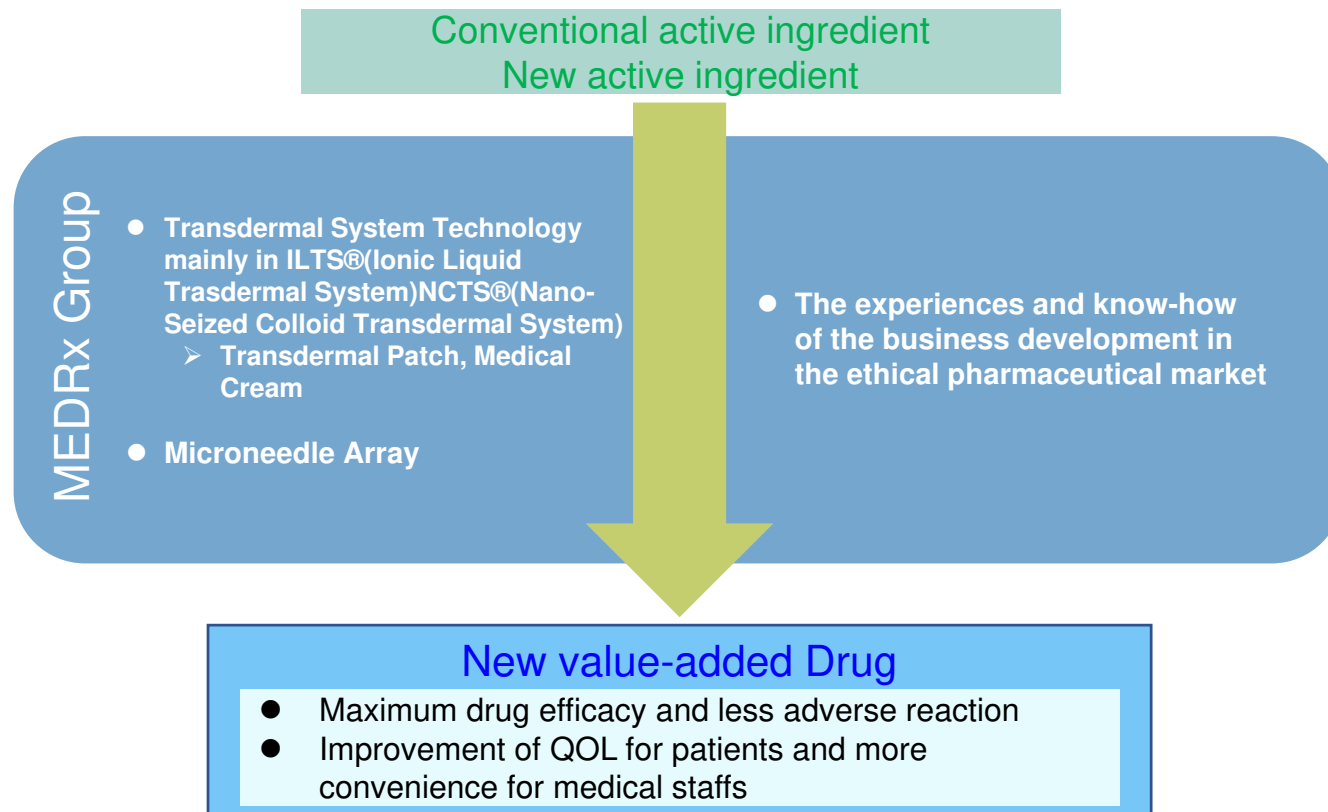
February 12, 2019

1. Business Overview
2. Background of the Financing
3. Use of Proceeds
4. Overview of the Financing
5. Comparison with Other Schemes

Business Overview



- Pharmaceutical company capitalizing on ionic liquid technology for transdermal delivery



MEDRx Group is a pharmaceutical company capitalizing on ionic liquid technology to develop novel / unique transdermal medicines. Our core technology, ILTS®, allows compounds with weak absorbability and/or low solubility to be available as transdermal preparations by means of increasing their solubility and absorbability dramatically. Through capitalizing on our inventive transdermal drug delivery technology, it is possible to create novel value-added medicines (maximized beneficial effects and lower side effects).

Background of the Financing



<Development Pipeline>

Product name Development Code	Drug Formulation Development	Pre clinical	Ph- I	Ph- II	Ph-III	NDA	Launch
CPN-101(MRX-4TZZ) Spasticity (Tizanidine, transdermal, ILTS®)				Worldwide licensing agreement (except for East Asia) with Cipla USA Inc. in April 2017 An additional PK study and a Phase 2 PD study are planned in 2019			
MRX-10XT Moderate-Severe Pain (Oxycodone, transdermal, ILTS®)				Phase 1 a has got result in February 2018 Phase 1 b is planned in 2019			
MRX-5LBT Neuropathic Pain (Lidocaine, topical, ILTS®)	Confirmation of Bioequivalence in comparative pivotal clinical study in June 2018				Plan to submit a new drug application in 2020		
MRX-7MLL Alzheimer's Disease (Memantine, transdermal, NCTS®)			Non-Clinical Trial has started in July 2018 IND application has been submitted to FDA in 2019				
New Pipeline							
Co-development with DAIICHI SANKYO (NCTS®)	Undisclosed (API, indication etc.)						
Technology License Agreement with TAKEDA (ILTS®, NCTS®)	Undisclosed (API, indication etc.)						

<Objective of Financing>

- Securing capital for implementing ①Clinical and ②Non-Clinical trials for the most advanced MRX-5LBT
- Flexibly raising capital towards drug development process for in-house pipelines

Use of Proceeds



Est. Notional
Approx. JPY1.27Bln

JPY
0.78Bln

- ①MRX-5LBT : Clinical studies and supplementary expenses for the safety of the drug for post herpetic neuralgia (lidocaine tape)

JPY
0.32Bln

- ②MRX-5LBT : Non-clinical studies and CMC related expenses for the safety of the drug for post herpetic neuralgia (lidocaine tape)

JPY
0.17Bln

- ③Non-clinical studies, Clinical Phase - I studies and supplementary expenses for in-house developed pipelines

Use of Proceeds ① ・ ②



<Additional examination fee for MRX-5LBT : JPY 1.1Bln >

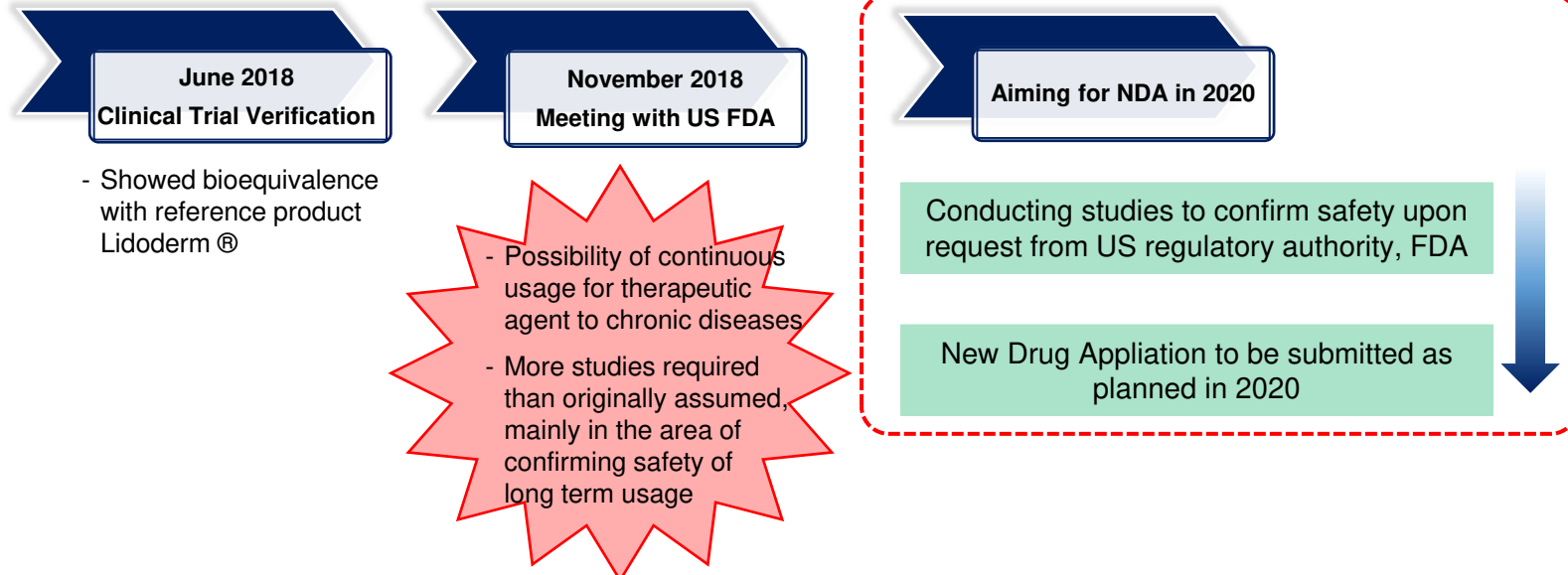
- Securing capital for implementing ①Clinical and ②Non-Clinical trials for the most advanced MRX-5LBT

Product name Development Code	Drug Formulation Development	Pre clinical	Ph- I	Ph- II	Ph- III	NDA	Launch
MRX-5LBT Neuropathic Pain (Lidocaine, topical, ILTS*)	Confirmation of Bioequivalence in comparative pivotal clinical study in June 2018					Plan to submit a new drug application in 2020	

Clinical
JPY0.78
Bln

Non-Clinical
JPY0.32
Bln

- Possibility of continuous usage for therapeutic agent to chronic diseases



Aiming for launch of MRX-5LBT, targeting a JPY 60Bln market by 2020

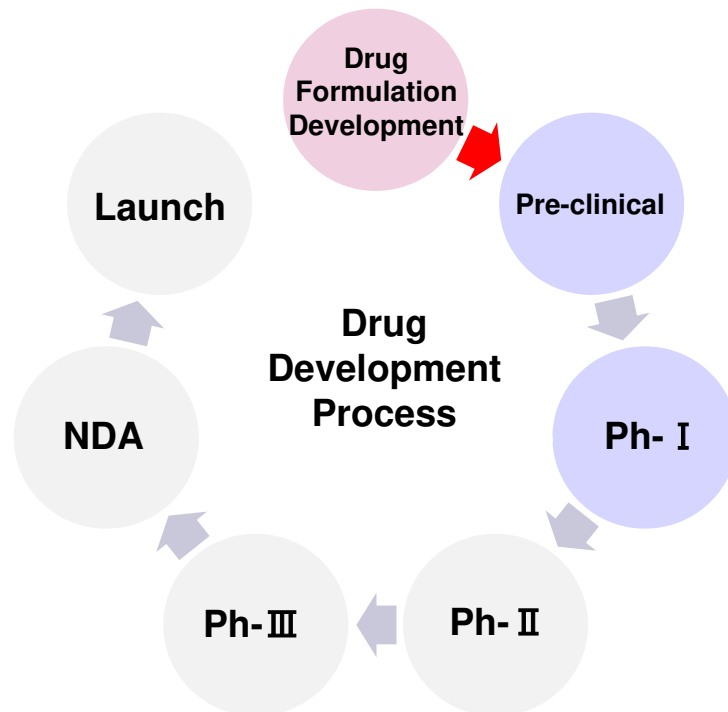
Use of Proceeds ③



<Development capital for in-house developed pipelines JPY 0.17Bln>

Drug formulation development completed for multiple in-house developed pipelines (transdermal drugs in the therapeutic areas of pain, CNS and so on) other than existing pipelines

Requesting a (pre IND meeting) to FDA(Food and Drug Administration)



1

Flexibly raising capital towards drug development process for in-house pipelines

2

To actively expand our development pipeline portfolio, we diversify the uncertainty of revenue due to irregular development processes in each pipeline

Multiplying and Strengthening of our group's revenue base

Overview of the Financing



- **New Shares: 180,000shares**

Third party allotment to MM Inc., which is the asset management company owning shares for Chairman, Masayoshi Matsumura and CEO, Yonehiro Matsumura, of MEDRx Co., Ltd. and the Matsumura family.

⇒Further commitment to management and growing the value of the company.

Issuance of New Shares	
Est. Notional	Approx. JPY0.1 Bln
Premium	The higher price of JPY98,100,000 and previous trading day closing price of price determination date (one date between Feb. 15, 2019 to Feb. 18,2019 determined by the board)
No. of shares	180,000 shares
Allottee	MM Inc.

- **Commit Issue: 2,320,000shares**

A reasonably high probability financing where the allottee commits to exercising all warrants in a certain period

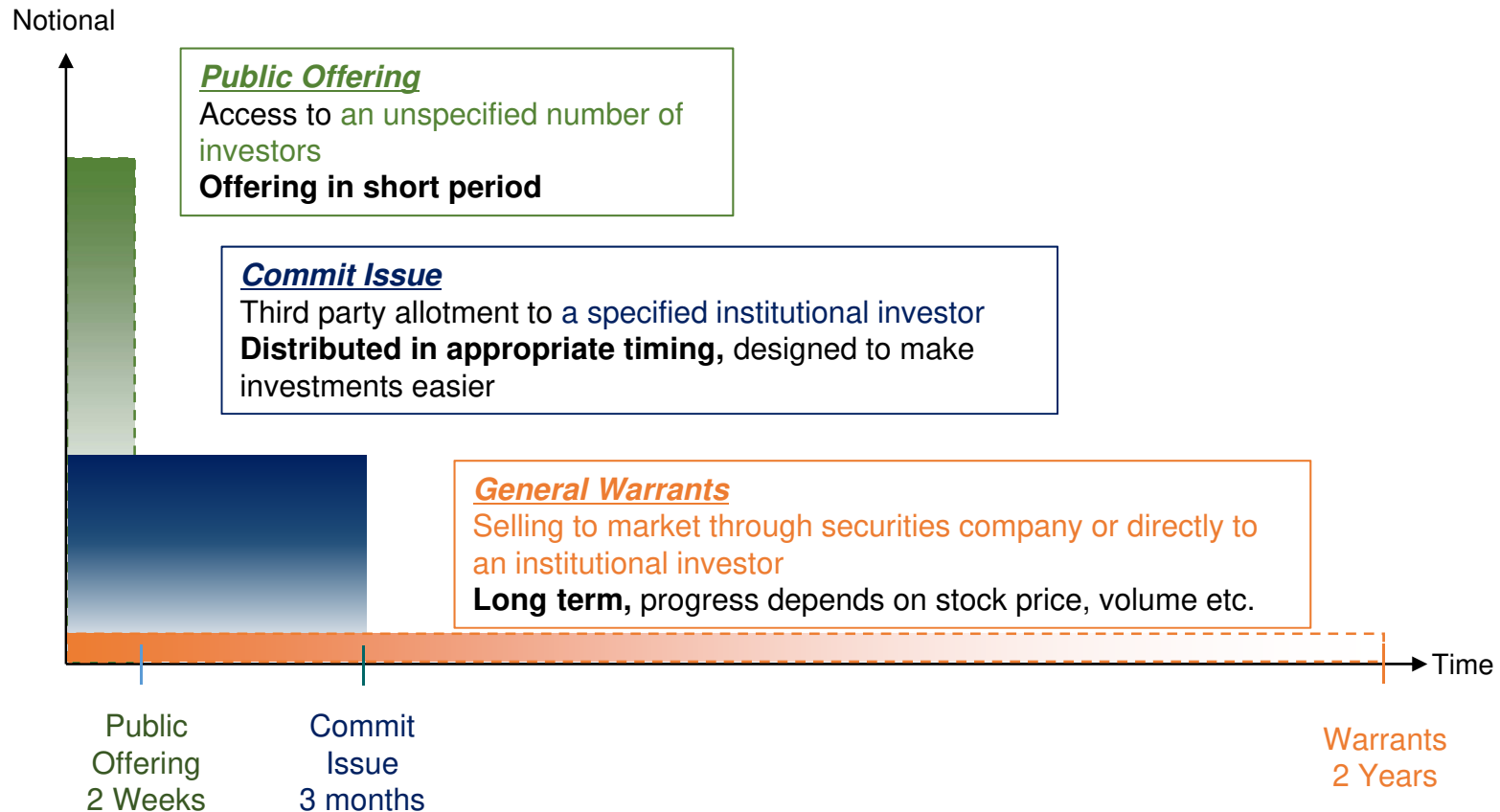
- Allottee commits exercise of **all shares in approx. 3 months / partial in approx.1.5 months**
- The company has cancelled on November 30, 2018, 2.43 Mln shares worth of the 13th warrants. ⇒Number of shares issued the 14th warrants is approximately the same as the cancelled 13th

14 th Issuance of Warrants (Commit Issue)	
Est. Notional	Approx. JPY1.17 Bln
Premium	The higher price of JPY1,252,800 and previous trading day closing price of price determination date (one date between Feb. 15, 2019 to Feb.18,2019 determined by the board)
No. of shares	2,320,000 shares
Exercise Price	Initial strike: 94% of previous trading day closing price of price determination date set by the board Reset every 5 trading days to 94% of the average of previous 5 trading day VWAP
Exercise Commitment	Total Commit in approx. 3 months

※ This warrant structure is fundamentally different from a MSCB as the number of issued warrants is fixed.

Short term & Reasonably High Probability Financing

Comparison with other schemes



Disclaimer



- This document is intended to provide information to serve as a reference for investment decisions and is not intended to solicit investment.
- This material has been carefully prepared to ensure accuracy, but it does not guarantee completeness. We are not responsible for any obstacles or damages caused by information in this document.
- This document contains so-called "forward-looking statements". These are based on assumptions with current expectations, forecasts and risks, and include virtually uncertainties that may result in differences from these statements. These risks and uncertainties include general domestic and international economic conditions such as general industry and market conditions, interest rates, exchange rate fluctuations.
- Even if new information or future events occur in the future, we will not be obliged to update or modify "forward-looking information" contained in this material.