



Annual Report on 2023-2024 Progress for Our Esteemed Shareholders

(as of June 30, 2024)

Dear Esteemed Shareholders,

We are pleased to present the Annual Report for the year 2023-2024, as of June 30, 2024. Despite ongoing geopolitical and economic challenges, IPNexus has demonstrated remarkable resilience, achieving steady progress, creating new revenue streams and forging new partnerships.

KEY HIGHLIGHTS:

1. **Operational Progress:** Our ongoing projects - Patentfield, Cleanhearing, and B2B2 - continue to show strong momentum. We have closely monitored technological trends, including the rapid growth of the AI industry and the emergence of innovative products like ChatGPT, Anthropic, and Bing AI. This foresight has enabled Patentfield and B2B2 to position themselves strategically for long-term success.
2. **Revenue source creation - Release of IPNexus.jp Closed Beta Version:** The goal of this innovative new platform, ipnexus.jp, is to revolutionize intellectual property (IP) management and monetization, particularly with its M&A tool. It addresses a key challenge for inventors and IP owners, especially in Japan: how to generate revenue streams from their inventions. This efficient platform will facilitate Japanese IP owners in finding potential licensee and buyer targets both domestically and globally.
3. **AI Integration:** Patentfield has successfully leveraged its generative AI technology to strengthen its SaaS model, resulting in continued revenue growth.
4. **Market Trends:** We continue to capitalize on the increasing trend among academic institutions and large corporations seeking to commercialize their intangible assets. Japanese inventions and innovations are increasingly being recognized as valuable assets on balance sheets, showing year-over-year growth. We've observed a shift towards increased patent filings by Japanese companies as they seek to secure their novel and inventive solutions with international market potential.
5. **Financial Impacts:** Macroeconomic events, particularly currency fluctuations, continue to affect our financial reporting. Our equity holding in Patentfield is denominated in JPY, while we report financially in USD. The JPY depreciation, primarily driven by the interest rate differential between Japan and the U.S., has impacted our reported results. We anticipate this trend to normalize in the future.

6. External Factors: The ongoing Russia-Ukraine conflict has led to surging fuel costs, further contributing to the weakening of the yen.

We extend our sincere gratitude for your continued support. As we navigate these challenging times, we remain steadfast in our commitment to delivering exceptional results and creating sustainable value for our stakeholders.

A. Financing and Capital Structure Summary

1. As described we have seen strong operational and revenue growth of our portfolio companies. However, in particular the depreciation of the Japanese yen has led to the loss on IPNexus. Once the exchange rate recovers (e.g. to pre-Covid-19 levels), expected in the foreseeable future, the current loss on IPNexus will rebound and convert into a gain.
2. For the fiscal year 2023, the company reported a loss of USD 483,262, which is slightly lower than the previous year's loss of USD 513,939. The total equity holding value further decreased to USD 16,805,700 in 2023 from USD 17,118,500 in 2022, mainly due to continued fair value losses in investments, particularly in Patentfield KK (USD 235,800 loss) and B2B2 Inc. (USD 77,000 loss).
3. Despite the losses, the company maintains a strong balance sheet with total assets of USD 17,005,641 in 2023, down slightly from USD 17,305,110 in 2022.
4. The launch of ipnexus.jp (described in detail in 'D' below) will generate new cash streams both in Japan and then overseas, ensuring income generation for new markets. We are also preparing Patentfield for international expansion. This focus on new markets will further help us to mitigate the negative impact of JPY depreciation.
5. To date, IPNexus has raised approximately USD 3.4 million through three rounds of fundraising: Series AA, Series BB, and Series A1.

Please find below further details about the progress of IP Nexus and our operational companies. We are confident that we are well positioned to drive growth on all fronts as we look to the future.

B. IPNexus Continues Collaborations with Leading Asian Institutions

IPNexus is expanding its geographic reach and bolstering partnerships with innovators and inventors across Asia. We have garnered interest from corporations and universities in Japan eager to leverage our expertise in AI, Deep Learning, Big Data, IoT, and cloud

technology for IP commercialization.

1. Tohoku University

Our collaboration with Professor Nagatomi is ongoing, and we continue to support the Japan Biodesign Academic Group by delivering lectures to international biomedical engineering students.

2. Asia Pacific University (APU) Ritsumeikan, Hosei University, and Hitotsubashi University

We are deepening our collaboration with APU Ritsumeikan, Hitotsubashi University, and Hosei University to launch academic versions of Patentfield and B2B2. In addition to serving as a judge for APU's GBCC and JBCC international business competitions, we continue to assist Professor Philipp Pardo, in his EDGE seminar, an entrepreneurship series addressing challenges faced by provincial cities.

As part of this collaboration, MBA students at APU Ritsumeikan, Hosei University, and Hitotsubashi University will use Patentfield and B2B2.ai to analyze business cases and participate in competitions, providing us with valuable feedback under the mentorship of Professor Yonekura.

3. National Center for Global Health and Medicine of Japan

We are collaborating with the National Center for Global Health and Medicine (NCGM), a specialized hospital that seamlessly integrates medical care and research to provide advanced healthcare services. Our partnership includes Dr. Sho Kanzaki, a distinguished figure in otolaryngology and neurotology with over 25 years of clinical experience in Japan, who has joined us as a scientific advisor. This collaboration with NCGM and Dr. Kanzaki brings invaluable scientific insight and clinical expertise to our research and development initiatives.

C. Japan Government

With the support of Vice-Minister of Foreign Affairs Mr. Kiyoshi Odawara, IPNexus, Patentfield, and Cleanhearing have been invited by the Ministry of Foreign Affairs (MOFA) and the Ministry of Economy, Trade and Industry (METI) to participate in a Japanese government-initiated project to support the post-war recovery and reconstruction of Ukraine. This project is managed in collaboration with the United Nations Industrial Development Organization (UNIDO) and offers opportunities to expand our R&D and other efforts to support Ukrainian recovery and industry. We are preparing our submissions accordingly.

D. IP Commercialization Fund Formation

We continue exploring the opportunity of creating an IP commercialization fund, driven not only by local Japanese interest but also by interest from the UK and a renowned European venture capital fund. This interest is becoming more concrete with each interaction, especially due to JPY depreciation. International investors acknowledge that Japanese innovations are well-researched and groundbreaking, which they hope to invest in or acquire to bring to the next international level together with IPNexus.

We continue exploring collaboration with a large Japanese bank to establish an IP and technology-based loan fund. This initiative has gained momentum with the development of ipnexus.jp, described in detail below.

Introducing IPNexus.jp: Revolutionizing IP Management and Monetization in Japan with M&A Tools

I am pleased to announce the introduction of customized, proactive IP and technology marketing solutions tailored specifically for IP owners. As previously announced, our commitment to growth remains unwavering and, accordingly, we are expanding our comprehensive IP services to deliver further value to our users and shareholders.

Launching initially in Japan, we have implemented a nominal fee structure, empowering Japanese IP owners to effectively showcase their inventions and innovations on a global scale. Even without English language proficiency, Japanese innovators will be able to showcase their innovations to potential licensees or buyers worldwide while offering international businesses interested in entering the crucial Japanese market the opportunity to explore key technologies or establish partnerships with domestic companies.

The goal of this innovative new platform, ipnexus.jp, is to revolutionize intellectual property (IP) management and monetization, particularly with its M&A tool and address a key challenge for inventors and IP owners, especially in Japan, which is how to generate revenue streams from their inventions. The launch of this new platform reflects that IP should not only serve as business or technology insurance but also provide an additional income source.

A key benefit of the platform for users is that it significantly cuts their costs and makes IP monetization more accessible for them, avoiding expensive legal or consulting services, which can be prohibitive for some IP owners.

Our simple system allows users to identify potential targets by merely typing in their official IP number. If IP owners need assistance in executing or enforcing their rights, our platform provides immediate help with an expert monetization team. Additionally, owners will be able to manage their asset portfolio similarly to their bank account summaries, enabling them to

gauge ROI and control expenses by size and time.

The system offers five core functions:

- IP Asset Management: Streamlines deadline tracking, patent attorney collaboration, and cost management.
- IP Portfolio Negotiation: Facilitates patent bundling, listing, pricing strategies, and negotiation management.
- M&A Target Exploration: Simplifies the identification of potential licensees or acquisition targets in Japan and globally.
- Expert Consultation: Creates a network for IP professionals and users seeking specialized advice.
- News Function: Allows professionals to disseminate IP-related news and insights.

IPNexus aims to transform IP management from a cost center into a strategic asset by automating routine tasks, facilitating monetization, and promoting knowledge sharing. Its integrated approach combines automated asset management, streamlined negotiations, and innovative M&A exploration tools. The platform's user-friendly interface and unique features position it as a potentially transformative tool in the IP landscape, connecting IP owners, businesses, and professionals.

Below are the current projects which we are assisting in conjunction with our new platform:

Current Projects Overview

1. Asset 400 AI Patent Portfolio: Assisting in monetizing a substantial portfolio of 400 AI-related patents across various industries, including agriculture, finance, and health systems.
2. SSdT (Diabetes Project) Technology: Supporting the commercialization of 22 patents related to biological information measurement and calculation systems, with a strategic focus on medical technologies.
3. GCE Institute (Nano-Related Project): Promoting a new thermoelectric power generation system aimed at contributing to carbon neutrality and providing reliable power sources in disaster scenarios and developing countries.
4. Cybersecurity-Related Technology and IP Portfolio: Introducing PolyCode's LOCKTIGHT-D, an advanced authentication technology with significant market potential across finance, healthcare, government, and e-commerce sectors.
5. Collaboration with Nokia Technologies Oy: Assisting Nokia in finding specific technologies globally to contribute to their global business strategy.

E. Intellectual Property Listings and Registered Users

We continue with steady growth of our Intellectual Property (IP) Exchange. We have diligently updated our listings to accurately account for expired and abandoned patents,

maintaining the integrity of our database. Presently, we host an extensive collection of over 179,000 intellectual properties, spanning 102 countries. Our user base has also expanded significantly, with over 9,000 regular users and 4,800 professional users now part of our network. Our platform's reach is truly global, attracting visitors from 127 different countries.

F. Portfolio Companies

Across our core portfolio companies, we have seen strong operational and business growth and have been able to mitigate many of the potential and ongoing issues caused by the Covid pandemic and other geopolitical events. In detail our achievements are as follows:

1. Cleanhearing ([Cleanhearing.com](https://www.cleanhearing.com) - World-First Electromagnetic Stimulation Device for Tinnitus)

Despite ongoing geopolitical and economic challenges, Cleanhearing has demonstrated steady progress so far, and new partnerships. Our focus now is fundraising for our next steps and also to cover our ongoing and increasing operational expenses..

In the fiscal year 2022-2023, with a small team of just three members and despite no dedicated sales and marketing team, Cleanhearing Inc. and Cleanhearing GmbH both achieved positive revenue results. Our PEMF medical device has generated approximately USD 130,000 in revenue through sales and rentals. Our sound enrichment therapy app has surpassed 5,100 downloads across iOS and Android platforms.

Going forward, raising further funds is essential to achieve our four key priorities: running clinical trials, maintaining and expanding regulatory approvals, localization for new markets, and establishing a dedicated sales and marketing function. We are in advanced discussions with several potential partners and investors who are well-placed to help us take these important next steps.

a. Summary of the Financials

In the fiscal year 2022-2023, we achieved positive revenue results for both Cleanhearing GmbH and Cleanhearing Inc.:

- **Cleanhearing GmbH (Europe):**
 - 2023 Total Gross Revenue (Sales, Rentals, Other): €31,092.23
 - 2024 (Jan-Jun) Total Gross Revenue: €23,173.27
 - 2023 Sales: €19,028.45
 - 2024 (Jan-Jun) Sales: €20,015.26
 - Our first half 2024 revenue represents 74.5% of our entire 2023 revenue, indicating substantial year-over-year growth driven by device sales.

We expect this trend to continue in Europe, potentially doubling our annual revenue in 2024. The substantial sales growth suggests our products are gaining traction in the market, validating our business model and strategy.

- **Cleanhearing Inc. (USA):**

- Generated revenues of USD 24,700 by selling devices to Cleanhearing GmbH.
- Maintained a low loss of USD 24,803.16.

- b. Regulatory Approvals and IP Portfolio**

We have continued to maintain our CE Class IIa marketing approval for Europe and are proactively preparing to meet the rigorous requirements of EU MDR. This adaptation presents a significant challenge for many medical device startups due to the stricter regulations and more rigorous requirements applying to medical device approvals as well as significantly increased costs so we are continuously monitoring the relevant regulations and guidelines.

In the US, tinnitus remains the leading service-connected disability for veterans, with the government spending approximately \$5.4 billion annually on related treatments and we are strategically planning to enter the US market.

Our patent portfolio is robust, extending protection in major markets including the US, Canada, Japan, and Europe until 2035. We have continued to enhance and expand our portfolio, with recent patent grants in Europe, Canada, and Japan, further strengthening our intellectual property position.

- c. Sales and Marketing**

The lack of a dedicated sales and marketing function and small team size (3 people) continues to be challenging. Despite this, we are pleased to report that we are seeing some steady growth:

- As of today, June 30th, 2024, only six months into the year, sales figures have increased by 54.6% and rental figures by 100% compared to the full previous year.
- 5,100 downloads of our tailor-made notched music app, with 4,000 on Apple iOS and 1,100 on Google Android.

- d. Preparations for Clinical Studies**

We are pleased to update that we are advancing progress towards our clinical studies with collaborations with various partners in the US, Japan, and Germany, and are poised to proceed once we secure the necessary funding. We have also started preparing for PMDA

(Japan regulatory approval) and Distribution partnerships having enlisted several prominent Japanese team members and initiated discussions with the PMDA.

These trials are crucial for gathering essential clinical evidence and facilitating our PMDA and FDA approval applications as well as supporting our CE approval under the more rigorous requirements of the EU MDR.

e. Collaborations in Different Countries for Both Business and Investment

To support the above initiatives, Cleanhearing is actively pursuing business and investment opportunities with several leading companies worldwide, including Terumo, Kowa Pharmaceuticals, Cyberdyne, Onkyo, Onward Health Research, Amplifon, Path Medical, Duarity, Fogarty Innovation and others. With the necessary funding, we are poised for successful market entry and expansion in Japan, the US and beyond.

f. Product Development

We are currently preparing the UI/UX of our Cleanhearing Sono devices to be translated into Spanish, German, and Japanese in order to penetrate key markets within the EU and to align with requirements set by the Japanese PMDA for our Medical Device Regulatory Approval.

We are also planning the expansion of our tailor-made notched music app to a premium paid version. This upgrade will include enhanced features such as comprehensive data collection, analytics, and visualization capabilities to facilitate informed decision-making by medical professionals.

g. Next Steps

We have several significant opportunities and milestones ahead. To realize these opportunities and navigate the challenges of ongoing operational costs, securing further funding within the next few months remains an urgent priority.

Looking forward, our key focus areas include:

- **Clinical Trials:** Conducting necessary trials to gather data for FDA and PMDA approvals.
- **Regulatory Compliance:** Completing steps to maintain our marketing approval under EU MDR.
- **Market Expansion:** Localizing our products for more European countries and Japan.
- **Sales and Marketing:** Establishing a dedicated team to drive sales and marketing efforts.
- **Fundraising:** Raising funds to support these initiatives.

By concentrating on these priorities, we aim to continue our growth trajectory and strengthen our market presence globally.

2. Patentfield ([Patentfield.com](https://www.patentfield.com) - AI for Big Data, Data Visualization, and Data Analytics in Intellectual Property)

Despite the ongoing geopolitical tensions and macroeconomic uncertainties, Patentfield has demonstrated remarkable resilience and continuous progress with significant increase in both revenue and profit compared to the previous fiscal term.

Worldwide, complex geopolitical landscapes and economic challenges are leading to a growing demand for intellectual property reform, based on increased efficiency, automation, and advanced capabilities through digital transformation (DX) and AI utilization. Small and medium-sized venture companies, particularly in the Kanto and Kansai regions, are increasingly initiating or strengthening their intellectual property activities to drive business growth and ensure safety assurance.

To meet this rising demand, we offer a diverse range of multifunctional and affordable Patentfield services through the SaaS subscription model, catering to customers with limited budgets. For those with substantial budgets to address high-level challenges, we provide customized solutions such as dedicated cloud services, cross-lingual Japanese patent search for global patent investigations, and custom development services. These additional offerings complement our core services.

As part of our international expansion efforts, we have begun offering Taiwanese patent data and are continuously enhancing our global service offerings. We are committed to supporting businesses worldwide by providing them with the tools and resources needed to manage their intellectual property efficiently, including private seminars, APPI integrations, image search functionality and reporting functionalities.

On the sales front, we optimized our activities by enhancing advertising efforts through a combination of online, offline, and digital marketing strategies, expanding opportunities for upselling and cross-selling to existing customers.

On the research and development front, an exciting development is "Patentfield AIR," our AI-assisted review service. In March 2024, our service announcement event was attended by over 500 participants. We are now in the final stages of preparation for the release scheduled for July 1, 2024.

a. Key Performance and Financial Highlights:

We are pleased to report that in 2023, Patentfield achieved remarkable sales

revenue of JPY 171,892,000 and an operating profit of JPY 10,711,000. These figures represent a significant year-over-year increase of approximately 38.5% in revenue and a solid 20% increase in operating profit. This impressive growth highlights our ability to navigate challenging environments while continuing to meet and exceed the needs of our customers.

It is worth noting that 80% of our revenue is generated from SaaS subscriptions, while the remaining 20% stems from customization requests. Currently, we proudly serve close to 500 subscribers, with 329 of them being large corporations. More than half of these corporations are listed on the TSE Prime Market, while the remaining subscribers are listed on the TSE Standard Market. Despite the challenging macroeconomic, geopolitical, and pandemic landscape, our industry-specific churn rate remains at a low level of 8%.

Looking ahead, Patentfield will prioritize expanding our market share, with a particular focus on the Intellectual Property Department, Research and Development Department, and Planning Department. These strategic areas will be at the forefront of our efforts as we continue to navigate and excel in the intellectual property industry.

b. Financing/Fundraising - Accelerating Growth: Domestic Boost and Global Expansion

Patentfield has achieved consistent profitability, and we're now ready to elevate our success to new heights. Our strategic vision encompasses two primary objectives: dramatically increasing our sales performance within Japan and initiating a calculated international expansion.

We have targeted fundraising initiative aimed at fueling our growth strategy both in Japan and abroad and allocating funds to these two critical areas. The goal is to boost our revenue and significantly enhance our product offering.

Our leadership team remains committed to prudent financial management and long-term value creation throughout this expansion phase. We're excited about this next chapter for Patentfield and the opportunities it presents for our clients, employees, and shareholders.

c. Our Strong Business Performance

1. Management Policy

Our company's mission is "to create a world where intellectual property (IP) can be utilized by many people." Towards optimizing our customers' business

resources (people, materials, money, information, time, and intellectual property), we integrate human and AI technologies dedicating ourselves fully to system development that enables customers to establish competitive advantages.

2. Business Environment

Patent search, investigation, and analysis has increased from a market size of USD 1.11 billion in 2019 to USD 1.74 billion in 2023 (CAGR 11.75%). This presents risks such as increasing costs, as well as opportunities for patent search companies. Our plans for international expansion can make us less vulnerable to risks such as currency fluctuations as well as drive growth by being at the forefront of advanced IP solutions technology.

3. Mid-term Management Strategy

By 2026, we aim to break into the top tier of domestic patent database operators with a cumulative total of 1,000 contracted operators, leveraging our strength in "rapid and high development capabilities," and growing our revenue model through stable stock-type businesses in cloud services and support services, AI-generated patent search support. Additionally, we will venture into launching new revenue businesses and overseas sales.

d. Inception of Patentfield AIR, Product Development and AI Trends

Currently, momentum is accelerating in the IP industry towards AI-driven business transformation. Leveraging patented technologies, we will launch "Patentfield AIR (AI Review Support Service)" on 1st of July 2024.

Patentfield AIR is a groundbreaking tool designed to revolutionize the patent review process by integrating advanced generative AI features into our platform. This innovation aims to enhance efficiency and accuracy in handling large volumes of patent documents. Patentfield AIR proves invaluable in various scenarios, from large-scale patent reviews and evaluating new inventions to pre-filing investigations and patent infringement risk analysis. Users can create custom AI directives, perform multiple tasks simultaneously, and efficiently manage patent portfolios.

Furthermore, we actively pursue patent applications and rights acquisition both domestically and internationally for AI generation technologies and services, aiming to build a robust patent portfolio.

To summarize, Patentfield is moving ahead on all fronts, continuing its strong positive momentum. The goal is to position Patentfield, both domestically and internationally,

as a leader in patent search and analytics through continued growth and innovation. Patentfield AIR offers a suite of powerful features:

- Summarization: Transforms complex investigation content into clear, concise Japanese summaries.
- Keyword Extraction: Identifies crucial keywords from key sections like "problems" and "effects."
- Classification and Labeling: Automatically sorts and tags patents based on content.
- Relevance Evaluation: Assesses the relevance of patents to new ideas or claims.
- Technical Component Comparison: Analyzes and compares technical components across patents.
- Trend Analysis: Uncovers emerging technological trends and monitors competitor activities.

Our tool leverages multiple advanced AI models, including gpt-4-turbo-2024-04-09, gpt-4o-2024-05-13, ChatGPT-3.5, and gemini-1.5-flash-latest, making it versatile and robust.

3. B2B2.ai - Innovative B2B Lead Generation Platform

In the wake of the Covid-19 pandemic, inflation, and the depreciation of the Japanese Yen, businesses in Japan are increasingly seeking national and global partnerships. This trend is driven by the rising costs of USD-valued resources like fisheries and steel, as well as a desire for expansion.

B2B2.ai addresses these challenges with its cutting-edge lead generation and global partnership platform. The system provides users with powerful analytical tools to identify potential partners in specific sectors and technologies.

Key highlights:

1. AI-driven innovation: B2B2.ai began developing AI for business lead generation in 2022, securing patents before ChatGPT's launch in December 2022.
2. Strategic partnerships: IPNexus formed a joint venture with QRI, a Kyodo News subsidiary, establishing B2B2 Inc. by September 2022.
3. Funding and development: The company secured pre-seed investment and created a closed alpha version.
4. Leadership: Shunichi Mochizuki, with extensive experience in IT solutions and IP, joined as CTO to drive technical innovation.
5. Ongoing progress: The corporate and financial database is now functional, with a closed alpha version available for testing by academic and corporate partners.
6. Future plans: B2B2.ai aims to launch the platform by the end of 2024, with plans for further collaboration and expansion.

With the development of B2B2.ai our aim is to expand our suite of valuable AI-driven business tools and deliver further value to customers and shareholders.

NEXT STEPS

IPNexus has demonstrated resilience and achieved significant progress in key projects despite macroeconomic and geopolitical challenges. We remain committed to delivering shareholder value and establishing ourselves as a leading IP commercialization platform. While the current JPY depreciation impacts our asset valuation, we are implementing strategies to mitigate these effects and maintain long-term value creation.

Looking ahead, we have identified key areas of focus to drive our progress:

1. **Expanding IP Commercialization:** We aim to increase the number and value of IP commercialization projects, unlocking intellectual property value and creating new avenues for growth.
2. **Portfolio Company Growth:** We will continue supporting our existing portfolio companies - Cleanhearing, Patentfield, and B2B2.ai - as they progress to their next stages of development, enhancing their corporate value and positioning them for long-term success.
3. **Team and Network Expansion:** We will strengthen our team by attracting top talent and broadening our network of partners and collaborators, leveraging collective expertise to fuel growth and create synergies.
4. **Securing New Investment:** We will focus on obtaining necessary funding to accelerate our projects and mission, benefiting all stakeholders and investors.

By focusing on these strategic priorities, IPNexus aims to drive growth and value creation across our portfolio, positioning ourselves for long-term success in the dynamic field of IP commercialization and technology innovation.

We express our deepest gratitude for your continued support and trust. We look forward to sharing future developments with you.

Sincerely,

Hidi and the IPNexus Team