As filed with the U.S. Securities and Exchange Commission on November 23, 2004

Registration No. 333-119433

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MediciNova, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**2834**	**33-0927979**
(State or other jurisdiction of incorporation or organization)	**(Primary standard industrial classification code number)**	**(IRS employer identification no.)**

4350 La Jolla Village Drive, Suite 950
San Diego, CA 92122
(858) 373-1500
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Takashi Kiyoizumi, M.D., Ph.D.
MediciNova, Inc.
President and Chief Executive Officer
4350 La Jolla Village Drive, Suite 950
San Diego, CA 92122
(858) 373-1500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Babak Yaghmaie, Esq.	**David R. Snyder, Esq.**	**Alan G. Cannon, Esq.**
Pillsbury Winthrop LLP	**James E. Basta, Esq.**	**Simpson Thacher & Bartlett LLP**
1540 Broadway	**Pillsbury Winthrop LLP**	**Ark Mori Building—37th Floor**
New York, New York 10036	**101 West Broadway**	**12-32, Akasaka 1-chome**
Phone: (212) 858-1000	**San Diego, California 92101-4700**	**Minato-ku, Tokyo 107, Japan**
Fax: (212) 858-1500	**Phone: (619) 234-5000**	**Phone: 011-81-3-5562-6200**
	Fax: (619) 236-1995	**Fax: 011-81-3-5562-6202**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS (Subject to Completion)
Dated November 23, 2004.

Shares

Common Stock

We are selling shares of common stock. These shares will be offered in Japan and to investors located in jurisdictions other than the United States. We have applied to list our common stock on the Hercules market of the Osaka Securities Exchange. This is an initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. We currently estimate that the initial public offering price of our common stock will be between $ and $ per share.

Our business and an investment in our common stock involve significant risks. These risks are described under the caption " Risk Factors" beginning on page 8 of this prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discount and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters also may purchase up to shares of our common stock from us at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

The underwriters expect to deliver the shares against payment in dollars through the facilities of the Japan Securities Settlement & Custody, Inc. on or about , 2005.

Daiwa Securities SMBC

The date of this prospectus is , 2005

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PROSPECTUS SUMMARY

The information contained in this summary is qualified in its entirety by, and should be read in conjunction with, the detailed information and financial statements, including the notes thereto, appearing elsewhere in this prospectus. You should read the following summary together with the more detailed information, including "Risk Factors" and our financial statements and related notes, before making your investment decision.

Our Business

We are a specialty pharmaceutical company focused on acquiring, developing and commercializing innovative pharmaceutical products for a variety of diseases and conditions. We actively seek to identify and acquire license rights to product candidates with extensive safety and efficacy data that are in late pre-clinical or early clinical development and address large markets with significant opportunities for improved therapies. We currently have one Phase I clinical trial ongoing for a product candidate and anticipate entering into Phase II clinical trials with five other product candidates by the end of the first half of 2005.

Our development programs follow a dual pathway:

- strategic core programs; and
- partnering programs.

Our strategic core programs consist of product candidates we intend to retain the rights to through final regulatory approval in the United States and commercialize directly. Currently, our strategic core programs are focused on the urology and obstetrics/gynecology markets. These are markets in which we believe we can pursue regulatory approval and develop a marketing and sales infrastructure in the United States utilizing our own resources and without partnering with larger pharmaceutical companies. Our existing strategic core programs consist of:

- MN-221 for the treatment of premature labor, for which we intend to file an Investigational New Drug, or IND, application to permit commencement of Phase II clinical trials in the first half of 2005;
- MN-029 for the treatment of solid tumors, currently in Phase I clinical trials; and
- MN-001 for the treatment of interstitial cystitis, for which we intend to file an IND application to permit commencement of Phase II clinical trials by the end of the first quarter of 2005.

Our partnering programs consist of product candidates we intend to license to larger pharmaceutical companies after advancing them through Phase II clinical trials and with respect to which we intend to retain co-promotion rights. Our partnering programs focus on product candidates for larger markets that typically require significantly greater clinical development and commercialization resources than our strategic core programs. Our partnering programs currently consist of:

- MN-001 for the treatment of bronchial asthma, for which we intend to commence a Phase II clinical trial by the end of the first quarter of 2005;
- MN-305 for the treatment of anxiety, for which we intend to commence a Phase II clinical trial by the end of 2004; and
- MN-166 for the treatment of multiple sclerosis, for which we intend to commence a Phase II clinical trial by the end of the first half of 2005.

We believe that our dual pathway approach to product development will allow us:

- to significantly diversify our development risks by enabling us to acquire a larger portfolio of product candidates;

- to move more quickly into the clinical development process in the United States; and
- to generate near-term revenue opportunities through our partnering program, as well as to generate long-term sustained revenue opportunities through our strategic core programs.

To date, we have acquired license rights to five compounds. We intend to continue to build a strong product pipeline by establishing relationships with large and mid-sized North American, European and Japanese biotechnology and pharmaceutical companies. Since our inception, we have established relationships with a number of pharmaceutical companies, including Kissei Pharmaceutical, Kyorin Pharmaceutical and Mitsubishi Pharma Corporation in Japan, pursuant to which we have obtained rights to develop and market compounds. We believe the establishment of these relationships in Japan provides us with a competitive advantage in identifying and acquiring compounds from Japanese pharmaceutical companies.

We have assembled a management team with extensive experience in the pharmaceutical and biotechnology industry, including experience in pre-clinical research, drug substance and product preparation, regulatory affairs, clinical research, marketing and sales and corporate development. We have successfully utilized our expertise to generate revenues from development management contracts with Asahi Kasei Pharma Corporation and Argenes Inc., both Japanese pharmaceutical companies, for consulting services rendered. We intend to seek similar revenue opportunities to augment our dual pathway development approach and to provide us with additional in-license opportunities.

Our Strategy

Our goal is to become a leader in the development and commercialization of drugs for the treatment of diseases with unmet medical needs. Key elements of our strategy are to:

- execute our dual pathway development approach;
- continue to expand our pipeline of promising product candidates;
- partner selectively with larger pharmaceutical companies to maximize the commercial potential of our product candidates; and
- continue to strengthen our management team.

Our History

We were founded in September 2000 by Takashi Kiyoizumi, M.D., Ph.D. and Yuichi Iwaki, M.D., Ph.D. as a majority-owned subsidiary of the Japanese pharmaceutical company, Tanabe Seiyaku Co., Ltd. Prior to joining MediciNova, Dr. Kiyoizumi had been the chief executive of Tanabe Research Laboratories, USA, the San Diego-based research arm of Tanabe Seiyaku. Our operations are now completely independent of Tanabe Seiyaku, which, as of September 30, 2004, indirectly owned approximately 15% of our outstanding capital stock.

Our principal executive offices are located at 4350 La Jolla Village Drive, Suite 950, San Diego, California 92122, and our telephone number is (858) 373-1500. Our website address is www.medicinova.com. The information on our website is not a part of this prospectus. References in this prospectus to “we,” “our,” “us” and “MediciNova” refer to MediciNova, Inc., a Delaware corporation.

We have received U.S. and Japanese trademark registration for our corporate name, MediciNova. All other trademarks and trade names referred to in this prospectus are the property of their respective owners.

Risks Affecting Our Business and Strategy

Our business and the success of our strategy are subject to numerous risks, which are highlighted in the section entitled “Risk Factors” immediately following this prospectus summary, including the following:

- we are an early-stage company with a limited operating history and limited revenues derived from operations;

- we have incurred significant losses since our inception, which for the year ended December 31, 2003, amounted to a net loss of $6.2 million and for the nine months ended September 30, 2004, amounted to a net loss of $44.3 million, including $34.2 million of non-cash stock-based compensation charges;
- we do not have any products that are approved for sale;
- we may be unsuccessful in developing and gaining regulatory approval for new product candidates and may not be able to sustain our operations and may never become profitable;
- if we are unable to retain key management members or expand our management team, we may be unable to successfully develop or commercialize our product candidates as planned;
- if we fail to identify and license or acquire other product candidates, we will not be able to expand our business; and
- we may need additional financing to execute our strategy to acquire, develop or commercialize our current and future product candidates.

The Offering

Common stock offered by MediciNova, Inc.	shares to be offered by means of a public offering in Japan.
Lead underwriter	Daiwa Securities SMBC Co. Ltd.
Over-allotment Option	We have granted the underwriters an option, exercisable until , 2005, to purchase up to additional shares, solely to cover over-allotments, if any.
Offering Price	$ per share.
Listing	We have applied to the Hercules market of the Osaka Securities Exchange for listing of our common stock.
Common stock to be outstanding after this offering	shares.
Use of Proceeds	We expect to use the net proceeds of this offering to continue the development of our product candidates, to in-license additional product candidates and for other working capital and general corporate purposes. See "Use of Proceeds."
Lock-Up Agreements	We, our officers, directors, existing stockholders, option holders and warrantholders have agreed with the underwriters not to dispose of or hedge our common stock for a period of 180 days after the listing of our common stock on the Hercules market, subject to limited exceptions described in "Underwriting."
Payment and Settlement	The underwriters expect to deliver certificates representing the shares against payment in dollars through the facilities of the Japan Securities Settlement & Custody, Inc. on or about , 2005.
Expected Timetable	We expect the timetable for the offering to be as follows (dates subject to change): , 2005: Commencement of bookbuilding of the offering in Japan. , 2005 to , 2005: Pricing of the offering. First to third business day after pricing date: Japanese subscription period. Seventh business day after pricing date: Listing of the common stock on the Hercules market of the Osaka Securities Exchange and delivery of shares.

The number of shares of common stock to be outstanding immediately after this offering is based on 67,282,856 shares of common stock outstanding as of September 30, 2004. This number excludes:

- 1,510,000 shares of our common stock issuable upon exercise of options outstanding under our 2000 General Stock Incentive Plan as of September 30, 2004 at an exercise price of $1.00 per share;
- 20,300,000 shares authorized for future issuance under our 2004 Stock Incentive Plan as of the date of completion of this offering; and
- 13,356,572 shares of our common stock issuable upon exercise of stock purchase warrants, at a weighted average exercise price of $0.13 per share.

Unless otherwise stated, information in this prospectus is based on the following assumptions:

- the conversion of all outstanding shares of our convertible preferred stock into 66,782,856 shares of common stock immediately prior to the closing of this offering;
- the adoption of our restated certificate of incorporation and amended and restated bylaws to be effective upon the closing of this offering; and
- no exercise of the underwriters' over-allotment option.

Summary Financial Data

The following table sets forth certain of our financial data. We derived the summary financial data for the years ended December 31, 2001, 2002 and 2003 from our audited financial statements included elsewhere in this prospectus. We have also included data for the nine months ended September 30, 2003 and 2004 and the period from September 26, 2000 (inception) to September 30, 2004 from our unaudited financial statements included elsewhere in this prospectus and data for the period from September 26, 2000 (inception) to December 31, 2000 from our audited financial statements not included in this prospectus. You should read this data together with our financial statements and related notes and the information under "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The pro forma as adjusted balance sheet data reflects the pro forma balance sheet data at September 30, 2004 adjusted for the sale of shares of our common stock in this offering at the initial offering price to the public of $ per share, after deducting the estimated underwriting discounts, commissions and offering expenses payable by us, and the automatic conversion of all preferred stock into common stock upon the completion of this offering.

	Period from September 26, 2000 (inception) to December 31, 2000	Years ended December 31,			Nine months ended September 30,		Period from September 26, 2000 (inception) to September 30, 2004
		2001	2002	2003	2003	2004	
	(in thousands, except share and per share data)						
Statements of Operations Data:							
Revenues	$ —	$ —	$ —	$ —	$ —	$ 354	$ 354
Operating expenses:							
Cost of revenues	—	—	—	—	—	309	309
Research and development	272	952	5,551	4,723	3,357	8,279	19,777
General and administrative	—	1,063	1,462	1,538	1,056	2,026	6,089
Amortization of employee stock-based compensation and founders' warrants:							
Research and development	—	—	—	—	—	57	57
General and administrative	—	—	—	—	—	34,153	34,153
Total operating expenses	272	2,015	7,013	6,261	4,413	44,824	60,385
Operating loss	(272)	(2,015)	(7,013)	(6,261)	(4,413)	(44,470)	(60,031)
Other income, net	71	220	82	52	39	133	557
Net loss	(201)	(1,795)	(6,931)	(6,209)	(4,374)	(44,337)	(59,474)
Accretion to redemption value of redeemable convertible preferred stock	—	—	—	—	—	(20)	(20)
Deemed dividend resulting from beneficial conversion feature on Series C redeemable convertible preferred stock	—	—	—	—	—	(31,264)	(31,264)
Net loss applicable to common stockholders	$ (201)	$ (1,795)	$ (6,931)	$ (6,209)	$ (4,374)	$ (75,621)	$ (90,758)
Basic and diluted net loss per share[1]	$ (0.40)	$ (3.59)	$ (13.86)	$ (12.42)	$ (8.75)	$ (151.24)	
Shares used to compute basic and diluted net loss per share[1]	500,000	500,000	500,000	500,000	500,000	500,000	
Pro forma net loss per common share assuming conversion of preferred stock, basic and diluted[1]				$ (0.37)		$ (2.18)	
Shares used in computing pro forma net loss per common share assuming conversion of preferred stock, basic and diluted[1]				16,778,767		34,691,697	

(1) See Note 1 to our financial statements for an explanation of the method used to calculate the historical and pro forma net loss per share and the number of shares used in the computation of the per share amounts.

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted
	(in thousands)	
Balance Sheet Data:		
Cash, cash equivalents and marketable securities available-for-sale	$ 55,333	$
Working capital	53,666	
Total assets	57,016	
Redeemable convertible preferred stock	43,424	
Deficit accumulated during the development stage	(90,758)	
Total stockholders' equity	11,579	

RISK FACTORS

An investment in our common stock involves significant risks. You should consider carefully the risks described below and the other information included in this prospectus, including our financial statements and related notes, before you decide to buy our common stock. Our business, financial condition and results of operation could be harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you could lose part or all of your investment.

Risks Related to Our Business

We expect our net losses to continue for at least several years and we are unable to predict the extent of our future losses.

We are a development stage specialty pharmaceutical company with a limited operating history. We have incurred significant net losses since our inception. For the year ended December 31, 2003, we had a net loss of $6.2 million. For the nine months ended September 30, 2004, we had a net loss of $44.3 million, including $34.2 million of non-cash stock-based compensation charges. We expect our annual net losses to increase over the next several years as we expand and incur significant clinical development costs. These losses have reduced our stockholders' equity and, excluding the portion related to stock-based compensation, will continue to reduce our stockholders' equity and working capital.

We expect our development expenses to increase in connection with our planned clinical trials for our product candidates and any other development projects that we may initiate. In addition, we expect to incur increased general and administrative expenses as well as the increased costs to operate as a public company. Consequently, we expect to continue to incur significant and increasing operating losses for the foreseeable future.

We do not have any products that are approved for commercial sale and therefore do not expect to generate any revenues from product sales in the foreseeable future.

We have not received, and do not expect to receive for at least the next several years, any revenues from the commercialization of our product candidates. To date, we have not generated any product revenue and have funded our operations primarily from private sales of our securities. Our only source of revenues in the first nine months of 2004 was from development management services rendered to Asahi Kasei Pharma Corporation and Argenes Inc., both Japanese pharmaceutical companies, in connection with their clinical development of pharmaceutical product candidates. In 2003, we received no revenues. We anticipate that we will continue to receive modest revenues for rendering consulting services and that, prior to our commercialization of a product candidate, our consulting revenues together with strategic collaboration fees and out-licensing upfront and milestone payments will be our primary source of revenues. To obtain revenues from sales of our product candidates, we must succeed, either alone or with third parties, in developing, obtaining regulatory approval for, and manufacturing and marketing drugs with market potential. We may never succeed in these activities, and may not generate sufficient revenues to continue our business operations or achieve profitability.

The loss of any rights to develop and market any of our product candidates would significantly impair our operating results.

We license the rights to develop and market our product candidates. Currently, we have licensed five compounds for the development of six product candidates. They are:

- MN-221 for premature labor licensed from Kissei Pharmaceutical;
- MN-029 for solid tumors licensed from Angiogene Pharmaceuticals;
- MN-001 for interstitial cystisis and asthma licensed from Kyorin Pharmaceutical;
- MN-305 for anxiety licensed from Mitsubishi Pharma Corporation; and
- MN-166 for multiple sclerosis licensed from Kyorin Pharmaceutical.

We are obligated to develop and commercialize these product candidates in accordance with mutually agreed upon terms and conditions. Our ability to satisfy some or all of the terms and conditions of our licensing arrangements is dependent on numerous factors, including some factors that are outside of our control. Our licensing arrangements may be terminated if we materially breach our obligations under the agreements and fail to cure a breach within a specified period of time.

If any of our license agreements is terminated, then we would have no further rights to develop and commercialize the product candidate which is the subject of the license. The termination of any of our license agreements would significantly and adversely affect our business.

In order to commercialize a therapeutic drug successfully, a product candidate must undergo clinical trials, which are long, complex and costly, manifest a high risk of failure and can be delayed or suspended.

All of our product candidates are in clinical development, the process that is required to receive regulatory approval for commercial sale. The regulatory approval process is long, complex and costly. It may take several years to complete the clinical development necessary to commercialize a drug, and delays or failure can occur at any stage which may result in our inability to market and sell products derived from our product candidates and to generate product revenues. Of the large number of drugs in development, only a small percentage result in the submission of a new drug application to the Food and Drug Administration, or FDA, and even fewer are approved for commercialization. Interim results of clinical trials do not necessarily predict final results, and success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials.

In connection with clinical trials, we face risks that:

- a product candidate may not prove to be efficacious;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the product candidate being tested;
- the results may not confirm the positive results of earlier trials; and
- the results may not be acceptable to the FDA or other regulatory agencies.

To date, the FDA has accepted Investigational New Drug, or IND, applications for only two of our six product candidates. We cannot conduct human clinical trials in the United States on our other four product candidates until an IND application is in effect and there can be no assurance that the FDA will allow our applications to go into effect.

The commencement of clinical trials can be delayed for a variety of other reasons, including delays in:

- demonstrating sufficient safety to persuade regulatory authorities to allow a clinical trial to begin;
- reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- manufacturing sufficient quantities of a product candidate;
- obtaining institutional review board approval to conduct a clinical trial at a prospective site; and
- obtaining sufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial.

Once a clinical trial has begun, it may be delayed, suspended or terminated due to a number of factors, including:

- ongoing discussions with regulatory authorities regarding the scope or design of our clinical trials or requests by them for supplemental information with respect to our clinical trial results;
- failure to conduct clinical trials in accordance with regulatory requirements;
- lower than anticipated retention rates of patients in clinical trials;
- serious adverse events or side effects experienced by participants; or
- insufficient supply or deficient quality of product candidates or other materials necessary for the conduct of our clinical trials.

Many of these factors described above may also ultimately lead to denial of regulatory approval of a current or potential product candidate. If we experience delays in our clinical trials, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenues will be delayed.

If we fail to identify and license or acquire other product candidates, we will not be able to expand our business.

Since we have limited internal discovery capabilities, our business is substantially dependent on our ability to license or acquire clinical-stage product candidates and further develop them for commercialization. The success of this strategy depends upon our ability to identify, select and acquire the right product candidates. We have limited experience identifying, negotiating and implementing economically viable product candidate acquisitions or licenses, which is a lengthy and complex process. Also, the market for licensing and acquiring product candidates is intensely competitive and many of our competitors have greater resources than us. We may not have the requisite capital resources to consummate product candidate acquisitions or licenses that we identify to fulfill our strategy.

Moreover, product candidate acquisitions that we do complete involve numerous risks, including:

- difficulties in integrating the development program for the acquired product candidate into our existing operations;
- diversion of financial and management resources from existing operations;
- risks of entering new markets or technologies;
- inability to generate sufficient revenues to offset acquisition costs; and
- delays that may result from us having to perform unanticipated pre-clinical trials or other tests on the product candidate.

If we are not successful in identifying and licensing or acquiring other product candidates, we will not be able to grow our revenues with sales from new products.

If we fail to obtain the capital necessary to fund our operations, we will be unable to develop and commercialize our product candidates.

We have consumed substantial amounts of capital since our inception. From our inception to September 30, 2004, we used $24.9 million in cash to fund our operating activities and acquisitions of property and equipment. Although we believe our existing cash resources plus the proceeds of this offering will be sufficient to fund our anticipated cash requirements through 2006, we will require significant additional financing in the future to fund our operations. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- progress in, and the costs of, our clinical trials;
- the costs of securing manufacturing arrangements for clinical or commercial production;
- the costs involved in filing, prosecuting, enforcing and defending patent claims and other intellectual property rights; and
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approval to market our product candidates.

Until we can generate significant continuing revenues, we expect to satisfy our future cash needs through strategic collaborations, private or public sales of our securities, debt financings or by licensing all or a portion of our product candidates. We cannot be certain that additional sources of capital will be available to us on acceptable terms, or at all. If sources of capital are not available, we may not be in a position to pursue other business opportunities that require financial commitments and we may be required to:

- terminate or delay clinical trials for one or more of our product candidates;
- delay establishing sales and marketing capabilities;
- curtail our efforts to acquire new product candidates; or
- relinquish rights to our technologies or product candidates.

We believe that our existing cash and investments, excluding the proceeds from this offering, will be sufficient to meet our projected operating requirements through at least December 31, 2005.

The terms under which we raise additional capital may adversely affect our business and may significantly dilute your ownership interest.

If we raise additional funds through collaborations or licensing arrangements with third parties, we may need to relinquish some rights to our product candidates, including commercialization rights, that may adversely affect our ability to grow our business. If we raise additional funds by issuing equity securities, you may experience substantial dilution. Debt financing, if available, may involve restrictive covenants. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders.

We will depend on strategic collaborations with third parties to develop and commercialize selected product candidates and will not have control over a number of key elements relating to the development and commercialization of these product candidates.

A key aspect of our strategy is to enter into collaborations with third-party partners whereby we license selected product candidates to larger pharmaceutical companies that are willing to conduct later-stage clinical trials and further develop and commercialize those products. To date, we have not entered into any collaborative arrangements with any third-party partners and currently do not expect to do so until we have successfully completed further studies for one of our partnering program product candidates.

By entering into these strategic collaborations, we may rely on our partners for financial resources and for development, commercialization and regulatory expertise. Our partners may fail to develop or effectively commercialize products using our product candidates because they:

- do not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as limited cash or human resources;
- decide to pursue a competitive potential product that has been developed outside of the collaboration; or
- cannot obtain the necessary regulatory approvals.

We may not be able to enter into collaborations on acceptable terms, if at all. We also face competition in our search for partners with whom we may collaborate.

We rely on third parties to conduct our clinical trials and perform data collection and analysis, which may result in costs and delays that may hamper our ability to successfully develop and commercialize our product candidates.

Although we design and manage our current clinical trials, we do not have the ability to conduct clinical trials directly for our product candidates. We will rely on contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials and to perform data collection and analysis. In the course of clinical development, we have contracted and will continue to contract with a number of these research organizations, including, without limitation, MDS Pharma Services of Belfast, Northern Ireland, Pharmaceutical Research Associates, Inc. of Lenexa, Kansas, Fulcrum Pharma Developments, Inc. of Durham, North Carolina and Quintiles, Inc. of Morrisville, North Carolina.

Our clinical trials may be delayed, suspended or terminated if:

- the third parties upon whom we rely do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines;
- these third parties need to be replaced; or
- the quality or accuracy of the data obtained by the third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons.

Failure to perform by the third parties upon whom we rely may increase our development costs, delay our ability to obtain regulatory approval and prevent the commercialization of our product candidates. While we believe that there are numerous alternative sources to provide these services, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without delays or additional expenditures.

Our product candidates may not gain acceptance among physicians, patients and the medical community, thereby limiting our potential to generate revenues.

Even if our product candidates are approved for commercial sale by the FDA or other regulatory authorities, the degree of market acceptance of any approved product candidate by physicians, healthcare professionals and third-party payors and our profitability and growth will depend on a number of factors, including:

- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- availability of alternative treatments;
- pricing and cost effectiveness, which may be subject to regulatory control;
- effectiveness of our or any of our partners' sales and marketing strategy; and
- our ability to obtain sufficient third-party insurance coverage or reimbursement.

If any product candidate that we develop does not provide a treatment regimen that is as beneficial as the current standard of care or otherwise does not provide patient benefit, that product likely will not achieve market acceptance.

We are dependent on our management team, particularly Takashi Kiyoizumi, M.D., Ph.D., a founder and our chief executive officer, and Yuichi Iwaki, M.D., Ph.D., a founder and chairman of our board of directors, and if we are unable to attract, retain and motivate these and other key management and scientific staff our drug development programs may be delayed and we may be unable to successfully develop or commercialize our product candidates.

We are dependent upon the continued services of our executive officers and other key personnel, particularly Takashi Kiyoizumi, M.D., Ph.D., one of our founders and our chief executive officer, and Yuichi Iwaki, M.D., Ph.D, one of our founders and the chairman of our board of directors, who have been instrumental in our ability to in-license product candidates from Japanese pharmaceutical companies and secure financing from Japanese institutions. The relationships that all of our key managers have cultivated with pharmaceutical companies from whom we license product candidates and to whom we expect to out-license product candidates as part of our partnering program make us particularly dependent upon their continued employment with us. We are also substantially dependent on the continued services of our existing project management personnel because of the highly technical nature of our product development programs.

As we acquire or license new product candidates, our success will depend on our ability to attract, retain and motivate highly qualified management and scientific personnel to manage the development of these new product candidates. In particular, our drug development programs depend on our ability to attract and retain highly experienced development and regulatory personnel. In addition, we will need to hire additional personnel as we continue to expand our clinical development and other development activities. We face competition for experienced scientists and other technical and professional personnel from numerous companies and academic and other research institutions. Competition for qualified personnel is particularly intense in the San Diego, California area. Our short operating history and the uncertainties attendant to being a development-stage specialty pharmaceutical company with limited capital resources could impair our ability to attract and retain personnel and impede the achievement of our development and commercialization objectives.

Although we have employment agreements with key members of management, each of our employees, subject to applicable notice requirements, may terminate his or her employment at any time. We do not carry “key person” insurance covering members of senior management. If we lose any of our key management personnel, we may not be able to find suitable replacements and our business would be harmed as a result.

If we are unable to establish our sales and distribution capabilities, we will be unable to successfully commercialize our core product candidates.

To date, we have not sold, marketed or distributed any pharmaceutical products. If we are successful in developing and obtaining regulatory approvals for the product candidates in our strategic core programs, we will need to establish sales, marketing and distribution capabilities. Developing an effective sales and marketing force will require a significant amount of our financial resources and time. We may be unable to establish and manage an effective sales force in a timely or cost-effective manner, if at all, and any sales force we do establish may not be capable of generating demand for our products. Although we intend to establish strategic collaborations to market the products in our strategic core programs outside the United States, if we are unable to establish such collaborations, we may be required to market our strategic core product candidates outside of the United States directly. In that event, we may need to build a corresponding international sales and marketing capability with technical expertise and with supporting distribution capabilities.

We may not be able to continue to exploit the services of outside scientific and clinical advisors fully, which could impair the progress of our clinical trials and our research and development efforts.

We work with scientific and clinical advisors at academic and other institutions who are experts in the fields related to each of our drug development projects. They advise us with respect to our clinical trials. These advisors are not our employees and may have other commitments that would limit their future availability to us. Although our scientific and clinical advisors generally agree not to engage in competing work, if a conflict of interest arises between their work for us and their work for another entity, we may lose their services, which may impair our reputation in the industry and delay the clinical development of our product candidates. These advisors do not have any rights to publish data or information obtained in connection with their work for us without our consent and are obligated to keep confidential our proprietary information.

We will need to increase the size of our organization, and we may encounter difficulties managing our growth, which could adversely affect our results of operations.

We will need to expand and effectively manage our operations and facilities in order to advance our drug development programs, achieve milestones under our collaboration agreements, facilitate additional collaborations and pursue other development activities. For example, we intend to hire additional personnel in clinical development, regulatory affairs and corporate development to further strengthen our core competencies. Similarly, we are likely to hire additional management and administrative personnel to manage our business and affairs as we continue to grow. In addition, we will have to develop sales, marketing and distribution capabilities for the product candidates in our strategic core programs. The scope and timing of these hires is highly uncertain and remains subject to the success of our current product candidate development programs.

To manage our growth, we will be required to continue to improve our operational, financial and management controls, reporting systems and procedures and to attract and retain sufficient numbers of talented employees. Meeting our public reporting obligations and other regulatory requirements in the United States and Japan following this offering will place additional demands on our limited resources. We may not successfully manage the expansion of our operations and, accordingly, may not achieve our development and commercialization goals.

We expect that our results of operations will fluctuate, which may make it difficult to predict our future performance from period to period.

Our quarterly operating results have fluctuated in the past and are likely to continue to do so in the future. Some of the factors that could cause our operating results to fluctuate from period to period include:

- the status of development of our product candidates and, particularly, the timing of any milestone payments to be paid or received by us under our licensing agreements;
- the incurrence of clinical expenses that could fluctuate significantly from period to period;
- the unpredictable effects of collaborations during these periods;
- the timing of our satisfaction of applicable regulatory requirements;
- the rate of expansion of our clinical development and other internal development efforts;
- the effect of competing technologies and products and market developments; and
- general and industry-specific economic conditions.

We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Relying on third-party manufacturers may result in delays in our clinical trials and product introductions as well as increased costs.

We have no manufacturing facilities. We do not intend to develop facilities for the manufacture of product candidates for clinical trials or commercial purposes in the foreseeable future. We are contracting with third-party manufacturers to produce, in collaboration with us, our product candidates for clinical trials. While we believe that there are competitive sources available to manufacture our product candidates, we may not be able to enter into arrangements without delays or additional expenditures. We cannot estimate these delays or costs with certainty. To date, these manufacturers have met the requirements of our programs.

Our manufacturers will be obliged to operate in accordance with FDA-mandated current good manufacturing practices, or cGMPs. A failure of any of our contract manufacturers to establish and follow cGMPs and to document their adherence to such practices may lead to significant delays in clinical trials or in obtaining regulatory approval of product candidates or the ultimate launch of our products into the market. In addition, changing contract manufacturers is difficult. For example, doing so requires re-validation of the manufacturing processes and procedures in accordance with cGMPs, which may be costly and time-consuming. Failure by our third-party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of the government to grant pre-market approval of drugs, delays, suspension or withdrawal of approvals, seizures or recalls of products, operating restrictions and criminal prosecutions.

We may not be able to manufacture our product candidates in commercial quantities, which would prevent us from commercializing our product candidates.

To date, our product candidates have been manufactured in small quantities for pre-clinical and clinical trials. If any of these product candidates are approved by the FDA or other regulatory agencies for commercial sale, we will need to manufacture them in larger quantities. We may not be able to successfully increase the manufacturing capacity, whether in collaboration with third-party manufacturers or on our own, for any of our product candidates in a timely or economic manner, or at all. Significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. If we are unable to successfully increase the manufacturing capacity for a product candidate, the regulatory approval or commercial launch of that product candidate may be delayed or there may be a shortage in supply. Our product candidates will require precise, high quality manufacturing. Our failure to achieve and maintain these high manufacturing standards, including the incidence of manufacturing errors, could result in patient injury or death, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could result in a material adverse effect on our business, financial condition and results of operations.

Materials necessary to manufacture our products may not be available on commercially reasonable terms, or at all, which may delay the development and commercialization of our products.

We rely on the manufacturers for our products to purchase from third-party suppliers the materials necessary to produce the compounds for our clinical trials and for commercial distribution, if we obtain marketing approval for any of our products. Suppliers may not sell these materials to our manufacturers at the time we need them or on commercially reasonable terms. We do not have any control over the process or timing of the acquisition of these materials by our manufacturers. Moreover, we currently do not have any agreements for the production of these materials. If our manufacturers are unable to obtain these materials for our clinical trials, product testing and potential regulatory approval of our products would be delayed, significantly impacting our ability to develop the product candidate. If our manufacturers or we are unable to purchase these materials after regulatory approval has been obtained for our products, the commercial launch of our products would be delayed or there would be a shortage in supply of our products, which would materially affect our ability to generate revenues from the sale of our products.

Risks Related to Our Intellectual Property

Our ability to compete may decline if we do not adequately protect our proprietary rights.

To date, we have obtained licensed rights under nine issued U.S. patents and two U.S. patent applications. We also have obtained licensed rights to 58 issued and pending international and foreign patents corresponding to these U.S. patents. In addition to these licensed rights, we hold three U.S. patent applications relating to MN-001 and its metabolite, MN-002. A detailed discussion of our patent rights for each of our product candidates may be found on page 51 under the heading “Intellectual Property.”

The patent protection of our product candidates and technology involves complex legal and factual questions. In general, our license agreements give us a right, but not an obligation, to enforce our patent rights. We cannot be certain that any of the patents or patent applications owned by us or our licensors related to our product candidates and technology will provide adequate protection from competing products. Our success will depend, in part, on whether we or our licensors can:

- obtain and maintain patents to protect our product candidates;
- obtain and maintain any required or desirable licenses to use certain technologies of third parties, which may be protected by patents;
- protect our trade secrets and know-how;
- operate without infringing the intellectual property and proprietary rights of others;
- enforce the issued patents under which we hold rights; and
- develop additional proprietary technologies that are patentable.

The degree of future protection for our proprietary rights is uncertain. For example:

- we might not have been the first to make the inventions covered by each of our pending patent applications;
- we might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- it is possible that none of our pending patent applications will result in issued patents;
- any patents under which we hold rights may not provide us with a basis for commercially viable products, may not provide us with any competitive advantages or may be challenged by third parties as not infringed, invalid, or unenforceable under U.S. or foreign laws;
- any of the issued patents under which we hold rights may not be valid or enforceable or may be circumvented successfully; or
- we may not develop additional proprietary technologies that are patentable.

Proprietary trade secrets and unpatented know-how may also prove to be very important to our future research and development activities. However, we cannot be certain that others will not develop the same or similar technologies on their own. We have taken steps, including entering into confidentiality agreements with all of our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors, to protect our trade secrets and unpatented know-how and keep them secret. We also typically obtain agreements from these parties which provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets.

A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time consuming and costly, and an unfavorable outcome could harm our business.

There is significant litigation in our industry regarding patent and other intellectual property rights. While we are not currently subject to any pending litigation, and are not aware of any threatened litigation, we may be exposed to future litigation by third parties based on claims that our product candidates, technologies or activities infringe the intellectual property rights of others. There are many patents relating to chemical compounds and the uses thereof. If our compounds are found to infringe any such patents, we may have to pay significant damages. A patentee could prevent us from importing, making, using or selling the patented compounds. We may need to resort to litigation to determine the scope and validity of third-party proprietary rights. Similarly, we may be subject to claims that we have inappropriately used or disclosed trade secrets or other proprietary information of third parties. If we become involved in litigation, it could consume a substantial portion of our managerial and financial resources, regardless of whether we win or lose. We may not be able to afford the costs of litigation. Any legal action against us or our collaborators could lead to:

- payment of damages, potentially treble damages, if we are found to have willfully infringed a third party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize and sell our products;
- we or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms; or
- significant cost and expenses, as well as distraction of our management from our business.

As a result, we could be prevented from commercializing current or future products.

Risks Related to Our Industry

We are subject to stringent regulation of our product candidates, which could delay the development and commercialization of our products.

We, our collaborators, and our product candidates are subject to stringent regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Our product candidates cannot be marketed in the United States until the FDA has approved the product candidates. None of our product candidates has been approved, and we may never receive FDA approval for any of our product candidates. Obtaining FDA approval typically takes many years and requires substantial resources. Even if regulatory approval is obtained, the FDA may impose significant restrictions on the indicated uses, conditions for use and labeling of such products, and post-approval studies, including additional research and development and clinical trials, may be required. These regulatory requirements may limit the size of the market for the product or result in the incurrence of additional costs. Any delay or failure in obtaining required approvals could have a material adverse effect on our ability to generate revenues from the particular product candidate.

In addition, both before and after regulatory approval, we, our partners, and our product candidates are subject to numerous FDA requirements covering, among other things, testing, manufacturing, quality control, labeling, advertising, promotion, distribution, and export. The FDA's requirements may change and additional government regulations may be promulgated that could affect us, our partners, and our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad.

In order to market our products outside of the United States, we and our strategic partners and licensees must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ

from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others. Our product candidate may not be approved for all indications that we request, which would limit the uses of our product and adversely impact our potential royalties and product sales. Such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

If we fail to comply with applicable regulatory requirements in the United States and other countries, among other things, we may be subject to fines and other civil penalties, delays in approving or failure to approve a product, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions, interruption of manufacturing or clinical trials, injunctions and criminal prosecution.

If our competitors develop and market products that are more effective than our product candidates, they may reduce or eliminate our commercial opportunities.

Competition in the pharmaceutical industry is intense and is expected to increase. We face competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies, both in the United States and abroad. Some of these competitors have products or are pursuing the development of drugs that target the same diseases and conditions that are the focus of our product development programs.

Our competitors could have products that are in advanced development and may succeed in developing drugs that are more effective, safer and more affordable or more easily administered than ours, or that achieve patent protection or commercialization sooner than our products. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop.

In many of our target disease areas, potential competitors are working to develop new compounds with different mechanisms, biologies and side effects. Many of our competitors have substantially greater capital and research and development resources, manufacturing, sales and marketing capabilities and production facilities than we do. Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaboration arrangements with established pharmaceutical companies.

Rapid technological change could make our products obsolete.

Biopharmaceutical technologies have undergone rapid and significant change and we expect that they will continue to do so. As a result, there is significant risk that our current product candidates may be rendered obsolete or uneconomical by new discoveries before we recover any expenses incurred in connection with their development. If our product candidates are rendered obsolete by advancements in biopharmaceutical technologies, our future prospects will suffer.

Consumers may sue us for product liability, which could result in substantial liabilities that exceed our available resources and damage our reputation.

Developing and commercializing drug products entails significant product liability risks. Liability claims may arise from our and our partners' use of products in clinical trials and the commercial sale of those products. Consumers may make product liability claims directly against us and/or our collaborators, and our collaborators or others selling these products may seek contribution from us if they incur any loss or expenses related to such claims. We currently have insurance that covers our clinical trials. We believe our current insurance coverage is reasonably adequate at this time. We will, however, need to increase and expand this coverage as we commence additional clinical trials, as well as larger scale trials, and if our product candidates are approved for commercial sale. This insurance may be prohibitively expensive or may not fully cover our potential liabilities. Inability to

obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we or one of our partners develop. Product liability claims could have a material adverse effect on our business and results of operations. Liability from such claims could exceed our total assets if we do not prevail in any lawsuit brought by a third party alleging that an injury was caused by one or more of our drug products.

Health care reform measures could adversely affect our business.

The business and financial condition of pharmaceutical and biotechnology companies are affected by the efforts of governmental and third-party payors to contain or reduce the costs of health care. In the United States and in foreign jurisdictions there have been, and we expect that there will continue to be, a number of legislative and regulatory proposals aimed at changing the health care system. For example, in some countries other than the United States, pricing of prescription drugs is subject to government control, and we expect proposals to implement similar controls in the United States to continue. Another example of proposed reform that could affect our business is the current discussion of drug reimportation into the United States. In 2000, Congress directed the FDA to adopt regulations allowing the reimportation of approved drugs originally manufactured in the United States back into the United States from other countries where the drugs were sold at lower prices. Although the Secretary of Health and Human Services has refused to implement this directive, in July 2003, the House of Representatives passed a similar bill that does not require the Secretary of Health and Human Services to act. The reimportation bills have not yet resulted in any new laws or regulations; however, these and other initiatives could decrease the price we or any potential collaborators receive for our product candidates once they are approved for sale, adversely affecting our future revenue growth and potential profitability. Moreover, the pendency or approval of such proposals could result in a decrease in our stock price or our ability to raise capital or to obtain strategic partnerships or licenses.

Risks Related to This Offering

Our stock price may be particularly volatile and you may lose all or a substantial part of your investment.

The market prices for securities of pharmaceutical companies in general, and early-stage companies in particular, have been highly volatile and may continue to be highly volatile in the future. Volatility in the market price for a particular company's stock has often been unrelated or disproportionate to the operating performance of that company. Market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. The following factors, in addition to the other risk factors described in this prospectus, may have a significant impact on the market price of our common stock:

- the development status of our product candidates, including results of our clinical trials;
- market conditions or trends related to the pharmaceutical industry, or the market in general;
- announcements of technological innovations, new commercial products or other material events by our competitors or us;
- disputes or other developments concerning our proprietary rights;
- changes in, or failure to meet, securities analysts' or investors' expectations of our financial performance;
- additions or departures of key personnel;
- discussions of our business, products, financial performance, prospects or stock price by the financial and scientific press and online investor communities such as chat rooms;
- public concern as to the safety of drugs and drug delivery techniques;
- regulatory developments in the United States, Japan and other foreign countries; or
- economic and political factors, including wars, terrorism and political unrest.

In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often resulted. We may become subject to this type of litigation, which is often extremely expensive and diverts management's attention, even if such litigation is ultimately concluded in a manner favorable to us.

In addition, the market price for our common stock may be affected by uncertainties with respect to the Hercules market. The Hercules market is a section of the Osaka Securities Exchange that was established in May 2000. The Hercules market was established to provide a market for innovative, small to mid-size companies in high growth industries or in traditional industries that have an international orientation and that are willing to provide active investor relations. The Hercules market places a greater emphasis on investor self-responsibility by not requiring a financial and operating history. If the Hercules market does not prove to be able to provide a liquid trading market for our common stock, it may be difficult for you to sell our common stock at a price that is attractive to you, if at all.

There is no prior market for our common stock and you may not be able to resell your shares at or above the initial offering price.

Prior to this offering, there has been no public market for shares of our common stock. If you purchase shares of our common stock in this offering, you will not pay a price that was established in a competitive market. Rather, you will pay a price that we negotiated with the representatives of the underwriters. This price may not be indicative of prices that will prevail in the future in the trading market. Among the factors to be considered in determining the initial public offering price of the common stock, in addition to prevailing market conditions, will be:

- estimates of our business potential and the earnings prospects of the product candidates in our development programs;
- an assessment of our management; and
- market valuations of early-stage drug discovery and development companies.

The market price of our common stock may decline below the initial public offering price, and you may not be able to resell your shares at or above this price.

An active, liquid trading market may not develop following completion of this offering, or if developed, may not be maintained. Although we intend to list our shares on the Hercules market of the Osaka Securities Exchange, we may be unable to maintain that listing.

Our management has broad discretion over the use of the proceeds from this offering, and we may not use these proceeds effectively, which could adversely affect our results of operations.

Our management will have significant flexibility in applying the net proceeds of this offering and could use these proceeds for corporate purposes that do not increase our profitability or our market value, or in ways with which our stockholders may not agree. Investors will be relying on the judgment of our management regarding the application of the proceeds of this offering. We may use the net proceeds for corporate purposes that do not yield a significant return or any return at all for our stockholders, which may cause our stock price to decline.

If our officers, directors and largest stockholders choose to act together, they may be able to control our management and operations, acting in their own best interests and not necessarily in the best interests of other stockholders.

Following completion of this offering, our directors, executive officers and holders of 5% or more of our outstanding common stock and their affiliates will beneficially own approximately % of our common

stock (after giving effect to the conversion of all outstanding shares of our preferred stock into shares of our common stock, but assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants). As a result, these stockholders, acting together, will have the ability to significantly influence all matters requiring approval by our stockholders, including the election of all of our directors, amendments to our restated certificate of incorporation, going-private transactions and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of the other stockholders, and this group of stockholders may act in a manner that advances their best interests but not necessarily those of the other stockholders.

If our stockholders sell substantial amounts of our common stock after this offering, the market price of our common stock may decline.

A significant number of shares of our common stock are held by a small number of stockholders. Sales of a significant number of shares of our common stock after this offering, for example, after the expiration of the lock-up agreements described elsewhere in this prospectus, or the expectation that such sales may occur, could significantly reduce the market price of our common stock. The holders of our common stock outstanding prior to this offering, representing 67,282,856 shares of common stock, and the holders of our options and warrants, representing 14,866,572 shares of common stock, have agreed with the underwriters to restrictions on sales of their shares for 180 days from the date we initially list our common stock on the Hercules market. After the expiration of this lock-up period and after the earlier of (i) December 31, 2005 and (ii) six months after our securities are traded on a U.S. exchange or listed on a U.S. automatic quotation system, holders of 80,639,428 shares of common stock will generally have rights to cause us to file a registration statement on their behalf pursuant to a registration rights agreement that we have entered into with these stockholders. These registration rights include demand rights, which obligate us to use our best efforts to file a registration statement with the SEC, rights to require us to register shares on Form S-3 and "piggy back" rights on all our other registrations.

As a new investor, you will experience immediate and substantial dilution in the net tangible book value of your investment.

Purchasers in this offering will experience immediate and substantial dilution in the net tangible book value per share of our common stock from the initial public offering price. Because we expect the offering price to be substantially higher than the net tangible book value per share of our common stock, if you purchase shares in this offering, you will pay a price per share that substantially exceeds the net tangible book value (value of our assets after subtracting liabilities) per share of your shares of $0.29. Assuming the sale of the shares contemplated by this offering after deducting the estimated underwriting discounts and commissions and our estimated offering expenses, our pro forma as adjusted net tangible book value as of September 30, 2004 was approximately $ million, or approximately $ per pro forma share of common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors in this offering. If the initial public offering price is higher or lower than $ per share, the dilution to new stockholders will be higher or lower, respectively. In addition, new investors will contribute __% of the total amount of our funding but will own only __% of the outstanding share capital and __% of the voting rights. For a further description of the dilution that you will experience immediately after this offering, please see "Dilution." In the past, we issued options and warrants to acquire our common stock at prices below the initial public offering price. As a result, there likely will be further dilution to investors upon exercise of these options and warrants.

We will incur increased costs as a result of recently enacted and proposed changes in laws and regulations relating to corporate governance matters.

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed by the Securities and Exchange Commission, or SEC, will result in increased costs to us as we evaluate the implications of any new rules and

regulations and respond to new requirements under such rules and regulations. We will be required to comply with these rules and regulations after the completion of this offering. For example, we are evaluating our internal controls systems in order to allow management to report on, and our independent registered public accounting firm to attest to, our internal controls, as required by Section 404 of the Sarbanes-Oxley Act. While we anticipate being able to fully implement the requirements relating to internal controls and all other aspects of Section 404 in a timely fashion, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations since there is no precedent available by which to measure compliance adequacy. As a development-stage company with limited capital and human resources, we will need to divert management's time and attention away from our business in order to ensure compliance with these regulatory requirements. This diversion of management's time and attention may have a material adverse effect on our business, financial condition and results of operations. Moreover, the new rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. We cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs to comply with these rules and regulations.

Changes in or interpretations of accounting rules and regulations, such as expensing of stock options, could result in unfavorable accounting charges or require us to change our compensation policies.

Accounting methods and policies for business and market practices of biopharmaceutical companies, including policies regarding expensing stock options, are subject to further review, interpretation and guidance from relevant accounting authorities, including the SEC. For example, we currently are not required to record stock-based compensation charges if the employee's stock option exercise price equals or exceeds the fair value of our common stock at the date of grant. Although the standards have not been finalized and the timing of a final statement has not been established, the Financial Accounting Standards Board, or FASB, has announced their support for expensing the fair value of stock options granted. If we were to change our accounting policy to expense the fair value of stock options granted and retroactively restate all prior periods presented, then our operating expenses and reported losses could increase. We rely heavily on stock options to compensate existing employees and attract new employees. If we are required to expense stock options, we may then choose to reduce our reliance on stock options as a compensation tool. If we reduce our use of stock options, it may be more difficult for us to attract and retain qualified employees. Although we believe that our accounting practices are consistent with current accounting pronouncements, changes to or interpretations of accounting methods or policies in the future may require us to reclassify, restate or otherwise change or revise our financial statements.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us more complicated and the removal and replacement of our directors and management more difficult.

Our restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock or adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions may also make it difficult for stockholders to remove and replace our board of directors and management. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning at least a majority of our capital stock;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors in a discriminatory fashion designed to increase the number of outstanding shares and prevent or delay a takeover attempt;
- limit who may call a special meeting of stockholders;

- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;
- prohibit our stockholders from making certain changes to our restated certificate of incorporation or amended and restated bylaws except with 66 2/3% stockholder approval; and
- provide for a classified board of directors with staggered terms.

We also may be subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for three years unless the holder's acquisition of our stock was approved in advance by our board of directors. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders.

These provisions may delay or prevent a third party from acquiring us. Any such delay or prevention could cause the market price of our common stock to decline.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on any of our classes of capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our businesses. In addition, the terms of existing or any future debts may preclude us from paying these dividends. As a result, appreciation in the market value, if any, of our common stock will be your sole source of gain for the foreseeable future. The market value for our common stock may not increase, and in fact, the market value may decrease substantially. Any increase in the market value of our common stock is uncertain and unpredictable. You should not invest in our stock if you are seeking dividend income.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by any forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “estimate,” “predict,” “potential,” “plan,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in this prospectus in greater detail under the heading “Risk Factors.” Also, these forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. Except as required by federal securities laws, we do not intend to update any forward-looking statements, whether as a result of new information, future events or otherwise.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be different materially from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

USE OF PROCEEDS

We expect that the net proceeds we will receive from the sale of the shares of common stock offered by us will be approximately $, based on an assumed initial public offering price of $ per share, which is the midpoint of our expected public offering range, and after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital, establish a public market for our common stock and facilitate our future access to public markets.

We expect to use approximately 85% to 90% of the net proceeds of this offering to continue the development of both our strategic core and partnering programs and to acquire and develop additional product candidates. In particular, we intend to fund our pre-clinical and clinical development, our licensing activities and the cost of our research and development and related materials and overhead. We expect to use the remaining 10% to 15% of the net proceeds of this offering for working capital and other general purposes, including funding of our general and administrative activities and capital equipment purchases.

We anticipate that the proceeds of this offering will enable us to advance each of our current strategic core programs into Phase III clinical trials, with the exception of MN-029, which we anticipate will proceed into Phase II clinical trials, and each of our current partnering programs through Phase II clinical trials. However, due to the risks inherent in the clinical trial process and given the early stage of development of our programs, we are unable to estimate with any certainty the amounts that we will need to allocate for specific expenses within our programs or total costs we will incur in the continued development of our product candidates. Due to these same factors, we are unable to determine the anticipated completion dates for our product development programs. In addition, we cannot forecast with any degree of certainty which product candidates will be subject to future partnering, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

The amounts and timing of our actual expenditures depend on several factors, including the progress of our development efforts and the amount of cash used by our operations. Pending their use, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing instruments.

DIVIDEND POLICY

We have never declared or paid dividends on our capital stock and do not anticipate paying dividends in the foreseeable future. We currently intend to retain our earnings, if any, for the growth and development of our business.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2004:

- on an actual basis; and
- on a pro forma basis as adjusted to give effect to (1) the anticipated filing of a restated certificate of incorporation to provide for authorized capital stock of 200,000,000 shares of common stock and 5,000,000 shares of undesignated preferred stock, (2) the sale by us of shares of common stock at an assumed initial public offering price of $ per share in this offering and the receipt of the estimated net proceeds therefrom, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (3) the conversion of all of our outstanding shares of preferred stock into 66,782,856 shares of common stock upon the closing of this offering.

You should read the information in this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and accompanying notes appearing elsewhere in this prospectus.

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted
Cash, cash equivalents and marketable securities available-for-sale	$ 55,332,846	$
Redeemable convertible preferred stock, $0.01 par value; actual—27,667,856 shares authorized, issued and outstanding; pro forma as adjusted—no shares authorized, issued and outstanding	$ 43,424,009	$
Stockholders' equity:		
Convertible preferred stock, $0.01 par value; actual—1,291,150 shares authorized, issued and outstanding; pro forma as adjusted—5,000,000 shares authorized; no shares issued and outstanding	12,912	
Common stock, $0.001 par value; actual—83,000,000 shares authorized; 500,000 shares issued and outstanding; pro forma as adjusted—200,000,000 shares authorized; shares issued and outstanding	500	
Additional paid-in capital	103,520,732	
Deferred employee stock-based compensation	(1,196,737)	
Deficit accumulated during the development stage	(90,757,969)	
Total stockholders' equity	11,579,438	
Total capitalization	$ 55,003,447	$

The number of shares in the table above excludes, as of September 30, 2004:

- 1,510,000 shares of common stock subject to options outstanding, at a weighted average exercise price of $1.00 per share;
- 13,356,572 shares of common stock subject to warrants outstanding, at a weighted average exercise price of $0.13 per share; and
- 20,300,000 shares of common stock authorized for future issuance under our 2004 Stock Incentive Plan as of the date of completion of this offering.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. As of September 30, 2004, our historical net tangible book value was $11.6 million, or $0.29 per share of common stock. Historical net tangible book value per share is equal to our total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of our outstanding common stock assuming conversion of convertible preferred stock as of September 30, 2004 into shares of our common stock. After giving effect to the conversion of all of our preferred stock and the sale of shares of common stock offered by this prospectus at an assumed initial public offering price of $ per share, the midpoint of the range shown on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and our estimated offering expenses, our pro forma as adjusted net tangible book value as of September 30, 2004 was approximately $ million, or approximately $ per pro forma share of common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors in this offering. If the initial public offering price is higher or lower than $ per share, the dilution to new stockholders will be higher or lower, respectively. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
Historical net tangible book value per share as of September 30, 2004	$ 0.29	
Pro forma increase in net tangible book value per share attributable to conversion of preferred stock	$ 0.53	
Pro forma net tangible book value per share at September 30, 2004	$ 0.82	
Pro forma increase in net tangible book value per share attributable to new investors	$	
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors		$

The following table sets forth on a pro forma as adjusted basis, as of September 30, 2004, the number of shares of common stock issued by us, the total consideration received and the average price per share paid by existing holders of common stock and by the new investors (consideration in millions):

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	67,282,856	%	$ 84.0	%	$ 1.25
New investors					
Total		100%	$	100%	

The discussion and tables above assume no exercise of the underwriters' over-allotment option, the outstanding warrants or any outstanding stock options. If the underwriters' over-allotment option is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to % of the total number of shares of common stock to be outstanding after this offering, and the number of shares of common stock held by the new investors will be increased to shares or % of the total number of shares of common stock outstanding after this offering. See "Principal Stockholders."

After this offering and assuming the exercise of all in-the-money stock options and warrants outstanding as of September 30, 2004, our pro forma net tangible book value as of September 30, 2004 would be $ per share, representing an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to new investors.

The following table sets forth on a pro forma basis, as of September 30, 2004, after giving effect to the conversion of all outstanding shares of our preferred stock into common stock and the exercise of all outstanding in-the-money options and warrants, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and by new investors, based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and offering expenses payable by us (consideration in millions):

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	67,282,856	%	$ 84.0	%	$ 1.25
Shares subject to options and warrants	14,866,572		3.3		0.22
New investors					
Total		100%	$	100%	

As of September 30, 2004, there were 1,510,000 shares of common stock subject to options outstanding, at a weighted average exercise price of $1.00 per share. As of September 30, 2004, there were also 13,356,572 shares of common stock subject to warrants outstanding, at a weighted average exercise price of $0.13 per share.

In November 2004, our board of directors approved, effective upon the completion of this offering, our 2004 Stock Incentive Plan, under which 20,300,000 shares plus an annual increase on the first day of each of our fiscal years during the term of the plan beginning on January 1, 2006 have been reserved for future issuance. To the extent that any outstanding options or warrants are exercised or shares acquired, there will be further dilution to new investors.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

SELECTED FINANCIAL DATA

The statements of operations data for the years ended December 31, 2001, 2002 and 2003 and the balance sheet data as of December 31, 2002 and 2003 are derived from our audited financial statements included elsewhere in this prospectus. The statements of operations data for the period from September 26, 2000 (inception) to December 31, 2000 and the balance sheet data as of December 31, 2000 and 2001 have been derived from our audited financial statements not included in this prospectus. We have also included data for the nine months ended September 30, 2003 and 2004 and the period from September 26, 2000 (inception) to September 30, 2004 from our unaudited interim financial statements included elsewhere in this prospectus. You should read this data together with our financial statements and related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Period from September 26, 2000 (inception) to December 31, 2000	Years ended December 31,			Nine months ended September 30,		Period from September 26, 2000 (inception) to September 30, 2004
		2001	2002	2003	2003	2004	
	(in thousands, except share and per share data)						
Statements of Operations Data:							
Revenues	$ —	$ —	$ —	$ —	$ —	$ 354	$ 354
Operating expenses:							
Cost of revenues	—	—	—	—	—	309	309
Research and development	272	952	5,551	4,723	3,357	8,279	19,777
General and administrative	—	1,063	1,462	1,538	1,056	2,026	6,089
Amortization of employee stock-based compensation and founders' warrants:							
Research and development	—	—	—	—	—	57	57
General and administrative	—	—	—	—	—	34,153	34,153
Total operating expenses	272	2,015	7,013	6,261	4,413	44,824	60,385
Operating loss	(272)	(2,015)	(7,013)	(6,261)	(4,413)	(44,470)	(60,031)
Other income, net	71	220	82	52	39	133	557
Net loss	(201)	(1,795)	(6,931)	(6,209)	(4,374)	(44,337)	(59,474)
Accretion to redemption value of redeemable convertible preferred stock	—	—	—	—	—	(20)	(20)
Deemed dividend resulting from beneficial conversion feature on Series C redeemable convertible preferred stock	—	—	—	—	—	(31,264)	(31,264)
Net loss applicable to common stockholders	$ (201)	$ (1,795)	$ (6,931)	$ (6,209)	$ (4,374)	$ (75,621)	$ (90,758)
Basic and diluted net loss per share[(1)]	$ (0.40)	$ (3.59)	$ (13.86)	$ (12.42)	$ (8.75)	$ (151.24)	
Shares used to compute basic and diluted net loss per share[(1)]	500,000	500,000	500,000	500,000	500,000	500,000	
Pro forma net loss per common share assuming conversion of preferred stock, basic and diluted[(1)]				$ (0.37)		$ (2.18)	
Shares used in computing pro forma net loss per common share assuming conversion of preferred stock, basic and diluted[(1)]				16,778,767		34,691,697	

(1) See Note 1 to our financial statements for an explanation of the method used to calculate the historical and pro forma net loss per share and the number of shares used in the computation of the per share amounts.

	As of December 31,				As of September 30, 2004
	2000	2001	2002	2003	
	(in thousands)				
Balance Sheet Data:					
Cash, cash equivalents and marketable securities available-for-sale	$5,074	$ 8,054	$ 1,281	$ 5,491	$ 55,333
Working capital	4,847	7,756	876	4,838	53,666
Total assets	5,121	8,379	1,586	5,631	57,016
Redeemable convertible preferred stock	—	—	—	—	43,424
Deficit accumulated during the development stage	(201)	(1,996)	(8,928)	(15,137)	(90,758)
Total stockholders' equity	4,849	8,054	1,122	4,570	11,579

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under "Risk Factors" and elsewhere in this prospectus. These risks could cause our actual results to differ materially from any future performance suggested below. We undertake no obligation to update these forward-looking statements to reflect events or circumstances arising after the date of this prospectus. You should read this discussion together with the financial statements, related notes and other financial information included elsewhere in this prospectus.

Overview

We are a specialty pharmaceutical company focused on acquiring, developing and commercializing innovative pharmaceutical products for a variety of diseases and conditions. We actively seek to identify and acquire license rights to product candidates with extensive safety and efficacy data that are in late pre-clinical or early clinical development and that address large markets with significant opportunities for improved therapies.

Our development programs follow a dual pathway:

- strategic core programs; and
- partnering programs.

Our strategic core programs consist of product candidates we intend to retain the rights to through final regulatory approval in the United States and commercialize directly. Our partnering programs consist of product candidates we intend to license to larger pharmaceutical companies and with respect to which we intend to retain co-promotion rights. Although no longer a focus for us, we have historically funded research in the area of store-operated calcium channels, or SOCCs, as a novel approach to the treatment of cancer and inflammatory diseases. We expect this research to be a minor and declining portion of our research and development spending in the future. To date, we have acquired license rights to five compounds. We currently have one Phase I clinical trial ongoing for a product candidate in one of our strategic core programs and anticipate entering into Phase II clinical trials with two other product candidates in our strategic core programs and three product candidates in our partnering programs by the end of the first half of 2005.

We are a development stage company. We have incurred significant net losses since our inception. As of September 30, 2004, our accumulated deficit was approximately $90.8 million, including $34.2 million of non-cash stock-based compensation charges related to employee stock-based compensation and founders' warrants. We expect to incur substantial net losses for the next several years as we continue to develop our existing programs, expand our research and development programs and acquire or in-license products, technologies or businesses that are complementary to our own.

Revenues and Cost of Revenues

We have not generated any revenues from licensing, milestones or product sales to date, and we do not expect to generate these revenues within the next 12 to 18 months. Our revenues to date have been generated from development management contracts with Asahi Kasei Pharma Corporation and Argenes Inc. under which we bill consulting fees and our pass-through clinical contract costs. The primary cost associated with our revenue is the clinical contract costs we incur and pass-through to our customer. We expect to generate revenue from these development management contracts for a least the next 12 to 18 months based on currently scheduled clinical trials.

Research and Development

Our research and development expenses primarily consist of costs associated with the feasibility, licensing and pre-clinical and clinical development of our five licensed compounds, one of which we are developing for the treatment of two separate indications. These research and development expenses include external costs, such as fees paid to consultants and related contract research, and internal costs of compensation and other expenses for research and development personnel, supplies, materials, facility costs and depreciation.

To the extent that costs, including personnel costs, are not tracked to a specific product development program, they are included in the "Unallocated" category in the table below. We charge all research and development expenses to operations as incurred.

The following summarizes our research and development expenses for the periods indicated:

	Years ended December 31,			Nine months ended September 30,		Period from September 26, 2000 (inception) to September 30, 2004
	2001	2002	2003	2003	2004	
	(in thousands)					
Strategic core programs	$—	$ 547	$ 1,464	$ 671	$ 3,816	$ 5,827
Partnering programs	—	1,927	1,437	1,102	3,132	6,496
SOCC	627	2,515	1,093	1,076	54	4,289
Unallocated	324	562	729	508	1,277	3,165
Total research and development	$951	$5,551	$ 4,723	$ 3,357	$ 8,279	$ 19,777

At this time, due to the risks inherent in the clinical trial process and given the early stage of development of our product development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of our product candidates for potential commercialization. Due to these same factors, we are unable to determine the anticipated completion dates for our current product development programs. Clinical development timelines, probability of success and development costs vary widely. While currently we are focused on advancing each of our product development programs, we anticipate that we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical success of each product candidate, as well as an ongoing assessment as to the product candidate's commercial potential. In addition, we cannot forecast with any degree of certainty which product candidates will be subject to future partnering, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements. As a result, we cannot be certain when and to what extent we will receive cash inflows from the commercialization of our drug candidates.

We expect our development expenses to be substantial and to increase as we continue the advancement of our product development programs. The lengthy process of completing clinical trials and seeking regulatory approval for our product candidates requires the expenditure of substantial resources. Any failure by us or delay in completing clinical trials, or in obtaining regulatory approvals, could cause our research and development expenses to increase and, in turn, have a material adverse effect on our results of operations.

General and Administrative

Our general and administrative expenses primarily consist of salaries and benefits and consulting and professional fees related to our administrative, finance, human resources, legal and internal systems support functions. In addition, general and administrative expenses include insurance and facilities costs.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the revenues and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for

making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 1 to our financial statements appearing at the end of this prospectus. The following accounting policies are important in fully understanding and evaluating our reported financial results.

Research and Development

Research and development expenses consist of costs incurred to further our research and development activities and include salaries and related employee benefits, costs associated with clinical trials, non-clinical activities such as toxicology testing, regulatory activities and research-related overhead expenses. Research and development costs are expensed as incurred. Research and development expenses also include fees for licensed technology for which technological feasibility has not been established and there are no alternative uses. We also enter into agreements with external service providers and contract research organizations to conduct many of our research and development activities and accrue for costs incurred under these contracts based on factors such as estimates of work performed, milestones achieved, patient enrollment and experience with similar contracts. As actual costs become known, we adjust our accruals. To date, our accruals have been within management's estimates. We expect to expand the level of research and development activity performed by external service providers in the future. As a result, we anticipate that our estimated accruals will be more material to our operations in future periods. Subsequent changes in estimates may result in a material change in our accrual, which could also materially affect our results of operations.

Stock-Based Compensation

We account for employee stock options and warrants using the intrinsic-value method in accordance with Accounting Principles Board, or APB, Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations and have adopted the disclosure-only provisions of Statement of Financial Accounting Standards, or SFAS, No. 123, *Accounting for Stock-Based Compensation*.

Stock-based compensation expense, which is a non-cash charge, results from stock option and warrant issuances at exercise prices below the deemed fair value of the underlying common stock. We recognize this compensation expense on a straight-line basis over the vesting period of the underlying option, generally four years, and, since the warrants are variable, at the time of issuance for warrants and/or each time the estimated fair value of the warrants increase.

We have granted stock options to employees in exchange for services. Given the absence of an active market for our common stock, we are required to estimate the fair value of our common stock based on a variety of company and industry-specific factors for the purpose of measuring the cost of the transaction and properly reflecting it in our financial statements. In connection with the preparation of the financial statements necessary for this offering, we have reassessed the fair value of our common stock.

We granted certain stock options during the nine months ended September 30, 2004 that resulted in deferred stock-based compensation of $1.3 million. Deferred employee stock-based compensation represents the difference between the estimated fair value of common stock, after considering the impact of the proposed public offering contemplated by this prospectus and the option exercise price at the date of grant. It is recorded as a reduction to stockholders' equity and is amortized as compensation expense over the vesting period of the options, generally four years. The amount of deferred employee stock-based compensation expensed for the nine months ended September 30, 2004 was $140,000. Based on deferred employee stock-based compensation amounts recorded through September 30, 2004, the total amortization expense for the three months ending December 31, 2004 and the years ending December 31, 2005, 2006, 2007 and 2008 will be $81,000, $324,000, $324,000, $324,000 and $144,000, respectively.

During the nine months ended September 30, 2004, pursuant to the anti-dilution provisions of the warrants originally issued in September 2000 to our founders and as a result of the sale of our Series B preferred stock, we adjusted the warrants to provide that our two founders may purchase an aggregate of 7,323,000 shares of our common stock. As a result, we recorded $19.4 million of stock-based compensation expense to reflect the difference between the deemed fair value of the underlying common stock and the warrant exercise price at June 30, 2004 for all warrants issued to date. On September 2, 2004, in conjunction with the sale of our Series C preferred stock, the terms of the warrants were amended in order to fix the number of shares purchasable thereunder to an aggregate of 12,856,572 shares and to remove the anti-dilution provisions. As a result, we recorded stock-based compensation of $14.7 million based on the estimated fair value of the underlying common stock on September 2, 2004. We otherwise do not anticipate recording any additional stock-based compensation in connection with these warrants.

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective the beginning of the first interim period after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on our financial statements.

Results of Operations

Comparison of the Nine Months Ended September 30, 2004 and 2003

Revenues

Our revenue totaled $0.4 million for the nine months ended September 30, 2004 from development management services performed under two master services agreements. We had no revenue during the same period in 2003.

Research and Development

Research and development expenses increased to $8.3 million for the nine months ended September 30, 2004 from $3.4 million for the comparable period during 2003. This increase primarily was due to:

- an increase of $3.1 million in our strategic core programs as a result of $1.1 million of clinical trial and related costs and $2.0 million of milestone, licensing and other costs;
- an increase of $2.0 million in our partnering programs as a result of $0.5 million of clinical trial and related costs and $1.5 million of licensing and other costs;
- a decrease of $1.0 million in our SOCC program as a result of $0.8 million of reduced pre-clinical development when we redirected our resources to our strategic core and partnering programs and $0.2 million of other costs; and
- an increase of $0.8 million in unallocated expenses as a result of increased salaries and related personnel costs due to increased research and development staff.

We expect that fees paid to external service providers will continue to increase as we acquire new product candidates and continue development of our existing product candidates. We anticipate that our research and development expenses will continue to increase in future periods, with the exception of our SOCC program which will remain relatively constant, as we expend additional capital to conduct clinical trials and develop our product candidates.

General and Administrative

General and administrative expenses increased to $2.0 million for the nine months ended September 30, 2004 from $1.1 million for the comparable period during 2003. This increase primarily was due to $0.4 million of salaries and related costs as we expanded our general and administrative functions to support our operations, $0.1 million of legal fees, other professional fees and consulting fees and expenses paid to the chairman of our board of directors and $0.2 million of other expenses. We anticipate increases in general and administrative expenses in future periods as we expand our administrative organization and incur additional costs for insurance and professional fees associated with operating as a public company and to support the future growth of our research and development organization.

Stock-Based Compensation

Stock-based compensation expenses totaled $34.2 million for the nine months ended September 30, 2004 due to the issuance of warrants at exercise prices below the estimated fair value of our common stock and the amortization of deferred stock-based compensation. We had no issuances of options or warrants during the comparable period in 2003 that required us to record stock-based compensation expenses.

Comparison of the Years Ended December 31, 2003, 2002 and 2001

Research and Development

Research and development expenses totaled $4.7 million in 2003, compared to $5.6 million in 2002 and $1.0 million in 2001. The $0.8 million decrease from 2002 to 2003 primarily was due to:

- a decrease of $1.4 million in discovery and pre-clinical activities as a result of the reduced scope of our SOCC program;
- a decrease of $1.0 million in licensing and other costs related to our partnering programs;
- a decrease of $0.4 million in licensing and other costs related to our strategic core programs;
- an increase of $1.3 million related to clinical trial and related costs in our strategic core programs;
- an increase of $0.5 million related to clinical trial and related costs in our partnering programs; and
- an increase of $0.2 million in unallocated costs as a result of increased salaries and related personnel costs due to a larger research and development staff.

The $4.6 million increase from 2001 to 2002 primarily was due to $1.9 million of expanded discovery and pre-clinical activities related to our SOCC program, $0.9 million of clinical trial and related costs in our partnering programs, $1.0 million and $0.5 million, respectively, of licensing and other costs in our partnering and strategic core programs and $0.3 million of unallocated costs as a result of increased salaries and related personnel costs due to a larger research and development staff.

General and Administrative

General and administrative expenses totaled $1.5 million in 2003, compared to $1.5 million in 2002 and $1.1 million in 2001. Although our total expenses remained constant from 2002 to 2003, several of the underlying account balances fluctuated, including an increase of $0.1 million in salaries and related costs, $0.1 million in consulting fees paid to the chairman of our board of directors, offest by decreases of $0.1 million in professional fees and $0.1 million of other expenses. The $0.4 million increase from 2001 to 2002 primarily was due to $0.2 million in consulting fees paid to the chairman of our board of directors, $0.1 million in recruiting and $0.1 million in public relations.

Other Income, Net

Other income, net is primarily interest income earned on our cash and investment balances and totaled $0.1 million, $0.1 million and $0.2 million for the years ended December 31, 2003, 2002 and 2001, respectively. The change in income amounts for each year primarily was due to fluctuations in our average cash and investment balances and downward interest rate trends.

Liquidity and Capital Resources

Since our inception, our operations have been financed through the private placement of our equity securities. Through September 30, 2004, we received net proceeds of $80.2 million from the sale of shares of preferred stock as follows:

- in October 2000 and August 2001, we issued and sold a total of 1,000,000 shares of Series A preferred stock for aggregate net proceeds of $10 million;
- from March 2003 through May 2004, we issued and sold 291,150 shares of Series B preferred stock for aggregate net proceeds of $26.8 million; and
- on September 2, 2004, we issued and sold 27,667,856 shares of Series C preferred stock for aggregate net proceeds of $43.4 million.

As of September 30, 2004, we had $55.3 million in cash and investments as compared to $5.5 million as of December 31, 2003, an increase of $49.8 million. This increase primarily resulted from completion of the sale of our Series B and Series C preferred stock. Net cash used in operating activities amounted to $10.2 million for the nine months ended September 30, 2004, primarily reflecting the net loss occurring for this period of $44.3 million, offset by non-cash charges for stock-based compensation of $34.2 million. Net cash used in investing activities for the nine months ended September 30, 2004 consisted of $0.3 million of capital equipment purchases. Net cash provided by financing activities amounted to $60.3 million for the nine months ended September 30, 2004, primarily reflecting the sale of Series B and Series C preferred stock.

Net cash used in operating activities totaled $5.9 million in 2003, compared to $6.8 million in 2002 and $1.7 million in 2001. The increase in net cash used in operating activities from 2001 to 2002 primarily was due to the licensing and initiation of development of MN-001 in 2002 and increased research activity related to our SOCC program. The decrease in net cash used in operating activities from 2002 to 2003 primarily was due to increases related to the initiation of Phase I clinical trials for MN-001, offset by the reduction in the scope of research activity related to our SOCC program.

Net cash used in investing activities from 2001 through 2003 totaled $1.4 million and related to the purchase of marketable securities and the acquisition of property and equipment.

Net cash provided by financing activities totaled $10.0 million in 2003 and $5.0 million in 2001 resulting from the sale of preferred stock. We did not have any financing transactions during 2002.

The following summarizes our long-term contractual obligations as of September 30, 2004 (in thousands):

Contractual Obligations	Total	2004 to 2005	2006 to 2007	Thereafter
Operating leases	$1,406	$ 484	$ 884	$ 38

As a specialty pharmaceutical company focused on acquiring, developing and commercializing innovative pharmaceutical products, we have entered into numerous license agreements to acquire the rights to develop and commercialize a variety of product candidates. Pursuant to these agreements, we obtained exclusive, except with respect to various Asian countries, sublicenseable licenses to the patent rights and know-how for all indications under the agreements. We generally will make an upfront payment and are required to make additional payments upon the achievement of specific development and regulatory approval milestones. We are also obligated to pay royalties under the agreements until the later of the expiration of the applicable patent or the applicable last date of market exclusivity after the first commercial sale, on a country-by-country basis. The amount expended under these agreements and charged to research and development expense during the years ended December 31, 2002 and 2003 and the nine months ended September 30, 2003 and 2004 was approximately $1.4 million, $0.3 million, $0.2 million, and $2.8 million, respectively. As of September 30, 2004, future potential milestone payments total

approximately $75.8 million and there are no minimum royalties required under any of the license agreements. The timing of these payments is subject to the achievement of agreed upon milestones and, therefore, remains uncertain.

We also enter into agreements with third parties to manufacture our product candidates, conduct our clinical trials and perform data collection and analysis. At this time, due to the variability of these agreements, we are unable to estimate with certainty the future costs we will incur.

Our future capital uses and requirements depend on numerous forward-looking factors. These factors include but are not limited to the following:

- the progress of our clinical trials;
- the progress of our pre-clinical development activities;
- our ability to establish and maintain strategic collaborations, including by sub-licensing product candidates;
- the costs involved in enforcing or defending patent claims and other intellectual property rights;
- the costs and timing of regulatory approvals;
- the costs of establishing or expanding manufacturing, sales and distribution capabilities;
- the success of the commercialization of our products; and
- the extent to which we acquire or invest in other products, technologies and businesses.

We believe that our existing cash and cash equivalents, excluding the proceeds from this offering, will be sufficient to meet our projected operating requirements through at least December 31, 2005.

Until we can generate significant cash from our operations, we expect to continue to fund our operations with existing cash resources that primarily were generated from the proceeds of offerings of our equity securities and from equipment and leasehold improvement financing. In addition, we may finance future cash needs through the sale of other equity securities, strategic collaboration agreements and debt financing. However, we may not be successful in obtaining collaboration agreements, or in receiving milestone or royalty payments under those agreements. In addition, we cannot be sure that our existing cash and marketable securities resources will be adequate or that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or our stockholders. Having insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Failure to obtain adequate financing also may adversely affect our ability to operate as a going concern. If we raise additional funds by issuing equity securities, substantial dilution to existing stockholders would likely result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

Quantitative and Qualitative Disclosure About Market Risk

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. Due to the short-term nature of our cash and investments, we believe that we are not subject to any material market risk exposure. Our cash and investments at September 30, 2004 included primarily liquid money market accounts.

BUSINESS

Overview

We are a specialty pharmaceutical company focused on acquiring, developing and commercializing innovative pharmaceutical products for a variety of diseases and conditions. We actively seek to identify and acquire license rights to product candidates that:

- are in late pre-clinical or early clinical development and have extensive safety and efficacy data; and
- address large markets with significant opportunities for improved therapies.

We believe that this approach allows us to move more quickly into the clinical development process in the United States. To date, we have acquired license rights to five compounds. We currently have one Phase I clinical trial ongoing for a product candidate and anticipate entering into Phase II clinical trials with another product candidate by the end of 2004 and four other product candidates by the end of the first half of 2005.

We intend to continue to build a strong product pipeline by establishing relationships with large and mid-sized North American, European and Japanese biotechnology and pharmaceutical companies. Since our inception, we have established relationships with a number of pharmaceutical companies, including Kissei Pharmaceutical, Kyorin Pharmaceutical and Mitsubishi Pharma Corporation in Japan, pursuant to which we have obtained rights to develop and market compounds. We believe the establishment of these relationships in Japan provides us with a competitive advantage in identifying and acquiring compounds from Japanese pharmaceutical companies.

To date, we have acquired rights to commercialize product candidates in the North American and European markets. According to IMS Health Incorporated, or IMS, a market research organization, in 2003, the North American and European markets accounted for more than three-quarters of sales within the global pharmaceutical market with approximately $229.5 billion and $134.5 billion, respectively, while the Japanese market accounted for 11.2% of the market with $52.4 billion of sales. Moreover, according to IMS, sales growth in 2003, in terms of constant dollars, approximately equaled 11.1% for North America, 9.3% for Europe and only 3.4% for Japan.

Our development programs follow a dual pathway:

- *Strategic Core Programs*. Our strategic core programs consist of product candidates we intend to retain the rights to through final regulatory approval in the United States and commercialize directly.
- *Partnering Programs*. Our partnering programs consists of product candidates we intend to license to larger pharmaceutical companies after advancing them through Phase II clinical trials and with respect to which we intend to retain co-promotion rights.

We believe this strategy will diversify our development risks by enabling us to acquire a larger portfolio of product candidates, targeting more diverse indications, than other specialty pharmaceutical companies of similar size.

Strategic Core Programs. Our strategic core programs focus on therapeutic needs that are underserved by large pharmaceutical companies. We are targeting potential markets that are of a size attractive to us but which may draw only limited interest from large pharmaceutical companies. We believe that the product candidates in our strategic core program will have limited development costs which will enable us to undertake the entire development and commercialization of these products in the United States. We intend to seek licensing partners for the development and commercialization of these products outside the United States.

Currently our strategic core programs are focused on the urology and obstetrics/gynecology markets. These are markets in which we believe we can pursue regulatory approval and develop a marketing and sales infrastructure in the United States utilizing our own resources and without partnering with larger pharmaceutical companies.

Our existing strategic core programs consist of:

- MN-221 for the treatment of premature labor, for which we intend to file an IND application to permit commencement of Phase I and Phase II clinical trials in the first half of 2005;
- MN-029 for the treatment of solid tumors, currently in Phase I clinical trials; and
- MN-001 for the treatment of interstitial cystitis, for which we intend to file an IND application to permit commencement of Phase II clinical trials by the end of the first quarter of 2005.

Partnering Programs. Our partnering programs focus on product candidates for larger markets that typically require significantly greater clinical development and commercialization resources than our strategic core programs. We intend to increase the value of the product candidates in our partnering programs by advancing Phase I/II clinical testing to the point where potential partners are willing to make a substantial investment in conducting later-stage clinical trials and further their development and commercialization.

We believe that our partnering programs will allow us to generate revenues at an earlier stage through the licensing of product candidates during the clinical testing process. Our partnering programs currently are focused on asthma and anxiety. Our existing partnering programs consist of:

- MN-001 for the treatment of bronchial asthma; currently anticipated to enter a Phase II clinical trial by the end of the first quarter of 2005;
- MN-305 for the treatment of anxiety, for which we intend to commence a Phase II clinical trial by the end of 2004; and
- MN-166 for the treatment of multiple sclerosis, for which we intend to commence a Phase II clinical trial by the end of the first half of 2005.

We have assembled a management team with extensive experience in the pharmaceutical and biotechnology industry, including experience in pre-clinical research, drug substance and product preparation, regulatory affairs, clinical research, marketing and sales and corporate development. We believe that our management team has the expertise necessary for:

- assessing product opportunities;
- acquiring product candidates and compounds;
- advancing products through the clinical and regulatory processes; and
- building product development alliances and bringing products to market.

We have successfully utilized our expertise to generate revenues from development management contracts with Asahi Kasei Pharma Corporation and Argenes Inc., both Japanese pharmaceutical companies, for consulting services rendered. We intend to seek similar revenue opportunities to augment our dual pathway development approach and to provide us with additional in-license opportunities.

Our Strategy

Our goal is to become a leader in the development and commercialization of drugs for the treatment of diseases with unmet medical needs. Key elements of our strategy are to:

- *Execute our dual pathway development approach*. We have acquired a variety of product candidates that are based on proven pharmacology but have differentiating characteristics from available treatments. We believe that our dual pathway development approach enables us to diversify our development risks with respect to these product candidates. We intend to advance our existing and future candidates without excessive reliance on any one program and thereby increase our likelihood of long-term

success. Moreover, we believe that our dual pathway development approach significantly enhances our ability to generate near-term revenue opportunities through our partnering program, as well as to generate long-term sustained revenue opportunities through our strategic core programs.

- *Continue to expand our pipeline of promising product candidates*. We intend to continue to identify and license product candidates in late pre-clinical or early clinical development. We believe our ability, attributable in particular to the relationships and efforts of our management, to acquire product candidates with high potential and extensive pre-clinical or early clinical data from Japanese pharmaceutical companies is an advantage over other specialty drug development companies in the U.S. market. We are in active negotiations to license additional product candidates from this source. For each licensing candidate, we conduct extensive diligence not only on the patent rights and therapeutic needs addressed, but also on the market opportunities, level of competition and strategic fit with our existing programs. We believe that we will mitigate the risks inherent in drug discovery and development by expanding and further diversifying our pipeline of product candidates.
- *Partner selectively with larger pharmaceutical companies to maximize the commercial potential of our product candidates*. We intend to actively pursue strategic collaborations to draw on the development, regulatory and commercialization expertise of large biotechnology and pharmaceutical partners. We are already soliciting preliminary indications of interest with respect to our partnering programs. We also continue to seek additional in-licensing opportunities, potential co-marketing partners and potential future acquirors of license rights to our core programs in markets outside the United States. Through these efforts, we are positioning ourselves to realize a return on our investment quickly if the results of our clinical testing programs are favorable.
- *Continue to strengthen our management team*. As we have assembled our existing product candidate portfolio, we have also carefully assembled a management team with extensive experience in all aspects of the drug development process from acquisition through commercialization. We expect to selectively add to this team in the near to mid-term in order to further strengthen our core competencies and enable us to execute our development programs as expeditiously as possible.

Product Development Programs

Our product development programs address diseases that are not well served by currently available therapies and represent significant commercial opportunities. We believe that our product candidates offer innovative therapeutic approaches that may provide significant advantages relative to current therapies. The following table summarizes our strategic core and partnering programs:

Product candidate	Disease/ Indication	Phase of Development	Licensor	Licensed Territory
Strategic Core Programs				
MN-221	Premature labor	Additional Phase I and Phase II to commence in first half of 2005; Early Phase II completed in UK by Kissei; U.S. IND in preparation	Kissei Pharmaceutical	Worldwide, except Japan
MN-029	Solid tumor	Phase I ongoing in the U.S.	Angiogene Pharmaceuticals	Worldwide
MN-001	Interstitial cystitis	Phase II to commence in Q1, 2005; U.S. IND in preparation	Kyorin Pharmaceutical	Worldwide, except Japan, China, Taiwan, and South Korea
Partnering Programs				
MN-001	Bronchial asthma	Phase II to commence in Q1, 2005; U.S. IND submitted	Kyorin Pharmaceutical	Worldwide, except Japan, China, Taiwan, and South Korea
MN-305	Generalized Anxiety Disorder	Phase II to commence in Q4, 2004; Early Phase II for Generalized Anxiety Disorder completed by Mitsubishi; Phase II for Major Depressive Disorder completed by Mitsubishi; U.S. IND in effect	Mitsubishi Pharma	Worldwide, except Japan, Singapore, Brunei, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, Bangladesh, Pakistan, South Korea, China and Taiwan
MN-166	Multiple sclerosis	Phase II to commence in first half of 2005; Pilot trials completed by academic researchers in Japan; Approved and marketed for asthma and post-stroke recovery in Japan and Korea	Kyorin Pharmaceutical	Worldwide, except Japan, China, Taiwan and South Korea
Other Program				
Store-operated calcium channel antagonists	Cancer; Inflammatory diseases	Research	RIKEN, University of Tokyo	Worldwide

We typically acquire product candidates with significant pre-clinical and early clinical testing data that has been developed by the licensors outside of the United States. We utilize this data in preparing IND applications and designing additional clinical trials to advance the regulatory approval process in the United States.

Strategic Core Programs

MN-221 for Premature Labor

Disease Overview. Premature labor is caused by the onset of uterine contractions before term and is the leading cause of neonatal mortality and a substantial portion of all birth-related short- and long-term morbidity, according to a November 2002 publication in Obstetrics & Gynecology. Successfully inhibiting premature labor is known to reduce the risk of complications. Despite extensive research into premature labor during the past several decades, the rate of premature births has not decreased. According to National Vital Statistics Reports published in December 2003, in each of the years 2002, 2001 and 2000, there were over 4 million live births in the United States According to the November 2002 publication in Obstetrics & Gynecology, at least 11% of all births each year in the United States and approximately 5-7% of all births in Europe occur before term. According to a September 2001 publication by the U.S. National Institutes of Health, over $4 billion is spent on caring for premature infants each year.

Currently, therapy for premature labor remains targeted at uterine contractions. ß$_2$-adrenergic receptor agonists are widely used as first-line treatments for premature labor. The only FDA-approved treatment for premature labor is ritodrine, a ß$_2$ agonist. However, ritodrine was withdrawn in 1999 from the market due to its side effects. The more widely used treatment for premature labor, terbutaline, another ß$_2$ agonist, is not approved by the FDA for premature labor. Atosiban, an oxytocin antagonist, is available in Europe, but was denied regulatory approval in the United States. The usefulness of these ß$_2$-adrenergic receptor agonists is often limited by the adverse reactions they produce, including cardiovascular side effects such as heart palpitations. As a result, there is a need for treatments that are effective in reducing the premature birth rate and/or providing for longer gestation, with better safety and tolerability profiles.

MN-221. MN-221 is a novel, highly selective ß$_2$-adrenergic receptor agonist for use in the treatment of premature labor. We have licensed MN-221 from Kissei Pharmaceutical. In pre-clinical pharmacology studies in pregnant rats and sheep conducted by Kissei Pharmaceutical, MN-221 reduced the number of spontaneous or drug-induced uterine contractions in those animal models. In rat and sheep studies in which MN-221 was compared to ritodrine and/or terbutaline, the potency of MN-221 was greater than those ß$_2$-adrenergic receptor agonists currently used clinically for the treatment of premature labor. Furthermore, in these studies, MN-221 delayed both normal and premature labor in rats and caused a marked increase in the bodyweight of rat pups as a result of prevention of premature birth. Moreover, *in vitro* receptor binding studies conducted by Kissei Pharmaceutical suggest that the stimulating action of ß$_2$-adrenergic receptor agonists on the heart, which is a problem with current drugs for treating premature labor, may be reduced with MN-221 due to its selectivity for uterine ß$_2$-adrenergic receptors.

To date, pharmacokinetic and safety data has been generated from human experience with MN-221 by a Phase I clinical study in healthy male and non-pregnant female volunteers conducted by Kissei Pharmaceutical in Japan and the U.K. A total of 94 subjects received intravenous infusions of either MN-221 or a placebo. MN-221 was generally well tolerated and no subject was withdrawn due to any adverse event. A pilot double-blind, placebo-controlled Phase II clinical trial of MN-221 was completed in 2004 by Kissei Pharmaceutical in 8 women in premature labor in the U.K. A trend towards a reduction in the number of uterine contractions was observed in MN-221-treated woman. No serious adverse events were observed in this study.

We anticipate filing a U.S. IND for MN-221 in late 2004. If the IND is accepted, we intend to conduct an additional Phase I study with a different dose regimen than previously studied and a Phase II clinical study using a dose titration schedule. Phase I testing will commence upon acceptance of the IND by the FDA.

The results of animal studies often are not predictive of results in humans and the clinical information generated to date is too preliminary to draw any conclusion about the safety or effectiveness of MN-221. Further testing is needed to evaluate whether MN-221 is safe and effective in humans.

MN-001 for Interstitial Cystitis

Disease Overview. Interstitial cystitis, or IC, is a chronic disease of the bladder characterized by urinary frequency and urgency, night-time urination and pain above the pubic bone. It is widely believed that IC is due to an altered or defective bladder lining and an increased number of activated bladder mast cells, which are specialized cells that release biochemicals that cause inflammation. According to a July 2003 U.S. National Institutes of Health publication by the National Kidney and Urologic Diseases Information Clearinghouse, approximately 700,000 patients suffer from IC in the United States, 90% of whom are women. We believe that IC is currently underdiagnosed, in part, due to the relative lack of effective treatments. We believe that the market for IC will likely expand with the introduction of effective new treatments.

MN-001. MN-001 is a novel, anti-inflammatory compound for the treatment of IC. In connection with our partnering program, we have collected data relating to the development of MN-001 for bronchial asthma. We have licensed MN-001 from Kyorin Pharmaceutical. The data collected by Kyorin Pharmaceutical provided a strong scientific rationale for evaluating MN-001 as an oral treatment for IC.

In pre-clinical tests conducted by Kyorin Pharmaceutical and us, MN-001 affected many of the downstream mechanisms activated by mast cell degranulation in an animal model. Mast cell degranulation is the release of naturally-occurring biochemicals that cause inflammation. MN-001 and its primary metabolite, MN-002, blocked the effects of these naturally-occurring inflammatory biochemicals in both *in vitro* and *in vivo* rodent models. For example, MN-001 blocked leukotrine induced bronchospasm in guinea pigs. MN-001 is also a potent inhibitor of pro-inflammatory enzymes *in vitro* (*e.g.*, 5-lipoxygenase and phosphodiesterase 4) and prevented the migration of inflammatory cells to the lungs of rodents. While we do not have similar data in animal models of interstitial cystitis, we believe that MN-001 may reduce bladder hyper-reactivity and inflammation much in the same way that it reduces airway hyper-reactivity and inflammation in models of asthma by blocking these inflammatory mechanisms. We intend to pursue a parallel development strategy for MN-001 in IC and asthma to maximize the benefits of the existing pre-clinical and clinical safety database.

We intend to file a U.S. IND in late 2004 to evaluate MN-001 in a multi-center, placebo-controlled, randomized, double-blind, parallel-group study in patients with IC. This Phase II testing will commence upon acceptance of the IND by the FDA.

The results of animal studies often are not predictive of results in humans, and there is no clinical data with respect to MN-001 in this indication. Further testing is needed to evaluate whether MN-001 is safe and effective for humans.

MN-029 for Solid Tumors

Disease Overview. The American Cancer Society estimates that more than 1.3 million Americans will be diagnosed with cancer in 2004. Of these, more than 700,000 patients will be diagnosed with lung, prostate, colon, rectum or breast solid tumor cancers. At least 500,000 are expected ultimately to die from all forms of cancer. According to Med Ad News, a leading pharmaceutical industry journal, sales of cancer drugs in 2003 exceeded $13.5 billion, $10 billion of which related to treatment of solid tumors.

Tumor blood vessels are a promising target for cancer therapy. Compounds that act to deprive tumors of their blood supply fall into two classes: angiogenesis inhibitors and vascular targeting agents, or VTAs. Angiogenesis inhibitors block the formation of new blood vessels formed in response to tumor growth. VTAs disrupt blood flow through existing tumor blood vessels by damaging the vessel walls. VTAs have a potential advantage over angiogenesis inhibitors because VTAs work on existing tumor blood vessels and can kill hundreds of cancer cells that depend on that blood supply with even a brief interruption in blood flow, rather than simply slowing tumor growth by blocking new blood vessel formation.

MN-029. MN-029 is a novel, small molecule VTA under development for the treatment of cancer. We have licensed MN-029 from Angiogene Pharmaceuticals. Several pre-clinical pharmacology studies conducted by Angiogene Pharmaceuticals and us have assessed the mechanism of action and anti-tumor activity of MN-029 *in vivo* in rodent models of breast adenocarcinoma, colon carcinoma and lung carcinoma. In these studies, MN-029 damaged poorly formed tumor blood vessels by weakening tumor blood vessel walls and causing leakage, clotting and eventual vascular shutdown within the tumor. MN-029 acts quickly and is rapidly cleared from the body, which may reduce the potential for some side effects commonly associated with chemotherapies.

We intend to evaluate MN-029 as a method of treatment for solid tumors. The FDA has accepted our U.S. IND to begin Phase I testing of MN-029 in up to 30 cancer patients. We have commenced an open-label study in patients with advanced solid tumors receiving a 10-minute intravenous infusion every 21 days. Groups of patients are being treated in a dose-escalating manner. This trial is designed to study the safety and metabolism of a single dose of MN-029 when administered intravenously to patients with advanced solid tumors. In addition, this first clinical study will generate preliminary data on the effect of MN-029 on tumor blood flow and size. We anticipate initiating a second Phase I clinical trial utilizing a weekly intravenous treatment regimen for three weeks followed by a two-week recovery period.

The results of animal studies often are not predictive of results in humans, and there is no clinical data on MN-029. Further testing is needed to evaluate whether MN-029 is safe and effective in humans.

Partnering Programs

MN-001 for Asthma

Disease Overview. Asthma is a chronic inflammatory disease of the lungs in which symptom control is the key to effective disease management. Both alleviation of acute asthmatic symptoms and blocking of late phase inflammation are important to asthma therapy. The asthma market continues to grow, with approximately 17 million patients in the United States, according to the FDA. According to a ScripReports publication in July 2002, there are approximately 100 to 150 million asthmatics worldwide. According to Med Ad News, sales of asthma drug treatments exceeded $9 billion in 2003. According to IMS Health Incorporated, a market research organization, inhaled bronchial steroids and leukotriene agents are among the fastest growing therapeutic categories in the United States for asthma, with sales growth of 53% and 26% from 2002 to 2003, respectively. Worldwide sales of the leading leukotriene antagonist for the treatment of asthma were $2 billion in 2003, a 35% increase over 2002 sales.

MN-001. MN-001 is a novel compound for the treatment of bronchial asthma. We have licensed MN-001 from Kyorin Pharmaceutical. In pre-clinical studies conducted by Kyorin Pharmaceutical and us *in vivo* in rodents, MN-001 combined the positive attributes of the leukotriene antagonists and inhaled steroids while maintaining an acceptable safety profile. In pre-clinical animal pharmacology studies, MN-001 inhibited airway hyper-reactivity through a reduction of airway inflammation. *In vitro* and animal studies also suggest that MN-001 affects many of the downstream mechanisms activated by mast cell degranulation, which is the release of chemicals that cause inflammation. It is also a potent inhibitor of pro-inflammatory enzymes *in vitro* (*e.g.*, 5-lipoxygenase and phosphodiesterase 4) and prevents migration of inflammatory cells to the lungs of rodents. In addition, in guinea pig asthma models, MN-001 was more selective than steroids in affecting cells involved in the inflammatory process and not those involved in cellular immunity.

Four Phase I studies of MN-001 have been completed in a total of 77 healthy volunteers by Kyorin Pharmaceuticals and us. MN-001 was well tolerated up to daily doses of 2000 mg and there were no serious adverse events in any of these studies. In addition, a Phase II open-label study was conducted by Kyorin Pharmaceutical in January 1994 in 112 subjects with mild or moderate asthma at doses up to 300 mg twice a day. The efficacy results in this study were inconclusive in terms of symptomatic improvements at the dosage level. Future clinical studies will evaluate the safety and efficacy of MN-001 in asthma patients at doses greater than 300 mg twice a day.

We intend to conduct a 120 patient multi-center, placebo-controlled, randomized, double-blind, parallel-group study of MN-001 with a four week treatment in mild to moderate asthmatic subjects. The study will evaluate three different dose regimen of MN-001. Efficacy will be evaluated using standard measures of respiratory function, e.g., FEV_1, methacholine challenge, serial spirometry. We submitted an IND to conduct this investigation to the FDA on June 1, 2004. The FDA has requested some additional animal testing to resolve a safety question before the IND becomes effective. Assuming that the issue is satisfactorily resolved, testing will commence upon acceptance of the IND by the FDA.

The results of animal studies often are not predictive of results in humans, and the clinical information generated to date is too preliminary to draw any conclusions about the safety or effectiveness of MN-001. Further testing is needed to evaluate whether MN-001 is safe and effective in humans.

We believe that the commercialization of MN-001 will require significant resources. As a result, we intend to partner with pharmaceutical or biotechnology companies, either on a global or territorial level, to complete the development and commercialization of MN-001.

MN-305 for Generalized Anxiety Disorder

Disease Overview. The essential characteristic of Generalized Anxiety Disorder is excessive, uncontrollable worry about everyday events. This constant worry affects daily functioning and can cause severe physical symptoms. Generalized Anxiety Disorder can occur with other anxiety disorders, depressive disorders or substance abuse. Generalized Anxiety Disorder is often difficult to diagnose because it is not triggered by a specific object or situation. The intensity, duration and frequency of the worry are disproportionate to the issue. As a result, Generalized Anxiety Disorder tends to interfere with the performance of tasks and the ability to concentrate. According to the U.S. National Institute of Mental Health, anxiety disorders affect approximately 19 million American adults, of whom 4 million suffer from Generalized Anxiety Disorder. According to a February 2001 report published by Decision Resources, Inc., a market research organization, worldwide sales of prescription drugs for the treatment of anxiety disorders are estimated to increase from just under $2 billion in 1999 to almost $3 billion in 2009. Similarly, worldwide sales of prescription drugs for Generalized Anxiety Disorder are estimated to increase from $900 million in 1999 to $1.3 billion in 2009.

A variety of pharmacologic agents are used to manage patients with anxiety disorders. Benzodiazepines have been the mainstay of the treatment of acute anxiety since the late 1960's. However, their efficacy as a treatment has been inhibited by problems faced by chronic use due to their sedative effects. In the late 1980's, buspirone was introduced and widely used even though it takes effect slowly. Buspirone was well tolerated and safe. During the late 1990's, newer anti-depressants, notably the specific serotonin reuptake inhibitors, or SSRIs, were increasingly used to treat anxiety as well. While effective, these anti-depressants result in a variety of undesirable side effects, including agitation and sexual dysfunction. Also, the SSRIs may take weeks to exert their beneficial effects.

We believe that there is a significant opportunity for the introduction of new anxiety reducing drugs. Anxiety disorders are the most prevalent of neuropsychiatric conditions, yet are under-diagnosed and consequently under-treated.

MN-305. MN-305 is a serotonin receptor agonist with high affinity and selectivity for the serotonin 5-HT_{1A} receptor subtype. Drugs that act through this mechanism, such as buspirone, have been proven to be clinically effective in treating Generalized Anxiety Disorder. We licensed MN-305 from Mitsubishi Pharma. MN-305 has been shown to be more potent than buspirone and to show anti-anxiety efficacy in a wide range of pre-clinical rodent models. For example, in a social interaction test, MN-305 prolonged the duration of social interaction in rats. Pre-clinical and clinical studies conducted by Mitsubishi Pharma also suggest that MN-305 may have a more rapid onset of action than buspirone.

Preliminary evidence of anti-anxiety efficacy has been provided by a six week, open-label, fixed-flexible dose Phase II study conducted by Mitsubishi Pharma in Japan in 61 patients with neurotic disorders. The neurotic disorders included Generalized Anxiety Disorder, panic disorder, agoraphobia, mixed anxiety and depressive disorder and dysthymia. MN-305 was well tolerated, with headaches being the most common side effect in this trial. At the end of the study, the mean Hamilton Rating Scale for Anxiety, or HAM-A, a scale used to measure the intensity of anxiety symptoms, score was reduced by 45.6% compared to the pre-treatment value. Similarly, 53.7% of the patients were rated "Moderately Improved" or better following treatment of MN-305. In addition, in several clinical trials conducted by Mitsubishi Pharma in healthy volunteers and patients with anxiety disorders and Major Depressive Disorder MN-305 was well tolerated. These studies did not evaluate the reduction of anxiety symptoms in patients that were not treated with MN-305.

We intend to continue to evaluate the anti-anxiety effects of MN-305 in a double blind, randomized placebo controlled Phase II trial in patients with Generalized Anxiety Disorder. The change in the HAM-A score will be assessed as the primary measure of efficacy. The U.S. IND for MN-305 has been transferred to us from Mitsubishi Pharma, enabling us to commence this trial by the end of 2004. Further testing may fail to confirm the results of the pre-clinical and other studies discussed above.

The results of animal studies often are not predictive of results in humans and the clinical information generated to date is too preliminary to draw any conclusions about the safety or effectiveness of MN-305. Further testing is needed to evaluate whether MN-305 is safe and effective in humans.

MN-166 for Multiple Sclerosis

Disease Overview. Multiple sclerosis, or MS, is an inflammatory disease of the central nervous system, or CNS, in which the body's immune system attacks the protective sheath surrounding nerve fibers. According to the National Institute of Neurological Disorders and Stroke, MS affects approximately 250,000 to 300,000 people in the United States. The most obvious effect of MS is its destruction of nerve fibers leading to the loss of muscle control, but multiple CNS functions are also affected. Currently, there is no cure for the disease. Relapsing-remitting MS, or RRMS, is the most common type of the disease, accounting for 65% to 85% of patients, according to the National Institute of Neurological Disorders and Stroke. Most patients with RRMS eventually progress to the secondary progressive form of the disease. According to Med Ad News, worldwide sales of drugs to treat MS exceeded $4.2 billion in 2003.

The aim of treatment is to relieve symptoms of acute attacks, by limiting the disabling effects of relapses and limiting their frequency, and to minimize disability caused by disease progression. Initially, steroids were used in treating MS to decrease the severity and shorten the duration of the attacks, but they did not change the course of the disease. According to a report in Cognos, published in 2002, corticosteroid use is limited to the short term treatment of MS, perhaps one to three weeks. The same report stated that it is generally believed that the side effects and safety risks of long-term corticosteroid therapy contraindicate use of these drugs in extended MS treatment. More recently, immunomodulatory drugs have been introduced for the treatment of MS. However, these drugs are only partially effective; they may slow the course of disease progression and mitigate its effects, but additional drugs are often required to address the various CNS dysfunctions caused by the disease. Many patients continue to experience relapses and progression of the disease, despite taking these immunomodulators, which generally reduce the relapse rate by only about one-third. Currently, the leading treatment for MS, beta-interferons, needs to be injected, resulting in pain, swelling and itching. Severe flu symptoms also may occur with the beta-interferons. We believe drugs that can be taken with less discomfort, particularly those that can be taken orally, would have wide appeal.

MN-166. MN-166 is a novel oral anti-inflammatory agent. It has been widely used in Japan since 1989 to promote recovery from ischemic stroke and to treat bronchial asthma. These clinical applications are based on the ability of MN-166 to improve blood flow in the brain and to relax smooth muscle in the lungs. These mechanisms may also be operative in treating MS.

Because of its anti-inflammatory activity and relatively benign clinical safety profile, MN-166 was evaluated for potential activity in MS in a pilot clinical trial sponsored by academic investigators in Japan. In one open-label pilot trial, the investigators studied the effects of MN-166 on relapse rates in six MS patients who had a mean of four relapses per year. Following 12 to 20 months of treatment with MN-166, the average relapse rate was cut in half. Over this time frame, there was no significant change in the mean Expanded Disability Status Score, or EDSS, a measure of MS drug efficacy. No side effects of MN-166 were reported in this trial. In a second pilot trial involving 12 MS patients receiving MN-166 for four weeks, MN-166 normalized the levels of several chemical mediators of inflammation, including tumor necrosis factor alpha and interferon gamma.

After obtaining authorization from appropriate regulatory authorities, we intend to evaluate MN-166 in a multi-center, placebo-controlled clinical trial involving approximately 180 to 300 MS patients beginning in the first half of 2005. Outcome measures will include safety, symptom assessments and serial imaging of the CNS via magnetic resonance imaging.

The results of animal studies often are not predictive of results in humans and the clinical information generated to date is too preliminary to draw any conclusions about the safety or effectiveness of MN-166. Further testing is needed to evaluate whether MN-166 is safe and effective in humans.

Other Program

Store-Operated Calcium Channel Antagonist Discovery Program

Calcium is involved in a number of key biological processes ranging from control of the structural integrity of membranes to gene expression. Control of these processes is commonly referred to as calcium signaling. Calcium signaling is well known for its regulatory role in many physiological responses. Mutations or functional abnormalities in calcium signaling mechanisms may lead to a wide variety of diseases. We are investigating the regulation of calcium signaling through store-operated calcium channels, or SOCCs, and inositol-1,4,5-triphosphate, or IP_3, receptors as a novel approach to the treatment of cancer and inflammatory diseases. This research is being conducted in collaboration with Katsuhiko Mikoshiba, M.D., Ph.D., of the University of Tokyo and the Institute of Physical and Chemical Sciences, or RIKEN.

A recent review published by Frontiers of Biotechnology & Pharmaceuticals supports the idea that SOCCs may be responsible for calcium influx during T cell activation. T cells play a major role in the immune system and inflammatory disorders. Similarly, calcium ions also play a central role in the activation and degranulation of tissue mast cells and circulating counterpart basophils. Furthermore, recent studies also suggest that a blockade of SOCCs can slow the proliferation of cancer cells. Thus, modulation of calcium signaling via extracellular SOCCs or intracellular IP_3 receptors may be a novel approach towards identifying new treatments for inflammatory disorders and cancer. We are currently investigating the effects of small molecule modulators of SOCCs on the cells and processes involved in these conditions.

License and Master Services Agreements

Since our inception in September 2000, we have executed six license agreements covering our current product candidates. We intend to continue to evaluate and in-license additional compounds, as appropriate. We have also entered into master services agreements with two pharmaceutical companies pursuant to which we provide consulting services. The following is a description of our existing license agreements and currently active master services agreements.

Kissei Pharmaceutical Agreement

On February 25, 2004, we entered into an exclusive license agreement with Kissei Pharmaceutical for the development and commercialization of MN-221. Kissei Pharmaceutical is a fully integrated Japanese

pharmaceutical company with 1,469 employees and is listed on the First Section of the Tokyo Stock Exchange. We obtained an exclusive, worldwide (excluding Japan), sublicenseable license to various patent rights and know-how related to MN-221 and other compounds disclosed or included in, or covered by the these patent rights, for all indications, including premature labor. The U.S. composition of matter patent underlying the license is set to expire no earlier than February 18, 2017. Corresponding composition patents in various European and Asian countries are set to expire no earlier than February 18, 2017. Kissei has an option to enter into a co-promotion agreement with us regarding MN-221.

The licensee agreement may be terminated by either party following an uncured breach of any material provision in the agreement by the other party and we may terminate the agreement for scientific or commercial reasons upon 100 days prior written notice to Kissei during the development phase and 180 days prior written notice to Kissei during the commercialization phase.

The term of the agreement is determined on a country by country basis and extends until the expiration of the last Kissei Pharmaceutical patent (or equivalent) under license to expire or in the event that a valid claim does not exist or, if a valid claim expired more than ten years from the date of first commercial sale, ten years from the date of first commercial sale. In either case, the term of the agreement would not extend past the date on which generic competition exists in any particular country.

Angiogene Agreement

On June 19, 2002, we entered into an exclusive license agreement with Angiogene Pharmaceuticals for the development and commercialization of the ANG-600 series of compounds. Angiogene is a privately-held, British drug discovery company. We obtained a worldwide, exclusive, sublicenseable license to the patent rights and know-how related to the ANG-600 series of compounds disclosed in and included or covered by these patents for all indications. MN-029 is one of the ANG-600 series compounds covered by this license. The U.S. composition of matter patent underlying the license is set to expire on January 14, 2020.

The license agreement may be terminated by either party following an uncured breach of any material provision in the agreement by the other party and we may terminate the agreement at any time by giving 30 days advance written notice to Angiogene.

The term of this agreement is determined on a country by country basis and extends until the earlier of the expiration of the last Angiogene Pharmaceuticals patent (or equivalent) under license which has a valid claim to expire or 15 years from the date of first commercial sale.

Kyorin Agreements

On March 14, 2002, we entered into an exclusive license agreement with Kyorin Pharmaceutical for the development and commercialization of MN-001. Kyorin Pharmaceutical is a fully integrated Japanese pharmaceutical company with 1,597 employees and is listed on the First Section of the Tokyo Stock Exchange. We obtained an exclusive, worldwide (excluding Japan, China, South Korea, and Taiwan) sublicenseable license to the patent rights and know-how related to MN-001 and its active metabolite, MN-002, disclosed and included or covered by these patents, in all indications except for ophthalmic solution formulations. The U.S. composition of matter patents for MN-001 and MN-002 underlying the license are set to expire on February 23, 2009 and December 30, 2011, respectively. Corresponding composition of matter patents in various European and Asian countries are set to expire no earlier than between March 1, 2009 and January 15, 2015.

The license agreement may be terminated by either party following an uncured breach of any material provision in the agreement by the other party and we may terminate the agreement for any reason with 90 days written notice to Kyorin Pharmaceutical or, in the event that a third party claims that the licensed patent rights or know-how infringe upon such third party’s intellectual property rights, with 30 days written notice.

The term of this agreement is determined on a country by country basis and extends until the later of (i) the expiration of the obligation to make payments under the agreement or (ii) the later of (a) the last date on which the manufacture, use or sale of the product would infringe a valid patent claim held by Kyorin Pharmaceutical but for the license granted by the agreement or (b) the last date of the applicable market exclusivity period. In the absence of a valid patent claim and generic competition in a particular country, the agreement will expire on the earlier of five years from the date of the first commercial sale of the product by us or the end of the second consecutive calendar quarter in which generic competition exists in such country.

On October 22, 2004, we entered into an exclusive license agreement with Kyorin for the development and commercialization of MN-166. We obtained an exclusive, worldwide (excluding Japan, China, South Korea, and Taiwan), sublicenseable license to the patent rights and know-how related to MN-166, for the treatment of multiple sclerosis, except for ophthalmic solution formulations. The U.S. method of use patent for MN-166 underlying the license is set to expire on August 10, 2018. Corresponding method of use patents in several other countries are set to expire no earlier than August 10, 2018.

The license agreement may be terminated by either party following an uncured breach of any material provision in the agreement by the other party.

The term of this agreement is determined on a country by country basis and extends until the later of (i) the expiration of the obligation to make payments under the agreement or (ii) the later of (a) the last date on which the manufacture, use or sale of the product would infringe a valid patent claim held by Kyorin Pharmaceutical but for the license granted by the agreement or (b) the last date of the applicable market exclusivity period. In the absence of a valid patent claim and generic competition in a particular country, the agreement will expire on the earlier of five years from the date of the first commercial sale of the product by us or the end of the second consecutive calendar quarter in which generic competition exists in such country.

In conjunction with the licenses granted to us under both Kyorin Agreements, we have granted to Kyorin Pharmaceutical an exclusive royalty-free sublicenseable license to use the pre-clinical, clinical and regulatory databases that we develop for as long as the Kyorin Agreements remain in effect. In the event of termination of either of the agreements for cause by either party, royalties will be payable to us for a period of five years from the date of such termination.

Mitsubishi Pharma Agreement

On April 27, 2004, we entered into an exclusive license agreement with Mitsubishi Pharma Corporation for the development and commercialization of MN-305. Mitsubishi Pharma is a fully integrated Japanese pharmaceutical company with 4,175 employees and is listed on the First Section of the Tokyo Stock Exchange. We obtained an exclusive, worldwide (excluding Japan, Singapore, Brunei, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, Bangladesh, Pakistan, South Korea, China and Taiwan), sublicenseable license to the patent rights and know-how related to MN-305 and its active metabolite disclosed and included or covered by these patents for all indications except for ophthalmic solution formulations. The U.S. composition of matter patent for MN-305 underlying the license is set to expire on March 14, 2011. Corresponding composition of matter patents in various European and Asian countries are set to expire on March 14, 2011.

Mitsubishi Pharma has an option to enter into a co-promotion agreement with us regarding MN-305. The license agreement may be terminated by either party following an uncured breach of any material provision in the agreement by the other party and we may terminate the agreement if in our reasonable opinion the safety, patient tolerability, efficacy, or the profile or the commercial viability of MN-305 does not justify continued development with 90 days written notice to Mitsubishi Pharma or, in the event that a third party claims that the licensed intellectual property related to MN-305 infringes such third party’s intellectual property rights, with 30 days notice.

The term of this agreement is determined on a country by country basis and extends until the later of ten years from the date of first commercial sale in a specific country and the expiration of a valid patent claim in such country. In the event that we enter into a sublicense with a third party, the term of the agreement will extend for as long as we receive royalty payments from such third party.

RIKEN Agreement

On June 1, 2003, we entered into an exclusive license with RIKEN, also known as the Institute of Physical and Chemical Science, and Professor Katsuhiko Mikoshiba for the development and commercialization of certain polypeptides and their homologs and analogs. RIKEN is a non-profit research institute with an annual budget of over $750 million. Specifically, we are investigating the regulation of calcium signaling through SOCCs and inositol-1,4,5-triphosphate, or IP_3, receptors as a novel approach to the treatment of cancer and inflammatory diseases. We obtained an exclusive, worldwide sublicenseable license to the patent rights and know-how on IP_3-binding polypeptides and their homologs and analogs in all indications. The U.S. patent underlying the license is set to expire on August 26, 2019.

The license agreement may be terminated by either party following an uncured breach of any material provision in the agreement by the other party and we may terminate the agreement by giving 60 days advance written notice to RIKEN and Professor Mikoshiba.

The term of this agreement is determined on a country by country basis and extends until the expiration of the last to expire RIKEN patent under license.

Asahi Kasei Master Services Agreement

On December 1, 2003, we entered into a master services agreement with Asahi Kasei Pharma Corporation, a mid-sized Japanese pharmaceutical company focused on the discovery, development and commercialization of therapeutic agents. We provide Asahi with consulting and contract management services in connection with the development of pharmaceutical products. Under the agreement, we are currently working on one compound. The agreement currently generates consulting revenue for us and may serve as a prelude to in-licensing of the compound currently being tested and other Asahi compounds.

The master services agreement may be terminated by either party following an uncured default of its material obligations under the agreement. Either party may terminate the agreement upon three months' written notice. In addition, Asahi may terminate any project-specific addendum to the agreement immediately at any time upon written notice.

The term of this agreement is indefinite and depends on the completion of services as provided for in the agreement.

Argenes Master Services Agreement

On June 25, 2004, we entered into a master services agreement with Argenes Inc., a Japanese pharmaceutical company focused on the discovery, development and commercialization of therapeutic agents. We provide Argenes with consulting and contract management services in connection with the development of pharmaceutical products. Under the agreement, we are currently working on one compound. The agreement may serve as a prelude to in-licensing of the compound currently being tested and other Argenes compounds.

The master services agreement may be terminated by either party following an uncured default of its material obligations under the agreement. Either party may terminate the agreement upon three months' written notice. In addition, Argenes may terminate any project-specific addendum to the agreement immediately at any time upon written notice.

The term of this agreement is indefinite and depends on the completion of services as provided for in the agreement.

Sales and Marketing

We currently have no marketing and sales capability. Within the United States, we intend to develop a specialty product-driven marketing and sales organization to promote our strategic core program products, as well as to co-promote products from our partnering programs. The size and other features of our marketing and sales organization will be influenced by the timing of regulatory approvals for our products, the willingness of our partners to agree to co-promotion and the investment involved.

We believe that a two-stage strategy for the development of a marketing and sales capability is desirable. Initially, we intend to utilize a contract sales organization, or CSO, to provide the necessary field sales management and representation for the promotion of the first core product which is approved for marketing and distribution. The CSO's field personnel will be managed by our own marketing, sales management and sales support staff, which will be responsible for developing all promotional and training materials, devising advertising campaigns, creating medical education materials and programs and constructing databases for territory and customer management. Our marketing and sales organization, which we intend to have in place one year prior to market introduction of our core products, will also be responsible for all pre-launch activities, mainly the preparation of materials previously described.

One year after the commercial launch of our first product, the second stage of the strategy will evolve, as we intend to directly employ the CSO field personnel. We will then have the flexibility to expand and re-deploy the sales organization as needed. Working with the CSO initially and independently thereafter, we will ensure that the sales force and its management will be experienced and fully familiar with selling to specialists and the hospital environment. We also intend to provide appropriate sales force coverage for managed care organizations, government and institutional accounts and opinion-leading physicians.

As new products are approved for marketing, either from our strategic core programs or from the partnering programs as a result of co-promotion agreements, we may choose to increase our marketing and sales capabilities. Through co-promotion, for example, we may have the option of selling to different physician specialties. It is possible that through our continuing emphasis on in-licensing, additional products will be added to our strategic core programs and/or partnering programs that will afford selling opportunities. We intend to seek product co-promotion opportunities outside of our strategic core and partnering programs to further strengthen our marketing and sales organization.

Manufacturing

We rely on third parties to manufacture bulk compounds and finished investigational medicines for research, development, pre-clinical and clinical trials. We currently engage Torcan Chemical and Regis Technologies for the manufacture of small-scale batches of MN-001 and MN-029 for clinical trials, respectively. We currently engage Patheon to manufacture finished investigational preparations of MN-001, MN-305 and MN-221 for use in clinical trials. We currently engage Fulcrum Pharma Developments to manufacture finished investigational preparations of MN-029 for use in clinical trials. We expect to continue to rely on third parties for the manufacture and distribution of products approved for commercial sale. Drugs must be manufactured in facilities and by processes that comply with the FDA and other regulations. Our third-party manufacturers and distributors are also subject to extensive governmental regulation. The FDA mandates that drugs be manufactured, packaged and labeled in conformity with cGMP. In complying with cGMP regulations, manufacturers must continue to expend time, money and effort in production, record keeping and quality control to ensure that products they produce meet applicable specifications and other requirements to ensure product safety and efficacy.

We believe that there are several manufacturing sources available on commercially reasonable terms to meet our clinical and any future commercial production requirements.

Under each of our agreements with our third-party manufacturers, the manufacturers:

- are required to supply products to us based on purchase orders we provide to them;
- provide representations and warranties regarding the compliance with cGMP of the products they make for us;
- are required to operate their facilities in compliance with all legal and regulatory requirements; and
- are permitted to terminate the agreement only in the event that we materially breach the agreement or become insolvent.

Intellectual Property

In general, we seek to procure patent protection for our anticipated products, or obtain such protection from the relevant patents owned by our licensors. To date, we have obtained licensed rights under nine issued U.S. patents and two U.S. patent applications. We also have obtained licensed rights to 58 issued and pending international and foreign patents corresponding to these U.S. patents. In addition to these licensed rights, we hold three U.S. patent applications relating to MN-001 and its metabolite, MN-002. These patents and pending patent applications contain claims directed to, among other things, compounds, compositions, methods of use and/or methods of manufacture. The following is a description of our intellectual property rights:

MN-221

We hold an exclusive, worldwide, excluding Japan, sublicenseable license from Kissei Pharmaceutical to patents and pending patent applications related to MN-221, which covers compositions of matter and uses of MN-221. A U.S. composition of matter patent was issued in October 2000. Corresponding composition of matter patents are issued in various European and Asian countries. An additional use patent application is pending in several other countries throughout the world. The composition of matter patent is set to expire no earlier than February 18, 2017. Extension of the patent's term might be available under the patent term restoration provisions of the Hatch-Waxman Act.

MN-001

We hold an exclusive, worldwide, excluding Japan, China, South Korea and Taiwan, sublicenseable license from Kyorin Pharmaceutical to patents related to MN-001, covering compositions of matter of MN-001 and its active metabolite, MN-002. A U.S. composition of matter patent for MN-001 was issued on January 15, 1991 (set to expire on February 23, 2009) and on March 1, 1994 for MN-002 (set to expire on December 30, 2011). Corresponding composition of matter patents are issued in several other countries throughout the world. Additional composition of matter, use and process patent applications are pending in several other countries throughout the world. In addition to any proprietary rights provided by these patents, we intend to rely on the provisions of the Hatch-Waxman Act to obtain a period of marketing exclusivity in the United States if the FDA approves MN-001 for marketing in the United States, although there is no assurance market exclusivity will be granted.

MN-029

We hold an exclusive, worldwide sublicenseable license from Angiogene Pharmaceuticals to patents related to MN-029, covering compositions of matter of MN-029 and its analogs known as the ANG-600 series of compounds. A U.S. composition of matter patent covering MN-029 was issued on November 11, 2003 (set to expire on January 14, 2020). Corresponding composition patents are pending in several other countries throughout the world. Additional methods of use patent applications are pending in several other countries throughout the world.

MN-305

We hold an exclusive, worldwide, excluding Japan, Singapore, Brunei, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, Bangladesh, Pakistan, South Korea, China and Taiwan, sublicenseable license for MN-305 from Mitsubishi Pharma Corporation. A U.S. composition of matter patent covering MN-305 was issued on December 1, 1992 (set to expire on March 14, 2011). Corresponding composition of matter patents are issued in most of the European countries and in Canada. An additional three methods of use patents are also issued in the United States and major European countries. In the United States, these additional patents are set to expire in October 2016, May 2018 and August 2018, respectively. In addition to any proprietary rights provided by these patents, we intend to rely on the provisions of the Hatch-Waxman Act to obtain a period of marketing exclusivity in the United States, if the FDA approves the marketing of MN-305, although there is no assurance that market exclusivity will be granted.

MN-166

We hold an exclusive, worldwide, excluding Japan, China, South Korea and Taiwan, sublicenseable license from Kyorin Pharmaceutical to patents related to MN-166, covering the use of MN-166 to treat patients afflicted with multiple sclerosis. The MN-166 compound is not covered by a composition of matter patent. A U.S. method of use patent for MN-166 was issued on May 28, 2002. Corresponding patent applications are pending worldwide. The U.S. patent is set to expire on August 10, 2018. In addition to any proprietary rights provided by these patents, we intend to rely on the provisions of the Hatch-Waxman Act to obtain a period of marketing exclusivity in the United States if the FDA approves MN-166 for marketing in the United States, although there is no assurance market exclusivity will be granted.

IP_3 binding polypeptides

We hold an exclusive, worldwide sublicenseable license to patents, patent applications and know-how related to IP_3-binding polypeptides from RIKEN and Professor Katsuhiko Mikoshiba. A U.S. composition of matter patent was issued on October 15, 2002. Corresponding patent applications are pending in several other countries throughout the world. The U.S. patent, which is directed to isolated nucleic acids, recombinant vectors, transformants, and methods of producing polypeptides, is set to expire on August 26, 2019.

Our proposed commercial activities may conflict with patents which have been or may be granted to competitors, universities and/or others. Some third parties could bring legal action against us, our licensors or our sublicensees claiming patent infringement, and could seek damages or enjoin manufacturing and marketing of the affected product or its use or the use of a process for the manufacturing of such products. If any such actions were to be successful, in addition to any potential liability for indemnification, damages and attorneys' fees in certain cases, we could be required to obtain a license, which may not be available, in order to continue to manufacture, use or market the affected product. We also rely upon unpatented proprietary technology because, in some cases, our interest would be better served by reliance on trade secrets or confidentiality agreements than by patents. However, others may independently develop substantially equivalent proprietary information and techniques or gain access to or disclose such proprietary technology. We may not be able to meaningfully protect our rights in such unpatented proprietary technology. We may also conduct research on other pharmaceutical compounds or technologies, the rights to which may be held by, or be subject to patent rights of, third parties. Accordingly, if products based on such research are commercialized, such commercial activities may infringe patents or other rights, which may require us to obtain a license to such patents or other rights.

There can be no assurance that patent applications filed by us or others, in which we have an interest as assignee, licensee or prospective licensee, will result in patents being granted or that, if granted, any of such patents will afford protection against competitors with similar technology or products, or could not be circumvented or challenged. In addition, if we develop certain products that are not covered by any patents, we will be dependent on obtaining market exclusivity under the data exclusivity provisions of the Hatch-Waxman

Act for such products. If we are unable to obtain strong proprietary rights protection for our products after obtaining regulatory clearance, competitors may be able to market competing generic products by taking advantage of an abbreviated procedure for obtaining regulatory clearance, including the ability to demonstrate equivalency to our product(s) without being required to conduct lengthy clinical trials. Our license agreements provide for reduced royalties, or, in some cases, foregone royalties in the event of generic competition.

Government Regulation

Government authorities in the United States and in other countries extensively regulate, among other things, the research, development, testing, manufacture, labeling, promotion, advertising, distribution, marketing, and export and import of pharmaceutical products such as those we are developing. Failure to comply with applicable requirements, both before and after approval, may subject us, our third party manufacturers, and our collaborators to administrative and judicial sanctions, such as a delay in approving or refusal to approve pending applications, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, and/or criminal prosecution. Our drug candidates may prove not to be safe or effective, and may not receive regulatory approvals or be successfully commercialized.

U.S. Regulatory Approval. In the United States, drugs and drug testing are regulated by the FDA under the Food, Drug, and Cosmetic Act, as well as state and local government authorities. Before our products may be marketed in the United States, they must be approved by the FDA. Our product candidates are in the early stages of testing and none has been approved. The steps required before a drug can be approved generally involve the following:

- pre-clinical laboratory and animal tests;
- submission of an IND application, which must become effective before clinical trials may begin in the United States;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the product candidate for each indication for which approval is sought;
- submission to the FDA of a new drug application, or NDA;
- development of manufacturing processes which conform to FDA-mandated cGMPs and satisfactory completion of our FDA inspection to assess compliance; and
- FDA review and approval of an NDA.

The testing and approval process requires substantial time, effort, and financial resources. We cannot be certain that any approval will be granted on a timely basis, or at all.

Pre-clinical tests. Pre-clinical tests include laboratory evaluation of the product candidate, its chemistry, toxicity, formulation and stability, as well as animal studies to assess the potential safety and efficacy of the product candidate. The results of the pre-clinical tests, together with manufacturing information, analytical data and other available information about the product candidate, are submitted to the FDA as part of an IND application. Pre-clinical tests and studies can take several years to complete, and despite completion of those tests and studies the FDA may not permit clinical testing to begin.

The IND Process. An IND application must be effective to administer an investigational drug to humans. The IND application will automatically become effective 30 days after its receipt by the FDA unless the FDA, before that time, raises concerns or questions about the conduct of the studies as outlined in the IND application. At any time thereafter, the FDA may raise concerns or questions about the conduct of the trials as outlined in the IND application and impose a clinical hold. In this case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin or continue. The IND application process may become extremely costly and substantially delay development of our products. Moreover, positive results in pre-clinical tests will not necessarily indicate positive results in clinical trials.

Prior to initiation of each clinical study, an independent Institutional Review Board, or IRB, at the medical site proposing to conduct the clinical trials must review and approve the study protocol and study subjects must provide informed consent.

Clinical Trials. Human clinical trials are typically conducted in three sequential phases that may overlap:

- Phase I: The drug is initially introduced into human subjects or patients and tested for safety, dosage tolerance, absorption, distribution, excretion and metabolism.
- Phase II: The drug is introduced into a limited patient population to assess the efficacy of the drug in specific, targeted indications; assess dosage tolerance and optimal dosage, and identify possible adverse effects and safety risks.
- Phase III: The drug is introduced into an expanded patient population at geographically dispersed clinical study sites to further evaluate clinical efficacy and safety.

We cannot be certain that we will successfully complete Phase I, Phase II or Phase III testing of our drug candidates within any specific time period, if at all. The FDA and the IRB at each institution at which a clinical trial is being performed may suspend a clinical trial at any time for various reasons, including a belief that the subjects are being exposed to an unacceptable health risk.

The NDA Process. If clinical trials are successful, the next step in the drug regulatory approval process is the preparation and submission to the FDA of an NDA. The NDA is the vehicle through which drug sponsors formally propose that the FDA approve a new pharmaceutical product for marketing and sale in the United States. The NDA must contain a description of the manufacturing process and quality control methods, as well as results of pre-clinical tests, toxicology studies, clinical trials and proposed labeling, among other things. A substantial user fee must also be paid with the NDA, unless an exemption applies.

Upon submission of the NDA, the FDA will make a threshold determination as to whether the application is sufficiently complete to permit review, and if not will issue a refuse to file letter. If the application is accepted for filing, the FDA will attempt to review and take action on the application in accordance with performance goal commitments the FDA has made in connection with the user fee law. These timing commitments will vary depending on whether an NDA is for a priority drug or not, and in any event are not a guarantee that an application will be approved or even acted upon by any specific deadline. The review process is often significantly extended by FDA requests for additional information or clarification. The FDA may refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved, but the FDA is not bound by the recommendation of an advisory committee. The FDA may deny or delay approval of applications that do not meet applicable regulatory criteria or if the FDA determines that the clinical data do not adequately establish the safety and efficacy of the drug. In addition, the FDA may approve a product candidate subject to the completion of post-marketing studies, referred to as Phase IV trials. The FDA may also grant approval with restrictive product labeling, or may impose other restrictions on marketing or distribution such as the adoption of a special risk management plan.

Manufacturing and Post-Marketing Requirements. Both before and after approval, we and our third-party manufacturers are required to comply with a number of post-approval requirements. For example, certain changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims are subject to additional FDA review and approval. Advertising and other promotional material must comply with FDA requirements and established requirements applicable to drug samples. The NDA holders and manufacturers of approved products will be subject to continual review and periodic inspections by the FDA and other authorities where applicable, and must comply with ongoing requirements, including the FDA's cGMP requirements. Once the FDA approves a product, a manufacturer must provide certain updated safety and efficacy information, submit copies of promotional materials to the FDA periodically, and make certain other required reports. Product approvals may be withdrawn if compliance with regulatory requirements is not

maintained or if problems concerning safety or efficacy of the product occur following approval. Because we intend to contract with third parties for manufacturing of our products, our ability to control third-party compliance with FDA requirements will be limited to contractual remedies and rights of inspection.

The FDA's policies may change and additional government regulations may be promulgated which could prevent or delay regulatory approval of our products. Moreover, increased attention to the containment of health care costs in the United States and in foreign markets could result in new government regulations that could have a material adverse effect on our business. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

We are also subject to various laws and regulations regarding laboratory practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances in connection with our research.

Foreign Regulatory Approval. We will have to complete approval processes, similar or related to the U.S. approval processes, in virtually every foreign market for our products in order to conduct clinical or pre-clinical research and to commercialize our drug candidates in those countries. The approval procedures and the time required for approvals vary from country to country and may involve additional testing. Foreign approvals may not be granted on a timely basis, or at all. In addition, regulatory approval of prices is required in most countries other than the United States. We face the risk that the resulting prices would be insufficient to generate an acceptable return to us or our collaborators.

Similar to the U.S. regulatory framework, the various phases of pre-clinical and clinical research are subject to significant regulatory controls within the European Union. Variations among national regimes exist. However, most jurisdictions require regulatory and institutional review board approval of interventional clinical trials. Most European regulators also require the submission of adverse event reports during a study and a copy of the final study report.

Under European Union regulatory systems, marketing authorizations may be submitted either under a centralized or decentralized procedure. The centralized procedure is currently mandatory for products developed by means of a biotechnological process and optional for new active substances and other "innovative medicinal products with novel characteristics." It provides for the grant of a single marketing authorization that is valid for all European Union member states. The decentralized procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization may submit applications in other European Union member states, requesting them to mutually recognize the marketing authorization already granted. Within ninety days of receiving the applications and assessment report, each member state must decide whether to recognize the existing approval.

Where possible, we will strive to choose the European regulatory filing route that will most rapidly enable us to obtain the needed regulatory approvals. However, the chosen regulatory strategy may not secure regulatory approvals or approvals of the chosen product indications. In addition, these approvals, if obtained, may take longer than anticipated.

Other Regulatory Matters. In the United States, our manufacturing, sales, promotion, and other activities following any product approval are subject to regulation by regulatory authorities in addition to the FDA, including the Federal Trade Commission, the Department of Justice, the Centers for Medicare & Medicaid Services, other divisions of the Department of Health and Human Services, and state and local governments. Among other laws and requirements, our sales, marketing and scientific/educational programs will need to comply with the anti-kickback provisions of the Social Security Act, the False Claims Act and similar state laws. Our pricing and rebate programs will need to comply with pricing and reimbursement rules, including the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply.

All of our activities are potentially subject to federal and state consumer protection and unfair competition laws. Finally, certain jurisdictions have other trade regulations from time to time to which our business is subject such as technology or environmental export controls and political trade embargoes.

Competition

The development and commercialization of new drugs is competitive and we will face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. Our competitors may develop or market products or other novel technologies that are more effective, safer or less costly than any that have been or are being developed by us, or may obtain regulatory approval for their products more rapidly than we may obtain approval for ours.

The acquisition or licensing of pharmaceutical products is also very competitive, and a number of more established companies, which have acknowledged strategies to license or acquire products, may have competitive advantages as may other emerging companies taking similar or different approaches to product acquisitions. In addition, a number of established research-based pharmaceutical and biotechnology companies may acquire products in late stages of development to augment their internal product lines. These established companies may have a competitive advantage over us due to their size, cash flows and institutional experience.

In many of our target disease areas, potential competitors are working to develop new compounds with different mechanisms, biologies and side effects. A few of these compounds may have a similar mechanism to our products, and thus, may be more directly competitive. These include:

- with respect to MN-221 for the treatment of premature labor, a number of oxytocin antagonists are undergoing clinical evaluation, including barusiban from Ferring Pharmaceutical, which is currently in Phase II testing, and AS 602305 from Serono and TT 235 from Mitsubishi Pharma Corporation, both in Phase I testing, and ONO 8815 by ONO Pharmaceuticals, currently in Phase I testing in Japan;
- with respect to MN-029 for the treatment of solid tumors, there are a number of compounds with a mechanism similar to MN-029 in Phase I or II development, including Oxigene's combretastatin and Aventis' AVE 8062;
- with respect to MN-001 for the treatment of interstitial cystitis, currently marketed products include Elmiron from IVAX and DMSO from Edwards Lifesciences, as well as Otsuka Pharma's suplatast tosilate, currently in Phase II testing in Japan;
- with respect to MN-001 for the treatment of bronchial asthma, our product candidate will compete with two currently marketed leukotriene inhibitors, Merck's montelukast and AstraZeneca's zafirlukast, as well as with Altana's roflumilast, which currently is in Phase III trials;
- with respect to MN-305 for the treatment of anxiety, our product candidate is likely to compete with pagoclone from Indevus, currently in Phase III trials, AZD-8129 from AstraZeneca, currently in Phase II trials, and Lilly's duloxetine, currently in Phase III trials; and
- with respect to MN-166 for the treatment of MS, of the many new agents in development for MS, only a few, such as Aventis' teriflunomide, Teva's laquinimod and glatiramer acetate, and Schering's mesopram, are intended for oral administration like MN-166.

Many of our competitors will have substantially greater financial, technical and human resources than we have. Additional mergers and acquisitions in the pharmaceutical industry may result in even more resources being concentrated in our competitors. Competition may increase further as a result of advances made in the commercial applicability of technologies and greater availability of capital for investment in these fields. Our success will be based in part on our ability to build and actively manage a portfolio of drugs that addresses unmet medical needs and create value in patient therapy.

Employees

We have succeeded in bringing together an experienced and cohesive management and support team, with core competencies in general management, clinical development, regulatory affairs and corporate development. As of September 30, 2004, we had twenty employees, sixteen of whom were full-time employees and four of whom were part-time employees. Five of our employees hold Ph.D.s, M.D.s or equivalent degrees. A total of nine employees were engaged in research and development, three were in corporate development and eight were in administration and finance. We believe that our relations with our employees are good and we have no history of work stoppages.

Facilities

We lease approximately 11,375 square feet of office space at our headquarters at 4350 La Jolla Village Drive in San Diego, California. Our lease expires in February 2008 and requires lease payments of $83,253 for the three months ending December 31, 2004, $400,392 in 2005, $435,356 in 2006, $448,997 in 2007 and $37,511 in 2008. We believe that our current facilities are adequate for our needs for the near future and that, as it is needed, suitable additional space will be available to accommodate expansion of our operations on commercially reasonable terms.

Litigation

We are not currently a party to any material legal proceedings in the federal, provincial, or state courts of any jurisdiction.

MANAGEMENT

Executive Officers, Officers and Directors

Our executive officers, officers and directors and their ages as of September 30, 2004 were as follows:

Name	Age	Position(s)
Takashi Kiyoizumi, M.D., Ph.D.	47	President, Chief Executive Officer and Director
Brian Anderson	58	Executive Vice President, Corporate Development
Richard E. Gammans, Ph.D.	55	Executive Vice President, Clinical Research
Kenneth W. Locke, Ph.D.	47	Senior Vice President, Portfolio Management
Mark Lotz	52	Vice President, Regulatory Affairs
Joji Suzuki, M.D., Ph.D.	42	Vice President, Finance
Yuichi Iwaki, M.D., Ph.D.	55	Chairman of the Board and Director
John K. A. Prendergast, Ph.D.[(1)(2)(3)]	50	Director
Daniel Vapnek, Ph.D.[(1)(2)(3)]	65	Director
Hideki Nagao[(1)(2)(3)]	48	Director

(1) Member of the compensation committee.
(2) Member of the audit committee.
(3) Member of the nominating and corporate governance committee.

Takashi Kiyoizumi, M.D., Ph.D. originally co-founded MediciNova with Dr. Iwaki and has served as our President and Chief Executive Officer and as a member of our board of directors since our inception. From March 2000 to December 2001, Dr. Kiyoizumi served as President and Chief Executive Officer of Tanabe Research Laboratories U.S.A., Inc. From 1994 to 2000, Dr. Kiyoizumi was employed by Interneuron Pharmaceuticals, Inc., where he was most recently the Senior Vice President of Business Development and Strategic Planning. From 1991 to 1994, Dr. Kiyoizumi was employed by ImmuLogic Pharmaceutical Corporation as a Manager of Business Development and Marketing. From 1981 until the beginning of his tenure in the biopharmaceutical industry, Dr. Kiyoizumi was an academic physician and a board-certified plastic and reconstructive surgeon. Dr. Kiyoizumi earned his M.D. and Ph.D. degrees from the Keio University School of Medicine in Tokyo, where he was an Assistant Professor of Plastic and Reconstructive Surgery. He holds a Master of Science in Management from the Sloan School of Management at Massachusetts Institute of Technology.

Brian Anderson has served as our Executive Vice President, Corporate Development since April 2004, when he joined MediciNova. Previously he was an advisor and consultant to the investor relations firm, Montridge, LLC. From July 1998 to June 2002, Mr. Anderson was President and CEO of Cognetix, Inc., a privately held biotechnology company in Salt Lake City, Utah. Earlier, Mr. Anderson was the Senior Vice President of Marketing and Commercial Development at Interneuron Pharmaceuticals and, from 1987 to 1995, he held various executive positions in marketing, business development and strategic planning at Bristol-Myers Squibb. He began his career in the pharmaceutical industry with the Upjohn Company of Canada, where he progressed through a series of sales, sales management and marketing management assignments. Mr. Anderson is a graduate of the University of Manitoba. He sits on the boards of two biotechnology companies, Oragenics, Inc., whose shares trade on the American Stock Exchange, where currently he is chairman of the compensation committee and a member of the audit committee, and Omni Genetics, Inc., a privately held company.

Richard E. Gammans, Ph.D. has served as our Executive Vice President, Clinical Research since June 2004 when he joined MediciNova. From June 2000 to June 2004, he was Executive Vice President, Research and Development at Incara Pharmaceuticals, a public biopharmaceutical company where he was the executive officer responsible for research, development and regulatory affairs, a member of the corporate controls committee and the executive financing and business development team. From March 1994 to May 2000 he was Senior Vice President, Clinical Research at Interneuron Pharmaceuticals, where he directed the company's clinical

development programs in stroke and anxiety disorders. Prior to joining Interneuron, Dr. Gammans spent 14 years at Bristol-Myers Squibb, where he began as a Senior Scientist and progressed through a series of increasingly more senior positions in toxicology, Research and responsibility as Global Project Director for the anti-depressant, Serzone. Dr. Gammans received M.S. and Ph.D. degrees from the University of Georgia School of Pharmacy and holds an M.S. in Management from Purdue University.

Kenneth W. Locke, Ph.D. has served as our Senior Vice President, Portfolio Management since June 2004. Dr. Locke has worked for MediciNova since our inception in September 2000 holding the positions of Vice President, Research and Senior Vice President, Development Operations & Drug Discovery. Dr. Locke was formerly Vice President of Research at Tanabe Research Laboratories U.S.A., Inc. where he worked since May 2000. Prior to joining Tanabe Research Laboratories, Dr. Locke served as Executive Director, Pre-clinical Development at Interneuron Pharmaceuticals, Inc. He joined Interneuron in 1989 as Manager, Behavioral Neuroscience, taking on positions of increasing responsibility over the next 11 years. Earlier in his career, Dr. Locke headed Hoechst-Roussel Pharmaceuticals' laboratories for analgesics and anti-inflammatory research as well as Alzheimer's disease. Dr. Locke holds an Adjunct Associate Professorship of Pharmacology at Massachusetts College of Pharmacy and Allied Health Sciences. Dr. Locke earned an M.S. and Ph.D. in Pharmacology from Emory University School of Medicine.

Mark Lotz has served as our Vice President, Regulatory Affairs since February 2004. From March 2002 to January 2004, Mr. Lotz was an independent consultant in regulatory affairs and quality assurance. From November 1995 to February 2002, Mr. Lotz was Vice President, Regulatory Affairs with Isis Pharmaceuticals in San Diego, California, where he led both regulatory and quality assurance activities. Prior to that, he spent time in positions of growing authority with Amylin Pharmaceuticals where he started and managed the regulatory affairs and quality assurance functions. Mr. Lotz began his career in the pharmaceutical industry with Abbott Laboratories in 1977 where he held positions in regulatory affairs and quality assurance. He also spent two years as a hospital staff pharmacist in the Midwest. Mr. Lotz holds a Bachelor of Science degree in pharmacy from the St. Louis College of Pharmacy.

Joji Suzuki, M.D., Ph.D. served as our Senior Director, Finance from May 2004 to September 2004 and is now our Vice President, Finance. Dr. Suzuki was formerly Senior Analyst of HSBC Securities Ltd. where he was responsible for the pharmaceutical sector in the Japanese equity market since September 2001. Prior to joining HSBC Securities, he served as Manager, Portfolio Management at the Corporate Planning Office of Nippon Roche K.K., a subsidiary of F. Hoffmann-La Roche, where he was engaged in various R&D projects and corporate decision-making as a member of the Portfolio Strategy Board since January 1999. Dr. Suzuki began his career as a clinician at Keio University School of Medicine in 1988 where he earned his M.D. and Ph.D. He practiced in the arena of Plastic Surgery and Orthopedic Surgery, and researched Healthcare Economics. He holds a Master of Business Administration from INSEAD.

Yuichi Iwaki, M.D., Ph.D. originally co-founded MediciNova with Dr. Kiyoizumi and has served as the chairman of our board of directors since our inception in September 2000. Dr. Iwaki holds three professorships at the University of Southern California School of Medicine in the Departments of Urology, Surgery and Pathology and has been Director of the Transplantation Immunology and Immunogenetic Laboratory since 1992. He is also a visiting professor at the Nihon University School of Medicine, Kyushu University, Tokyo Women's Medical School in Japan, and the University of California, Irvine School of Medicine. Prior to joining the faculty at the University of Southern California School of Medicine, Dr. Iwaki held professorships at the University of Pittsburgh School of Medicine in the departments of Surgery and Pathology from 1989 through 1991. He received both his M.D. and Ph.D. degrees from Sapporo Medical School in Sapporo, Japan. Dr. Iwaki is the author of 200 peer-reviewed publications and more than 40 books. He has been advising pharmaceutical companies and venture capital funds regarding research and investment strategies for over 20 years and is a board member of several biotechnology companies, including Avigen, Inc, a Nasdaq listed biotechnology company.

John K.A. Prendergast, Ph.D., has served as a director of MediciNova since September 2004. Since 1993, he has served as President of SummerCloud Bay Inc., an independent consulting firm providing services to the biotechnology industry. Dr. Prendergast is a co-founder and director of Avigen, Inc., a Nasdaq listed company, where currently he is chairman of the audit, governance and compensation committees. Dr. Prendergast is a co-founder and currently chairman of the board of directors of Palatin Technologies, Inc., whose shares trade on the American Stock Exchange, and AVAX Technologies, Inc., an over-the-counter traded company, and is currently serving as the executive chairman of the board of directors of Antyra, Inc., a privately held biopharmaceutical company. Dr. Prendergast received B.Sc., M.Sc. and Ph.D. degrees from the University of New South Wales, Sydney, Australia and a C.S.S. in Administration and Management from Harvard University.

Daniel Vapnek, Ph.D. has served as a director of MediciNova since September 2004. Dr. Vapnek is currently an adjunct professor at the University of California, Santa Barbara. From 1981 through 1999, Dr. Vapnek held various senior research positions at Amgen Inc., a biopharmaceutical company, including Senior Vice President, Research from 1988 to 1996 and Senior Consultant from 1996 to 1999. From February 1994 to May 2001, Dr. Vapnek was a member of the board of directors of Ciphergen, a Nasdaq listed biotechnology company. From October 2000 to November 2004, Dr. Vapnek served on the board of directors of Protein Pathways, a privately held biotechnology company, and served as chairman of the board and CEO from January 2002 to November 2004. Since March 2001, Dr. Vapnek has served on the board of directors of BioArray Solutions, Inc., a privately held molecular diagnostics company which Dr. Vapnek co-founded in 1996. Since February 2002, he has served on the board of directors of Avigen, Inc. and is a member of Avigen's governance and compensation committees. Dr. Vapnek received a Ph.D. in Microbiology and a B.S. in Zoology from the University of Miami.

Hideki Nagao has served as a director of MediciNova since September 2004. Since 1980, he has been employed by the Development Bank of Japan. Mr. Nagao is currently Director General, Department for Technology and Growth Business at the Development Bank of Japan. He graduated from the Faculty of Law of Tokyo University.

Board of Directors

Our board of directors currently consists of five members. All directors are elected to hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. Effective upon the date of this prospectus, we will divide the terms of office of the directors into three classes:

- Class I, whose term will expire at the annual meeting of stockholders to be held in 2005;
- Class II, whose term will expire at the annul meeting of stockholders to be held in 2006; and
- Class III, whose term will expire at the annual meeting of stockholders to be held in 2007.

Upon the date of this prospectus, Class I will consist of , Class II will consist of and Class III will consist of . Each of Messrs. Prendergast, Vapnek and Nagao are independent directors as defined by Rule 4200(a)(15) of the National Association of Securities Dealers Marketplace Rules.

At each annual meeting of stockholders after the initial classification, the successors to directors whose terms will then expire will serve from the time of election and qualification until the third annual meeting following election and until their successors are duly elected and qualified. The authorized number of directors may be changed by resolution of the board. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. Vacancies on the board can be filled by resolution of the board of directors. The classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

Board Committees

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below. As of the date of

this prospectus, all of the members of our committees will be independent directors under the rules of the SEC and The Nasdaq Stock Market. Although we are not currently subject to the rules of The Nasdaq Stock Market, we intend to comply with Nasdaq's rules regarding board independence and corporate governance in connection with our listing on the Hercules market of the Osaka Securities Exchange.

Audit Committee. As of the date of this prospectus, the audit committee will consist of Messrs. Prendergast, Vapnek and Nagao, with Dr. Prendergast serving as the chairman of the committee. The audit committee provides assistance to the board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The audit committee will be responsible for the appointment, compensation, retention and oversight of our independent accountants and will ensure that the accountants are independent of management. Pursuant to applicable SEC rules, we are required to disclose whether we have an "audit committee financial expert" serving on our audit committee. Although each member of the audit committee has been selected by our board of directors based on its determination that the audit committee members are fully qualified to monitor the performance of management, the public disclosures by us of our financial condition and results of operations, our internal controls over financial reporting and the performance of our independent auditors, as well as to analyze and evaluate our financial statements, the board of directors has determined that none of the members of the audit committee meets all of the criteria set forth in such rules to qualify as an "audit committee financial expert." Our board of directors has determined that it is appropriate for the audit committee not to have an "audit committee financial expert" at this time because our financial statements are not overly complex, given the current stage of our development, and because we do not currently have any meaningful revenue. Our board of directors has determined that the financial sophistication of the current members of the audit committee, as evidenced by their previous and current financial and business experience, is sufficient for the audit committee to ensure the integrity of our financial statements and to fully and completely fulfill its role under the audit committee charter. In addition, the audit committee has the ability to retain, at our expense, special legal, accounting or other advisors or consultants whenever it deems necessary or appropriate.

Compensation Committee. As of the date of this prospectus, the compensation committee will consist of Messrs. Prendergast, Vapnek and Nagao, each of whom is a non-management member of our board of directors, with Dr. Prendergast serving as the chairman of the committee. The compensation committee determines our general compensation policies and the compensation provided to our directors and officers. The compensation committee also reviews and determines bonuses for our officers and other employees. In addition, the compensation committee reviews and determines equity based compensation for our directors, officers, employees and consultants and administers our stock option plans and employee stock purchase plan.

Nominating and Corporate Governance Committee. As of the date of this prospectus, the nominating and corporate governance committee will consist of Messrs. Prendergast, Vapnek and Nagao, with Dr. Prendergast serving as the chairman of the committee. The nominating and corporate governance committee is responsible for making recommendations to the board of directors regarding candidates for directorships and the size and composition of the board and for overseeing our corporate governance guidelines and reporting and making recommendations to the board concerning corporate governance matters.

Director Compensation

Prior to 2004, we have not paid our directors for their services as directors. During September 2004, each of Messrs. Prendergast and Vapnek received compensation in the amount of $20,000 for service as a director. None of our other directors have received compensation for their services as directors. Mr. Nagao is prohibited by his employment arrangements with the Development Bank of Japan from receiving any compensation for his services as a member of our board.

Following the completion of this offering, we intend to pay our non-employee board members, other than Mr. Nagao, the following fees related to their service on our board of directors, assuming that they attend at least 80% of the meetings of our board of directors or the committees on which they are members:

- an initial fee of $20,000 for agreeing to be on the board of directors; and
- an annual retainer of $20,000.

In the event that a board member attends less than 80% of such meetings, the board member would receive 25% of the cash compensation he or she would otherwise receive.

In addition, our non-employee, non-consultant directors, other than Mr. Nagao, will receive nondiscretionary, automatic grants of nonstatutory stock options. A non-employee director will be granted automatically an initial option to purchase 10,000 shares upon first becoming a member of our board of directors. The initial option would be fully vested at the time of grant. Immediately after each of our regularly scheduled annual meetings of stockholders, each non-employee director, other than Mr. Nagao, will be granted automatically a nonstatutory option to purchase 10,000 shares of our common stock, provided the director has served on our board for at least six months. Each annual option will vest and become fully exercisable on the date which is six months after the date of the grant. The options granted to non-employee directors will have a per share exercise price equal to 100% of the fair market value of the underlying shares on the date of grant and will become fully vested if we are subject to a change of control.

We reimburse our directors for reasonable expenses in connection with attendance at board and committee meetings.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee at any time has been one of our officers or employees. No interlocking relationship exists, or has existed in the past, between our board or compensation committee and the board or compensation committee of any other company.

Executive Officers

Our chief executive officer serves at the discretion of our board and holds office until his or her successor is appointed or until his or her earlier resignation or removal. Our remaining executive officers and officers report to our chief executive officer. There are no family relationships among any of our directors, executive officers or officers.

Executive Compensation

The following table sets forth all of the compensation awarded to, earned by or paid to each individual who served as an executive officer in 2003 and whose salary and bonus exceeded $100,000 for services rendered in all capacities to us during 2003. Since many of our executive officers joined us during 2004, the following table also sets forth the compensation payable to our four most highly compensated executive officers, in addition to those listed as executive officers in 2003, stated as an annual amount, and any bonuses or other compensation paid and any options granted to such executive officers during 2004, measured as of June 30, 2004. We refer to all of these officers in this prospectus as the named executive officers. The compensation described in this table does not include medical, group life insurance or other benefits which are generally available to all of our salaried employees.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards
Name and Principal Position(s)	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Securities Underlying Options (#)**
Takashi Kiyoizumi, M.D., Ph.D. President and Chief Executive Officer	2003	$316,663	$47,500	—	—
Brian Anderson[1] Executive Vice President, Corporate Development	2004	$250,000	—	$ 2,428[2]	200,000
Richard E. Gammans, Ph.D.[1] Executive Vice President, Clinical Research	2004	$239,000	—	—	160,000
Kenneth W. Locke, Ph.D. Senior Vice President, Portfolio Management	2003	$210,000	$42,000	—	—
Mark Lotz[1] Vice President, Regulatory Affairs	2004	$210,000	—	—	120,000
Joji Suzuki, M.D., Ph.D.[1] Vice President, Finance	2004	$200,000	—	—	130,000

(1) Hired in 2004. Chart illustrates annual salaries to be paid prospectively under employment agreements and long term compensation awards granted in 2004.
(2) Allowance for housing expenses paid by us.

Stock Options

The following tables summarize option grants and exercises during the year ended December 31, 2003 to or by our named executive officers, and the value of the options held by such persons as of December 31, 2003, including the potential realizable value over the ten-year term of the options, based on assumed rates of stock appreciation of 5% and 10%, compounded annually. These assumed rates of appreciation comply with the rules of the SEC and do not represent our estimate or projection of the future common stock price. There can be no assurance that any of the values reflected in the table will be achieved. We have not granted any stock appreciation rights.

From September 2000 through September 30, 2004, we granted options to purchase up to an aggregate of 1,510,000 shares, net of cancellations, under our 2000 General Stock Incentive Plan. All options were granted at exercise prices at or above the fair market value of our common stock on the date of grant, as determined in good faith by our board of directors. These options generally vest over four years.

We did not grant any stock options to our named executive officers in 2003.

Aggregate Option Exercises in 2003 and Option Values at December 31, 2003

The following table describes for the named executive officers their option exercises for the year ended December 31, 2003, and exercisable and unexercisable options held by them as of December 31, 2003. The value realized and the value of unexercised in-the-money options at December 31, 2003 are based on an assumed initial public offering price of $ per share, which is the midpoint of our expected initial offering range, less the per share exercise price, multiplied by the number of shares issued or issuable, as the case may be, upon exercise of the option. All options were granted under our 2000 General Stock Incentive Plan.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at December 31, 2003 (#)		Value of Unexercised In-the-Money Options at December 31, 2003 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Kenneth W. Locke, Ph.D. Senior Vice President, Portfolio Management	0	—	180,000	0	$	$

No options were exercised by any of the named executive officers during the fiscal year ended December 31, 2003.

Options Granted in the Current Fiscal Year

The following table provides summary information concerning individual grants of options to purchase our common stock during the current fiscal year to our named executive officers and non-employee directors. The exercise price per share at which each option was issued was the fair market value of our common stock on the date of the grant, as determined by our board of directors.

2004 Option Grants

Name	2004 Option Grants to Date
Executive Officers(1)	
Brian Anderson	200,000
Richard E. Gammans, Ph.D.	160,000
Kenneth W. Locke, Ph.D.	120,000
Mark Lotz	120,000
Joji Suzuki, M.D., Ph.D.	130,000
Non-Employee Directors(2)	
John K. A. Prendergast, Ph.D.	10,000
Daniel Vapnek, Ph.D.	10,000

(1) All options granted to executive officers vest 25% one year from the date of the grant of the option and the remaining 75% vests monthly for a period of three years commencing on the one year anniversary of the date of the grant of the option.

(2) All options granted to our non-employee directors are fully vested upon the date on which our board of directors approved the grant.

Stock Plans

2000 General Stock Incentive Plan

In September 2000, we adopted our 2000 General Stock Incentive Plan. The plan is administered by our board of directors although the board may delegate the authority to administer the plan to a committee of directors or to one or more officers, provided, however, that committee functions may not be delegated to officers to the extent that option grants relate to persons who are subject to the reporting requirements of Section

16 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. A total of 2,000,000 shares of common stock are authorized for issuance under the 2000 General Stock Incentive Plan.

Shares subject to stock options that have expired, been cancelled or have otherwise terminated without having been exercised in full will again become available for grant. The 2000 General Stock Incentive Plan permits the grant of options to our directors, officers, other employees and consultants. Options may be either incentive stock options to employees within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended or nonstatutory stock options. The maximum term of options granted under the plan is ten years. Except in specified circumstances, no person may be granted more than 600,000 shares of common stock in any 12-month period. Options granted under the 2000 General Stock Incentive Plan are generally nontransferable and vest at the rate determined by the administrator of the plan. Options granted under the 2000 General Stock Option Plan vest based on periods determined by our board of directors which has been four years for employees and other option recipients.

The 2000 General Stock Incentive Plan provides that in the event of a recapitalization, stock split or similar transaction, we will make appropriate adjustments in order to preserve the benefits of options outstanding under the plan. If we are involved in a merger, consolidation or other reorganization, outstanding options granted under the 2000 General Stock Incentive Plan will be subject to the agreement of merger or reorganization.

As of September 30, 2004, options to purchase a total of 1,510,000 shares of common stock were outstanding under the 2000 General Stock Incentive Plan at a weighted average exercise price of $1.00 per share. No additional options will be issued under the 2000 General Stock Incentive Plan following the date of this prospectus.

2004 Stock Incentive Plan

General. The 2004 Stock Incentive Plan is intended to serve as the successor program to our 2000 General Stock Incentive Plan. The 2004 Stock Incentive Plan was adopted by our board of directors in November 2004 and approved by our stockholders on , 2004, and will become effective upon the completion of this offering.

Administration. The 2004 Stock Incentive Plan will be administered by our compensation committee. Our board of directors may also appoint one or more separate committees to administer the 2004 Stock Incentive Plan with respect to employees who are not considered officers or directors under Section 16 of the Exchange Act. The 2004 Stock Incentive Plan provides for the grant of (i) options to purchase shares of common stock, (ii) restricted stock, (iii) stock appreciation rights and (iv) stock units. Incentive stock options may only be granted to new employees. Nonstatutory stock options and other stock-based awards may be granted to employees, non-employee directors, advisors and consultants.

The board of directors will be able to amend or modify the 2004 Stock Incentive Plan at any time, with stockholder approval, if required.

Authorized Shares. 20,300,000 shares of common stock have been authorized for issuance under the 2004 Stock Incentive Plan. However, no participant in the 2004 Stock Incentive Plan can receive option grants or stock appreciation rights for more than 2,030,000 shares total in any calendar year. The number of shares reserved for issuance under the 2004 Stock Incentive Plan will be increased on the first day of each of our fiscal years from 2006 through 2014, with the first such increase occurring on January 1, 2006, by the lesser of:

- 1,000,000 shares;
- 3% of our outstanding common stock on the last day of the immediately preceding fiscal year; or
- the number of shares determined by our board of directors.

Plan Features

Under the 2004 Stock Incentive Plan:

- We expect that options granted to optionees other than non-employee directors will generally vest as to 25% of the shares one year after the date of grant and as to 1/48 of the shares each month thereafter.
- Nondiscretionary, automatic grants of nonstatutory stock options will be made to non-employee directors. A non-employee director will be granted automatically, unless such director waives his or her right to such grant, an initial option to purchase 10,000 shares upon first becoming a member of our board of directors. The initial option vests and becomes exercisable at the time of grant. Immediately after each of our regularly scheduled annual meetings of stockholders, each non-employee director will be automatically granted a nonstatutory option to purchase 10,000 shares of our common stock, provided that the director has served on our board for at least six months. Each annual option will be fully vested and exercisable on the date which is six months after the date of grant. The options granted to non-employee directors will have a per share exercise price equal to 100% of the fair market value of the underlying shares on the date of grant, and will become fully vested if we are subject to a change on control.
- Generally, if we merge or engage in a similar type of transaction with or into another corporation, we may accelerate the vesting or exercisability of outstanding options, restricted stock, stock appreciation rights or stock units which were granted under the plan or terminate through settlement of the full value in cash or cash equivalents of any unexercised options, restricted stock, stock appreciation rights or stock units which were granted under the plan unless they are assumed or substituted for by any surviving entity or a parent or subsidiary of the surviving entity.
- The plan terminates ten years after its initial adoption by the board of directors, unless earlier terminated by the board of directors. The board of directors may amend or terminate the plan at any time, subject to stockholder approval where required by applicable law. Any amendment or termination may not impair the rights of holders of outstanding awards without their consent.

401(k) Plan

We have established a tax-qualified employee savings and retirement plan for which our employees are generally eligible. Under our 401(k) Plan, employees may elect to reduce their compensation and have the amount of this reduction contributed to the 401(k) Plan. We make matching contributions. The 401(k) Plan is intended to qualify under Section 401(a) of the Internal Revenue Code so that contributions to the 401(k) Plan and income earned on plan contributions are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions by us, if any, will be deductible by us when made.

Employment Agreements and Change in Control Arrangements

Employment Agreement with Takashi Kiyoizumi, M.D., Ph.D., Sc.M.

On September 26, 2000, we entered into an employment agreement with Dr. Takashi Kiyoizumi, our President and Chief Executive Officer, which was replaced by a new employment agreement on September 26, 2003. Pursuant to the agreement, Dr. Kiyoizumi is required to devote his entire business time, energy and skill to further our interests. The employment agreement has a term of three years, which may be extended for an additional three years upon written agreement between Dr. Kiyoizumi and us. The employment agreement provides that the terms of such extension are to be discussed six months prior to the expiration of the initial three-year term.

The agreement provides that Dr. Kiyoizumi’s annual base salary shall be $316,663, which amount was increased by our board of directors to $323,946 for 2004. Such base salary is reviewed by our board of directors each year and may be increased or decreased at the board’s discretion. In addition, Dr. Kiyoizumi may receive incentive bonuses at the discretion of our board of directors. If Dr. Kiyoizumi’s employment is terminated by us

without cause or Dr. Kiyoizumi terminates the agreement with just cause, including by reason of a change in control of MediciNova, then Dr. Kiyoizumi would be entitled to receive severance pay equal to his base salary plus the average annual bonus for either the remainder of the term of the employment agreement or 12 months, whichever period is longer. In addition, any unvested options would become immediately exercisable.

The agreement contains a non-solicitation clause which provides that Dr. Kiyoizumi may not recruit or solicit our employees for a period of one year after termination of Dr. Kiyoizumi's employment with us. In addition, the agreement contains a confidential information and assignment of inventions clause whereby Dr. Kiyoizumi may not disclose our confidential and proprietary information and must assign to us all inventions, made prior to or during the term of the agreement, which are connected or pertinent to us.

Employment Agreement with Brian Anderson

On April 26, 2004, we entered into an employment agreement with Brian Anderson, our Executive Vice President, Corporate Development. Pursuant to the agreement, Mr. Anderson is required to devote his entire business time, attention, energies, skills, learning and best efforts to further our interests and may not engage in any outside activities that compete in any way with our business. Mr. Anderson is an "at will" employee, but both he and MediciNova are required to give 90 days written notice to terminate the agreement. However, in lieu of the 90 days notice, we may provide Mr. Anderson with an amount equal to one-fourth of his annual base salary.

The agreement provides that Mr. Anderson's annual base salary shall be $250,000. Such base salary may be adjusted each year by an amount mutually agreed upon by our board of directors and Mr. Anderson. In addition, Mr. Anderson may receive incentive bonuses at the discretion of our board of directors. The agreement also provides that if Mr. Anderson's employment is terminated, we have the option to engage Mr. Anderson as a consultant on a quarterly basis. Compensation for each quarter of consulting services would be equal to 15% of Mr. Anderson's annual base salary.

The agreement provides that Mr. Anderson may not disclose our confidential and proprietary information and must assign to us any inventions or other proprietary information discovered during his employment with us.

Employment Agreement with Richard E. Gammans, Ph.D.

On June 14, 2004, we entered into an employment agreement with Richard E. Gammans, our Executive Vice President, Clinical Research. Pursuant to the agreement, Dr. Gammans is required to devote his entire business time, attention, energies, skills, learning and best efforts to further our interests and may not engage in any outside activities that compete in any way with our business. Dr. Gammans is an "at will" employee, but both he and MediciNova are required to give three months' written notice to terminate the agreement. However, in lieu of the three months' notice, we may provide Dr. Gammans with an amount equal to three-fourths of his annual base salary.

The agreement provides that Dr. Gammans' annual base salary shall be $239,000. Such base salary may be adjusted each year by an amount mutually agreed upon by our board of directors and Dr. Gammans. In addition, Dr. Gammans may receive incentive bonuses at the discretion of our board of directors. The agreement also provides that if Dr. Gammans' employment is terminated, we have the option to engage Dr. Gammans as a consultant on a quarterly basis. Compensation for each quarter of consulting services would be equal to 15% of Dr. Gammans' annual base salary.

The agreement provides that Dr. Gammans may not disclose our confidential and proprietary information and must assign to us any inventions or other proprietary information discovered during his employment with us.

Employment Agreement with Kenneth W. Locke, Ph.D.

On September 26, 2000, we entered into an employment agreement with Kenneth W. Locke, our Senior Vice President, Portfolio Management. A letter dated July 30, 2003 from us to Dr. Locke sets forth a new title and an increase in salary. On June 1, 2004, Dr. Locke was appointed Senior Vice President, Portfolio Management. Pursuant to the agreement, Dr. Locke is required to devote his entire business time, attention, energies, skills, learning and best efforts to further our interests and may not engage in any outside activities that compete in any way with our business. Dr. Locke is an "at will" employee, but both he and MediciNova are required to give 180 days' written notice to terminate the agreement. However, in lieu of the 180 days' notice, we may provide Dr. Locke with an amount equal to one-half of his annual base salary.

The July 30, 2003 letter provides that Dr. Locke's annual base salary shall be $210,000, which amount was increased by our board of directors to $214,830 for 2004. Such base salary may be adjusted each year by an amount mutually agreed upon by our board of directors and Dr. Locke. In addition, Dr. Locke may receive incentive bonuses at the discretion of our board of directors. The agreement also provides that if Dr. Locke's employment is terminated, we have the option to engage Dr. Locke as a consultant on a quarterly basis. Compensation for each quarter of consulting services would be equal to 15% of Dr. Locke's annual base salary.

The agreement provides that Dr. Locke may not disclose our confidential and proprietary information and must assign to us any inventions or other proprietary information discovered during his employment with us.

Employment Agreement with Mark Lotz

On February 2, 2004, we entered into an employment agreement with Mark Lotz, our Vice President, Regulatory Affairs. Pursuant to the agreement, Mr. Lotz is required to devote his entire business time, attention, energies, skills, learning and best efforts to further our interests and may not engage in any outside activities that compete in any way with our business. Mr. Lotz is an "at will" employee, but both he and MediciNova are required to give 90 days' written notice to terminate the agreement. However, in lieu of the 90 days' notice, we may provide Mr. Lotz with an amount equal to one-fourth of his annual base salary.

The agreement provides that Mr. Lotz's annual base salary shall be $210,000. Such base salary may be adjusted each year by an amount mutually agreed upon by our board of directors and Mr. Lotz. In addition, Mr. Lotz may receive incentive bonuses at the discretion of our board of directors. The agreement also provides that if Mr. Lotz's employment is terminated, we have the option to engage Mr. Lotz as a consultant on a quarterly basis. Compensation for each quarter of consulting services would be equal to 15% of Mr. Lotz's annual base salary.

The agreement provides that Mr. Lotz may not disclose our confidential and proprietary information and must assign to us any inventions or other proprietary information discovered during his employment with us.

Employment Agreement with Joji Suzuki, M.D., Ph.D.

On April 26, 2004, we entered into an employment letter agreement effective as of May 10, 2004 with Joji Suzuki, our Vice President, Finance. Our board of directors approved an amendment to the terms of Dr. Suzuki's employment on September 15, 2004 to establish his current title and increased salary. Pursuant to the agreement, Dr. Suzuki is required to exercise his specialized expertise, independent judgment and discretion to provide us with high quality services and may not engage in any outside activities that compete in any way with our business. Dr. Suzuki is an "at will" employee, but we are required by Japanese law to give 30 days' written notice to terminate the agreement. However, in lieu of the 30 days' notice, we may provide Dr. Suzuki with an amount equal to 30 days' pay. Dr. Suzuki is required to give us eight weeks' notice of any intention to terminate his employment with us. If we terminate Dr. Suzuki's employment without cause, we will provide him with six months' severance pay, which will be cancelled upon Dr. Suzuki's finding new employment.

The agreement provides that Dr. Suzuki's annual base salary shall be $180,000, which amount was increased by our board of directors to $200,000 as of September 15, 2004. Such base salary will be reviewed by our board of directors each year and may be changed from time to time upon reasonable notice. In addition, Dr. Suzuki may receive incentive bonuses at the discretion of our board of directors. The agreement also provides that Dr. Suzuki will receive a benefits adjustment of $15,000, to be divided and paid monthly. In addition, as required by Japanese law, we will pay for 50% of the premium cost for Japanese workers' compensation, unemployment and pension and welfare benefits for Dr. Suzuki.

The agreement provides that Dr. Suzuki may not disclose our confidential and proprietary information and must assign to us any inventions or other proprietary information discovered during his employment with us.

Limitation of Liability and Indemnification Matters

Our restated certificate of incorporation limits the liability of our directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our restated certificate of incorporation and bylaws provide that we will indemnify our directors and executive officers and may indemnify our other officers and employees and other agents to the fullest extent permitted by law. Our restated certificate of incorporation and bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the bylaws would permit indemnification.

We have entered into agreements to indemnify each of our directors and executive officers, in addition to the indemnification provided for in our restated certificate of incorporation and bylaws. In addition, we maintain directors' and officers' liability insurance. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

RELATED-PARTY TRANSACTIONS

Common Stock

In September 2000, we sold 250,000 shares of our common stock at a price of $0.10 per share to Dr. Takashi Kiyoizumi, a founder, our Chief Executive Officer and a member of our board of directors, and 250,000 shares of our common stock at a price of $0.10 per share to Dr. Yuichi Iwaki, a founder, a member of our board of directors and the chairman of our board. Simultaneous with these common stock purchases, we issued warrants to each of Dr. Kiyoizumi and Dr. Iwaki to purchase shares of our common stock. The warrants originally entitled the founders to purchase an aggregate of 500,000 shares of common stock at a per share purchase price of $0.10. The warrants also contained anti-dilution provisions which resulted in an upward adjustment in the number of shares purchased under the warrants upon the issuance by us of additional shares of stock other than pursuant to our option plan. On September 2, 2004, and as a condition to the closing of our Series C preferred stock offering, the warrants were amended and restated to remove the anti-dilution protection provisions and fix the number of shares purchasable to 12,856,572, in aggregate, for both founders' warrants.

From September 2000 to September 30, 2004, we have granted an aggregate of 930,000 options to our current directors and named executive officers, with exercise prices of $1.00 per share.

Preferred Stock

In October 2000, we sold 500,000 shares of our Series A preferred stock at a per share purchase price of $10.00 to Tanabe Seiyaku Co., Ltd. for an aggregate consideration of $5,000,000. In August 2001, we sold an additional 500,000 shares of our Series A preferred stock to Tanabe Holding America, Inc. at a per share purchase price of $10.00 for an aggregate consideration of $5,000,000. These shares of Series A preferred stock automatically will convert into 10,000,000 shares of our common stock upon completion of this offering.

From March 2003 to May 2004, we sold an aggregate of 291,150 shares of our Series B preferred stock to 18 accredited investors at a per share purchase price of $100.00 for an aggregate consideration of $29,115,000. These shares of Series B preferred stock automatically will convert into 29,115,000 shares of our common stock upon completion of this offering.

On September 2, 2004, we sold an aggregate of 27,667,856 shares of our Series C preferred stock at a per share purchase price of $1.62 to 29 accredited investors for an aggregate consideration of $44,821,927. These shares of Series C preferred stock automatically will convert into an equal number of shares of our common stock upon completion of this offering.

Essex Woodlands Health Ventures Fund VI, L.P, a holder of more than 5% of our capital stock prior to the Series C preferred stock financing, purchased 3,703,704 shares of Series C preferred stock. Essex beneficially owned 20.19% of our outstanding capital stock (on an as-converted to common stock basis) prior to the Series C preferred stock financing and beneficially owned 17.39% of our outstanding capital stock (on an as-converted to common stock basis) subsequent to the Series C preferred stock financing.

Other Related-Party Transactions

Our board of directors approved an arrangement in September 2001 to engage Dr. Yuichi Iwaki as a consultant to us. Under the terms of his agreement, Dr. Iwaki provides us with services in connection with our financing and business development activities. Dr. Iwaki presently is paid $20,000 per month for his services and is entitled to reimbursement for ordinary and necessary out-of-pocket expenses incurred by him in connection with his services. In 2003, Dr. Iwaki received $190,000 pursuant to this arrangement.

In June 2001, we entered into a Research Services Agreement with Tanabe Research Laboratories U.S.A. Inc., or TRL, one of our material stockholders. Under the agreement, TRL performed research development services for us. The agreement was terminated in May 2003. In addition, we reimbursed TRL for certain

administrative expenses beginning in 2000. During 2003, we made an aggregate of $737,199 in payments to TRL as reimbursement for administrative costs and under the Research Services Agreement for services rendered by TRL. Also, in May 2003, we sold equipment to TRL for proceeds of $194,821, the net book value of the equipment on the date of the sale.

We have entered into an agreement with holders of our preferred stock, including holders of more than 5% of such shares, whereby we granted them registration rights with respect to their shares of common stock issuable upon conversion of their preferred stock.

We have entered into indemnification agreements with each of our executive officers and directors. These indemnification agreements require us to indemnify these individuals to the fullest extent permitted by law.

We believe that we executed all of the transactions described above on terms no less favorable to us that we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates are approved by a majority of the independent and disinterested members of our board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of September 30, 2004 by:

- each person or entity, or group of affiliated persons, known to us to own beneficially more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

For purposes of the table below, we have assumed that 67,282,856 shares of common stock are issued and outstanding prior to the completion of this offering, which shares include preferred stock on an as-converted to common stock basis, and shares of common stock will be issued and outstanding upon completion of this offering. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options and warrants held by that person that currently are exercisable or exercisable within 60 days of September 30, 2004 are deemed outstanding. We did not deem these shares outstanding, however, for the purposes of computing the ownership percentage of any other person.

	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering	
Name and Address of Beneficial Owner[1]	Number	Percentage	Number	Percentage
Stockholders Owning More than 5% of Our Common Stock:				
Tanabe Holding America, Inc.[2]	10,000,000	14.86%		
Essex Woodlands Health Ventures Fund VI, L.P.[3]	11,703,704	17.39%		
Entities affiliated with JAFCO Co., Ltd.[4]	7,000,000	10.40%		
Entities affiliated with Aqua RIMCO Ltd.[5]	5,855,556	8.70%		
Entities affiliate with Daiwa Securities Group Inc.[6]	3,704,136	5.51%		
Directors and Named Executive Officers:				
Takashi Kiyoizumi, M.D., Ph.D.[7]	6,678,286	9.06%		
Yuichi Iwaki, M.D., Ph.D.[7]	6,678,286	9.06%		
John K.A. Prendergast, Ph.D.[8]	10,000	*		
Daniel Vapnek, Ph.D.[9]	10,000	*		
Hideki Nagao	0	*		
Brian Anderson[10]	200,000	*		
Richard E. Gammans, Ph.D.[11]	160,000	*		
Kenneth W. Locke, Ph.D.[12]	300,000	*		
Mark Lotz[13]	120,000	*		
Joji Suzuki, M.D., Ph.D.[14]	130,000	*		
All directors, director nominees and executive officers as a group (9 persons)[15]	14,286,572	17.62%		

* Less than 1%

(1) Unless otherwise noted, the address of each beneficial owner listed in the table is c/o MediciNova, Inc., 4350 La Jolla Village Drive, Suite 950, San Diego, California 92122.

(2) The principal business address for Tanabe Holding America, Inc. is 401 Hackensack Avenue, 10th Floor, Hackensack, New Jersey 07601. We have been advised by Tanabe Holding America, Inc. that Messrs. Norihito Ujino and Masashi Kubo, Chief Executive Officer and Chief Financial Officer, respectively, of Tanabe Holding America, Inc., have voting and investment power over shares held by Tanabe Holding America, Inc.; however, prior to voting or investing our shares, the approval of the board of directors of Tanabe Seiyaku Co., Ltd. (Tanabe Holding America, Inc.'s Japanese parent) must be obtained.

(3) The principal business address for Essex Woodlands Health Ventures Fund VI, L.P. is 435 Tasso Street, Suite 305, Palo Alto, California 94301. We have been advised by Essex Woodlands Health Ventures, general partner of Essex Woodlands Health Ventures Fund VI, L.P., that up to 12 persons who are partners of Essex Woodlands Health Ventures have voting and investment power over shares held by Essex Woodlands Health Ventures Fund VI, L.P. At least a majority of those voting is required for an investment decision, and, in practice, the decisions are almost always made pursuant to a unanimous vote.

(4) Represents 4,200,000 shares held by JAFCO G-(9)(A) Venture Capital Investment Limited Partnership and 2,800,000 shares held by JAFCO G-(9)(B) Venture Capital Investment Limited Partnership, each such entity a subsidiary of JAFCO Co., Ltd. The principal business address for JAFCO Co., Ltd. is Tekko Building, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan. We have been advised by JAFCO Co., Ltd. that Messrs. Tomio Kezuka, Executive Vice President and Chief Operating Officer, and Toshiaki Itoh, President and Chief Executive Officer, of JAFCO Co., Ltd., have voting and investment power over shares held by JAFCO G-(9)(A) Venture Capital Investment Limited Partnership and JAFCO G-(9)(B) Venture Capital Investment Limited Partnership; however, prior to voting or investing our shares, the approval of JAFCO Co., Ltd.'s investment committee must be obtained.

(5) Represents 300,000 shares held by Aqua RIMCO Biotechnology No. 1 Investment Partnership, 5,246,914 shares held by Aqua RIMCO Biotechnology No. 2 Investment Partnership and 308,642 shares held by ABP No. 2 Investment Partnership. Aqua RIMCO Ltd. is a general partner of each of these three entities. The principal business address for Aqua RIMCO Ltd. is Kawate Building, 1-5-8 Nishi Shimbashi, Minato-ku, Tokyo 105-0003, Japan. We have been advised by Aqua RIMCO Ltd., general partner of Aqua RIMCO Biotechnology No. 1 Investment Partnership, Aqua RIMCO Biotechnology No. 2 Investment Partnership and ABP No. 2 Investment Partnership, that Mr. Yoshihiko Takamiya, President of Aqua RIMCO Ltd., has voting and investment power over shares held by the above-referenced Aqua RIMCO Ltd. affiliates; however, prior to voting or investing our shares, the approval of Aqua RIMCO Ltd.'s investment committee must be obtained.

(6) Represents (i) 1,235,000 shares held by Daiwa Securities SMBC Principal Investments Co., Ltd. and (ii) 2,469,136 shares held by NIF Ventures Co., Ltd. and affiliates thereof (Investment Enterprise Partnership "NIF21-One(2-A)," Investment Enterprise Partnership "NIF21-One(2-B)," Venture Capital Investment Limited Partnership "NIF Japan-USA-Europe Bridge Fund" and Venture Capital Investment Limited Partnership NIF Global Fund). Daiwa Securities Group Inc. is the majority stockholder and parent of both Daiwa Securities SMBC Principal Investments Co., Ltd. and NIF Ventures Co., Ltd. NIF Ventures Co., Ltd. is a general partner of each of its above-referenced affiliates. We have been advised by Daiwa Securities SMBC Principal Investments Co., Ltd. (for purposes of this footnote only, "Daiwa") that dispositive and investment power over our shares held by Daiwa is exercised by an investment committee, which includes Mr. Hideo Watanabe, who is President, CEO and Representative Director of Daiwa. Voting power over our shares held by Daiwa is exercised by circulation of a ringisho (an internal document which is circulated to receive approval) to Messrs. Hideo Watanabe, Tetsuzo Hasegawa, the director in charge of investments, and Toshinao Matsushima, COO of Daiwa. Upon receiving such approvals through the ringisho, an investment manager has authority to vote the shares. We have been advised by NIF Ventures Co., Ltd. that Mr. Shinichiro Hakura, the General Manager of NIF Ventures Co., Ltd., has voting and investment power over shares held by NIF Ventures Co., Ltd. and its above-referenced affiliates; however, prior to voting or investing our shares, the approval of NIF Venture Co., Ltd.'s investment committee must be obtained. The

principal business address of Daiwa Securities SMBC Principal Investments Co., Ltd. is Marunouchi Trust Tower North, 1-8-1 Marunouchi, Chiyoda-ku, Tokyo 100-8289, Japan. The principal business address for NIF Ventures Co., Ltd. and its affiliates is 1-2-1 Kyobashi, Chuo-ku, Tokyo, 104-0035, Japan.

(7) Represents 250,000 shares held of record by the Iwaki Family Ltd. Partnership and 6,428,286 shares subject to a warrant that currently is exercisable.

(8) Represents 10,000 shares subject to an option held by John K. A. Prendergast that currently is exercisable.

(9) Represents 10,000 shares subject to an option held by Daniel Vapnek that currently is exercisable.

(10) Represents 200,000 shares subject to an option held by Brian Anderson that currently is exercisable.

(11) Represents 160,000 shares subject to an option held by Richard E. Gammans that currently is exercisable.

(12) Represents 300,000 shares subject to an option held by Kenneth W. Locke that currently is exercisable.

(13) Represents 120,000 shares subject to an option held by Mark Lotz that currently is exercisable.

(14) Represents 130,000 shares subject to an option held by Joji Suzuki that currently is exercisable.

(15) Represents (i) 250,000 shares held of record by Takashi Kiyoizumi, (ii) 6,428,286 shares subject to a warrant held by Dr. Kiyoizumi that currently is exercisable, (iii) 250,000 shares held of record by Yuichi Iwaki, (iv) 6,428,286 shares subject to a warrant held by Dr. Iwaki that currently is exercisable, (v) 10,000 shares subject to an option held by John K. A. Prendergast that currently is exercisable, (vi) 10,000 shares subject to an option held by Daniel Vapnek that currently is exercisable, (vii) 200,000 shares subject to an option held by Brian Anderson that currently is exercisable, (viii) 160,000 shares subject to an option held by Richard Gammans that currently is exercisable, (ix) 300,000 shares subject to an option held by Kenneth Locke that currently is exercisable, (x) 120,000 shares subject to an option held by Mark Lotz that currently is exercisable and (xi) 130,000 shares subject to an option held by Joji Suzuki that currently is exercisable.

DESCRIPTION OF CAPITAL STOCK

The following information describes our common stock and preferred stock and provisions of our restated certificate of incorporation and our bylaws as in effect upon the closing of this offering. This description is only a summary. You should also refer to the restated certificate of incorporation and bylaws which have been filed with the SEC as exhibits to our registration statement of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the receipt of the requisite board and stockholder approvals and upon the closing of this offering in accordance with the terms of the restated certificate of incorporation.

Upon completion of this offering, and after giving effect to the conversion of all outstanding convertible preferred stock into common stock and the amendment of our restated certificate of incorporation, our authorized capital stock will consist of 200,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $ 0.01 par value per share. As of September 30, 2004, there were 67,282,856 shares of our common stock outstanding held of record by 45 stockholders, assuming conversion of our outstanding convertible preferred stock which will occur upon the closing of this offering.

Common Stock

Subject to preferences that may be applicable to any shares of preferred stock outstanding at the time, the holders of common stock are entitled to the following:

Dividends. The holders of outstanding shares of our common stock are entitled to receive dividends out of assets legally available for the payment of dividends at the times and in the amounts as the board of directors from time to time may determine, subject to any preferential dividend rights of any holder of outstanding shares of our preferred stock.

Voting. Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders, including the election of directors. We have not provided for cumulative voting for the election of directors in our restated certificate of incorporation. This means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

Preemptive rights, conversion and redemption. As of the closing of this offering, our common stock will not be subject to preemptive rights and will not be subject to conversion or redemption.

Liquidation, dissolution and winding-up. Upon our liquidation, dissolution or winding-up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any preferred stock.

Each outstanding share of common stock is, and all shares of common stock to be issued in this offering when they are paid for will be, duly and validly issued, fully paid and non-assessable.

Options

As of September 30, 2004, options to purchase a total of 1,510,000 shares of common stock were outstanding, all of which are subject to lock-up provisions under the terms of the 2000 General Stock Incentive Plan under which these options were granted. Options to purchase a total of 490,000 shares of common stock remain available for grant under the 2000 General Stock Incentive Plan. Following this offering, options to purchase, or other equity-based awards with respect to, 20,300,000 shares of our common stock, subject to an annual increase on the first day of each of our fiscal years beginning on January 1, 2006, will be authorized for issuance under our 2004 Stock Incentive Plan and we will cease issuing options under our 2000 General Stock Incentive Plan. The term of our options is determined by the compensation committee of our board of directors, but no option term may exceed ten years from the date of grant or five years, in the instance of a grant to 10% stockholders.

Preferred Stock

Upon the closing of this offering, all outstanding shares of our preferred stock will convert into an aggregate of 66,782,856 shares of common stock.

Following this offering, our board of directors will be authorized, subject to the limits imposed by the Delaware General Corporation Law, to issue 5,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications, limitations and restrictions. Our board of directors can also increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that adversely affect the voting power or other rights of our common stockholders. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control and may cause the market price of our common stock to decline or impair the voting and other rights of the holders of our common stock. We have no current plans to issue shares of preferred stock.

Warrants

As of September 30, 2004, there were warrants outstanding to purchase 13,356,572 shares of our common stock at a weighted average exercise price of $0.13 per share. Generally, each warrant contains provisions for the adjustment of its exercise price and the number of shares issuable upon its exercise upon the occurrence of any stock dividend or stock split. In addition, 12,856,572 of the shares of our common stock issuable upon the exercise of the warrants provide their holders with rights to have those shares registered with the SEC, as discussed more fully below. These warrants have net exercise provisions under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrants after deduction of the aggregate exercise price. The warrants issued to our founders, for an aggregate of 12,856,572 shares of our common stock, may be exercised at any time prior to the close of business on September 26, 2007, while the other outstanding warrant may be exercised at any time prior to May 24, 2009. The warrants are not callable by us and the expiry dates of the warrants may not be extended unless the warrants are amended for that purpose in a writing executed by us and the respective warrant holder.

Registration Rights

Under an amended and restated registration rights agreement, following this offering, the holders of 80,639,428 shares of common stock have the right to require us to register their shares with the SEC so that those shares may be publicly resold or to include their shares in any registration statement we file with the SEC.

Demand Rights

At any time after the earlier of December 31, 2005 or the date which is six months after our securities are traded on a U.S. exchange or listed on a U.S. automatic quotation system, if the holders of more than 25% of the outstanding shares of common stock issued or issuable upon conversion of our existing Series B preferred stock or Series C preferred stock, request that we file a registration statement with the SEC having an aggregate offering price to the public of not less than $5,000,000, we will use our best efforts to cause such shares to be registered and to include in such registration, if requested, the 500,000 shares of common stock issued to our founders, the 12,856,572 shares of common stock issuable by reason of the exercise of warrants held by our founders and the 10,000,000 shares of common stock issuable upon conversion of our existing Series A preferred stock.

If we are eligible to file a registration statement on Form S-3, holders of shares having registration rights have the right to demand that we file a registration statement on Form S-3 so long as the aggregate amount of securities to be sold under the registration statement on Form S-3 exceeds $2,000,000.

Piggy Back Registration Rights

At any time after the date which is six months after our securities are traded on a U.S. exchange or listed on a U.S. automatic quotation system, the holders of shares having registration rights will be entitled to unlimited "piggy-back" registration rights on all registrations of MediciNova. We and the underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in any such registration statement, but not below 25% of the total value of all securities included in any such registration statement unless more than 50% of the holders of securities entitled to registration rights agree to a lesser amount, except for this initial public offering in which the underwriters have excluded any sales by existing investors.

Expenses of Registration

We shall bear all registration expenses, exclusive of underwriting discounts and commissions, of the first two demand registrations, all piggy-back registrations and all registrations on Form S-3 pursuant to the amended and restated registration rights agreement.

Expiration of Registration Rights

The registration rights will terminate for each stockholder if and when that stockholder holds less than 1% of our outstanding common stock (on an as-if-converted to common stock basis), our securities trade on a U.S. exchange or are listed on a U.S. automatic quotation system and all of such holder's registrable shares may be sold under Rule 144 of the U.S. Securities Act of 1933, as amended, or the Securities Act, during any 90 day period.

Delaware Anti-Takeover Law

We may be subject to the provisions of Section 203 of the Delaware General Corporation Law, or Delaware law, regulating corporate takeovers. In general, these provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- prior to such time, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after the date the business combination is approved by the board of directors and authorized at a meeting of stockholders, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition (in one transaction or a series of transactions) of 10% or more of either the aggregate market value of all the assets of the corporation or the aggregate market value of all the outstanding stock of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

A Delaware corporation may opt out of this provision either with an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company.

Listing

We intend to apply to have our common stock included for quotation on the Hercules market of the Osaka Securities Exchange.

Clearing and Transferability of Shares

The share certificates representing the offered shares will be deposited by us with The Depository Trust Company of New York. The Depository Trust Company's nominee, Cede & Co., will be the registered owner of such shares. At the closing, The Depository Trust Company will electronically deposit the shares in the account of Japan Securities Settlement & Custody, Inc., or JSSC. Thereafter, the JSSC will electronically transfer, in book entry form, beneficial ownership of the shares to the purchasers of the shares through their brokers and other financial institutions that are JSSC participants. The JSSC will not hold any certificates for common stock. Certificates representing shares of common stock held through the JSSC will not be issued unless such shares are withdrawn from the JSSC, in which case the shares will not be eligible to trade on a Japanese exchange unless such shares are re-deposited with The Depository Trust Company for credit to the JSSC's account with The Depository Trust Company.

Shares transferred from The Depository Trust Company to the account of the JSSC may be freely transferred among market participants through the JSSC clearing system. The shares to be offered and listed for trading on the Osaka Securities Exchange's Hercules market are registered shares. Accordingly, stockholders holding share certificates who desire to transfer their shares outside The Depository Trust Company/JSSC clearing system may effect the transfer by effecting withdrawal of their shares from the JSSC and submitting to our transfer agent their share certificates, and the transfer agent will issue a new certificate in the name of the transferee. If stockholders holding share certificates wish to transfer their registered shares to The Depository Trust Company for inclusion in the JSSC clearing system, the stockholders must submit their share certificates to our transfer agent, and the transfer agent will register the shares in the name of Cede & Co. These shares will be credited to the account of the JSSC at The Depository Trust Company. Upon registration of the shares with The Depository Trust Company for the benefit of the JSSC and fulfillment of any other requirements of The Depository Trust Company or the JSSC, beneficial ownership of the shares may be transferred through the JSSC.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. We cannot predict the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after the restrictions lapse, or the perception that such sales may occur, could cause the prevailing market price to decrease or to be lower than it might be in the absence of those sales or perceptions.

Sale of Restricted Shares

When this offering is completed, we will have a total of shares of common stock outstanding, assuming no exercise of outstanding options prior to completion of this offering. The shares offered by this prospectus will be freely tradable, unless they are purchased by our affiliates as defined in Rule 144(a) under the Securities Act. The remaining shares are restricted, which means they were originally sold in offerings that were not subject to a registration statement filed with the U.S. Securities and Exchange Commission. These restricted shares may be resold only through registration under the Securities Act or under an available exemption from such registration, such as provided through Rule 144, Rule 144(k) or Rule 701.

Lock-Up Agreements

All of our officers and directors and all of our stockholders are subject to lock-up provisions under which they have agreed not to transfer or dispose of, directly or indirectly, any shares of common stock, or any securities convertible into or exercisable or exchangeable for shares of common stock, for a period of 180 days after the listing of our shares on the Hercules market of the Osaka Securities Exchange.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year, including the holding period of certain prior owners other than our affiliates, is entitled to sell within any three-month period a number of shares of our common stock that does not exceed 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering.

Sales under Rule 144, however, are subject to certain manner of sale provisions, notice requirements and the availability of current public information about our company. As of the date of this prospectus, approximately million of the restricted shares will be eligible for sale under Rule 144 beginning 90 days after the date of this prospectus, and the remaining restricted shares will become eligible for sale at various times thereafter.

Rule 144(k)

Under Rule 144(k), in general, a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale and who has beneficially owned shares for at least two years, including the holding period of certain prior owners other than affiliates, is entitled to sell those shares without complying with the manner of sale provisions, notice requirements, public information requirements or volume limitations of Rule 144. Affiliates of our company, however, must always sell pursuant to Rule 144, even after the otherwise applicable Rule 144(k) holding period has been satisfied.

Rule 904

Rule 904 of Regulation S of the Securities Act generally provides that shares owned by any person, other than persons deemed to be an affiliate of ours, may be sold without registration outside the United States, provided the sale is accomplished in an offshore transaction, as that term is defined in Regulation S, and no directed selling efforts, as that term is defined in Regulation S, are made, subject to other conditions. In general,

this means that the shares, including restricted shares and shares of our common stock held by our directors and officers who are our affiliates solely by virtue of holding that position, may be sold without registration on the Hercules market of the Osaka Securities Exchange or otherwise outside the United States. However, our officers and directors and all of our stockholders have agreed, pursuant to the lock-up agreements noted above, not to sell their shares of our common stock solely in reliance upon Rule 904 following the listing of our shares of common stock on the Hercules market.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, any of our employees, consultants or advisors who purchases securities, including options, from us before the date of this prospectus through our 2000 General Stock Incentive Plan or through some other compensatory stock or option plan or other written agreement is eligible to resell those shares, including shares issued upon the exercise of options, 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, public information and volume restrictions, contained in Rule 144. As of September 30, 2004, none of our outstanding shares of common stock had been issued in reliance on Rule 701 as a result of the exercise of stock options. All of these shares are subject to contractual 180-day lock-up restrictions, and all of these shares will be eligible for sale upon expiration of such lock-up restrictions. In addition, as of September 30, 2004, options to purchase a total of 1,510,000 shares of common stock were outstanding.

Stock Options

We intend to file, and the underwriters have agreed to allow us to file, a registration statement on Form S-8 under the Securities Act covering shares of common stock reserved for issuance under our stock incentive plans. Accordingly, shares registered under such registration statement on Form S-8 will be available for sale in the open market upon exercise by the holders, unless those shares are subject to vesting restrictions with us or the contractual restrictions described above.

Registration Rights

For a description of registration rights, please see the section entitled “Registration Rights” on page 64.

The Japanese Equity Markets

Japanese Securities Laws

As a U.S. company offering securities on a Japanese stock exchange, we are subject to various laws and regulations in both jurisdictions. Some of these laws and regulations, in turn, can affect the ability of holders of our securities to transfer or sell our securities.

At present, Japan does not restrict the export or import of capital, except for transactions with related parties of the former regime of Iraq and other parties designated by the Ministry of Finance of Japan, some of which are designated in accordance with applicable resolutions adopted by the United Nations and the European Union.

There are no limitations on the right of non-resident owners to hold or vote their shares imposed by Japanese law or our restated certificate of incorporation or bylaws.

The Osaka Securities Exchange and the Hercules Market

The Osaka Securities Exchange is the second most significant of the five Japanese stock exchanges behind the Tokyo Stock Exchange. The aggregate annual trading volume of the Osaka Securities Exchange in 2003 was approximately ¥ 12,356 billion for equity instruments.

The Hercules market segment of the Osaka Securities Exchange was established in May 2000 under the name “Nasdaq Japan Market.” The name was changed to the “Nippon New Market Hercules” in December 2002. It is designed for innovative, small to mid-size companies in high growth industries or in traditional industries that have an international orientation and that are willing to provide active investor relations. The Hercules market encourages initial public offerings of new businesses at an early stage of their development.

Issuers are required to provide investors on an ongoing basis with information such as annual, semi-annual and quarterly reports, including cash flow statements and a corporate action timetable. This information is required to be submitted in electronic form, thus enabling the stock exchange to disseminate corporate information via the Internet. The Hercules market has two categories, “Standard” and “Growth.” The “Standard” category is for high quality companies. The “Growth” category is for emerging companies which have high growth potential despite their small-size. We are applying to list our shares on the Hercules market, Standard Category Class 3.

The Standard Category Class 3 of the Hercules market differs from the other sections of the Osaka Securities Exchange in the following ways:

- A history of financial results and a minimum number of years of operating history since incorporation are not required as listing criteria (a company that has adequate operational plans is acceptable)
- Examination of listings emphasizes disclosure of a company’s business and the strength of its management.
- Except in the case where the figure is a negative one, there is no required minimum amount of net assets.
- The market capitalization of floating stock must exceed ¥2 billion.
- There are delisting criteria such as (i) the number of floating shares is less than 750 units, (ii) the market capitalization of floating stock is less than ¥500 million and (iii) when the stockholders’ equity (net assets) is (a) less than ¥400 million and both total assets or total revenue and market capitalization are less than ¥5 billion, (b) less than ¥400 million and the number of floating shares is under 1,100 units or (c) less than ¥400 million and the market capitalization of the floating shares is less than ¥1.5 billion, subject to a grace period, none of which requirements exists for other sections of the Osaka Securities Exchange.

Trading of the shares listed on the Hercules market takes place through an electronic trading system. Trading takes place every business day from 9:00 a.m. to 11:00 a.m. and from 12:30 p.m. to 3:10 p.m., Tokyo time. Trading on the Osaka Securities Exchange is done through registered securities firms who are members of the Osaka Securities Exchange.

Transactions of the Osaka Securities Exchange are normally settled on the third business day following trading. Trading can be suspended by the Osaka Securities Exchange if orderly stock exchange trading is temporarily endangered or if a suspension is in the public interest.

The Hercules market is still a relatively new market. Accordingly, there can be no assurance that an active trading market for the shares will develop on the Hercules market or that the Hercules market will not experience problems in settlement or clearance as trading develops. Any such delays or problems could adversely affect the market price of the shares. Persons proposing to trade our shares on the Hercules market should inform themselves about the potential risks associated with such trading.

Trading Units on the Osaka Securities Exchange

Trading on the Osaka Securities Exchange is in specific trading units consisting of one or more shares. The number of shares per trading unit is determined by the regulations of the Osaka Securities Exchange. We expect that our shares will initially trade in units of shares. One unit shall be the minimum permitted to be traded.

Report of Substantial Shareholdings

The Securities and Exchange Law of Japan requires any person who has become a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market to file with the relevant Local Finance Bureau, within five business days, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in the above shareholding. Copies of any reports must also be furnished to the company and to all Japanese stock exchanges on which the company's shares are listed or, in the case of shares traded on the over-the-counter market, the Securities Dealers Association of Japan. For this purpose, shares issuable to a 5% or greater stockholder upon exercise of subscription warrants are taken into account in determining both the number of shares held by that stockholder and the company's total issued share capital.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell the shares at such price on a particular trading day, or at all.

TAX MATTERS

Japanese Tax Matters

The following is a summary of certain tax matters arising under Japanese tax law in force on the date of this prospectus. The summary does not purport to be a comprehensive description of all of the tax considerations which may be relevant as to the decision to acquire shares of our common stock. The summary is based on the tax laws of Japan in effect on the date of this prospectus, which may be subject to change. The summary does not address aspects of Japanese taxation other than taxation of dividends, capital gains taxation and gift and inheritance taxation, and does not address all aspects of such Japanese taxation. The summary does not consider any specific facts or circumstances that may apply to a particular purchaser or a particular transaction. Prospective investors should consult their professional advisors as to the tax consequences of any acquisition, holding or disposal of shares of our common stock, including, in particular, the effect of tax laws of any other jurisdiction.

Income Taxation of Dividends

Any dividends distributed to Japanese residents or Japanese companies are, in principle, fully subject to Japanese income or corporate tax. The same is true for non-residents of Japan and non-Japanese companies who have permanent establishments and the dividends are attributable to such permanent establishments in Japan. With respect to dividends paid in Japan through, for example, a paying agent in Japan, the balance of such dividends remaining (after collection of the withholding tax, if any, of the United States or any local public entity thereof from the payment of such dividends in the United States) will be subject to income tax at the withholding tax rate set out in the following table, to be withheld at the source in certain circumstances.

Withholding Tax Rate on Dividends

Period in which the Dividends are to be Paid	Withholding Tax Rate	Remarks
January 1, 2004—March 31, 2008	10%	7% income tax, 3% residents' tax
April 1, 2008—	20%	15% income tax, 5% residents' tax

Dividend withholding tax levied in the United States can be credited against the Japanese income tax liability of the Japanese residents and Japanese companies. Alternatively, a Japanese resident or Japanese company may deduct the total amount of U.S. withholding tax from his, her or its Japanese taxable income.

If the Convention between the Government of Japan and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income applies, a Japanese corporation that has beneficial title to at least 50% of the shares of a U.S. corporation is exempt from U.S. taxation with respect to the dividends paid by the U.S. corporation. A Japanese corporation that has beneficial title to at least 10% of the shares of a U.S. corporation is entitled to a reduction or refund of U.S. taxes in excess of 5%, and all other Japanese residents or corporations are entitled to a refund or reduction of U.S. taxes in excess of 10%. If the shares are held by Japanese holders through a partnership, the dividends, including the withholding tax credit, are allocated to the partners according to their interest in the partnership.

Any dividends distributed to stockholders who are non-residents of Japan or non-Japanese companies and who do not have permanent establishments in Japan are not subject to Japanese income or corporate tax.

Capital Gains Tax

In principal, capital gains by Japanese residents arising from transactions in our common stock will be subject to income tax and capital losses arising from transactions in our common stock will be deductible from other capital gains arising from transactions in our common stock. Taxpayers will pay tax equal to 20% of the

total net profits realized on all stock transactions during the taxable year. The tax rate for transfers of our common stock conducted by those satisfying both of the following conditions shall be 10% for transfers conducted before December 31, 2007:

- residents of Japan or non-residents having permanent establishments in Japan; and
- those who conduct the transfer through a securities company or a bank, or otherwise stipulated by applicable tax laws and regulations.

For our common stock held by Japanese corporations, all capital gains and losses arising from transactions in our common stock are included in the determination of taxable income.

Stockholders who are non-residents of Japan or non-Japanese companies and who do not have permanent establishments in Japan are not subject to capital gains tax.

Gift and Inheritance Taxes

Transferees of our common stock are subject to Japanese inheritance and gift tax upon transfer by reason of death or as a gift, based on the market value at the time of the death or gift if the heir or donee, as applicable, is a tax resident of Japan at the time of the death or gift, as applicable, or, if of Japanese nationality, has been a resident of Japan within the five-year period prior to the death or gift, as applicable.

Other Japanese Taxes

There are no Japanese transfer, stamp or other similar taxes which would apply to the sale or transfer of shares of our common stock.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF OUR COMMON STOCK

The following discussion summarizes certain U.S. federal income and estate tax consequences of the purchase, ownership and disposition of our common stock by a non-U.S. holder, as we define that term below. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing U.S. Treasury Department regulations and judicial decisions and administrative interpretations thereof, all as of the date hereof. These authorities are subject to change, possibly with retroactive effect, and any change could affect the continuing validity of this discussion. We cannot assure you that the U.S. Internal Revenue Service, or IRS, will not challenge one or more of the tax consequences described herein. We have not sought, nor do we intend to seek, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal income and estate tax consequences of purchasing, owning or disposing of our common stock.

In this discussion, we do not purport to address all tax considerations that may be important to a particular non-U.S. holder in light of the holder's circumstances, or to certain categories of investors (including, without limitation, partnerships or other pass-through entities and their owners, banks, insurance companies, tax-exempt organizations, dealers in securities, holders of securities held as part of a straddle, hedge, conversion transaction or other risk-reduction transaction, U.S. expatriates or persons who hold or receive common stock as compensation) that may be subject to special rules. This discussion applies only to non-U.S. holders that hold our common stock as a capital asset within the meaning of Section 1221 of the Code. This discussion also does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or, unless otherwise specified, under any applicable tax treaties.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK, INCLUDING THE EFFECT AND APPLICABILITY OF THE TAX LAWS OF OTHER JURISDICTIONS OR TAX TREATIES.

A “non-U.S. holder” is a beneficial owner of our common stock that is not:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) the administration of the trust is subject to the primary supervision of a court in the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable U.S. Treasury Department regulations to be treated as a U.S. person.

If a partnership holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding our common stock, we suggest that you consult your tax advisors.

U.S. Trade or Business Income

For purposes of the following discussion, dividends and gains on the sale, exchange or other disposition of our common stock will be considered to be “U.S. trade or business income” if such income or gain is (i) effectively connected with the conduct of a U.S. trade or business or (ii) in the case of a treaty resident, attributable to a permanent establishment in the United States. Generally, U.S. trade or business income is subject to U.S. federal income tax on a net income basis at regular graduated tax rates. Any U.S. trade or business income received by a non-U.S. holder that is a corporation may, under specific circumstances, be subject to an additional “branch profits tax” at a 30% rate or a lower rate that an applicable income tax treaty may specify.

Dividends

Dividends paid to a non-U.S. holder of common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate unless the dividends are U.S. trade or business income and the non-U.S. holder files a properly executed IRS Form W-8ECI with the withholding agent.

The 30% withholding rate may be reduced if the non-U.S. holder is eligible for the benefits of an income tax treaty that provides for a lower rate. Generally, to claim the benefits of an income tax treaty, a non-U.S. holder of common stock will be required to provide a properly executed IRS Form W-8BEN and satisfy applicable certification and other requirements, including, in certain cases, obtaining from and furnishing to the IRS a taxpayer identifying number. Non-U.S. holders will not be required to furnish a U.S. taxpayer identifying number in order to claim treaty benefits with respect to dividends on our common stock if our common stock is traded on an established financial market. A non-U.S. holder of common stock that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS. A non-U.S. holder should consult its tax advisor as to its entitlement to benefits under a relevant income tax treaty.

Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a sale or exchange of common stock unless:

- the gain is U.S. trade or business income;
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale or exchange and meets other requirements; or
- we are or have been a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition and the period that the non-U.S. holder held our common stock.

The tax relating to stock in a USRPHC does not apply to a non-U.S. holder whose holdings, direct and indirect, at all times during the applicable period, amount to 5% or less of the common stock, provided that the common stock is regularly traded on an established securities market. Generally, a corporation is a USRPHC if the fair market value of its "United States real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we have not been and are not currently a USRPHC for U.S. federal income tax purposes, nor do we anticipate becoming a USRPHC in the future. However, no assurance can be given that we will not be a USRPHC when a non-U.S. holder sells its shares of common stock.

Federal Estate Taxes

An individual non-U.S. holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in our common stock will be required to include the value thereof in his or her gross estate for U.S. federal estates tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Information Reporting Requirements and Backup Withholding Tax

Dividends

We must report annually to the IRS and to each non-U.S. holder the amount of dividends, if any, paid to such non-U.S. holder and tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced or eliminated by an applicable tax treaty. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which a non-U.S. holder resides. Dividends paid to non-U.S. holders of common stock generally will be exempt from backup withholding if you certify as to your non-U.S. holder status under penalties of perjury or you otherwise qualify for an exemption (provided that neither we nor our agent know or have reason to know that you are a U.S. person or that the conditions of any other exemptions are not in fact satisfied.

Disposition of Common Stock

The payment of the proceeds from the disposition of common stock to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and possible backup withholding unless you provide the certification described above or you otherwise qualify for an exemption. The proceeds of a disposition of common stock effected outside the United States by a non-U.S. holder to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, if such broker is a U.S. person, a controlled foreign corporation, a foreign person for whom 50 percent or more of its gross income from all sources for certain periods is effectively connected with a trade or business in the United States, or a foreign partnership that is engaged in the conduct of a trade or business in the United States or that has one or more partners that are U.S. persons who in the aggregate hold more than 50 percent of the income or capital interests in the partnership, information reporting requirements will apply unless such broker has documentary evidence in its files of the holder's non-U.S. status and has no actual knowledge or reason to know to the contrary or unless the holder otherwise qualifies for an exemption.

Backup withholding is currently applied at a rate of 28% but is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against your U.S. federal income tax liability, if any, provided that the required information or appropriate claim for refund is submitted properly to the IRS.

UNDERWRITING

We have entered into an underwriting agreement with Daiwa Securities SMBC Co. Ltd. and the other Japanese underwriters listed below with respect to the shares being offered. Each underwriter has severally agreed to purchase the number of shares indicated in the following table at the initial public offering price less the underwriting discount. Daiwa Securities SMBC Co. Ltd. is the lead underwriter for the offering.

Underwriters	Number of Shares
Daiwa Securities SMBC Co. Ltd.	
Total	

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from us to cover such sales. They may exercise the over-allotment option for days after the day on which the shares are first quoted on the Hercules market. If any shares are purchased pursuant to the over-allotment option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us assuming an initial public offering price of $. Such amounts are shown assuming both no exercise and full exercise of the over-allotment option.

Underwriting discount and commissions	No Exercise	Full Exercise
Per share	$	$
Total		

We estimate that the total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately $.

Our common stock will be quoted on the Hercules market of the Osaka Securities Exchange under the symbol " ".

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among us and the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, stage of development of our product candidates, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We, our directors, officers, stockholders, option holders and warrantholders have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock for 180 days from the date of this prospectus, except with the prior written consent of Daiwa Securities SMBC Co. Ltd. acting on behalf of the underwriters.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. “Naked” short sales are sales in excess of this option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. To facilitate the ability of the underwriters to settle transactions involving over-allotments prior during the 30-day period during which the underwriters have an over-allotment option to purchase shares of common stock from us, has entered into a stock lending arrangement covering of our shares. The underwriters are obligated to return all borrowed shares to concurrent with the exercise of the over-allotment option. No fees or other remuneration will be paid by the underwriters to for the loan of these shares of common stock.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the Hercules market, in the over-the-counter market or otherwise.

We intend to apply for the listing of all of our outstanding shares of common stock as well as shares of common stock reserved for issuance upon the exercise of options and shares of common stock reserved for issuance upon the exercise of warrants as of for trading on the Hercules market of the Osaka Securities Exchange.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters expect to deliver the shares against payment in dollars through the facilities of the Japan Securities Settlement & Custody, Inc. on or about , 2005.

Investment companies controlled by Daiwa Securities Group Inc., the majority stockholder of Daiwa Securities SMBC Co. Ltd., own Series C preferred stock convertible into 5.51% of our outstanding shares immediately prior to the offering. These entities acquired their shares together with other investors on September 2, 2004.

LEGAL MATTERS

Selected legal matters with respect to the validity of the common stock offered by this prospectus are being passed upon for us by Pillsbury Winthrop LLP, San Diego, California. Selected legal matters in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP, Tokyo, Japan. A member of Pillsbury Winthrop LLP serves as our Secretary and holds an option to purchase 100,000 shares of our common stock at a per share purchase price of $1.00.

EXPERTS

The financial statements of MediciNova, Inc. at December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. Please refer to the registration statement, exhibits and schedules for further information with respect to the common stock offered by this prospectus. Statements contained in this prospectus regarding the contents of any contract or other document are not necessarily complete. With respect to any contract or document filed as an exhibit to the registration statement, you should refer to the exhibit for a copy of the contract or document, and each statement in this prospectus regarding that contract or document is qualified by reference to the exhibit. A copy of the registration statement and its exhibits and schedules may be inspected without charge at the SEC's public reference room, located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings, including this registration statement, are also available to the public on the SEC's website at www.sec.gov.

Upon completion of this offering, we will be subject to the information and reporting requirements of the Securities Exchange Act and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection at the public reference room and website of the SEC referred to above. We maintain a website at www.medicinova.com. You may access our periodic reports and any amendments to those reports filed with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our website does not constitute incorporation by reference of the information contained therein.

MediciNova, Inc.
(a development stage company)

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
MediciNova, Inc.

We have audited the accompanying balance sheets of MediciNova, Inc. (a development stage company) as of December 31, 2002 and 2003, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003, and the statement of stockholders' equity for the period from September 26, 2000 (inception) to December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MediciNova, Inc. (a development stage company) at December 31, 2002 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, and the statement of stockholders' equity for the period from September 26, 2000 (inception) to December 31, 2000, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 10, 2004

MediciNova, Inc.
(a development stage company)

Balance Sheets

	December 31, 2002	December 31, 2003	September 30, 2004 (unaudited)	Redeemable Convertible Preferred Stock and Pro Forma Stockholders' Equity at September 30, 2004 (unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$ 1,281,118	$ 4,240,699	$ 54,082,846	
Marketable securities available-for-sale	—	1,250,000	1,250,000	
Prepaid expenses and other current assets	58,966	108,360	345,290	
Total current assets	1,340,084	5,599,059	55,678,136	
Property and equipment, net	246,406	32,250	269,215	
Other assets	—	—	1,068,724	
	$ 1,586,490	$ 5,631,309	$ 57,016,075	
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 108,657	$ 329,328	$ 435,698	
Accrued expenses	70,759	294,500	1,333,189	
Due to affiliate	265,466	—	—	
Accrued compensation and related expenses	19,143	137,599	243,741	
Total current liabilities	464,025	761,427	2,012,628	
Advances received for the sale of convertible preferred stock	—	300,000	—	
Commitments				
Redeemable convertible preferred stock, $0.01 par value; no shares, no shares and 27,667,856 shares authorized issued and outstanding at December 31, 2002 and 2003 and September 30, 2004, respectively; no shares outstanding pro forma (unaudited)	—	—	43,424,009	$ —
Stockholders' equity:				
Convertible preferred stock, $0.01 par value; 3,000,000, 3,000,000 and 1,291,150 shares authorized at December 31, 2002 and 2003 and September 30, 2004 (unaudited), respectively; 1,000,000, 1,107,500 and 1,291,150 shares issued and outstanding at December 31, 2002 and 2003 and September 30, 2004 (unaudited), respectively; no shares outstanding pro forma (unaudited)	10,000	11,075	12,912	—
Common stock, $0.001 par value; 16,000,000, 80,000,000 and 83,000,000 shares authorized at December 31, 2002 and 2003 and September 30, 2004 (unaudited), respectively; 500,000 shares issued and outstanding at December 31, 2002 and 2003 and September 30, 2004 (unaudited), respectively; 67,282,856 shares outstanding pro forma (unaudited)	500	500	500	67,283
Additional paid-in capital	10,039,500	19,694,972	103,520,732	146,890,870
Deferred employee stock-based compensation	—	—	(1,196,737)	(1,196,737)
Deficit accumulated during the development stage	(8,927,535)	(15,136,665)	(90,757,969)	(90,757,969)
Total stockholders' equity	1,122,465	4,569,882	11,579,438	$ 55,003,447
Total liabilities and stockholders' equity	$ 1,586,490	$ 5,631,309	$ 57,016,075	

See accompanying notes.

MediciNova, Inc.
(a development stage company)

Statements of Operations

	Years ended December 31,			Nine months ended September 30,		Period from September 26, 2000 (inception) to September 30, 2004
	2001	2002	2003	2003	2004	
				(unaudited)	(unaudited)	(unaudited)
Revenues	$ —	$ —	$ —	$ —	$ 353,697	$ 353,697
Operating expenses:						
Cost of revenues	—	—	—	—	308,947	308,947
Research and development	951,408	5,551,310	4,723,158	3,357,184	8,279,061	19,776,869
General and administrative	1,063,440	1,461,526	1,537,945	1,055,324	2,025,596	6,088,507
Amortization of employee stock-based compensation and founders' warrants:						
Research and development	—	—	—	—	56,842	56,842
General and administrative	—	—	—	—	34,153,237	34,153,237
Total operating expenses	2,014,848	7,012,836	6,261,103	4,412,508	44,823,683	60,384,402
Operating loss	(2,014,848)	(7,012,836)	(6,261,103)	(4,412,508)	(44,469,986)	(60,030,705)
Other income, net	220,114	81,360	51,973	38,947	133,048	557,102
Net loss	(1,794,734)	(6,931,476)	(6,209,130)	(4,373,561)	(44,336,938)	(59,473,603)
Accretion to redemption value of redeemable convertible preferred stock	—	—	—	—	(19,689)	(19,689)
Deemed dividend resulting from beneficial conversion feature on Series C redeemable convertible preferred stock	—	—	—	—	(31,264,677)	(31,264,677)
Net loss applicable to common stockholders	$(1,794,734)	$(6,931,476)	$ (6,209,130)	$(4,373,561)	$(75,621,304)	$ (90,757,969)
Basic and diluted net loss per share	$ (3.59)	$ (13.86)	$ (12.42)	$ (8.75)	$ (151.24)	
Shares used to compute basic and diluted net loss per share	500,000	500,000	500,000	500,000	500,000	
Pro forma net loss per common share assuming conversion of preferred stock, basic and diluted (unaudited)			$ (0.37)		$ (2.18)	
Shares used in computing pro forma net loss per common share assuming conversion of preferred stock, basic and diluted (unaudited)			16,778,767		34,691,697	

See accompanying notes.

MediciNova, Inc.
(a development stage company)

Statements of Stockholders' Equity

	Convertible preferred stock		Common stock					
	Shares	Amount	Shares	Amount	Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' equity
Issuance of common stock for cash to founders at $0.10 per share in September	—	$ —	500,000	$ 500	$ 49,500	$ —	$ —	$ 50,000
Issuance of Series A convertible preferred stock at $10 per share in October	500,000	5,000	—	—	4,995,000	—	—	5,000,000
Net loss and comprehensive loss	—	—	—	—	—	—	(201,325)	(201,325)
Balance at December 31, 2000	500,000	5,000	500,000	500	5,044,500	—	(201,325)	4,848,675
Issuance of Series A convertible preferred stock at $10 per share in August	500,000	5,000	—	—	4,995,000	—	—	5,000,000
Net loss and comprehensive loss	—	—	—	—	—	—	(1,794,734)	(1,794,734)
Balance at December 31, 2001	1,000,000	10,000	500,000	500	10,039,500	—	(1,996,059)	8,053,941
Net loss and comprehensive loss	—	—	—	—	—	—	(6,931,476)	(6,931,476)
Balance at December 31, 2002	1,000,000	10,000	500,000	500	10,039,500	—	(8,927,535)	1,122,465
Issuance of Series B convertible preferred stock at $100 per share, net of issuance costs of $1,093,453, in March, April, May and December	107,500	1,075	—	—	9,655,472	—	—	9,656,547
Net loss and comprehensive loss	—	—	—	—	—	—	(6,209,130)	(6,209,130)
Balance at December 31, 2003	1,107,500	11,075	500,000	500	19,694,972	—	(15,136,665)	4,569,882
Issuance of Series B convertible preferred stock at $100 per share, net of issuance costs of $1,208,896, in January, February, March, April and May (unaudited)	183,650	1,837	—	—	17,154,267	—	—	17,156,104
Stock-based compensation related to founders' warrants (unaudited)	—	—	—	—	34,069,916	—	—	34,069,916
Deferred employee stock-based compensation (unaudited)	—	—	—	—	1,336,900	(1,336,900)	—	—
Amortization of deferred employee stock-based compensation (unaudited)	—	—	—	—	—	140,163	—	140,163
Deemed dividend resulting from beneficial conversion feature on Series C redeemable convertible preferred stock (unaudited)	—	—	—	—	31,264,677	—	(31,264,677)	—
Accretion to redemption value of redeemable convertible preferred stock (unaudited)	—	—	—	—	—	—	(19,689)	(19,689)
Net loss and comprehensive loss (unaudited)	—	—	—	—	—	—	(44,336,938)	(44,336,938)
Balance at September 30, 2004 (unaudited)	1,291,150	$12,912	500,000	$ 500	$103,520,732	$(1,196,737)	$(90,757,969)	$ 11,579,438

See accompanying notes.

MediciNova, Inc.
(a development stage company)

Statements of Cash Flows

	Years ended December 31,			Nine months ended September 30,		Period from September 26, 2000 (inception) to September 30, 2004
	2001	2002	2003	2003	2004	
				(unaudited)	(unaudited)	(unaudited)
Operating activities						
Net loss	$ (1,794,734)	$ (6,931,476)	$ (6,209,130)	$ (4,373,561)	$ (44,336,938)	$ (59,473,603)
Adjustments to reconcile net loss to net cash used in operating activities:						
Non-cash stock-based compensation	—	—	—	—	34,210,079	34,210,079
Depreciation and amortization	21,977	68,072	29,872	27,528	27,361	147,282
Changes in operating assets and liabilities:						
Prepaid expenses and other assets	17,963	(30,648)	(49,394)	(32,059)	(1,305,654)	(1,414,014)
Accounts payable and accrued expenses	12,945	166,471	444,412	84,946	1,145,059	1,768,887
Due to affiliate	31,194	(37,660)	(265,466)	(265,466)	—	—
Accrued compensation and related expenses	9,300	9,843	118,456	98,353	106,142	243,741
Net cash used in operating activities	(1,701,355)	(6,755,398)	(5,931,250)	(4,460,259)	(10,153,951)	(24,517,628)
Investing activities:						
Purchases of marketable securities available-for-sale	—	—	(1,250,000)	(1,250,000)	—	(1,250,000)
Acquisitions of property and equipment	(319,441)	(17,014)	(10,537)	(7,371)	(264,326)	(611,318)
Proceeds from sale of property and equipment	—	—	194,821	194,821	—	194,821
Net cash used in investing activities	(319,441)	(17,014)	(1,065,716)	(1,062,550)	(264,326)	(1,666,497)
Financing activities:						
Sales of common stock	—	—	—	—	—	50,000
Sales of preferred stock, net of issuance costs	5,000,000	—	9,656,547	8,307,042	60,560,424	80,216,971
Advances received for the sale of convertible preferred stock	—	—	300,000	—	(300,000)	—
Net cash provided by financing activities	5,000,000	—	9,956,547	8,307,042	60,260,424	80,266,971
Net increase in cash and cash equivalents	2,979,204	(6,772,412)	2,959,581	2,784,233	49,842,147	54,082,846
Cash and cash equivalents, beginning of period	5,074,326	8,053,530	1,281,118	1,281,118	4,240,699	—
Cash and cash equivalents, end of period	$ 8,053,530	$ 1,281,118	$ 4,240,699	$ 4,065,351	$ 54,082,846	$ 54,082,846

See accompanying notes.

1. The Company, Basis of Presentation and Summary of Significant Accounting Policies

The Company

MediciNova, Inc. ("MediciNova" or the "Company") was incorporated in the state of Delaware in September 2000. The Company was founded as a majority-owned subsidiary of Tanabe Seiyaku Co., Ltd. (together with its affiliates, "Tanabe") in Japan. As of September 30, 2004, Tanabe owned approximately 15% of the Company. MediciNova is a specialty pharmaceutical company focused on the acquisition, development and commercialization of innovative pharmaceutical products. The Company's in-licensed compounds and its pipeline, which includes several compounds in clinical testing, target a variety of prevalent medical conditions, including premature labor, cancer and asthma (see Note 5).

Basis of Presentation

The Company's primary activities since incorporation have been organizational activities, including recruiting personnel, establishing office facilities, conducting research and development, performing business and financial planning and raising capital. Accordingly, the Company is considered to be in the development stage.

The Company has sustained operating losses since inception and expects such losses to continue over the next several years. Management plans to continue financing the operations with a combination of equity issuances and debt arrangements. If adequate funds are not available, the Company may be required to delay, reduce the scope of, or eliminate one or more of its research or development programs, or cease operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, management evaluates their estimates and judgments. Management bases estimates on historical experience and on various other factors that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Unaudited Interim Results

The accompanying unaudited interim balance sheet as of September 30, 2004, the statements of operations and cash flows for the nine months ended September 30, 2003 and 2004 and the period from September 26, 2000 (inception) to September 30, 2004 and the statement of stockholders' equity for the nine months ended September 30, 2004 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments necessary to present fairly the Company's financial position as of September 30, 2004 and results of operations and cash flows for the nine months ended September 30, 2003 and 2004. The results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for the year ending December 31, 2004 or for any other interim period or for any other future year.

Unaudited Pro Forma Stockholders' Equity

The unaudited pro forma stockholders' equity information in the accompanying balance sheet assumes the conversion of the outstanding shares of convertible preferred stock at September 30, 2004 into 66,782,856 shares of common stock as though the completion of the anticipated initial public offering had occurred on September 30, 2004. Common shares issued in such initial public offering and any related estimated net proceeds are excluded from such pro forma information.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, and other highly liquid investments with original maturities of three months or less from the date of purchase.

Marketable Securities Available-for-sale

Investments with an original maturity of more than three months are considered short-term investments and have been classified by management as marketable securities available-for-sale. Such investments consist of municipal auction rate securities, and are carried at fair value, with unrealized gains and losses, if any, included as a separate component of stockholders' equity.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, cash equivalents and marketable securities available-for-sale. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. However, management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. Additionally, the Company has established guidelines regarding diversification of its investments and their maturities, which are designed to maintain safety and liquidity.

Fair Value of Financial Instruments

The Company's financial instruments including cash and cash equivalents, accounts payable, and accrued liabilities, are carried at cost, which management believes approximates fair value given their short-term nature.

Property and Equipment

Property, which consists of leasehold improvements, and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. The useful life for equipment is five years and leasehold improvements are amortized over the lesser of the useful life or the term of the lease. The Company's current lease expires in 2008.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. The impairment

loss, if recognized, would be based on the excess of the carrying value of the impaired asset over its respective fair value. Impairment, if any, is assessed using discounted cash flows. Through September 30, 2004, there has been no such impairment.

Revenue Recognition

In connection with the management of clinical trials, the Company pays, on behalf of its customers, fees to investigators and other pass-through costs for which it is reimbursed at cost, without mark-up or profit. In addition, the Company charges management fees based on negotiated hourly rates. The Company recognizes management fees based on actual hours worked and recognizes pass-through expenses as revenue when the related liability is incurred in accordance with Emerging Issues Task Force ("EITF") Rule No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred*. EITF No. 01-14 requires reimbursable pass-through expenses incurred to be characterized as revenue in the statement of operations. Pass-through costs represent the majority of cost of revenues during the nine months ended September 30, 2004.

Research and Development

Research and development expenses consist of costs incurred to further the Company's research and development activities and include salaries and related employee benefits, costs associated with clinical trials, non-clinical activities such as toxicology testing, regulatory activities, research-related overhead expenses, and fees paid to external service providers and contract research organizations who conduct certain research and development activities on behalf of the Company. Research and development expenses also include fees for licensed technology for which technological feasibility has not been established and there are no alternative uses. Research and development costs are expensed as incurred.

Income Taxes

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, a deferred tax asset or liability is determined based on the difference between the financial statement and the tax basis of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized.

Stock-Based Compensation

The Company has elected to follow Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employee*s, and related Interpretations in accounting for its employee stock options and warrants as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*. Under APB Opinion No. 25, if the exercise price of the Company's employee stock options or warrants is not less than the fair value of the underlying stock on the date of grant, no compensation expense is recognized. In determining the fair value of the common stock, the Board of Directors considered, among other factors, (i) the advancement of the Company's technology, (ii) the Company's financial position and (iii) the fair value of the Company's common stock or preferred stock as determined in arm's-length transactions.

In connection with the grant of certain stock options to employees during the nine months ended September 30, 2004, the Company recorded deferred stock-based compensation within stockholders' equity of $1,336,900, which represents the difference between the estimated fair value of the common stock and the option exercise

price at the date of grant (also see Note 6, "Founders' Common Stock and Warrants"). Such amount will be amortized over the vesting period of the applicable options on a straight-line basis. The expected future amortization expense for deferred stock-based compensation for stock option grants through September 30, 2004 is as follows:

Three months ending December 31, 2004	$ 80,981
2005	323,925
2006	323,925
2007	323,925
2008	143,981
	$ 1,196,737

Pro forma information regarding net loss is required by SFAS No. 123, and has been determined as if the Company had accounted for all of its employee stock option grants under the fair value method of that statement. The fair value for these options was estimated at the date of grant using the Minimum Value pricing model with the following weighted average assumptions:

	Years ended December 31,			Nine months ended September 30, 2004
	2001	2002	2003	
Dividend yield	—	—	—	—
Risk-free interest rate	4.0%	3.8%	3.0%	3.9%
Volatility	—	—	—	—
Expected life	5 years	5 years	5 years	5 years

For purposes of disclosures required by SFAS No. 123, the estimated fair value of the options is amortized on a straight-line basis over the vesting period. The Company's pro forma information is as follows:

	Years ended December 31,			Nine months ended September 30,	
	2001	2002	2003	2003	2004
Net loss applicable to common stockholders, as reported	$ (1,794,734)	$ (6,931,476)	$ (6,209,130)	$ (4,373,561)	$ (75,621,304)
Add: total stock-based employee compensation expense included in reported net loss	—	—	—	—	34,210,079
Deduct: stock-based employee compensation expense determined under the fair value method	—	—	(21,500)	(18,500)	(17,852,120)
Adjusted net loss applicable to common stockholders	$ (1,794,734)	$ (6,931,476)	$ (6,230,630)	$ (4,392,061)	$ (59,263,345)
Basic and diluted net loss per share, as reported	$ (3.59)	$ (13.86)	$ (12.42)	$ (8.75)	$ (151.24)
Adjusted basic and diluted net loss per share	$ (3.59)	$ (13.86)	$ (12.46)	$ (8.78)	$ (118.53)

The adjusted net loss for the nine months ended September 30, 2004 is less than the reported net loss due to variable measurement of the fair value of the founders' warrants required by APB No. 25 as compared to grant date measurement of fair value required by SFAS No. 123.

Comprehensive Income

The Company has adopted SFAS No. 130, *Reporting Comprehensive Income*, which requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments and unrealized gains and losses on investments, shall be reported, net of their related tax effect, to arrive at comprehensive income. Comprehensive loss did not differ from net loss for all periods presented.

Net Loss Per Share

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, convertible preferred stock, stock options, and warrants are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The unaudited pro forma basic and diluted net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding for the period plus the weighted average number of common shares resulting from the assumed conversion of the outstanding shares of convertible preferred stock at September 30, 2004 which will occur upon the closing of the initial public offering contemplated by this prospectus. The assumed conversion is calculated using the as-if-converted method, as if such conversion had occurred as of the beginning of each period presented or the original issuance, if later.

	Years ended December 31,			Nine months ended September 30,	
	2001	2002	2003	2003	2004
Historical					
Numerator:					
Net loss	$ (1,794,734)	$ (6,931,476)	$ (6,209,130)	$ (4,373,561)	$ (44,336,938)
Accretion to redemption value of redeemable convertible preferred stock	—	—	—	—	(19,689)
Deemed dividend resulting form beneficial conversion feature of Series C redeemable convertible preferred stock	—	—	—	—	(31,264,677)
Net loss applicable to common stockholders	$ (1,794,734)	$ (6,931,476)	$ (6,209,130)	$ (4,373,561)	$ (75,621,304)
Denominator:					
Weighted average common shares outstanding	500,000	500,000	500,000	500,000	500,000
Basic and diluted net loss per share	$ (3.59)	$ (13.86)	$ (12.42)	$ (8.75)	$ (151.24)
Pro Forma					
Pro forma net loss			$ (6,209,130)		$ (75,601,615)
Pro forma basic and diluted net loss per share (unaudited)			$ (0.37)		$ (2.18)
Shares used above			500,000		500,000
Pro forma adjustments to reflect assumed weighted average effect of conversion of preferred stock (unaudited)			16,278,767		34,191,697
Pro forma shares used to compute basic and diluted net loss per share (unaudited)			16,778,767		34,691,697
Historical outstanding anti-dilutive securities not included in diluted net loss per share calculation					
Preferred stock (as-converted)	10,000,000	10,000,000	20,750,000	19,250,000	66,782,856
Common stock warrants	1,500,000	1,500,000	3,650,000	3,350,000	13,356,572
Common stock options	220,000	424,000	390,000	360,000	1,510,000

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments

that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective the beginning of the first interim period after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's financial statements.

2. Balance Sheet Details

Property and equipment consist of the following:

	December 31, 2002	December 31, 2003	September 30, 2004
Leasehold improvements	$ —	$ —	$ 23,524
Furniture and equipment	331,260	39,852	279,320
Software	5,195	7,038	8,095
	336,455	46,890	310,939
Less accumulated depreciation and amortization	(90,049)	(14,640)	(41,724)
	$ 246,406	$ 32,250	$ 269,215

Accrued expenses consist of the following:

	December 31, 2002	December 31, 2003	September 30, 2004
Research and development costs	$ —	$ —	$ 74,027
Issuance costs	—	150,000	1,135,846
Franchise taxes	—	74,525	—
Professional fees	49,599	31,375	47,276
Other	21,160	38,600	76,040
	$ 70,759	$ 294,500	$ 1,333,189

3. Related Party Transactions

Research Services Agreement

During 2001, the Company entered into a research services agreement with Tanabe Research Laboratories U.S.A., Inc. ("TRL"). Under this agreement, the Company paid TRL for research services provided pursuant to approved service plans at a rate of $250,000 per year per FTE (full time equivalent of a scientist engaged in performing services under agreement). The agreement was terminated on May 31, 2003. In addition, TRL charged the Company for certain administrative expenses beginning in September 2000. During the years ended December 31, 2001, 2002 and 2003, the nine months ended September 30, 2003, and the period from September 26, 2000 (inception) to May 31, 2003, respectively, the gross research and administrative fees paid to TRL were $466,603, $2,652,944 and $737,199, $737,199 and $3,870,897, respectively. As of December 31, 2002, the Company owed TRL $265,466. As of December 31, 2003 and September 30, 2004, no amounts were payable to TRL.

Sale of Fixed Asset

In May 2003, the Company sold equipment to TRL for proceeds of $194,821. The net book value of the equipment on the date of sale was equal to the sale price and therefore no gain or loss was recorded.

Other Related-Party Transactions

The Company's board of directors approved an arrangement in September 2001 to engage Dr. Yuichi Iwaki, chairman of the board, as a consultant in connection with financing transactions and business development activities, pursuant to which the Company pays Dr. Iwaki $20,000 per month for his services rendered. Compensation paid to Dr. Iwaki during the years ended December 31, 2001, 2002 and 2003 and the nine months ended September 30, 2004 was $6,250, $148,000, $190,000 and $180,000, respectively.

4. Commitments

Facility Lease

In 2004, the Company leased its corporate headquarters under a non-cancelable operating lease that expires in February 2008. The Company has the option to renew the lease for three years. Rent expense for the years ended December 31, 2001, 2002 and 2003 and the nine months ended September 30, 2003 and 2004 and the period from September 26, 2000 (inception) to September 30, 2004 was $31,346, $34,284, $126,759, $91,689, $188,163 and $386,966, respectively.

Future minimum payments are as follows at September 30, 2004:

	Operating Lease
Three months ending December 31, 2004	$ 83,253
2005	400,392
2006	435,356
2007	448,997
2008	37,511
	$ 1,405,509

5. License Agreements

As a specialty pharmaceutical company focused on acquiring, developing and commercializing innovative pharmaceutical products, the Company has entered into numerous license agreements to acquire the rights to develop and commercialize a variety of product candidates. Pursuant to these agreements, the Company obtained exclusive, except with respect to various Asian countries, sublicenseable licenses to the patent rights and know-how for all indications under the agreements. The Company generally makes an upfront payment and is required to make additional payments upon the achievement of specific development and regulatory approval milestones. The Company is also obligated to pay royalties under the agreements until the later of the expiration of the applicable patent or the applicable last date of market exclusivity after the first commercial sale, on a country-by-country basis.

The amount expended under these agreements and charged to research and development expense during the years ended December 31, 2002 and 2003 and the nine months ended September 30, 2003 and 2004 was approximately $1,400,000, $300,000, $200,000, and $2,800,000, respectively. As of September 30, 2004, future potential milestone payments totaled approximately $75.8 million and there are no minimum royalties required under any of the license agreements. From June 19, 2002, the date of our first license agreement, through September 30, 2004, the Company had entered into five license agreements with Japanese and British pharmaceutical companies and a research institute.

6. Redeemable Convertible Preferred Stock and Stockholders' Equity

Redeemable Convertible Preferred Stock

On September 2, 2004, the Company sold 27,667,856 shares of Series C redeemable convertible preferred stock at a purchase price of $1.62 per share for total net proceeds of $43,404,320, net of $1,417,607 of estimated issuance costs.

The Series C preferred stock was sold at a price per share below the anticipated initial public offering price contemplated by this prospectus. Accordingly, pursuant to Emerging Issues Task Force ("EITF") Issue No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features*, the Company recorded a deemed dividend on the Series C preferred stock of $31,264,677, which is equal to the number of shares of Series C preferred stock sold multiplied by the difference between the estimated fair value of the underlying common stock and the Series C preferred stock conversion price per share. The deemed dividend increased the net loss applicable to common stockholders in the calculation of basic and diluted net loss per common share and was reported as a charge to accumulated deficit and a credit to additional paid-in capital, with no net impact on total stockholders' equity.

Each share of the Series C preferred stock is convertible at the option of the holder at any time into shares of common stock of the Company, at a one-for-one conversion rate subject to adjustment under certain conditions.

The holders of shares of Series C preferred stock are entitled to receive non-cumulative dividends at a rate of $0.1296 per share per annum, when and if declared by the Board of Directors and prior to the payment of any dividend on any other capital stock. No dividend or distribution can be paid on any share of common stock unless a dividend or distribution is paid or declared with respect to each share of Series A, B and C preferred stock.

The holders of each share of Series C preferred stock have the right to one vote for each share of common stock into which their shares are convertible.

In the event of a liquidation, dissolution or winding up of the Company, before any distribution or payment shall be made to any other common or preferred stockholder, holders of Series C preferred stock are entitled to a liquidation preference of $1.62 per share plus any declared and unpaid dividends.

The Series A, B and C preferred shares will automatically convert into common shares at a conversion rate of 100-to-one, ten-to-one and one-to-one, respectively, upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 (as amended) resulting in at least $40,000,000 of gross proceeds.

The redemption provisions of the Series C preferred stock stipulate that at any time beginning in August 2010, upon request of holders of at least a majority of the then outstanding Series C preferred stock, the Company is required to redeem the Series C preferred stock of each requesting holder. The redemption shall take place in three equal annual installments with the initial redemption no later than 60 days after redemption is requested. The redemption price is equal to $1.62 plus any declared and unpaid dividends at the date of the redemption request and is limited to funds legally available. The Company is accreting the difference between the carrying value and redemption value of the Series C preferred stock over the period up to the first redemption date of August 2010.

Convertible Preferred Stock

The authorized, issued and outstanding shares of convertible preferred stock by series are as follows:

	December 31, 2002				December 31, 2003			
	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Aggregate Liquidation Preference	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Aggregate Liquidation Preference
Series A	1,000,000	1,000,000	$ 10,000,000	$ 10,000,000	1,000,000	1,000,000	$ 10,000,000	$ 10,000,000
Series B	—	—	—	—	500,000	107,500	9,656,547	10,750,000
Undesignated	2,000,000	—	—	—	1,500,000	—	—	—
	3,000,000	1,000,000	$ 10,000,000	$ 10,000,000	3,000,000	1,107,500	$ 19,656,547	$ 20,750,000

	September 30, 2004			
	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Aggregate Liquidation Preference
Series A	1,000,000	1,000,000	$ 10,000,000	$ 10,000,000
Series B	291,150	291,150	26,812,651	29,115,000
	1,291,150	1,291,150	$ 36,812,651	$ 39,115,000

No dividend or distribution can be paid on any share of common stock unless a dividend or distribution is paid or declared with respect to each share of Series A and B convertible preferred stock.

The Series A and B convertible preferred stock must vote equally with the shares of the common stock of the Company and not as a separate class at any annual or special meeting of stockholders of the Company. Upon any liquidation, dissolution, or winding up of the Company, the holders of convertible preferred stock would be entitled to be paid out of the assets of the Company an amount per share of convertible preferred stock equal to the original issue price (Series A of $10, Series B of $100) plus all declared and unpaid dividends.

Each share of the Series A and B convertible preferred stock is convertible at the option of the holder at any time into shares of common stock of the Company, at a conversion rate of 10 shares of common stock for each share of Series A convertible preferred stock and at a conversion rate of 100 shares of common stock for each share of Series B convertible preferred stock subject to adjustment under certain conditions.

The Series A and B convertible preferred stock will automatically convert into common shares at a conversion rate of 100-to-one and ten-to-one, respectively, upon (i) the affirmative election of the holders of at least a majority of the outstanding shares of the respective convertible preferred stock, or (ii) the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 (as amended) resulting in at least $40,000,000 of gross proceeds.

Founders' Common Stock and Warrants

At inception, the Company issued a total of 500,000 shares of its common stock to the Company's two founders who then became officers and directors of the Company, for proceeds of $50,000. The Company also granted the two officers and directors warrants to purchase 500,000 shares of its common stock at an exercise price of $0.10. The warrants contained an antidilution clause providing the founders with the right to purchase

additional shares of common stock any time there was a dilution event so that they could maintain their original ownership percentage. The warrants are considered variable and, unless the number of underlying shares of common stock become fixed or exercised, will require compensation to be recorded when the fair value of the underlying options exceeds the exercise price. As of December 31, 2003, as a result of the Series A and Series B preferred stock sales, the warrants were adjusted to allow the holders to purchase up to 3,650,000 shares of common stock. The warrants expire on September 26, 2007. Based on the Company's early stage of development, its limited resources, and the preferences of the preferred stock, the Company believes that the fair value of the underlying shares of common stock did not exceed the exercise price of the warrants at December 31, 2003.

From January through May 2004, in conjunction with the sale of Series B preferred stock, the common stock underlying the warrants were adjusted up to 7,323,000. Based on subsequent financing activities and the initial public offering contemplated by this prospectus, the Company believes that the estimated fair value of the 7,323,000 shares exceeds the $0.10 exercise price of the warrants and, as a result, recorded stock-based compensation in general and administrative expense in the amount of $19,405,950.

On September 2, 2004, in conjunction with the sale of Series C preferred stock, the Company and its two founders amended the terms of their warrant agreements. In exchange for relinquishing any future anti-dilution rights, the number of underlying common shares that could be purchased under the terms of the warrants was increased and fixed at 12,856,572, up from 7,323,000. Since all of the warrants were previously variable, the Company recorded additional stock-based compensation in general and administrative expense of $14,663,966 based on the estimated fair value of the underlying common stock on September 2, 2004 for a total of $31,264,677. Since the number of warrants became fixed at September 2, 2004, no additional compensation will be recorded.

Other Warrants

In May 2004, as compensation for fundraising efforts related to the sale of Series B preferred stock, the Company issued to BioVen Advisory, Inc. a warrant to purchase 500,000 shares of common stock with an exercise price of $1.00. The warrant was valued at the $250,000 cash value of the services performed. The warrant issuance had no net impact on the financial statements because the transaction resulted in both a charge and a credit to additional paid-in capital.

Stock Options

The Company has a stock incentive plan (the "Plan") under which incentive stock options may be granted for 2,000,000 shares of common stock to officers and key employees of the Company. Stock options have been granted with an exercise price of $1.00 per share and vest 25% after the first year of service from the grant date, with the remaining shares vesting in equal monthly installments over the subsequent 36 months of service. An employee may exercise stock options prior to vesting in which case the Company has the right to repurchase the unvested shares at the original exercise price if the employee is terminated before vesting in all shares occurs.

Following the vesting period, options are exercisable until the earlier of 90 days after the employee's termination with the Company or the ten-year anniversary of the initial grant, subject to adjustment under certain conditions. The Company has the right to purchase all of those shares that the employees have or will acquire under these stock options. The purchase price for any vested shares repurchased will be the greater of the fair market value of such shares on the date of purchase or the aggregate exercise price for such shares.

A summary of the Company's stock option activity and related information for the period from September 26, 2000 (inception) to September 30, 2004 is as follows:

	Options	Weighted average exercise price
Granted	220,000	$ 1.00
Balance at December 31, 2000	220,000	$ 1.00
Granted	—	$ —
Balance at December 31, 2001	220,000	$ 1.00
Granted	204,000	$ 1.00
Balance at December 31, 2002	424,000	$ 1.00
Granted	70,000	$ 1.00
Cancelled	(104,000)	$ 1.00
Balance at December 31, 2003	390,000	$ 1.00
Granted	1,120,000	$ 1.00
Balance at September 30, 2004	1,510,000	$ 1.00

The exercise price for all vested and unvested options outstanding for all periods presented was $1.00 per share. The weighted average remaining contractual life of options outstanding at December 31, 2003 and September 30, 2004 was 8.1 and 9.1 years, respectively. The weighted average fair value of options granted during the period from September 26, 2000 (inception) to December 31, 2000 and during the years ended December 31, 2001, 2002, 2003 was immaterial. The weighted average fair value of options granted during the nine months ended September 30, 2004 was approximately $1.34. At December 31, 2003 and September 30, 2004, respectively, 161,250 and 252,083 options were vested. No options have been exercised since Plan inception.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following:

	December 31, 2003	September 30, 2004
Conversion of preferred stock	20,750,000	66,782,856
Common stock warrants	3,650,000	13,356,572
Common stock options outstanding	390,000	1,510,000
Common stock options authorized for future grant	1,610,000	490,000
	26,400,000	82,139,428

Changes in Capitalization

On September 28, 2004, the Company's board of directors approved the filing of a restated certificate of incorporation to provide for authorized capital stock of 200,000,000 shares of common stock and 5,000,000 shares of undesignated preferred stock. The changes will become effective immediately prior to the completion of the initial public offering contemplated by this prospectus.

7. Income Taxes

From January 1, 2001 through March 31, 2003, the Company was included in the consolidated federal tax return of Tanabe Holding America, Inc., the U.S. holding Company of Tanabe Seiyaku Co., Ltd., and filed a combined California tax return from January 1, 2001 through December 31, 2003. Under a tax allocation agreement with Tanabe Holding America, Inc. and affiliates effective January 1, 2001, the combined tax liability was allocated based on each company's share of taxable income. Subsequent to March 31, and December 31, 2003 respectively, the Company files on a stand alone basis for federal and California income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are shown below. A valuation allowance has been established to offset the deferred tax assets, as realization of such assets is uncertain.

	December 31,		
	2001	2002	2003
Deferred tax assets:			
Net operating loss carryforwards	$ 407,000	$ 2,172,000	$ 4,347,000
Capitalized license	—	539,000	501,000
Other, net	—	(31,000)	28,000
Net deferred tax assets	407,000	2,680,000	4,876,000
Valuation allowance for deferred tax assets	(407,000)	(2,680,000)	(4,876,000)
Total	$ —	$ —	$ —

At December 31, 2003, the Company had federal and California tax net operating loss carryforwards of approximately $12,357,000 and $381,000, respectively. The federal and California tax loss carryforwards will begin expiring in 2020 and 2011, respectively, unless previously utilized.

Pursuant to Internal Revenue Code Section 382 and 383, use of the Company's net operating loss and credit carryforwards may be limited because of a cumulative change in ownership of more than 50%.

8. Employee Savings Plan

The Company has an employee savings plan available to substantially all employees. Under the plan, an employee may elect salary reductions which are contributed to the plan. The plan provides for discretionary contributions by the Company, which totaled approximately $19,249, $22,231, $37,041 and $60,027 for the years ended December 31, 2001, 2002 and 2003 and the nine months ended September 30, 2004, respectively.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. You should assume we are offering to sell, and seeking offers to buy, the shares of common stock offered by this prospectus only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Neither we nor the underwriter have taken, or will take any action in any jurisdiction other than Japan and the United States of America that would permit a public offering of the shares or possession of the distribution of a prospectus in any jurisdiction where action for that purpose is required. No person has been authorized to give any information or to make any representation other than those contained in this prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized.

Shares

Common Stock

PROSPECTUS

Daiwa Securities SMBC

, 2005

Until , 2005 (90 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the Hercules market listing fee.

	Amount to be Paid
SEC Registration Fee	$ 12,670
Hercules Market Listing Fee	*
Printing and Engraving	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Transfer Agent Fees	*
Director & Officer Liability Insurance (1933 Act Premiums)	*
Miscellaneous	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act").

As permitted by Delaware General Corporation Law, our restated certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except to the extent that exculpation from liability is not permitted under the Delaware General Corporation Law as in effect at the time such liability is determined.

As permitted by the Delaware General Corporation Law, our bylaws provide for indemnification of our directors, officers, employees and other agents to the extent and under the circumstances permitted by the Delaware General Corporation Law.

We have also entered into agreements with certain of our directors and executive officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors and executive officers to the fullest extent not prohibited by law.

We have purchased directors and officers liability insurance.

Reference is also made to the Underwriting Agreement, which provides for the indemnification of our officers, directors and controlling persons against certain liabilities.

Item 15. Recent Sales of Unregistered Securities

During the past three years, the following securities were sold or issued by us without registration under the Securities Act:

1. From September 2000 through September 30, 2004, we granted stock options to purchase 1,510,000 shares of our common stock, net of cancellations, at an exercise price of $1.00 per share to employees, consultants, directors and other service providers pursuant to our 2000 General Stock Incentive Plan. For these issuances we relied on the exemption provided by Section 4(2) of the Securities Act and Rule 701 promulgated thereunder.

2. Between March 31, 2003 and May 20, 2004, we issued and sold 291,150 shares of Series B preferred stock for an aggregate purchase price of $29,115,000 to 18 accredited investors, including 6 U.S. entities, 1 U.S. individual, 9 Japanese entities, and 2 Japanese individuals. For these issuances we relied on the exemption provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

3. On May 24, 2004, in connection with a consulting fee owed by us, we issued a warrant to Bioven Advisory, Inc. to purchase 500,000 shares of our common stock at an exercise price of $1.00 per share. For this issuance we relied on the exemption provided by Section 4(2) of the Securities Act.

4. On September 2, 2004, we issued and sold 27,667,856 shares of Series C preferred stock for an aggregate purchase price of $44,821,926.72 to 29 accredited investors, including 5 U.S. entities, 19 Japanese entities, 2 Japanese individuals, 2 Taiwanese entities and 1 Swiss entity. For these issuances we relied on the exemption provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

The recipients of securities in the transactions noted in all of the paragraphs above represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and instruments issued in such transactions.

Item 16. Exhibits and Financial Statement Schedule

(a) Exhibits

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1**	Restated Certificate of Incorporation of the Registrant.
3.2**	Form of Restated Certificate of Incorporation of the Registrant, to be effective upon the date of the prospectus to which this Registration Statement relates.
3.3**	Bylaws of the Registrant.
3.4**	Form of Amended and Restated Bylaws of the Registrant, to be effective upon the date of the prospectus to which this Registration Statement relates.
4.1**	Form of Common Stock Certificate.
4.2**	Amended and Restated Registration Rights Agreement by and among the Registrant, its founders and the investors named therein, dated September 2, 2004.
4.3**	Amended and Restated Stock Purchase Warrant held by Takashi Kiyoizumi, dated September 2, 2004.
4.4**	Amended and Restated Stock Purchase Warrant held by Yuichi Iwaki, dated September 2, 2004.
5.1*	Opinion of Pillsbury Winthrop LLP.

Exhibit Number	Description
10.1	2000 General Stock Incentive Plan of the Registrant.
10.2	2004 Stock Incentive Plan of the Registrant.
10.3*	Form of Indemnification Agreement between the Registrant and its officers and directors.
10.4†	License Agreement between the Registrant and Kyorin Pharmaceutical Co., Ltd., dated March 14, 2002.
10.5†	License Agreement between the Registrant and Angiogene Pharmaceuticals, Ltd., dated June 19, 2002.
10.6†	License Agreement by and among the Registrant, Riken and Dr. Katsuhiko Mikoshiba, dated June 1, 2003.
10.7†	Exclusive License Agreement between the Registrant and Kissei Pharmaceutical Co., Ltd., dated February 25, 2004.
10.8†	License Agreement between MediciNova, Inc. and Mitsubishi Pharma Corporation, dated April 27, 2004.
10.9†	Master Services Agreement between the Registrant and Asahi Kasei Pharma Corporation, dated December 1, 2003.
10.10†	Master Services Agreement between the Registrant and Argenes Inc., dated June 25, 2004.
10.11**	Employment Agreement between the Registrant and Takashi Kiyoizumi, M.D., Ph.D., dated September 26, 2003.
10.12**	Employment Agreement between the Registrant and Brian Anderson, dated April 26, 2004.
10.13**	Employment Agreement between the Registrant and Richard E. Gammans, Ph.D., dated June 14, 2004.
10.14**	Employment Agreement between the Registrant and Kenneth W. Locke, Ph.D., dated September 26, 2000, as amended.
10.15**	Employment Agreement between the Registrant and Mark Lotz, dated February 2, 2004.
10.16**	Employment Agreement between the Registrant and Joji Suzuki, M.D., Ph.D., effective May 10, 2004, as amended.
10.17**	Research Services Agreement between the Registrant and Tanabe Research Laboratories U.S.A., Inc., dated June 1, 2001.
10.18†	License Agreement between the Registrant and Kyorin Pharmaceutical Co., Ltd., dated October 22, 2004.
10.19	Office Lease Agreement between the Registrant and CA-LA Jolla II Limited Partnership, dated January 28, 2004 and the First Amendment thereto, dated August 10, 2004.
10.20	Consulting Agreement between the Registrant and Dr. Yuichi Iwaki, dated as of November 22, 2004.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of Pillsbury Winthrop LLP (included in Exhibit 5.1).
24.1**	Powers of attorney.
24.2	Power of attorney of John K.A. Predergast, Ph. D.

* To be filed by amendment.

** Previously filed.

† Portions of this Exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.

(b) Financial Statement Schedule

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

We hereby undertake that:

1. For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, we have duly caused this Registration Statement to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on the 23 day of November, 2004.

MEDICINOVA, INC.

By: /s/ TAKASHI KIYOIZUMI

Takashi Kiyoizumi, M.D., Ph.D.
Chief Executive Officer, President and Director

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ TAKASHI KIYOIZUMI **Takashi Kiyoizumi, M.D., Ph.D.**	Chief Executive Officer, President and Director (Principal Executive Officer and Principal Financial and Accounting Officer)	November 23, 2004
/s/ YUICHI IWAKI* **Yuichi Iwaki, M.D., Ph.D.**	Director	November 23, 2004
/s/ JOHN K. A. PRENDERGAST, PH.D. **John K. A. Prendergast, Ph.D.**	Director	November 23, 2004
/s/ DANIEL VAPNEK* **Daniel Vapnek, Ph.D.**	Director	November 23, 2004
/s/ HIDEKI NAGAO* **Hideki Nagao**	Director	November 23, 2004

*By: /S/ TAKASHI KIYOIZUMI
Takashi Kiyoizumi, M.D., Ph.D.
Attorney-in-fact

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1**	Restated Certificate of Incorporation of the Registrant.
3.2**	Form of Restated Certificate of Incorporation of the Registrant, to be effective upon the date of the prospectus to which this Registration Statement relates.
3.3**	Bylaws of the Registrant.
3.4**	Form of Amended and Restated Bylaws of the Registrant, to be effective upon the date of the prospectus to which this Registration Statement relates.
4.1**	Form of Common Stock Certificate.
4.2**	Amended and Restated Registration Rights Agreement by and among the Registrant, its founders and the investors named therein, dated September 2, 2004.
4.3**	Amended and Restated Stock Purchase Warrant held by Takashi Kiyoizumi, dated September 2, 2004.
4.4**	Amended and Restated Stock Purchase Warrant held by Yuichi Iwaki, dated September 2, 2004.
5.1*	Opinion of Pillsbury Winthrop LLP.
10.1	2000 General Stock Incentive Plan of the Registrant.
10.2	2004 Stock Incentive Plan of the Registrant.
10.3*	Form of Indemnification Agreement between the Registrant and its officers and directors.
10.4†	License Agreement between the Registrant and Kyorin Pharmaceutical Co., Ltd., dated March 14, 2002.
10.5†	License Agreement between the Registrant and Angiogene Pharmaceuticals, Ltd., dated June 19, 2002.
10.6†	License Agreement by and among the Registrant, Riken and Dr. Katsuhiko Mikoshiba, dated June 1, 2003.
10.7†	Exclusive License Agreement between the Registrant and Kissei Pharmaceutical Co., Ltd., dated February 25, 2004.
10.8†	License Agreement between MediciNova, Inc. and Mitsubishi Pharma Corporation, dated April 27, 2004.
10.9†	Master Services Agreement between the Registrant and Asahi Kasei Pharma Corporation, dated December 1, 2003.
10.10†	Master Services Agreement between the Registrant and Argenes Inc., dated June 25, 2004.
10.11**	Employment Agreement between the Registrant and Takashi Kiyoizumi, M.D., Ph.D., dated September 26, 2003.
10.12**	Employment Agreement between the Registrant and Brian Anderson, dated April 26, 2004.
10.13**	Employment Agreement between the Registrant and Richard E. Gammans, Ph.D., dated June 14, 2004.
10.14**	Employment Agreement between the Registrant and Kenneth W. Locke, Ph.D., dated September 26, 2000, as amended.
10.15**	Employment Agreement between the Registrant and Mark Lotz, dated February 2, 2004.
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23.2*	Consent of Pillsbury Winthrop LLP (included in Exhibit 5.1).
24.1**	Powers of attorney.
24.2	Power of attorney of John K.A. Prendergast, Ph.D.

* To be filed by amendment.
** Previously filed.
† Portions of this Exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.1

MEDICINOVA, INC.

2000 GENERAL STOCK INCENTIVE PLAN

(As Adopted and Effective September 26, 2000)

MediciNova, Inc.

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MEDICINOVA, INC.
2000 GENERAL STOCK INCENTIVE PLAN

(As Adopted and Effective September 26, 2000)

SECTION 1. PURPOSE.

The purpose of the Plan is to offer selected employees, directors and consultants an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, to encourage such selected persons to remain in the employ of the Company and to attract new employees with outstanding qualifications. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares and Options (which may constitute Incentive Stock Options or Nonstatutory Stock Options) as well as the direct award or sale of Shares of the Company's Common Stock. While this Plan is intended to satisfy Section 25102(o) of the California Corporations Code, awards may be granted under this Plan in reliance upon other state securities law exemptions and to the extent another exemption is relied upon, the terms of this Plan which are required only because of Section 25102(o), need not apply to the extent provided by the Committee in the Stock Award Agreement.

SECTION 2. DEFINITIONS.

(a) "Award" shall mean any award of an Option, Restricted Share or other right under the Plan.

(b) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time.

(c) "Change in Control" shall mean (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization; (ii) any transaction (other than an issuance of shares by the Company for cash) in or by means of which one or more persons acting in concert acquire, in the aggregate, more than 50% of the combined voting power of Company's outstanding equity securities; (iii) the sale, transfer or other disposition of all or substantially all of the Company's assets; or (iv) any other event determined by the Board to constitute a Change in Control for purposes of the Plan.

A transaction shall not constitute a Change in Control if: (a) its sole purpose is to change the state of the Company's incorporation; (b) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; or (c) it constitutes the Company's initial public offering of its securities.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Committee" shall mean a committee of the Board of Directors which is authorized to administer the Plan under Section 3.

(f) "Common-Law Employee" shall mean an individual paid from W-2 Payroll of the Company or a Subsidiary. If, during any period, the Company (or Subsidiary, as applicable) has not treated an individual as a Common-Law Employee and, for that reason, has not paid such individual in a manner which results in the issuance of a Form W-2 and withheld taxes with respect to him or her, then such individual shall not be an eligible Employee for that period, even if any person, court of law or government agency determines, retroactively, that such individual is or was a Common-Law Employee during all or any portion of that period.

(g) "Company" shall mean MediciNova, Inc., a Delaware corporation.

(h) "Employee" shall mean (i) any individual who is a Common-Law Employee of the Company or of a Subsidiary, (ii) a member of the Board of Directors, including (without limitation) an Outside Director, or an affiliate of a member of the Board of Directors, (iii) a member of the board of directors of a Subsidiary or (iv) an independent contractor who performs services for the Company or a Subsidiary. Service as a member of the Board of Directors, a member of the board of directors of a Subsidiary or an independent contractor shall be considered employment for all purposes of the Plan except the second sentence of Section 4(a).

(i) "Exchange Act" shall mean the Securities and Exchange Act of 1934, as amended.

(j) "Exercise Price" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Committee in the applicable Stock Option Agreement.

(k) "Fair Market Value" shall mean the market price of Shares, determined by the Committee as follows:

(i) If the Shares were traded over-the-counter on the date in question but were not traded on the Nasdaq Stock Market or the Nasdaq National Market System, then the Fair Market Value shall be equal to the mean between the last reported representative bid and asked prices quoted for such date by the principal automated inter-dealer quotation system on which the Shares are quoted or, if the Shares are not quoted on any such system, by the "Pink Sheets" published by the National Quotation Bureau, Inc.;

(ii) If the Shares were traded over-the-counter on the date in question and were traded on the Nasdaq Stock Market or the Nasdaq National Market System, then the Fair Market Value shall be equal to the last-transaction price quoted for such date by the Nasdaq Stock Market or the Nasdaq National Market;

(iii) If the Shares were traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; and

(iv) If none of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate.

In all cases, the determination of Fair Market Value by the Committee shall be conclusive and binding on all persons.

(l) "Incentive Stock Option" or "ISO" shall mean an employee incentive stock option described in Code section 422(b).

(m) "Nonstatutory Option" or "NSO" shall mean an employee stock option that is not an ISO.

(n) "Offeree" shall mean an individual to whom the Committee has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(o) "Option" shall mean an Incentive Stock Option or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(p) "Optionee" shall mean an individual or estate who holds an Option.

(q) "Outside Director" shall mean a member of the Board who is "a Non-Employee Director" as defined in Rule 16b-3 under the Exchange Act.

(r) "Participant" shall mean an individual or estate who holds an Award.

(s) "Plan" shall mean this MediciNova, Inc. 2000 General Stock Incentive Plan.

(t) "Purchase Price" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Committee.

(u) "Restricted Share" shall mean a Share sold or granted to an eligible Employee which is nontransferable and subject to substantial risk of forfeiture until restrictions lapse.

(v) "Service" shall mean service as an Employee.

(w) "Share" shall mean one share of Stock, as adjusted in accordance with Section 9 (if applicable).

(x) "Stock" shall mean the common stock of the Company.

(y) "Stock Award Agreement" shall mean the agreement between the Company and the recipient of a Restricted Share which contains the terms, conditions and restrictions pertaining to such Restricted Share.

(z) "Stock Option Agreement" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his or her Option.

(aa) "Stock Purchase Agreement" shall mean the agreement between the Company and an Offeree who acquires Shares under the Plan which contains the terms, conditions and restrictions pertaining to the acquisition of such Shares.

(bb) "Subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(cc) "Total and Permanent Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(dd) "W-2 Payroll" shall mean whatever mechanism or procedure that the Company or a Subsidiary utilizes to pay any individual which results in the issuance of Form W-2 to the individual. "W-2 Payroll" does not include any mechanism or procedure which results in the issuance of any form other than a Form W-2 to an individual, including, but not limited to, any Form 1099 which may be issued to an independent contractor, an agency employee or a consultant. Whether a mechanism or procedure qualifies as a "W-2 Payroll" shall be determined in the absolute discretion of the Company (or Subsidiary, as applicable), and the Company or Subsidiary determination shall be conclusive and binding on all persons.

SECTION 3. ADMINISTRATION.

(a) Committee Membership. The Plan shall be administered by the Committee appointed by the Board of Directors. In the event the Company's Shares become publicly traded, the Committee shall be comprised solely of two or more Outside Directors (although Committee functions may be delegated to officers to the extent the Awards relate to persons who are not subject to the reporting requirements of Section 16 of the Exchange Act). If no Committee has been appointed, the entire Board shall constitute the Committee.

(b) Committee Procedures. The Board of Directors shall designate one of the members of the Committee as chairperson. The Committee may hold meetings at such times and places as it shall determine. The acts of a majority of the Committee members present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Committee members, shall be valid acts of the Committee.

(c) Committee Responsibilities. The Committee has and may exercise such power and authority as may be necessary or appropriate for the Committee to carry out its functions as described in the Plan. The Committee has authority in its discretion to determine eligible Employees to whom, and the time or times at which, Awards may be granted and the number

of Shares subject to each Award. Subject to the express provisions of the respective Stock Award Agreements (which need not be identical), the Committee has authority to prescribe the terms and conditions of each Award and to make all other determinations necessary or advisable for Plan administration. The Committee has authority to prescribe, amend and rescind rules and regulations relating to the Plan. All interpretations, determinations, and actions by the Committee will be final, conclusive and binding upon all persons.

(d) Committee Liability. No member of the Board or the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Award made under the Plan.

(e) Financial Reports. To the extent required by applicable law, and not less often than annually, the Company shall furnish to Offerees, Optionees and shareholders who have received Stock under the Plan its financial statements (including a balance sheet regarding the Company's financial condition and a statement of its results of operations), unless such Offerees, Optionees or shareholders have duties with the Company that assure them access to equivalent information. Such financial statements need not be audited.

SECTION 4. ELIGIBILITY.

(a) General Rule. Only Employees shall be eligible for designation as Participants by the Committee. In addition, only individuals who are employed as Common-Law Employees by the Company or a Subsidiary shall be eligible for the grant of ISOs.

(b) Ten-Percent Shareholders. An Employee who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company or any of its Subsidiaries shall not be eligible for designation as an Offeree or Optionee unless (i) the Exercise Price for an ISO (and a NSO to the extent required by applicable law) is at least one hundred ten percent (110%) of the Fair Market Value of a Share on the date of grant, (ii) the Purchase Price of Shares is at least one hundred percent (100%) of the Fair Market Value of a Share on the date of grant and (iii) in the case of an ISO, such ISO by its terms is not exercisable after the expiration of five years from the date of grant.

(c) Attribution Rules. For purposes of Subsection (b) above, in determining stock ownership, an Employee shall be deemed to own the stock owned, directly or indirectly, by or for his brothers, sisters, spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be deemed to be owned proportionately by or for its shareholders, partners or beneficiaries. Stock with respect to which such Employee holds an Option shall not be counted.

(d) Outstanding Stock. For purposes of Subsection (b) above, "outstanding stock" shall include all stock actually issued and outstanding immediately after the grant. "Outstanding Stock" shall not include shares authorized for issuance under outstanding Options held by the Employee or by any other person.

SECTION 5. STOCK SUBJECT TO PLAN.

(a) Basic Limitation. Shares offered under the Plan shall be authorized but unissued Shares. Subject to Sections 5(b) and 9 of the Plan, the aggregate number of Shares which may be issued or transferred pursuant to an Award under the Plan shall not exceed 2,000,000 Shares.

The number of shares that may be issued or transferred during any 12-month period to any eligible Employee pursuant to an Award shall not exceed 600,000 Shares.

In any event, (i) the number of Shares which are subject to Awards or other rights outstanding at any time under the Plan shall not exceed the number of Shares which then remain available for issuance under the Plan; and (ii) to the extent an award is made in reliance upon the exemption available under Section 25102(o) of the California Corporations Code, the number of Shares which are subject to Awards or other rights outstanding at any time under the Plan or otherwise shall not exceed the limitation imposed by Section 260.140.45 of the Code of Regulations of the California Commissioner of Corporations. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) Additional Shares. In the event that any outstanding Option or other right for any reason expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Option or other right shall again be available for the purposes of the Plan. If a Restricted Share is forfeited before any dividends have been paid with respect to such Restricted Share, then such Restricted Share shall again become available for award under the Plan.

SECTION 6. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) Stock Purchase Agreement. Each award or sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Offeree and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Stock Purchase Agreement. The provisions of the various Stock Purchase Agreements entered into under the Plan need not be identical.

(b) Duration of Offers. Any right to acquire Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Offeree within 30 days after the grant of such right was communicated to the Offeree by the Committee.

(c) Purchase Price. The Purchase Price of Shares to be offered under the Plan shall not be less than eighty-five percent (85%) of the Fair Market Value of a Share on the date of grant, except as otherwise provided in Section 4(b) (i.e., 100% for 10% shareholders). Subject to the preceding sentence, the Purchase Price shall be determined by the Committee in its sole discretion. The Purchase Price shall be payable in a form described in Subsection (d) below.

(d) Payment for Shares. The entire Purchase Price of Shares issued under the Plan shall be payable in lawful money of the United States of America at the time when such Shares are purchased, except as provided below. Notwithstanding any other provision of the Plan, Shares may, in the discretion of the Committee, be awarded under the Plan in consideration of Service rendered to the Company or a Subsidiary prior to the Award. Permissible forms of payment, in addition to cash, are:

(i) Surrender of Stock. To the extent that a Stock Purchase Agreement so provides, payment may be made all or in part with Shares which have already been owned by the Offeree or the Offeree's representative for any time period specified by the Committee and which are surrendered to the Company in good form for transfer. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(ii) Promissory Notes. To the extent that a Stock Purchase Agreement so provides, payment may be made all or in part with a full recourse promissory note executed by the Offeree. The interest rate and other terms and conditions of such note shall be determined by the Committee. The Committee may require that the Offeree pledge his or her Shares to the Company for the purpose of securing the payment of such note. In no event shall the stock certificate(s) representing such Shares be released to the Offeree until such note is paid in full.

(iii) Cashless Exercise. To the extent that a Stock Purchase Agreement so provides and a public market for the Shares exists, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

(iv) Other Forms of Payment. To the extent provided in the Stock Purchase Agreement, payment may be made in any other form that is consistent with applicable laws, regulations and rules, including payment for past services.

(e) Exercise of Awards on Termination of Service. Each Stock Award Agreement shall set forth the extent to which the recipient shall have the right to exercise the Award following termination of the recipient's Service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all the Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

SECTION 7. ADDITIONAL TERMS AND CONDITIONS OF RESTRICTED SHARES.

(a) Form and Amount of Award. Each Stock Award Agreement shall specify the number of Shares that are subject to the Award. Restricted Shares may be awarded in combination with NSOs and such an Award may provide that the Restricted Shares will be forfeited in the event that the related NSOs are exercised.

(b) Exercisability. Each Stock Award Agreement shall specify the conditions upon which Restricted Shares shall become vested, in full or in installments. To the extent required by applicable law, each Stock Award shall become exercisable no less rapidly than the rate of 20% per year for each of the first five years from the date of grant. Subject to the preceding sentence, the exercisability of any Stock Award shall be determined by the committee in its sole discretion.

(c) Effect of Change in Control. The Committee may determine at the time of making an Award or thereafter, that such Award shall become fully vested in the event that a Change in Control occurs with respect to the Company.

(d) Voting Rights. Holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other shareholders. A Stock Award Agreement, however, may require that the holders invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid. Such additional Restricted Shares shall not reduce the number of Shares available under Section 5.

SECTION 8. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Options shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 9. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(c) Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an ISO shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant, except as otherwise provided in Section 4(b). To the extent required by applicable law and except as otherwise provided in Section 4(b), the Exercise Price of a Nonstatutory Option shall not be less than eighty-five percent (85%) of the Fair Market Value of a Share on the date of grant. Subject to the preceding two sentences, the Exercise Price under any Option shall be determined by the Committee in its sole discretion. The Exercise Price shall be payable in a form described in Subsection (h) below.

(d) Exercisability. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. To the extent required by applicable law, an Option shall become exercisable no less rapidly than the rate of 20% per year for each of the first five years from the date of grant. Subject to the preceding sentence, the exercisability of any Option shall be determined by the Committee in its sole discretion.

(e) Effect of Change in Control. The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become fully vested in the event that a Change in Control occurs with respect to the Company.

(f) Term. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed ten years from the date of grant (or five (5) years, in the instance of an ISO for ten percent (10%) shareholders as provided in Section 4(b)). Subject to the preceding sentence, the Committee in its sole discretion shall determine when an Option is to expire.

(g) Exercise of Options on Termination of Service. Each Option shall set forth the extent to which the Optionee shall have the right to exercise the Option following termination of the Optionee's Service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment. Notwithstanding the foregoing, to the extent required by applicable law each Option shall provide that the Optionee shall have the right to exercise the vested portion of any Option held at termination for at least thirty (30) days following termination of Service with the Company for any reason, and that the Optionee shall have the right to exercise the Option for at least six (6) months if the Optionee's Service terminates due to death or Disability.

(h) Payment of Option Shares. The entire Exercise Price of Shares issued under the Plan shall be payable in lawful money of the United States of America at the time when such Shares are purchased, except as provided below:

(i) Surrender of Stock. To the extent that a Stock Option Agreement so provides, payment may be made all or in part with Shares which have already been owned by the Optionee or the Optionee's representative for any time period specified by the Committee and which are surrendered to the Company in good form for transfer. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(ii) Promissory Notes. To the extent that a Stock Option Agreement so provides, payment may be made all or in part with a full recourse promissory note executed by the Optionee. The interest rate and other terms and conditions of such note shall be determined by the Committee. The Committee may require that the Optionee pledge his or her Shares to the Company for the purpose of securing the payment of such note. In no event shall the stock certificate(s) representing such Shares be released to the Optionee until such note is paid in full.

(iii) Cashless Exercise. To the extent that a Stock Option Agreement so provides and a public market for the Shares exists, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

(iv) Other Forms of Payment. To the extent provided in the Stock Option Agreement, payment may be made in any other form that is consistent with applicable laws, regulations and rules.

(i) No Rights as a Shareholder. An Optionee, or a transferee of an Optionee, shall have no rights as a shareholder with respect to any Shares covered by an Option until the date of the issuance of a stock certificate for such Shares.

(j) Modification, Extension and Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price or for other consideration.

SECTION 9. ADJUSTMENT OF SHARES.

(a) General. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a recapitalization, a reclassification or a similar occurrence, the Committee shall make appropriate adjustments in one or more of (i) the number of Shares available for future Awards under Section 5, (ii) the number of Shares covered by each outstanding Option or Stock Purchase Agreement or (iii) the Exercise Price or Purchase Price under each outstanding Option or Stock Purchase Agreement.

(b) Reorganizations. In the event that the Company is a party to a merger, consolidation or other reorganization, outstanding Options shall be subject to the agreement of merger or reorganization.

(c) Reservation of Rights. Except as provided in this Section 9, an Optionee or an Offeree shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, Exercise Price or Purchase Agreement of Shares subject to an Option or Stock Purchase Agreement. The grant of an Award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 10. WITHHOLDING TAXES.

(a) General. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Committee for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

(b) Share Withholding. The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired. Such Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including any restrictions required by rules of any federal or state regulatory body or other authority.

(c) Cashless Exercise/Pledge. The Committee may provide that if Company Shares are publicly traded at the time of exercise, arrangements may be made to meet the Optionee's withholding obligation by cashless exercise or pledge.

(d) Other Forms of Payment. The Committee may permit such other means of tax withholding as it deems appropriate.

SECTION 11. ASSIGNMENT OR TRANSFER OF AWARDS.

(a) General. An Award granted under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law, except as approved by the Committee. Notwithstanding the foregoing, ISOs may not be transferable. Also, notwithstanding the foregoing, while the Shares are subject to California Corporations Code § 25102(o), (i) Offerees and Optionees may not transfer their rights hereunder except by will, beneficiary designation or the laws of descent and distribution, and (ii) any rights of repurchase in favor of the Company shall take into account the provisions of Department of Corporations Regulation Section 260.140.41 or 260.140.42, as applicable.

(b) Trusts. Neither this Section 11 nor any other provision of the Plan shall preclude a Participant from transferring or assigning Restricted Shares to (i) the trustee of a trust that is revocable by such Participant alone, both at the time of the transfer or assignment and at all times thereafter prior to such Participant's death, or (ii) the trustee of any other trust to the extent approved by the Committee in writing. A transfer or assignment of Restricted Shares from such trustee to any other person than such Participant shall be permitted only to the extent approved in advance by the Committee in writing, and Restricted Shares held by such trustee shall be subject to all the conditions and restrictions set forth in the Plan and in the applicable Stock Award Agreement, as if such trustee were a party to such Agreement.

SECTION 12. LEGAL REQUIREMENTS.

Shares shall not be issued under the Plan unless the issuance and delivery of such Shares complies with (or is exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange on which the Company's securities may then be listed.

SECTION 13. NO EMPLOYMENT RIGHTS.

No provision of the Plan, nor any right or Option granted under the Plan, shall be construed to give any person any right to become, to be treated as, or to remain an Employee. The Company and its Subsidiaries reserve the right to terminate any person's Service at any time and for any reason.

SECTION 14. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to the approval of the Company's shareholders. In the event that the shareholders fail to approve the Plan within twelve (12) months after its adoption by the Board of Directors, any grants already made shall be null and void, and no additional grants shall be made after such date. The Plan shall terminate automatically ten (10) years after its adoption by the Board of Directors and may be terminated on any earlier date pursuant to Subsection (b) below.

(b) Right to Amend or Terminate the Plan. The Board of Directors may amend the Plan at any time and from time to time. Rights and obligations under any right or Option granted before amendment of the Plan shall not be impaired adversely by such amendment, except with consent of the person to whom the right or Option was granted. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent required by applicable laws, regulations or rules including the rules of any applicable exchange.

(c) Effect of Amendment or Termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Shares previously issued or any Option previously granted under the Plan.

SECTION 15. EXECUTION.

To record the adoption of the Plan by the Company, the Board of Directors has caused its authorized officer to execute the same, to be effective as of September 26, 2000.

MEDICINOVA, INC.

By: /s/ TAKASHI KIYOIZUMI
Name: **Takashi Kiyoizumi**
Title: **Chief Executive Officer**

EXHIBIT 10.2

MEDICINOVA, INC.

2004 STOCK INCENTIVE PLAN

(Adopted by the Board on November 11, 2004)

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MEDICINOVA, INC.

2004 STOCK INCENTIVE PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE.

The Plan was adopted by the Board of Directors on November 11, 2004, effective as of the date of the initial public offering of Stock to the public pursuant to a registration statement filed by the Company with the Securities and Exchange Commission and an application for listing filed with the Hercules market of the Osaka Securities Exchange (the "Effective Date"). The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Employees, Outside Directors and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees, Outside Directors and Consultants with exceptional qualifications and (c) linking Employees, Outside Directors and Consultants directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of restricted shares, stock units, options (which may constitute incentive stock options or nonstatutory stock options) or stock appreciation rights.

SECTION 2. DEFINITIONS.

(a) "*Affiliate*" shall mean any entity other than a Subsidiary, if the Company and/or one of more Subsidiaries own not less than 50% of such entity.

(b) "*Award*" shall mean any award of an Option, a SAR, a Restricted Share or a Stock Unit under the Plan.

(c) "*Board of Directors*" shall mean the Board of Directors of the Company, as constituted from time to time.

(d) "*Change in Control*" shall mean the occurrence of any of the following events:

(i) A change in the composition of the Board of Directors occurs, as a result of which fewer than one-half of the incumbent directors are directors who either:

(A) Had been directors of the Company on the "look-back date" (as defined below) (the "original directors"); or

(B) Were elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "continuing directors"); or

(ii) Any "person" (as defined below) who by the acquisition or aggregation of securities, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange

Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity; or

(iv) The sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection (d)(i) above, the term "look-back" date shall mean the later of (1) the Effective Date, or (2) the date 24 months prior to the date of the event that may constitute a Change in Control.

For purposes of subsection (d)(ii) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a Parent or Subsidiary and (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Stock.

Any other provision of this Section 2(d) notwithstanding, a transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction, and a Change in Control shall not be deemed to occur if the Company files a registration statement with the Securities and Exchange Commission for the initial offering of Stock to the public.

(e) "*Code*" shall mean the Internal Revenue Code of 1986, as amended.

(f) "*Committee*" shall mean the Compensation Committee as designated by the Board of Directors, which is authorized to administer the Plan, as described in Section 3 hereof.

(g) "*Company*" shall mean MediciNova, Inc., a Delaware corporation.

(h) "Consultant" shall mean a consultant or advisor who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor or a member of the board of directors of a Parent or a Subsidiary who is not an Employee.

(i) "Employee" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(k) "Exercise Price" shall mean, in the case of an Option, the amount for which one Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, shall mean an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Share in determining the amount payable upon exercise of such SAR.

(l) "Fair Market Value" with respect to a Share, shall mean the market price of one Share, determined by the Committee as follows:

(i) If the Stock was traded over-the-counter on the date in question but was not traded on The Nasdaq Stock Market, then the Fair Market Value shall be equal to the last transaction price quoted for such date by the OTC Bulletin Board or, if not so quoted, shall be equal to the mean between the last reported representative bid and asked prices quoted for such date by the principal automated inter-dealer quotation system on which the Stock is quoted or, if the Stock is not quoted on any such system, by the Pink Sheets LLC;

(ii) If the Stock was traded on The Nasdaq Stock Market, then the Fair Market Value shall be equal to the last reported sale price quoted for such date by The Nasdaq Stock Market;

(iii) If the Stock was traded on a United States stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported for such date by the applicable composite-transactions report; and

(iv) If none of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate.

In all cases, the determination of Fair Market Value by the Committee shall be conclusive and binding on all persons.

(m) "ISO" shall mean an employee incentive stock option described in Section 422 of the Code.

(n) "Nonstatutory Option" or "NSO" shall mean an employee stock option that is not an ISO.

(o) "*Offeree*" shall mean an individual to whom the Committee has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(p) "*Option*" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(q) "*Optionee*" shall mean an individual or estate who holds an Option or SAR.

(r) "*Outside Director*" shall mean a member of the Board of Directors who is not a common-law employee of, or paid consultant to, the Company or a Subsidiary.

(s) "*Parent*" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be a Parent commencing as of such date.

(t) "*Participant*" shall mean an individual or estate who holds an Award.

(u) "*Plan*" shall mean this 2004 Stock Incentive Plan of MediciNova, Inc., as amended from time to time.

(v) "*Purchase Price*" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Committee.

(w) "*Restricted Share*" shall mean a Share awarded under the Plan.

(x) "*Restricted Share Agreement*" shall mean the agreement between the Company and the recipient of a Restricted Share which contains the terms, conditions and restrictions pertaining to such Restricted Shares.

(y) "*SAR*" shall mean a stock appreciation right granted under the Plan.

(z) "*SAR Agreement*" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his or her SAR.

(aa) "*Service*" shall mean service as an Employee, Consultant or Outside Director.

(bb) "*Share*" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(cc) "*Stock*" shall mean the Common Stock of the Company.

(dd) "*Stock Option Agreement*" shall mean the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his Option.

(ee) "*Stock Unit*" shall mean a bookkeeping entry representing the equivalent of one Share, as awarded under the Plan.

(ff) "*Stock Unit Agreement*" shall mean the agreement between the Company and the recipient of a Stock Unit which contains the terms, conditions and restrictions pertaining to such Stock Unit.

(gg) "*Subsidiary*" shall mean any corporation, if the Company and/or one or more other Subsidiaries own not less than 50% of the total combined voting power of all classes of outstanding stock of such corporation. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

SECTION 3. ADMINISTRATION.

(a) Committee Composition. The Plan shall be administered by the Committee. The Committee shall consist of two or more directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy (i) such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act; and (ii) such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under Section 162(m)(4)(C) of the Code.

(b) Committee for Non-Officer Grants. The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not satisfy the requirements of Section 3(a), who may administer the Plan with respect to Employees who are not considered officers or directors of the Company under Section 16 of the Exchange Act, may grant Awards under the Plan to such Employees and may determine all terms of such grants. Within the limitations of the preceding sentence, any reference in the Plan to the Committee shall include such committee or committees appointed pursuant to the preceding sentence. The Board of Directors may also authorize one or more officers of the Company to designate Employees, other than officers under Section 16 of the Exchange Act, to receive Awards and/or to determine the number of such Awards to be received by such persons; provided, however, that the Board of Directors shall specify the total number of Awards that such officers may so award.

(c) Committee Procedures. The Board of Directors shall designate one of the members of the Committee as chairman. The Committee may hold meetings at such times and places as it shall determine. The acts of a majority of the Committee members present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Committee members, shall be valid acts of the Committee.

(d) Committee Responsibilities. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take the following actions:

(i) To interpret the Plan and to apply its provisions;

(ii) To adopt, amend or rescind rules, procedures and forms relating to the Plan;

(iii) To authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;

(iv) To determine when Awards are to be granted under the Plan;

(v) To select the Offerees and Optionees;

(vi) To determine the number of Shares to be made subject to each Award;

(vii) To prescribe the terms and conditions of each Award, including (without limitation) the Exercise Price and Purchase Price, and the vesting or duration of the Award (including accelerating the vesting of Awards, either at the time of the Award or thereafter, without the consent of the Participant), to determine whether an Option is to be classified as an ISO or as a Nonstatutory Option, and to specify the provisions of the agreement relating to such Award;

(viii) To amend any outstanding Award agreement, subject to applicable legal restrictions and to the consent of the Participant if the Participant's rights or obligations would be materially impaired;

(ix) To prescribe the consideration for the grant of each Award or other right under the Plan and to determine the sufficiency of such consideration;

(x) To determine the disposition of each Award or other right under the Plan in the event of a Participant's divorce or dissolution of marriage;

(xi) To determine whether Awards under the Plan will be granted in replacement of other grants under an incentive or other compensation plan of an acquired business;

(xii) To correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award agreement; and

(xiii) To take any other actions deemed necessary or advisable for the administration of the Plan.

Subject to the requirements of applicable law, the Committee may designate persons other than members of the Committee to carry out its responsibilities and may prescribe such conditions and limitations as it may deem appropriate, except that the Committee may not delegate its authority with regard to the selection for participation of or the granting of Options or other rights under the Plan to persons subject to Section 16 of the Exchange Act. All decisions, interpretations and other actions of the Committee shall be final and binding on all Offerees, all Optionees, and all persons deriving their rights from an Offeree or Optionee. No member of the Committee shall be liable for any action that he has taken or has failed to take in good faith with respect to the Plan, any Option, or any right to acquire Shares under the Plan.

SECTION 4. ELIGIBILITY.

(a) General Rule. Only Employees shall be eligible for the grant of ISOs. Only Employees, Consultants and Outside Directors shall be eligible for the grant of Restricted Shares, Stock Units, Nonstatutory Options or SARs.

(b) Automatic Grants to Outside Directors.

(i) Each Outside Director who first joins the Board of Directors on or after the Effective Date, and who was not previously an Employee, shall receive a Nonstatutory Option, subject to approval of the Plan by the Company's stockholders, to purchase 10,000 Shares (subject to adjustment under Section 11) on the date of his or her election to the Board of Directors. Each such Option shall be fully vested on the date of grant.

(ii) On the first business day following the conclusion of each regular annual meeting of the Company's stockholders, commencing with the annual meeting occurring after the adoption of the Plan, each Outside Director who was not elected to the Board for the first time at such meeting and who will continue serving as a member of the Board of Directors thereafter shall receive an Option to purchase 10,000 Shares (subject to adjustment under Section 11), provided that such Outside Director has served on the Board of Directors for at least six months. Each Option granted under the preceding sentence of this Section 4(b)(ii) shall fully vest and become exercisable on the date which is six months from the date of grant. Notwithstanding the foregoing, each Option granted under this Section 4(b)(ii) shall become vested in full if a Change in Control occurs with respect to the Company during the Optionee's Service.

(iii) The Exercise Price of all Nonstatutory Options granted to an Outside Director under this Section 4(b) shall be equal to 100% of the Fair Market Value of a Share on the date of grant, payable in one of the forms described in Section 8(a), (b) or (c).

(iv) All Nonstatutory Options granted to an Outside Director under this Section 4(b) shall terminate on the earlier of (A) the day before the tenth anniversary of the date of grant of such Options or (B) the date twelve months after the termination of such Outside Director's Service for any reason; provided, however, that any such Options that are not vested upon the termination of the Outside Director's Service for any reason shall terminate immediately and may not be exercised.

(c) Ten-Percent Stockholders. An Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, a Parent or Subsidiary shall not be eligible for the grant of an ISO unless such grant satisfies the requirements of Section 422(c)(5) of the Code.

(d) Attribution Rules. For purposes of Section 4(c) above, in determining stock ownership, an Employee shall be deemed to own the stock owned, directly or indirectly, by or for such Employee's brothers, sisters, spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be deemed to be owned proportionately by or for its stockholders, partners or beneficiaries.

(e) Outstanding Stock. For purposes of Section 4(c) above, "outstanding stock" shall include all stock actually issued and outstanding immediately after the grant. "Outstanding stock" shall not include shares authorized for issuance under outstanding options held by the Employee or by any other person.

SECTION 5. STOCK SUBJECT TO PLAN.

(a) Basic Limitation. Shares offered under the Plan shall be authorized but unissued Shares or treasury shares. The maximum aggregate number of Shares authorized for issuance as Awards under the Plan shall not exceed 20,300,000 Shares, plus an annual increase on the first day of each fiscal year during the term of the Plan, with the first such increase occurring on January 1, 2006, in each case in an amount equal to the lesser of (i) 1,000,000 Shares, (ii) 3% of the outstanding Shares on the last day of the immediately preceding year, or (iii) an amount determined by the Board. The limitations of this Section 5(a) shall be subject to adjustment pursuant to Section 11. The number of Shares that are subject to Options or other Awards outstanding at any time under the Plan shall not exceed the number of Shares which then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) Option/SAR Limitation. Subject to the provisions of Section 11, no Participant may receive Options or SARs under the Plan in any calendar year that relate to more than 2,030,000 Shares.

(c) Additional Shares. If Restricted Shares or Shares issued upon the exercise of Options are forfeited, then such Shares shall again become available for Awards under the Plan. If Stock Units, Options or SARs are forfeited or terminate for any other reason before being exercised, then the corresponding Shares shall again become available for Awards under the Plan. If Stock Units are settled, then only the number of Shares (if any) actually issued in settlement of such Stock Units shall reduce the number available under Section 5(a) and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Shares (if any) actually issued in settlement of such SARs shall reduce the number available in Section 5(a) and the balance shall again become available for Awards under the Plan.

SECTION 6. RESTRICTED SHARES.

(a) Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

(b) Payment for Awards. Subject to the following sentence, Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation) cash, cash equivalents, full-recourse promissory notes, past services and future services. To the extent that an Award consists of newly issued Restricted Shares, the Award recipient shall furnish consideration with a value not less than the par value of such Restricted Shares in the form of cash, cash equivalents, or past services rendered to the Company (or a Parent or Subsidiary), as the Committee may determine.

(c) Vesting. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Restricted Shares of thereafter, that all or part of such Restricted Shares shall become vested in the event that a Change in Control occurs with respect to the Company.

(d) Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

(e) Restrictions on Transfer of Shares. Restricted Shares shall be subject to such rights of repurchase, rights of first refusal or other restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Restricted Stock Agreement and shall apply in addition to any general restrictions that may apply to all holders of Shares.

SECTION 7. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Stock Option Agreement. The Stock Option Agreement shall specify whether the Option is an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee's other compensation.

(b) Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 11.

(c) Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an ISO shall not be less than 100% of the Fair Market Value of a Share on the date of grant, except as otherwise provided in Section 4(c), and the Exercise Price of an NSO shall not be less 85% of the Fair Market Value of a Share on the date of grant. Notwithstanding the foregoing, a Stock Option Agreement may specify that the exercise price of an NSO may vary in accordance with a predetermined formula. Subject to the foregoing in this Section 7(c), the Exercise Price under any Option shall be determined by the Committee at its sole discretion. The Exercise Price shall be payable in one of the forms described in Section 8.

(d) Withholding Taxes. As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(e) Exercisability and Term. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed 10 years from the date of grant (five years for Employees described in Section 4(c)). A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability, or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited. Subject to the foregoing in this Section 7(e), the Committee at its sole discretion shall determine when all or any installment of an Option is to become exercisable and when an Option is to expire.

(f) Exercise of Options Upon Termination of Service. Each Stock Option Agreement shall set forth the extent to which the Optionee shall have the right to exercise the Option following termination of the Optionee's Service with the Company and its Subsidiaries, and the right to exercise the Option of any executors or administrators of the Optionee's estate or any person who has acquired such Option(s) directly from the Optionee by bequest or inheritance. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

(g) Effect of Change in Control. The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become exercisable as to all or part of the Shares subject to such Option in the event that a Change in Control occurs with respect to the Company.

(h) Leaves of Absence. An Employee's Service shall cease when such Employee ceases to be actively employed by, or a Consultant to, the Company (or any subsidiary) as determined in the sole discretion of the Board of Directors. For purposes of Options, Service

does not terminate when an Employee goes on a bona fide leave of absence, that was approved by the Company in writing, if the terms of the leave provide for continued service crediting, or when continued service crediting is required by applicable law. However, for purposes of determining whether an Option is entitled to ISO status, an Employee's Service will be treated as terminating 90 days after such Employee went on leave, unless such Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends, unless such Employee immediately returns to active work. The Company determines which leaves count toward Service, and when Service terminates for all purposes under the Plan.

(i) No Rights as a Stockholder. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Shares covered by his Option until the date of the issuance of a stock certificate for such Shares. No adjustments shall be made, except as provided in Section 11.

(j) Modification, Extension and Renewal of Options. Within the limitations of the Plan, the Committee may modify, extend or renew outstanding options or may accept the cancellation of outstanding options (to the extent not previously exercised), whether or not granted hereunder, in return for the grant of new Options for the same or a different number of Shares and at the same or a different exercise price, or in return for the grant of the same or a different number of Shares. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, materially impair his or her rights or obligations under such Option.

(k) Restrictions on Transfer of Shares. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any general restrictions that may apply to all holders of Shares.

(l) Buyout Provisions. The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

SECTION 8. PAYMENT FOR OPTION SHARES.

(a) General Rule. The entire Exercise Price of Shares issued upon the exercise of Options shall be payable in lawful money of the United States of America at the time when such Shares are purchased, except as provided in Section 8(b) through Section 8(f) below.

(b) Surrender of Stock. To the extent permitted by the Committee in its sole discretion, payment may be made all or in part by surrendering, or attesting to the ownership of, Shares which have already been owned by the Optionee or his representative. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the

Plan. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

(c) Exercise/Sale. To the extent permitted by the Committee in its sole discretion, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

(d) Exercise/Pledge. To the extent permitted by the Committee in its sole discretion, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker or lender to pledge Shares, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of the aggregate Exercise Price.

(e) Promissory Note. To the extent permitted by the Committee in its sole discretion, payment may be made all or in part by delivering (on a form prescribed by the Company) a full-recourse promissory note. However, the par value of the Common Shares being purchased under the Plan, if newly issued, shall be paid in cash or cash equivalents.

(f) Other Forms of Payment. To the extent permitted by the Committee in its sole discretion, payment may be made in any other form that is consistent with applicable laws, regulations and rules.

(g) Limitations under Applicable Law. Notwithstanding anything herein or in a Stock Option Agreement to the contrary, payment may not be made in any form that is unlawful, as determined by the Committee in its sole discretion.

SECTION 9. STOCK APPRECIATION RIGHTS.

(a) SAR Agreement. Each grant of a SAR under the Plan shall be evidenced by a SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

(b) Number of Shares. Each SAR Agreement shall specify the number of Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with Section 11.

(c) Exercise Price. Each SAR Agreement shall specify the Exercise Price. A SAR Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding.

(d) Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR. A SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. A SAR may be included in an ISO only at the time of grant but may be included in an NSO at the time of grant or thereafter. A SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

(e) Effect of Change in Control. The Committee may determine, at the time of granting a SAR or thereafter, that such SAR shall become fully exercisable as to all Common Shares subject to such SAR in the event that a Change in Control occurs with respect to the Company.

(f) Exercise of SARs. Upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) Shares, (b) cash or (c) a combination of Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Shares subject to the SARs exceeds the Exercise Price.

(g) Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (whether granted by the Company or by another issuer) in return for the grant of new SARs for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of a SAR shall, without the consent of the holder, materially impair his or her rights or obligations under such SAR.

SECTION 10. STOCK UNITS.

(a) Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the recipient's other compensation.

(b) Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

(c) Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. A Stock Unit Agreement may provide for accelerated

vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Stock Units or thereafter, that all or part of such Stock Units shall become vested in the event that a Change in Control occurs with respect to the Company.

(d) Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions (including without limitation, any forfeiture conditions) as the Stock Units to which they attach.

(e) Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on predetermined performance factors. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Section 11.

(f) Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

(g) Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

SECTION 11. ADJUSTMENT OF SHARES.

(a) Adjustments. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other

than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Stock (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of:

(i) The number of Options, SARs, Restricted Shares and Stock Units available for future Awards under Section 5;

(ii) The limitations set forth in Section 5(a) and (b);

(iii) The number of NSOs to be granted to Outside Directors under Section 4(b);

(iv) The number of Shares covered by each outstanding Option and SAR;

(v) The Exercise Price under each outstanding Option and SAR; or

(vi) The number of Stock Units included in any prior Award which has not yet been settled.

Except as provided in this Section 11, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

(b) Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

(c) Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement shall provide for:

(i) The continuation of the outstanding Awards by the Company, if the Company is a surviving corporation;

(ii) The assumption of the outstanding Awards by the surviving corporation or its parent or subsidiary;

(iii) The substitution by the surviving corporation or its parent or subsidiary of its own awards for the outstanding Awards;

(iv) Full exercisability or vesting and accelerated expiration of the outstanding Awards; or

(v) Settlement of the full value of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards.

(d) Reservation of Rights. Except as provided in this Section 11, an Optionee or Offeree shall have no rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 12. DEFERRAL OF AWARDS.

The Committee (in its sole discretion) may permit or require a Participant to:

(a) Have cash that otherwise would be paid to such Participant as a result of the exercise of a SAR or the settlement of Stock Units credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books;

(b) Have Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR converted into an equal number of Stock Units; or

(c) Have Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR or the settlement of Stock Units converted into amounts credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books. Such amounts shall be determined by reference to the Fair Market Value of such Shares as of the date when they otherwise would have been delivered to such Participant.

A deferred compensation account established under this Section 12 may be credited with interest or other forms of investment return, as determined by the Committee. A Participant for whom such an account is established shall have no rights other than those of a general creditor of the Company. Such an account shall represent an unfunded and unsecured obligation of the Company and shall be subject to the terms and conditions of the applicable agreement between such Participant and the Company. If the deferral or conversion of Awards is permitted or required, the Committee (in its sole discretion) may establish rules, procedures and forms pertaining to such Awards, including (without limitation) the settlement of deferred compensation accounts established under this Section 12.

SECTION 13. AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Shares issued under this Plan. Such Shares shall be treated for all purposes under the Plan like Shares issued in settlement of Stock Units and shall, when issued, reduce the number of Shares available under Section 5.

SECTION 14. PAYMENT OF DIRECTOR'S FEES IN SECURITIES.

(a) Effective Date. No provision of this Section 14 shall be effective unless and until the Board has determined to implement such provision.

(b) Elections to Receive NSOs, Restricted Shares or Stock Units. An Outside Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash, NSOs, Restricted Shares or Stock Units, or a combination thereof, as determined by the Board. Such NSOs, Restricted Shares and Stock Units shall be issued under the Plan. An election under this Section 14 shall be filed with the Company on the prescribed form.

(c) Number and Terms of NSOs, Restricted Shares or Stock Units. The number of NSOs, Restricted Shares or Stock Units to be granted to Outside Directors in lieu of annual retainers and meeting fees that would otherwise be paid in cash shall be calculated in a manner determined by the Board. The terms of such NSOs, Restricted Shares or Stock Units shall also be determined by the Board.

SECTION 15. LEGAL AND REGULATORY REQUIREMENTS.

Shares shall not be issued under the Plan unless the issuance and delivery of such Shares complies with (or is exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations and the regulations of any stock exchange on which the Company's securities may then be listed, and the Company has obtained the approval or favorable ruling from any governmental agency which the Company determines is necessary or advisable.

SECTION 16. WITHHOLDING TAXES.

(a) General. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

(b) Share Withholding. The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired. Such Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash. In no event may a Participant have Shares withheld that would otherwise be issued to him or her in excess of the number necessary to satisfy the legally required minimum tax withholding.

SECTION 17. TRANSFERABILITY.

Unless the agreement evidencing an Award (or an amendment thereto authorized by the Committee) expressly provides otherwise, no Award granted under this Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner (prior to the vesting and lapse of any and all restrictions applicable to Shares issued under such Award), other than by will or the laws of descent and distribution; provided, however, that an ISO may be transferred or assigned only to the extent consistent with Section 422 of the Code. Any purported assignment, transfer or encumbrance in violation of this Section 17 shall be void and unenforceable against the Company.

SECTION 18. NO EMPLOYMENT RIGHTS.

No provision of the Plan, nor any right or Option granted under the Plan, shall be construed to give any person any right to become, to be treated as, or to remain an Employee. The Company and its Subsidiaries reserve the right to terminate any person's Service at any time and for any reason, with or without notice.

SECTION 19. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan, as set forth herein, shall terminate automatically ten (10) years after its adoption by the Board. The Plan may be terminated on any earlier date pursuant to Subsection (b) below.

(b) Right to Amend or Terminate the Plan. The Board of Directors may amend the Plan at any time and from time to time. Rights and obligations under any Award granted before amendment of the Plan shall not be materially impaired by such amendment, except with consent of the Participant. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules.

(c) Effect of Termination. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan shall not affect any Award previously granted under the Plan.

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SECTION 20. EXECUTION.

To record the adoption of the Plan by the Board of Directors on November 11, 2004, the Company has caused its authorized officer to execute the same.

MEDICINOVA, INC.

By: /s/ Takashi Kiyoizumi

Takashi Kiyoizumi, M.D., Ph.D.
President and CEO

**** CERTAIN INFORMATION (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST. AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") dated as of March 14, 2002 ("Effective Date"), is entered into between MediciNova, Inc., a Delaware corporation ("MN") having a place of business located at 4540 Towne Centre Court, San Diego, California 92121, U.S.A., and Kyorin Pharmaceutical Co., Ltd., a Japanese corporation ("KR"), having a place of business located at 5, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-8311, Japan.

W I T N E S S E T H :

WHEREAS, KR is the owner of the KR Intellectual Property Rights, as defined herein;

WHEREAS, MN desires to obtain exclusive license rights, with a right to grant sublicenses, under the KR Intellectual Property Rights, and KR desires to grant such license to MN, upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the terms defined in this Article 1 shall have the respective meanings set forth below, it being understood that (a) words in the singular include the plural and vice versa and (b) any reference to any Party includes its Affiliates, successors in title and permitted assigns:

1.1 "Affiliate" shall mean, (i) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a Party or by any entity mentioned in (ii) hereinafter; (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds fifty percent (50%) or more (or the maximum ownership interest permitted by law) of the securities or other ownership interests representing the equity, voting stock or general partnership interest of a Party; or (iii) any corporation or business entity of which a Party has the legal right to acquire, directly or indirectly, at least fifty percent (50%) of the securities or other ownership interests representing the equity, voting stock or general partnership interest thereof.

** CERTAIN INFORMATION (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST. AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

1.2 “Business Day(s)” means any day that is not a Saturday or a Sunday or a day on which the New York Stock Exchange or the Tokyo Stock Exchange is closed.

1.3 “Calendar Quarter” shall mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.4 “Calendar Year” shall mean each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.5 “cGMP” shall mean current applicable good manufacturing practices as defined in regulations promulgated by the FDA under the Act and, if applicable, corresponding applicable laws and regulations of other countries in the MN Territory relating to the formulation, manufacture, testing prior to delivery, storage and delivery of the Compound and Product.

1.6 “Centralized Procedure” shall mean the European Community Centralized Procedure for marketing authorization in accordance with Council Regulation EEC (2309-93) or any successor regulations.

1.7 “Compound” shall mean that certain compound **[**]** and its primary active metabolite **[**]** (ketone of **[**]** converted to alcohol), each as more specifically described in the patents listed on Exhibit 1.21 attached hereto and incorporated herein by reference.

1.8 “End of Phase 2 Meeting” shall mean the first end of Phase 2 meeting with the FDA, as defined in 21 CFR Section 312.47, intended to determine the safety of proceeding to Phase 3, evaluate the Phase 3 plan and protocols and identify any additional information necessary to support an NDA for Product.

1.9 “Europe” shall mean the United Kingdom, France, Germany, and Italy.

1.10 “FDA” shall mean the United States Food and Drug Administration or any successor thereto having regulatory jurisdiction over the manufacture, distribution and sale of drugs.

1.11 “Field” shall mean all uses.

1.12 “First Commercial Sale” shall mean, the first commercial sale of Product to Third Party for use or consumption by the general public of such Product in any country in the MN Territory by MN or its Affiliates and/or its sublicensee after Regulatory Approval has been granted by the governing health authority of such country.

1.13 “GAAP” means generally accepted accounting principles in the United States.

1.14 “Generic Competition” shall exist or be deemed to exist, in any particular country, commencing on the earlier of (i) where IMS or IMS- equivalent data is available, the first date on which Generic Drugs achieve a market share in one Calendar Quarter of **[**]** or greater of the

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total prescriptions for Product in such country (as so shown by the average of the monthly IMS (or IMS-equivalent) data for such prescriptions) or (ii) the first date on which there are three Generic Drugs available in one Calendar Quarter in such country

1.15 "Generic Drug(s)" shall mean any product containing Compound that is either defined in a particular country in the MN Territory as a generic drug by applicable legal texts or regulatory authorities in such country or is, in view of its product characteristics and intended use, considered by users to be interchangeable or substitutable for Product, other than Product introduced in such country by MN or its Affiliates.

1.16 "Improvement" shall mean any improvement, including without limitation any change or modification to any method, process, composition any enhancement in the manufacture, formulation, ingredients, preparation, presentation, means of delivery, dosage or packaging relating to Compound or Product, and shall include any homolog, analog, derivative, or conjugate of Compound or Product or any new use of the foregoing.

1.17 "IND" shall mean an investigational new drug application and any amendments thereto relating to the use of Compound or Product in the United States or the equivalent application in any other regulatory jurisdiction, the filing of which is necessary to commence clinical testing of Products in humans.

1.18 "KR Intellectual Property Rights" shall mean all intellectual property and proprietary rights in, arising out of, or associated therewith: (i) all KR Patent Assets and (ii) all KR Know-How owned or controlled by KR.

1.19 "KR Know-How" shall mean any and all information and materials, including but not limited to, discoveries, information, Improvements (excluding any homolog, analog, derivative or conjugate of the Compound), processes, formulae, data, inventions (whether patentable or not), invention disclosures, know-how and trade secrets, patentable or otherwise, which relate to Compound or Product, including without limitation, all chemical, pharmaceutical, toxicological, biochemical, and biological, technical and nontechnical data, and information relating to the results of tests, assays, methods, and processes, and specifications and/or other documents containing information and related data, and any preclinical, clinical, assay control, manufacturing, regulatory, and any other information used or useful for the development, manufacturing and/or regulatory approval of Compound or Product that are owned or controlled by KR and as to which KR has the right to license or sublicense to Third Parties.

1.20 "KR Licensee" shall mean a Third Party to which KR licenses any or all KR Intellectual Property Rights.

1.21 "KR Patent Assets" shall mean all United States, international and foreign utility and design patents and applications therefor (which shall be deemed to include certificates of invention and applications for certificates of invention and supplementary protection certificates) and all reissues, divisions, registrations, extensions, provisionals, continuations and

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continuations-in-part thereof which as of the Effective Date or at any time during the term of this Agreement:

(a) are owned or controlled by KR or which KR through license or otherwise has or acquires rights, and

(b) relate to Compound or Product,

including, but not limited to, methods of their manufacture, methods of their use, or otherwise relate to KR Know-How, including but not limited to the patents and patent applications listed on Exhibit 1.21 hereto, and any counterparts thereof which have been or may be filed in other countries.

1.22 "KR Territory" shall mean Japan, China (PRC), Taiwan (ROC) and South Korea.

1.23 "Market Exclusivity Period" shall mean that period of time with respect to a particular country in the MN Territory during which MN has the exclusive legal right to market Products pursuant to regulations of such country's governing health authority.

1.24 "MN Intellectual Property Rights" shall mean all Improvements under Section 8.1 of this Agreement.

1.25 "MN Territory" shall mean all countries worldwide, except for Japan, China (PRC), Taiwan (ROC) and South Korea.

1.26 "NDA" shall mean a new drug application filed with the FDA for marketing authorization of a Product in the United States, a corresponding submission in Europe or under the Centralized Procedure if the context so indicates, or the equivalent application in any other regulatory jurisdiction, and any amendments and supplements thereto in the MN Territory.

1.27 "Net Sales" shall mean, with respect to any Product, the sales revenues received by MN or any MN Affiliate for all Products from Third Party customers, commencing upon the date of First Commercial Sale, after deducting, in accordance with GAAP, any (a) credits, allowances, samples, discounts and rebates to, and chargebacks from the account of, such Third Party customers; (b) freight and insurance costs; (c) trade discounts, cash discounts, quantity discounts, rebates; (d) sales, value-added and other direct taxes incurred; (e) customs duties, custom broker charges and other surcharges and governmental charges incurred in connection with the exportation or importation of Product.

1.28 "Ophthalmic Solution" shall mean a liquid formulation of pharmaceutical compositions containing Compound as the therapeutically active ingredient that is applied directly to the eyes.

1.29 "Party" shall mean KR or MN.

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1.30 "Person" shall mean an individual, corporation, partnership, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.31 "Phase 3 Clinical Trial" means a trial conducted after an End of Phase 2 Meeting on a sufficient number of patients that is designed to establish that Product is safe and efficacious for its intended use, and to define warnings, precautions and adverse reactions that are associated with Product in the dosage range to be prescribed, and supporting marketing authorization of Product or label expansion of Product.

1.32 "Product" shall mean the final dosage form of a product for commercial sale by prescription, over-the-counter, or by any other method (or, where the context so indicates, the product being tested in clinical trials), incorporating pharmaceutical compositions containing Compound as at least one of the therapeutically active ingredients in any final dosage form or package configuration, other than an Ophthalmic Solution, for any indication.

1.33 "Program" shall mean those activities to be undertaken by MN or its designee including its sublicensees with respect to Compound or Product which are devoted to the evaluation of safety and efficacy in preclinical and clinical trials, and/or the conduct of any other activities or studies directed toward obtaining Regulatory Approval of Compound or Product.

1.34 "Proprietary Information" shall mean any and all scientific, clinical, regulatory, marketing, financial and commercial information or data, whether communicated in writing, orally or by any other means, which is owned and under the protection of one Party and is being provided by that Party to the other Party in connection with this Agreement.

1.35 "Regulatory Approval" means all approvals (including pricing and reimbursement approvals required for marketing authorization), product and/or establishment licenses, registrations or authorizations of all regional, federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, import, export, transport and sale of Compound or Product in a regulatory jurisdiction.

1.36 "Royalty Term" shall mean, with respect to each Product in each country in the MN Territory, the period of time beginning with the date of the First Commercial Sale of such Product by MN or its Affiliates in such country and continuing until the later of (a) the last date on which the manufacture, use or sale of such Product in such country would infringe a Valid Patent Claim held by KR but for the license granted by this Agreement or (b) the last date of the Market Exclusivity Period in such country. In the event that in any country (x) neither a Valid Patent Claim nor Market Exclusivity Period existed during any period in which Product is sold in such country and (y) Product is not subject to Generic Competition in such country, then the Royalty Term in such country shall be for a period commencing on the date of the First Commercial Sale of Product by MN or its Affiliates in such country and expiring on the earlier of (i) five (5) years from such date or (ii) the end of the second consecutive Calendar Quarter in which Generic Competition exists in such country.

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1.37 "Royalty Year" shall mean (i) for the first year in which the date of First Commercial Sale occurs (the "First Royalty Year"), the period commencing with the first day (the "Commencement Date") of the Calendar Quarter in which such First Commercial Sale occurs and expiring on the last day of the twelfth (12^{th}) month following the Commencement Date and (ii) for each subsequent year, each successive twelve (12) month period commencing on the date immediately following the last day of the First Royalty Year.

1.38 "Third Party" shall mean any Person other than KR, MN and their respective Affiliates.

1.39 "Trademark" shall mean the trademark, trade name and trade dress to be used for sale of each Product by MN or its sublicensees which Trademark may include MN's existing trademark, trade name and trade dress.

1.40 "Valid Patent Claim" shall mean a claim of an issued and unexpired patent included within the KR Intellectual Property Rights, which has not been held permanently revoked, unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

ARTICLE 2
PROGRAM

2.1 Conduct of Program and Regulatory Matters.

2.1.1 MN Territory. MN shall use commercially reasonable efforts to develop and commercialize Product, including the preparation and filing of regulatory submissions. MN shall own, control and retain primary legal responsibility for, and shall be responsible for funding, the preparation, filing and prosecution of all filings and regulatory applications required to obtain Regulatory Approval of Product in the MN Territory. MN may subcontract portions of the Program including the manufacture of Compound; provided, however, that such subcontracted Third Party shall be subject to an agreement with MN consistent with the confidentiality obligations in accordance with Article 7 below. KR shall transfer free of charge to MN as soon as practicable after the Effective Date any IND or other regulatory filings relating to Compound or Product owned or controlled by KR, if any, in the MN Territory and KR shall allow MN or its designees free of charge to cross reference any IND, NDA or Drug Master File if owned or controlled by KR and relating to Compound or Product in the KR Territory. Upon MN's request, KR shall consult and cooperate with MN in obtaining Regulatory Approval of Products in the MN Territory, provided that (i) MN provides KR with reasonable notice and reimburses KR for reasonable out-of-pocket expenses incurred by KR in performing such services at MN's request and (ii) unless KR is developing Product for the KR Territory or Ophthalmic Solution, any consultation and cooperation in obtaining such Regulatory Approval (other than providing KR Know-How) shall be subject to KR's acceptance of such request.

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2.1.2 KR Territory. KR shall own, control and retain primary legal responsibility for, and shall be responsible for funding, the preparation, filing and prosecution of all filings and regulatory applications required to obtain Regulatory Approval of Product in the KR Territory. MN shall allow KR or KR Licensees free of charge to cross reference any IND, NDA or Drug Master File owned or controlled by MN and relating to Compound or Product in order for KR or KR Licensees to obtain Regulatory Approval of Compound or Product in the KR Territory and to obtain Regulatory Approval of Ophthalmic Solutions in the KR Territory and the MN Territory.

2.2 Clinical Development Reports.

2.2.1 MN Reports. MN shall provide KR with a written report on a semi-annual basis summarizing the status of MN's preclinical and clinical development and regulatory filing activities with respect to Compound and Product in the MN Territory, with the delivery to KR of the summary of annual report to an IND submitted by MN or its sublicensees to the FDA or, if applicable, corresponding regulatory authorities in the MN Territory, in connection with a clinical trial of Product to be in satisfaction of any report required by this sentence Alternatively, any such report may be in the form of a meeting at a mutually acceptable location, a video conference or a teleconference. Any disclosures of such progress and results shall be deemed Proprietary Information of MN. MN shall promptly notify KR upon the receipt of Regulatory Approvals and of the date of First Commercial Sale in the MN Territory. KR shall designate an appropriate representative of KR to receive such clinical development and regulatory communications and to coordinate further correspondence between the Parties. KR's initial designee shall be Toru Shionoya.

2.2.2 KR Reports. KR shall provide MN with a written report on a semi-annual basis summarizing the status of KR's preclinical and clinical development and regulatory filing activities with respect to Compound in Ophthalmic Solutions in the KR Territory and the MN Territory and Compound and/or Product in the KR Territory, with the delivery to MN of the summary of the annual report to an IND submitted by KR or KR Licensees to the regulatory authorities in the KR Territory (and in the MN Territory if applicable in the case of Ophthalmic Solutions) in connection with a clinical trial of Product or Ophthalmic Solutions, as the case may be, to be in satisfaction of any report required by this sentence. Alternatively, such report may be in the form of a meeting at a mutually acceptable location, a video conference or a teleconference. Any disclosures of such progress and results shall be deemed Proprietary Information of KR. KR shall promptly notify MN upon the receipt of Regulatory Approvals and of the date of first commercial sale of Product in the KR Territory or of Compound for Ophthalmic Solutions in the KR Territory and the MN Territory. MN shall designate an appropriate representative of MN to receive such clinical development and regulatory communications and to coordinate further correspondence between the Parties. MN's initial designee shall be Takashi Kiyoizumi, M.D., Ph.D.

2.3 Excused Performance. The obligations of MN under Section 2.1 with respect to Product are expressly conditioned upon the absence of any serious adverse conditions relating to

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the safety or efficacy of Compound or Product including the absence of any action by any regulatory authority limiting the development or commercialization of Compound or Product.

2.4 Manufacture of Compound. MN shall be responsible for the manufacture and supply of Compound and Product for preclinical, clinical and commercial purposes, in compliance with cGMP, in the MN Territory. In addition, no later than twelve (12) months prior to the earlier of (i) the estimated first submission of an application by KR or KR Licensees for Regulatory Approval of Product in the KR Territory or (ii) the estimated first submission of an application by KR or KR Licensees for Regulatory Approval of an Ophthalmic Solution in either the MN Territory or the KR Territory, KR shall provide a written notice to MN (the "Supply Notice") stating whether KR desires MN to be the exclusive manufacturer and supplier of Compound and/or Product for use in the KR Territory and/or the MN Territory in the case of Compound for an Ophthalmic Solution and, if so, including a summary of KR's proposed terms for a supply agreement between the Parties. After receipt by MN of the Supply Notice, the Parties or their respective designees shall negotiate in good faith to enter into a supply agreement containing commercially reasonable terms applicable to similar types of exclusive supply agreements.

ARTICLE 3
LICENSE

3.1 License Grant to MN. KR hereby grants to MN an irrevocable, exclusive (even as to KR) license in the MN Territory under the KR Intellectual Property Rights, including the right to grant sublicenses, to develop, evaluate, make, have made, use, offer for sale, market, sell, import and otherwise distribute the Compound and Products for use in the Field.

3.2 Sublicense Rights. MN may grant sublicenses within the scope of the license granted to MN under this Agreement to any Affiliate or Third Party; provided, however that any such sublicense shall be subject to the provisions of this Agreement. MN shall promptly inform KR of each such sublicensee and provide KR with a copy of the sublicense agreements. In the event of any sublicense to a Third Party, the provisions of Section 4.7 shall be applicable. Upon termination of this Agreement pursuant to Section 9.3 by KR for an uncured material breach by MN, any existing sublicense agreement(s) shall survive and shall be assigned by MN to KR without any cost to KR provided that (i) the sublicensee is not in breach of its sublicense agreement at the time of such termination of this Agreement, (ii) any sublicensee who desires its sublicense to survive shall promptly agree in writing to be bound by the applicable terms of and assume all obligations of MN under this Agreement, and (iii) KR does not have commercially reasonable objection to such survival.

3.3 Exchange of Information. Upon execution of this Agreement, KR shall disclose to MN in writing all KR Intellectual Property Rights not previously disclosed. During the term of this Agreement, and in addition to the other communications required under this Agreement, KR shall also promptly disclose to MN in writing on an ongoing basis all KR Intellectual

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Property Rights and other information developed in connection with KR's activities relating to the Compound, if any.

3.4 License Grant to KR. MN hereby grants to KR an exclusive royalty-free license including the right to grant sublicenses to KR Licensees to use the preclinical and clinical and regulatory databases owned by MN and developed in connection with MN's performance of the Program to, (i) obtain Regulatory Approval of and commercialize Product in the KR Territory; and (ii) obtain Regulatory Approval of and commercialize Compound for Ophthalmic Solutions in the KR Territory and the MN Territory; provided, however, that upon termination of this Agreement pursuant to Section 9.3 by MN, KR shall pay royalties to MN equal to **[**]** of all net sales of the Products in the KR Territory and of Ophthalmic Solutions in the KR Territory and the MN Territory by KR or KR Licensees for a period of five (5) years from the date of such termination of this Agreement if KR or any KR Licensee uses the foregoing MN's database. In the event KR claims that KR or KR Licensee did not use such MN's database or for any reason fails to make the royalty payments required by the preceding sentence, KR shall provide MN with copies of all regulatory submissions relating to Product in the KR Territory or Ophthalmic Solutions in order for MN to determine whether such submissions used MN's databases (to the extent not already provided pursuant to other provisions of this Agreement).

3.5 Adverse Events. In the event KR undertakes development of Compound in Ophthalmic Solutions in the KR Territory and/or the MN Territory or development and commercialization of Product in the KR Territory, each Party shall promptly furnish to the other Party all information concerning safety of Compound or Product, such as adverse or unexpected side effects, injury or other events associated with uses, studies, investigations or tests of Compound or Product, whether or not such Party is required to report such information to any regulatory authority and whether or not such event is determined to be attributable to Compound or Product.

ARTICLE 4
ROYALTIES AND MILESTONES

4.1 Royalties Payable by MN. In consideration of the license granted to MN herein, during the Royalty Term, MN shall pay to KR royalties in the applicable percentage specified in Exhibit 4.1 attached hereto for Net Sales in each Royalty Year of Products by MN and its Affiliates in the MN Territory.

4.2 Combination Product. Notwithstanding the foregoing, in the event a Product is sold as a combination product with other biologically active components, Net Sales, for purposes of royalty payments on the combination product, shall be calculated by multiplying the Net Sales of that combination product by the fraction A/B, where A is the gross selling price of the Product sold separately and B is the gross selling price of the combination product. If no such separate sales are made by MN or its Affiliates, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the combination product by the fraction C/(C+D), where C (excluding the fully allocated cost of the other biologically active component in question) is the fully

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allocated cost of the Compound and D is the fully allocated cost of such other biologically active components. It is understood and agreed to between the Parties, however, that if the fully allocated cost of such other biologically active components exceeds by a multiple of one hundred (100) the fully allocated cost of the Compound, then the Parties shall discuss in good faith to determine a more appropriate method of calculating Net Sales for the combination product, consistent with the overall intents and purposes of this Agreement, provided, however, that in no event shall the calculation of Net Sales under this Section 4.2 be less than fifty percent (50%) of the actual Net Sales of the combination product.

4.3 Third Party Royalties. If MN is compelled, including under Section 8.9, to obtain one or more patent licenses from and to pay royalties to any Third Party in any country in the MN Territory in order to exercise its rights hereunder to practice any process or method, or to make, use or sell Compound or Product, which is the subject of the Valid Patent Claim in such country, then fifty percent (50%) of the royalties actually paid to such Third Party by MN for sale of such Product for each Calendar Quarter in such country shall be creditable against the royalty payments due KR with respect to the sale of such Product by MN or its Affiliates in such country; provided, however, that MN shall first notify and discuss the foregoing with KR and that in no event shall the royalty rate payable to KR under Section 4.1 be less than **[**]** of Net Sales.

4.4 Milestone Payments. In further consideration of the rights granted by KR hereunder, MN shall pay KR the following milestone payments, contingent upon occurrence of the specified event, with each milestone payment to be made no more than once with respect to the achievement of such milestone (but payable on the first achievement of such milestone):

(a) **[**]** within ten (10) days after the Effective Date;

(b) **[**]** upon initiation of the first Phase 3 Clinical Trial (upon dosing of the first patient) in the MN Territory by MN, its Affiliates or its sublicensees; and

(c) **[**]** upon receipt in writing of the first Regulatory Approval in the U.S. or Europe by MN, its Affiliates or its sublicensees.

MN shall notify KR in writing within thirty (30) days after the first achievement of the milestones specified in Section 4.4 (b) and (c) and such notices shall be accompanied by payment of the appropriate milestone payment. The payments described in this Section 4.4 shall be payable only upon the initial achievement of each milestone, and no amounts shall be due hereunder for any subsequent or repeated achievement of such milestones, regardless of the number of Products for which such milestone may be achieved.

4.5 One Royalty. No more than one royalty payment shall be due with respect to a sale of a particular Product. No multiple royalties shall be payable because any Product, or its manufacture, sale or use is covered by more than one Valid Patent Claim. No royalty shall be payable under this Article 4 with respect to sales of Products among MN and its Affiliates for resale, nor shall a royalty be payable under this Article 4 with respect to Products distributed for

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use in research and/or development, in clinical trials, as donations to non-profit institutions or government agencies or as promotional free samples.

4.6 Compulsory Licenses. If a compulsory license is granted to a Third Party with respect to Product in any country in the MN Territory with a royalty rate lower than the royalty rate provided in Exhibit 4.1, then the royalty rate to be paid by MN on Net Sales in that country under Exhibit 4.1 shall be adjusted to the same rate paid by the compulsory Third Party licensee during the period of such compulsory license.

4.7 Sublicense Payments. In the event of any sublicense to a Third Party under Section 3.2 above in any country of the MN Territory in which MN is entitled to a lump sum and/or milestone payments and a royalty based on net sales of Product by the sublicensee under the sublicense agreements, then in lieu of royalty payments on Net Sales as set forth in Exhibit 4.1 in such country, MN shall pay KR (i) **[**]** of royalty payments received by MN based on net sales of Product by MN's sublicensee and (ii) **[**]** of lump sum and/or milestone payments received by MN from MN's sublicensee (other than payments made by MN's sublicensee (x) to reimburse MN for MN's research and development expenditures, calculated in accordance with GAAP, or (y) as equity investments in MN. The provisions of Article 5 and Article 6 will apply where appropriate with respect to the amounts payable under this Section 4.7.

ARTICLE 5
ROYALTY REPORTS AND ACCOUNTING

5.1 Reports. During the Royalty Term, MN shall furnish to KR a written report for the Calendar Quarter showing on a country by country basis, (a) the gross sales of all Products sold by MN and its Affiliates in the MN Territory during such Calendar Quarter and the calculation of Net Sales from such gross sales; (b) the royalties, payable in United States dollars, which shall have accrued hereunder based upon Net Sales of Products; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the date of the First Commercial Sales of each Product in each country in the MN Territory ; and (e) the exchange rates used in determining the amount of United States dollars, as more specifically provided in Section 6.2 below. Reports shall be due ninety (90) days following the close of each Calendar Quarter. MN shall keep complete and accurate records in sufficient detail to properly reflect all gross sales and Net Sales and to enable the royalties payable hereunder to be determined.

5.2 Audits.

5.2.1 Audit Rights. Upon the written request of KR and not more than once in each Calendar Year, MN shall permit an independent certified public accounting firm of nationally recognized standing, selected by KR and reasonably acceptable to MN, at KR's expense, to have access during normal business hours on at least ten (10) days' prior written notice, to such of the records of MN and its Affiliates as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any Royalty Year ending not more than thirty-six (36) months prior to the date of such request. The accounting firm shall disclose to KR only

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whether the records are correct or not and the specific details concerning any discrepancies. No other information shall be shared.

5.2.2 Audit Results. If such accounting firm concludes that additional royalties were owed during such period, MN shall pay the additional royalties within sixty (60) days of the date KR delivers to MN such accounting firm's written report so concluding; provided, however, that, in the event that MN shall not be in agreement with the conclusion of such report (a) MN shall not be required to pay such additional royalties and (b) such matter shall be resolved pursuant to the provisions of Section 11.6 herein. In the event such accounting firm concludes that amounts were overpaid by MN during such period, MN shall have a credit against future royalties payable to KR in the amount of such overpayment; provided, however, that in the event that KR shall not be in agreement with the conclusion of such report (a) MN shall not have such a credit and (b) such matter shall be resolved pursuant to the provisions of Section 11.6 herein. The fees charged by such accounting firm shall be paid by KR; provided, however, if the audit discloses that the royalties payable by MN for the audited period are more than one hundred ten percent (110%) of the royalties actually paid for such period, then MN shall pay the reasonable fees and expenses charged by such accounting firm. Upon the expiration of thirty-six (36) months following the end of any Royalty Year, the calculation of royalties payable with respect to such Royalty Year shall be binding and conclusive upon KR and MN shall be released from any liability or accountability with respect to royalties for such Royalty Year.

5.2.3 Confidential Financial Information. KR shall treat all financial information subject to review under this Article 5 or under any sublicense agreement as confidential, and shall cause its accounting firm to retain all such financial information in confidence.

ARTICLE 6
PAYMENTS

6.1 Payment Terms. Royalties shown to have accrued by each royalty report provided for under Article 5 of this Agreement shall be due and payable on the date such royalty report is due. Payment of royalties in whole or in part may be made in advance of such due date.

6.2 Payment Method. All payments by MN to KR under this Agreement shall be paid in United States dollars. If any currency conversion shall be required in connection with the payment of any royalties hereunder, such conversion shall be made by using the exchange rate for the purchase of U.S. dollars reported by the Wall Street Journal on the last Business Day of the Calendar Quarter to which such royalty payments relate.

6.3 Exchange Control. If at any time legal restrictions prevent the prompt remittance of part or all royalties with respect to any country in the MN Territory where the Product is sold, MN shall have the right, at its option, to make such payments by depositing the amount thereof in local currency to KR's account in a bank or other depository designated by KR in such country. If the royalty rate specified in this Agreement should exceed the permissible rate

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established in any country in the MN Territory, the royalty rate in such country shall be adjusted to the highest legally permissible or government-approved rate.

6.4 Withholding Taxes. MN shall be entitled to deduct from any payment due KR under this Agreement the amount of any withholding taxes, value-added taxes or other taxes, levies or charges with respect to such amounts, other than United States taxes, payable by MN or its Affiliates, or any taxes required to be withheld by MN or its Affiliates, to the extent MN or its Affiliates pay to the appropriate governmental authority on behalf of KR such taxes, levies or charges. MN shall use reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of KR by MN or its Affiliates. MN promptly shall deliver to KR proof of payment of all such taxes, levies and other charges, together with copies of all communications from or with such governmental authority with respect thereto. KR shall provide MN with all forms or documentation required by any applicable taxation laws, treaties or agreements to such withholding or as necessary to claim a benefit thereunder (including, but not limited to, Form W-8BEN and any successor form).

ARTICLE 7
CONFIDENTIALITY AND PUBLICITY

7.1 Nondisclosure Obligations. Except as otherwise provided in this Article 7, (a) during the term of this Agreement and for a period of five (5) years thereafter, both Parties shall maintain in confidence and use only for purposes of this Agreement information and data resulting from or related to the development of the Compound or Products; (b) during the term of this Agreement, both Parties shall maintain in confidence and use only for purposes of this Agreement information and data not described in clause (a) above resulting from or related to the Program; and (c) during the term of this Agreement and for a period of five (5) years thereafter, both Parties shall also maintain in confidence and use only for purposes of this Agreement all information and data not described in clause (a) or (b) above but supplied by the other Party under this Agreement marked “Confidential.” For purposes of this Article 7, information and data described in clause (a), (b) or (c) above shall be deemed “Proprietary Information.”

7.2 Permitted Disclosures. To the extent it is reasonably necessary or appropriate to fulfill its obligations or exercise its rights under this Agreement, (a) a Party may disclose Proprietary Information which is otherwise obligated under this Article 7 not to disclose to its Affiliates, to KR Licensees, if the Party is KR, to its sublicensees, if the Party is MN, and to its consultants, outside contractors and clinical investigators, on a need-to-know basis on condition that such Persons agree to keep the Proprietary Information confidential for the same time periods and to the same extent as such Party is required to keep the Proprietary Information confidential; and (b) a Party (including MN’s sublicensees or KR Licensees) may disclose such Proprietary Information to government or other regulatory authorities to the extent that such disclosure is required by applicable law (including without limitation all applicable securities laws), regulation, agency or court order, or is reasonably necessary to obtain patents or authorizations to conduct clinical trials with, and to commercially market the Product (and Ophthalmic Solutions in the case of KR), provided that the disclosing Party shall provide written

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notice to the other Party and sufficient opportunity to object to such disclosure or to request confidential treatment thereof. The obligation not to disclose or use Proprietary Information received from the other Party shall not apply to any part of such Proprietary Information that (i) is or becomes patented, published or otherwise part of the public domain other than by acts of the Party obligated not to disclose such Proprietary Information in contravention of this Agreement; (ii) is disclosed to the receiving Party by a Third Party, provided such Proprietary Information was not obtained by such Third Party directly or indirectly from the other Party under this Agreement on a confidential basis; (iii) prior to disclosure under this Agreement, was already in the possession of the receiving Party, provided such Proprietary Information was not obtained directly or indirectly from the other Party under this Agreement; or (iv) is disclosed in a press release agreed to by both Parties, which agreement shall not be unreasonably withheld.

7.3 Publication. In the event a Party or any Affiliate of or consultant to such Party or MN's sublicensees or KR Licensees wishes to make a scientific publication relating to Compound or Product, it shall deliver to the other Party a copy of the proposed publication or an outline of the oral disclosure at least thirty (30) Business Days prior to submission or presentation, such that any issue of patent protection can be resolved in accordance with the terms of this Agreement.

ARTICLE 8
INTELLECTUAL PROPERTY RIGHTS AND INFRINGEMENT

8.1 Ownership of Improvements. The entire right and title in all Improvements or other technology directed to the manufacture or use of Product or Compound, and all processes relating thereto, whether or not patentable, and any patent applications or patents based thereon, made or conceived during and as a result of the Program by employees or others acting solely on behalf of MN or its Affiliates shall be owned solely by MN. In the event such Improvements are embodied in an issued patent that is dominated in any country by a Valid Patent Claim, KR shall be entitled to royalties on Net Sales in such country under Section 4.1 of this Agreement during the Royalty Term.

8.2 Ownership of Trademarks. The entire right and title in all Trademarks used by MN, its Affiliates and, if applicable its sublicensees in the MN Territory shall be owned solely by MN.

8.3 Patent Applications.

8.3.1 Foreign Filing Decisions. KR shall determine whether patents or patent applications included in the KR Intellectual Property Rights should be abandoned without replacement, abandoned and refiled, proceeded within the country of filing only, or used as the basis for a claim of priority under the Paris Convention for corresponding applications in other countries in the MN Territory after consultation with MN, and subject to the provisions of Section 8.3.2. The Parties shall consult together to ensure that so far as practicable the texts filed in the United States and in other countries in the MN Territory contain the same information and claim the same scope of protection.

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8.3.2 Prosecution and Maintenance. KR shall have the right to control the prosecution, grant and maintenance of the KR Intellectual Property Rights in the MN Territory and the KR Territory, and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to the KR Intellectual Property Rights. KR shall be responsible for the payment of all such patent prosecution and maintenance costs. MN shall have the right to control the prosecution, grant and maintenance of the MN Intellectual Property Rights in the KR Territory and the MN Territory, and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to the MN Intellectual Property Rights. MN shall be responsible for the payment of all such patent prosecution and maintenance costs. If KR elects under Section 8.3.1 or this Section 8.3.2 not to file, prosecute or maintain a patent application included in the KR Intellectual Property Rights in any country in which the patents included on Exhibit 1.21 have been filed and are being prosecuted or maintained, it shall provide MN with written advance notice sufficient to avoid any loss or forfeiture, and MN shall have the right but not the obligation, at its sole expense, to file, prosecute or maintain such patent application in MN's name and KR shall assign to MN all of KR's right, title and interest in and to such KR Patent Assets and, in the event MN exercises such right, such patent or patent application shall no longer be deemed a KR Patent Asset.

8.4 Cooperation. Each Party shall make available as far as possible to the other Party or to the other Party's authorized attorneys, agents, representatives, employees or consultants any documents necessary or appropriate to enable the other Party to file, prosecute and maintain patent applications and resulting patents, as set forth in Section 8.3.1 and 8.3.2 above, for a period of time sufficient for the other Party to obtain the assistance it needs from the first Party. Where appropriate, each Party shall sign or cause to have signed all documents relating to said patent applications or patents at no charge to the other Party.

8.5 Enforcement of Intellectual Property Rights. MN shall have the first right to enforce the KR Intellectual Property Rights against infringers in the MN Territory, and shall consult with KR both prior to and during said enforcement. KR shall have the first right to enforce the KR Intellectual Property Rights against infringers in the KR Territory, and may consult with MN both prior to and during said enforcement. In the event either Party learns of significant and continuing infringement of the KR Intellectual Property Rights, it shall promptly provide written notice to the other Party of the fact and supply such other Party with all evidence it possesses pertaining to and establishing said infringement(s).

8.6 Procedure for Enforcement of Intellectual Property Rights. The Party responsible for enforcing KR Intellectual Property Rights pursuant to this Article 8 (the "Enforcing Party") shall have six (6) months from the date of receipt of notice of request by the other Party to abate the infringement, or to file suit against at least one of the infringers, at the sole expense of the Enforcing Party, following consultation with the other Party. If the Enforcing Party does not, within six (6) months of receipt of such notice, abate the infringement or file suit to enforce KR Intellectual Property Rights against at least one infringer in a country in the MN Territory or the KR Territory, as applicable, the other Party shall have the right to take whatever action it deems appropriate in its own name to enforce the KR Intellectual Property Rights in its Territory, as

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applicable; provided, however, that, within thirty (30) days after receipt of notice of the other Party's intent to file such suit, the Enforcing Party shall have the right to jointly prosecute such suit.

8.7 Settlements. The Party controlling the action may not settle the action or otherwise consent to an adverse judgment in such action that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. Notwithstanding the foregoing, KR and MN shall cooperate with each other in the planning and execution of any action to enforce the KR Intellectual Property Rights. Any recovery obtained by MN or KR shall be shared as follows:

(i) the Party that initiated and prosecuted, or maintained the defense of, the action shall recoup all of its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action, whether the recovery is by settlement or otherwise;

(ii) the other Party then shall, to the extent possible, recover its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action;

(iii) if KR initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining then shall be retained by KR; and

(iv) if MN initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining shall be retained by MN, except that KR shall receive a portion equivalent to the royalties it would have received in accordance with the terms of this Agreement if the infringing sales had been Net Sales.

8.8 Notification of Patent Term Restoration. The Parties shall cooperate with each other in obtaining patent term restoration or supplemental protection certificates or their equivalents in any country where applicable to the KR Intellectual Property Rights in the MN Territory. MN shall notify KR of (a) the issuance of each U.S. patent included within the KR Intellectual Property Rights, giving the date of issue and patent number for each such patent, and (b) each notice pertaining to any patent included within the KR Intellectual Property Rights pursuant to the Drug Price Competition and Patent Term Restoration Act of 1984 (hereinafter called the "Act"), including notices pursuant to §§ 101 and 103 of the Act from persons who have filed an abbreviated NDA ("ANDA"). Such notices shall be given promptly, but in any event within five (5) calendar days of each such patent's date of issue or receipt of each such notice pursuant to the Act, whichever is applicable. MN shall notify KR of each filing for patent term restoration under the Act, any allegations of failure to show due diligence and all awards of patent term restoration (extensions) with respect to the KR Intellectual Property Rights. Likewise, KR or MN, as the case may be, shall inform the other Party of patent extensions and periods of data exclusivity in the rest of the world regarding any Product.

8.9 Infringement Actions by Third Parties. If MN or any of its Affiliates or sublicensees or customers shall be sued by a Third Party for infringement of a patent because of

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the manufacture, importation, use, offer for sale or sale of the Compound or Products, MN shall promptly notify KR in writing of the institution of such suit. MN shall have the first right, in its sole discretion, to control the defense of such suit at its own expense, in which event KR shall have the right to be represented by advisory counsel of its own selection, at its own expense, and shall cooperate fully in the defense of such suit and furnish to MN all evidence and assistance in KR's control. If MN does not elect within thirty (30) days after such notice from MN to KR to so control the defense of such suit, KR may undertake such control at its own expense, and MN shall then have the right to be represented by advisory counsel of its own selection and at its own expense, and MN shall cooperate fully in the defense of such suit and furnish to KR all evidence and assistance in MN's control. The Party controlling the suit may not settle the suit or otherwise consent to an adverse judgment in such suit that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. Any Third Party royalty payments required to be paid as the result of a judgment or settlement under this Section 8.9 shall be subject to the provisions of Section 4.3 above.

ARTICLE 9
TERM AND TERMINATION

9.1 Expiration. Unless terminated earlier pursuant to Sections 9.2 or 9.3 below, this Agreement shall expire on the later of the expiration of the Royalty Term on a country-by-country basis or the expiration of the obligation to make payments by MN to KR under Section 4.7.

9.2 Termination by MN. MN shall have the right, in its sole discretion, to terminate this Agreement (a) with respect to the entire Agreement, or any country in the MN Territory in the event that a Third Party claims the Compound infringes such Third Party's intellectual property rights in such country in the MN Territory, by providing not less than thirty (30) days prior written notice of such termination to KR or (b) with respect to the entire Agreement, or any country in the MN Territory with ninety (90) days written notice to KR, provided that prior to such termination, MN shall discuss with KR the reasons for such termination. Subject to the provisions of Section 9.4 below, the rights and obligations of KR and of MN with respect to this Agreement in its entirety or with respect to the terminated country in the MN Territory, as applicable, shall terminate in the event of a termination pursuant to this Section 9.2, provided, however, that in the event of a partial termination by MN under this Section 9.2, this Agreement shall continue in full force and effect with respect to the countries in the MN Territory unaffected by such partial termination.

9.3 Termination for Cause. Either Party may terminate this Agreement upon or after the breach of any material provision of this Agreement by the other Party, if the breaching Party has not cured such breach within ninety (90) days after notice thereof from the non-breaching Party. This Agreement shall terminate, at the option of the non-breaching Party, at the expiration of such ninety (90) day cure period; provided, however, that if the breach is not capable of being cured within ninety (90) days of such written notice, this Agreement may not be terminated so long as the breaching Party commences and is taking commercially reasonable actions to cure

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such breach as promptly as practicable provided that in such event, if the breach is not cured within one hundred eighty (180) days of such written notice, the non-breaching Party shall have the right to terminate this Agreement.

9.4 Effect of Expiration and Termination. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. MN and its Affiliates and sublicensees shall have the right to sell or otherwise dispose of the stock of any Product subject to this Agreement then on hand or in process of manufacture, subject to Articles 4, 5 and 6. In addition to any other provisions of this Agreement which by their terms continue after the expiration of this Agreement, the provisions of Article 7 shall survive the expiration or termination of this Agreement and shall continue in effect during the term set forth in Section 7.1. In addition, any other provision required to interpret and enforce the Parties' rights and obligations under this Agreement shall also survive, but only to the extent required for the full observation and performance of this Agreement. In the event of termination of this Agreement in its entirety or for any country in the MN Territory by MN pursuant to Section 9.2 (b), MN shall, if requested to do so in writing by KR, license to KR or its designee the MN Intellectual Property Rights, all INDs, NDAs and other existing Regulatory Approval obtained by MN, its Affiliates or its sublicensees in the MN Territory or in the terminated countries of the MN Territory, as applicable, to make, have made use and sell Compound and Product, on commercially reasonable terms to be negotiated in good faith between the Parties. In the event of termination of this Agreement in its entirety by MN pursuant to Section 9.2 (b) or by KR pursuant to Section 9.3 prior to the completion of a Phase 2 clinical trial on Product, the foregoing license from MN to KR shall be royalty-free. Except as expressly set forth herein, the rights to terminate as set forth herein shall be in addition to all other rights and remedies available under this Agreement, at law, or in equity, or otherwise.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

The Parties hereby represent and warrant as follows:

10.1 Corporate Existence and Power. Such Party (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated; and (b) has the corporate power and authority and the legal right to own and operate its property and assets, to lease the property and assets it operates under lease, and to carry on its business as it is now being conducted;

10.2 Authorization and Enforcement of Obligations. Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms;

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10.3 Consents. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such Party in connection with this Agreement have been obtained;

10.4 No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations and (b) do not conflict with, or constitute a default under, any contractual obligation of such Party; and

10.5 Non-Infringement. As of the Effective Date, KR represents and warrants that: (a) the KR Intellectual Property Rights are owned solely and exclusively by KR free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental or university entity or subdivision thereof, has any valid claim of ownership with respect to the KR Intellectual Property Rights, whatsoever; (b) they have not previously granted, and will not grant during the term of this Agreement, any right, license or interest in and to the KR Intellectual Property Rights, or any portion thereof, inconsistent with the license granted to MN herein; (c) KR is not aware of the existence of any references or conduct that would bring into question the validity or enforceability of the KR Intellectual Property Rights; (d) there are no threatened or pending actions, suits, investigations, claims or proceedings in any way relating to the KR Intellectual Property Rights; (e) to KR's best knowledge, the KR Intellectual Property Rights and the contemplated development, importation or exportation, manufacture, use, offer for sale and sale of any Compound or Product does not infringe any patent rights owned or possessed by any Third Party; and (f) KR has disclosed to MN all information known by it that is reasonably believed by KR to be related to the KR Intellectual Property Rights and the activities contemplated under this Agreement.

10.6 Effect of Representations and Warranties. It is understood that if the representations and warranties made by a Party under this Article 10 are not true and accurate, and the other Party incurs damages, liabilities, costs or other expenses as a result, the Party making such representations and warranties shall indemnify and hold the other Party harmless from and against any such damages, liabilities, costs or other expenses incurred as a result.

ARTICLE 11
MISCELLANEOUS

11.1 Force Majeure. Neither Party shall be held liable or responsible to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement to the extent, and for so long as, such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including but not limited to fire, floods, embargoes, power shortage or failure, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority or the other Party.

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11.2 Assignment. This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligations hereunder be assigned or transferred by either Party without the consent of the other Party; provided, however, that either KR or MN may, without such consent, assign this Agreement and its rights and obligations hereunder in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger or consolidation or change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

11.3 Severability. Each Party hereby acknowledges that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties shall substitute, by mutual consent, valid provisions for such invalid provisions which valid provisions in their economic effect are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such provisions. In case such provisions cannot be agreed upon, the invalidity of one or several provisions of the Agreement shall not affect the validity of this Agreement as a whole, unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without such invalid provisions.

11.4 Notices. Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties to the other shall be in writing, delivered personally or by facsimile or email (and promptly confirmed by personal delivery, U.S. first class mail or courier), U.S. first class mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated in the first paragraph of this Agreement, or to such other address as the addressee shall have last furnished in writing to the addressor and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

11.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the conflicts of law principles thereof.

11.6 Dispute Resolution. (a) The Parties agree to attempt initially to solve all claims, disputes, or controversies arising under, out of, or in connection with this Agreement (a “Dispute”) by conducting good faith negotiations. Any Disputes which cannot be resolved by good faith negotiation within twenty (20) Business Days, shall be referred, by written notice from either Party to the other, to the Chief Executive Officer of each Party. Such Chief Executive Officers shall negotiate in good faith to achieve a resolution of the Dispute referred to them within twenty (20) Business Days after such notice is received by the Party to whom the notice was sent. If the Chief Executive Officers are unable to settle the Dispute between themselves within twenty (20) Business Days, they shall so report to the Parties in writing. The Dispute shall then be referred to mediation as set forth in the following subsection (b).

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(b) Upon the Parties receiving the Chief Executive Officers' report that the Dispute referred to them pursuant to subsection (a) has not been resolved, the Dispute shall be referred to mediation by written notice from either Party to the other. The mediation shall be conducted pursuant to the LCIA Mediation Procedure. The place of the mediation shall be London, England and the language of the mediation shall be English. If the Parties have not reached a settlement within twenty (20) Business Days of the date of the notice of mediation, the Dispute shall be referred to arbitration pursuant to subsection (c) below.

(c) If after the procedures set forth in subsections (a) and (b) above, the Dispute has not been resolved, a Party shall decide to institute arbitration proceedings, it shall give written notice to that effect to the other Party. The Parties shall refrain from instituting the arbitration proceedings for a period of sixty (60) days following such notice. During such period, the Parties shall continue to make good faith efforts to amicably resolve the dispute without arbitration. If the Parties have not reached a settlement during that period the arbitration proceedings shall go forward and be governed by the LCIA Arbitration Rules then in force. Each such arbitration shall be conducted by a panel of three arbitrators: one arbitrator shall be appointed by each of MN and KR and the third arbitrator, who shall be the Chairman of the tribunal, shall be appointed by the two-Party appointed arbitrators. Any such arbitration shall be held in New York, New York, USA and the language of the arbitration shall be English.

The tribunal shall issue its award within forty-five (45) days after the date on which the arbitration proceedings have closed. The arbitrators shall have the authority to grant specific performance. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Each Party shall bear its own costs and expenses incurred in connection with any arbitration proceeding and the Parties shall equally share the cost of the mediation and arbitration levied by the LCIA.

Any mediation or arbitration proceeding entered into pursuant to this Section 11.6 shall be conducted in the English language.

11.7 Right to Develop Independently. Nothing in this Agreement shall be deemed to prevent MN from developing and commercializing products which are similar to or competitive with a Compound or Product so long as MN is using commercially reasonable efforts to develop and commercialize Product as specified in sub-section 2.1.1.

11.8 Compliance with Laws. Either Party shall furnish to the other Party any information requested or required by that Party during the term of this Agreement or any extensions hereof to enable that Party to comply with the requirements of any U.S., Japan or foreign federal, state and/or governmental agency.

11.9 LIMITATION OF LIABILITY. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT

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DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

11.10 Further Assurances. At any time or from time to time on and after the date of this Agreement, each Party shall at the request of the other (i) deliver to the other such records, data or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as the other Party may reasonably deem necessary or desirable in order for the other Party to obtain the full benefits of this Agreement and the transactions contemplated herein.

11.11 Entire Agreement. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly superseded by this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both Parties.

11.12 Headings. The captions to the several Articles and Sections hereof are not a part of this Agreement, but are merely guides or labels to assist in locating and reading the several Articles and Sections hereof.

11.13 Independent Contractors. It is expressly agreed that KR and MN shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither KR nor MN shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party to do so.

11.14 Waiver. The waiver by either Party of any right hereunder or the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

11.15 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ARTICLE 12
INDEMNIFICATION

12.1 Indemnification by MN. MN shall indemnify, defend and hold KR and KR Licensees and their respective officers, directors, shareholders, agents and employees (“KR Indemnified Party”) harmless against any and all claims, liability, damage, loss, cost or expense (including reasonable attorney’s fees) (collectively, “Losses”) incurred by KR arising or resulting from any third party claim made or suit brought against KR or any KR Indemnified Party to the extent any such Losses arise out of (i) any breach by MN of any of its

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representations or warranties in this Agreement; (ii) MN's negligence or willful misconduct; or (iii) the development, manufacture, use, importation, promotion, marketing, commercialization, distribution and sale of the Compound or Product by MN, provided, however, that MN shall not be required to indemnify KR or any KR Indemnified Party to the extent it is determined that the Losses resulted from the negligence or willful misconduct of KR or any such KR Indemnified Party or if KR would be required to indemnify MN under Section 12.2 below. MN shall also have its sublicensees indemnify, defend and hold KR and KR Indemnified Party harmless against Losses in a substantially similar way.

12.2 Indemnification by KR. KR shall indemnify, defend and hold MN, and its sublicensees, and their respective officers, directors, shareholders, agents and employees ("MN Indemnified Party") harmless against any and all Losses incurred by MN arising or resulting from any third party claim made or suit brought against MN, its sublicensees or any MN Indemnified Party to the extent any such Losses arise out of (i) any breach by KR of any of its representations or warranties in this Agreement, (ii) KR's negligence or willful misconduct; or (iii) the development, manufacture, use, importation, promotion, marketing, commercialization, distribution and sale of the Compound or Product by KR; provided, however, that KR shall not be required to indemnify any MN Indemnified Party to the extent it is determined that the Losses resulted from the negligence or willful misconduct of MN or any such MN Indemnified Party or if MN would be required to indemnify KR under Section 12.1 above.

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

MediciNova, Inc.

By /s/ Takashi Kiyoizumi

Name: Takashi Kiyoizumi, M.D., Ph.D.

Title: President and CEO

Kyorin Pharmaceutical Co., Ltd.

By /s/ Ikuo Ogihara

Name: Ikuo Ogihara

Title: President

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EXHIBIT 1.21

KR Patent Assets

[**]

Countries	Application No./ Date Filed (Priority Date)	Patent No./ Issue Date	Patent Expiration Date
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
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[**]

Countries	Application No./ Date Filed (Priority Date)	Patent No./ Issue Date	Patent Expiration Date
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
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EXHIBIT 4.1

ROYALTY RATES

For Products sold in the U.S.

Annual Net Sales	Royalty Rate
Annual Net Sales for the first USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]** but less than USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]**	**[**]**

Example: If annual Net Sales is USD **[**]** for sale of Products in the U.S., the royalty shall be calculated as USD **[**]** x **[**]** plus USD **[**]** x **[**]** = USD **[**]**.

For Products sold in non-U.S. countries within the MN Territory where a Valid Patent Claim and/or Market Exclusivity exists and Product is not subject to Generic Competition:

Annual Net Sales	Royalty Rate
Annual Net Sales for the first USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]** but less than USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]**	**[**]**

For Products sold in non-U.S. countries within the MN Territory where neither a Valid Patent Claim nor Market Exclusivity exists and Product is not subject to Generic Competition, a royalty rate equal to three percent **[**]** of Net Sales in such country.

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THIS LICENSE AGREEMENT effective as of June 19, 2002 ("Effective Date"), by and between **Angiogene Pharmaceuticals, Ltd.,** a company organized and existing under the laws of Scotland having its registered office at 37 Queen Street, Edinburgh, Scotland, and a principal office at Magdalen Centre, The Oxford Science Park, Oxford OX4 4GA United Kingdom ("ANGIOGENE") and **MediciNova, Inc.**, a corporation organized and existing under the laws of the State of Delaware, United States, and having its principal office at 4540 Towne Centre Court, San Diego, CA 92121 United States ("MEDICINOVA").

W I T N E S S E T H:

WHEREAS, ANGIOGENE is the owner of the ANGIOGENE Intellectual Property as defined herein;

WHEREAS, MEDICINOVA desires to obtain exclusive license rights, with rights to grant sublicenses, under the ANGIOGENE Intellectual Property and ANGIOGENE desires to grant such licenses to MEDICINOVA, upon the terms and conditions set forth herein; and

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Unless specifically set forth to the contrary herein, the following terms, where used in the singular or plural, shall have the respective meanings set forth below:

1.1. "Affiliate" shall mean (i) any corporation or business entity of which more than fifty percent (50%) of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a Party; (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds more than fifty percent (50%) (or the maximum ownership interest permitted by law) of the securities or other ownership interests representing the equity, voting stock or general partnership interest of a Party or (iii) any corporation or business entity of which a Party has the right to acquire, directly or indirectly, at least fifty percent (50%) of the securities or other ownership interests representing the equity, voting stock or general partnership interest thereof.

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1.2. "ANGIOGENE Know-How" shall mean all information and materials, including but not limited to, discoveries, information, Improvements, processes, formulae, data, inventions, know-how and trade secrets, patentable or otherwise and all biological, chemical, pharmaceutical, toxicological, preclinical, clinical, assay control, technical and nontechnical data and information, including the results of test, assays, methods, and processes, and manufacturing, regulatory, and any other information used or useful for the development, manufacturing and/or regulatory approval of Compound or Product, (including, without limitation, the formulation, delivery or use thereof including synthesis, preparation, recovery and purification processes and techniques), which

(a) relate to Compound or Product; and

(b) are owned by ANGIOGENE or are in ANGIOGENE's possession or control and as to which ANGIOGENE has the right to license or sublicense to Third Parties.

but for the avoidance of doubt such information and materials shall exclude the ANGIOGENE NOS Know-How and the ANGIOGENE Split Dose Know-How.

1.3. "ANGIOGENE Intellectual Property" shall mean the Patent Assets, the NOS Patent Assets, the Split Dose Patent Assets, ANGIOGENE Know-How, ANGIOGENE NOS Know-How and ANGIOGENE Split Dose Know-How.

1.4. "ANGIOGENE NOS Know-How" shall mean all information and materials, including but not limited to, discoveries, information, Improvements, processes, formulas, data, inventions, know-how and trade secrets, patentable or otherwise and all biological, chemical, pharmaceutical, toxicological, preclinical, clinical, assay control, technical and nontechnical data and information, including the results of test, assays, methods, and processes, and manufacturing, regulatory, and any other information used or useful for the development, manufacturing and/or regulatory approval of an NOS Inhibitor, (including, without limitation, the formulation, delivery or use thereof including synthesis, preparation, recovery and purification processes and techniques) or the NOS Inhibitor Technology as it relates to a combination with Compound or Product.

1.5. "ANGIOGENE Split Dose Know-How" shall mean all information and materials, including but not limited to, discoveries, information, Improvements, processes, formulas, data, inventions, know-how and trade secrets, patentable or otherwise and all biological, chemical, pharmaceutical, toxicological, preclinical, clinical, assay control, technical and nontechnical data and information, including the results of test, assays, methods, and processes, and manufacturing, regulatory, and any other information used or useful for the development, manufacturing and/or regulatory approval of Split Dose Technology (including, without limitation, the formulation, delivery or use thereof including synthesis, preparation, recovery and purification processes and techniques), as it relates to Compound or Product.

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1.6. "Business Day(s)" means any day that is not a Saturday or a Sunday or a day on which the New York Stock Exchange is closed.

1.7. "Calendar Quarter" shall mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.8. "Calendar Year" shall mean each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.9. "Centralized Procedure" shall mean the European Community Centralized Procedure for marketing authorization in accordance with Council Regulation EEC (2309-93) or any successor regulations.

1.10. "CFR" shall mean the United States Code of Federal Regulations.

1.11. "Compound" shall mean the chemical compounds known as benzimidazole carbamate class vascular targeting agents, including those designated ANG 600 Series, whose more specific chemical names are **[**]**, and any derivative, homolog, analog or conjugate of any of the foregoing, and any isomer, salt, hydrate, solvate, metabolite, or prodrug or the like of any of the foregoing.

1.12. "Development Candidate" shall mean the compound selected by MEDICINOVA for clinical development as a Product as set forth in the IND.

1.13. "End of Phase 2 Meeting" shall mean the first end of Phase 2 meeting with the FDA, as defined in 21 CFR Section 312.47, intended to determine the safety of proceeding to Phase 3, evaluate the Phase 3 plan and protocols and identify any additional information necessary to support an NDA for Product.

1.14. "Effective Date" shall mean the date first above written.

1.15. "Europe" shall mean the United Kingdom, France, Germany and Italy.

1.16. "FDA" shall mean the United States Food and Drug Administration and any successor agency having substantially the same functions.

1.17. "First Commercial Sale" shall mean the first sale of Product in any country in the Territory by MEDICINOVA, its Affiliate or its sublicensee(s), for end use or consumption, after all required approvals have been granted by the governing health authority of such country.

1.18. "GAAP" means generally accepted accounting principles in the United States.

1.19. "Improvement" shall mean any and all improvements and enhancements, patentable or otherwise, related to the Compound or Product. the NOS Inhibitor Technology or the Split Dose Technology including, without limitation, any change or modification in the manufacture,

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formulation, ingredients, preparation, presentation, means of delivery or administration, dosage, indication, use or packaging of Compound, Product and/or an NOS Inhibitor.

1.20. "IND" shall mean an investigational new drug application and any amendments thereto relating to the use of Product in the United States or the equivalent application in any other regulatory jurisdiction in the Territory, the filing of which is necessary to commence clinical testing of pharmaceutical products in humans.

1.21. "NDA" shall mean a new drug application filed with the FDA for marketing authorization of a Product in the United States or, if the context so indicates, a corresponding submission under the Centralized Procedure or with the Japanese Ministry of Health and Welfare, and any amendments and supplements thereto.

1.22. "Net Sales" shall mean the actual gross amount invoiced for the commercial sale of Product in the Territory commencing upon the date of First Commercial Sale, after deducting, in accordance with GAAP, the following:

(i) trade, cash and quantity discounts;

(ii) recalls, credits and allowances on account of returned or rejected Product, including allowance for breakage or spoilage;

(iii) rebates and chargebacks;

(iv) retroactive price reductions;

(v) sales or excise taxes, VAT or other taxes, and transportation and insurance charges and additional special transportation, custom duties, and other governmental charges;

(vi) rebates or similar payments paid in connection with sales of Product to any governmental or regulatory authority in respect of any state or federal Medicare, Medicaid or similar programs in any country of the Territory; and

(vii) write-offs for bad debts or allowances.

Sales or other transfers between MEDICINOVA and its Affiliates shall be excluded from the computation of Net Sales and no payments will be payable on such sales or transfers except where such Affiliates are end users, but Net Sales shall include the subsequent sales to Third Parties by such Affiliates.

1.23. "NOS Inhibitor" shall mean a chemical composition that inhibits the formation or action of nitric oxide, including those disclosed in the NOS Patent Assets.

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1.24. "NOS Inhibitor Technology" shall mean technology relating to the combination of vascular targeting agents (including Compound) and an NOS Inhibitor, including the inventions disclosed in the NOS Patent Assets.

1.25. "NOS Patent Assets" shall mean United States and foreign patents and patent applications (which shall be deemed to include certificates of invention and applications for certificates of invention) which as of the Effective Date or at any time during the term of this Agreement:

(a) are owned by ANGIOGENE (including ANGIOGENE'S interest in jointly owned patents and patent applications) or which ANGIOGENE through license or otherwise has or acquires rights, and

(b) relate to the combination with Compound or Product of an NOS Inhibitor or the NOS Inhibitor Technology including but not limited to methods of their manufacture, methods of their use, or otherwise relate to ANGIOGENE NOS Know-How, including all certificates of invention, divisions, continuations, continuations-in-part, reissues, supplementary protection certificates or the like of any such patents and current and future patent applications, including but not limited to the patents and patent applications listed on Schedule 1.25 hereto, and any counterparts thereof which have been or may be filed in other countries.

1.26. "Party" shall mean ANGIOGENE or MEDICINOVA.

1.27. "Patent Assets" shall mean United States and foreign patents and patent applications (which shall be deemed to include certificates of invention and applications for certificates of invention), excluding the NOS Patent Assets and the Split Dose Assets, which as of the Effective Date or at any time during the term of this Agreement

(a) are owned by ANGIOGENE (including ANGIOGENE'S interest in jointly owned patents and patent applications) or which ANGIOGENE through license or otherwise has or acquires rights, and

(b) relate to Compound, Product or any Improvement, including but not limited to methods of their manufacture, methods of their use, or otherwise relate to ANGIOGENE Know-How,

including all certificates of invention, divisions, continuations, continuations-in-part, reissues, supplementary protection certificates or the like of any such patents and current and future patent applications, including but not limited to the patents and patent applications listed on Schedule 1.27 hereto, and any counterparts thereof which have been or may be filed in other countries.

1.28. "Phase 1 Clinical Trial" shall mean the clinical trial in which Product is initially introduced into humans.

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1.29. "Phase 2 Clinical Trial" shall mean a clinical trial of Product that is designed to show safety and efficacy of Product for its intended use.

1.30. "Phase 3 Clinical Trial" means a clinical trial conducted after an End of Phase 2 Meeting on a sufficient number of patients that is designed to establish that Product is safe and efficacious for its intended use, and to define warnings, precautions and adverse reactions that are associated with the Product in the dosage range to be prescribed, and supporting marketing authorization or label expansion of Product.

1.31. "Product" shall mean any product in final form for commercial sale by prescription, over-the-counter, or by any other method (or, where the context so indicates, the product being tested in clinical trials), which contains Compound as at least one of the therapeutically active ingredients, in all final dosage forms and package configurations for any indication, or any line extension thereof.

1.32. "Proprietary Information" shall mean any and all scientific, clinical, regulatory, marketing, financial and commercial information or data, whether communicated in writing, orally or by any other means, which is owned and under the protection of one Party and is being provided by that Party to the other Party in connection with this Agreement.

1.33. "Regulatory Approval" means all approvals (including pricing and reimbursement approvals required for marketing authorization), product and/or establishment licenses, registrations or authorizations of all regional, federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, import, export, transport and sale of Product in a regulatory jurisdiction.

1.34. "Rest of the World" shall mean all countries in the Territory other than the United States and the countries subject to the jurisdiction of the Centralized Procedure.

1.35. "Royalty Year" shall mean for the year in which the First Commercial Sale occurs, the period commencing with the first day of the Calendar Quarter in which the First Commercial Sale occurs (the "Commencement Date") and expiring on the last day of the Calendar Quarter that ends twelve (12) months after the Commencement Date and (ii) for each subsequent year, each successive twelve (12) month period.

1.36. "SEC" shall mean the United States Securities and Exchange Commission, or any successor agency.

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1.37. "Split Dose Patent Assets" shall mean United States and foreign patents and patent applications (which shall be deemed to include certificates of invention and applications for certificates of invention) which as of the Effective Date or at any time during the term of this Agreement:

(a) are owned by ANGIOGENE (including ANGIOGENE'S interest in jointly owned patents and patent applications) or which ANGIOGENE through license or otherwise has or acquires rights, and

(b) relate to the use of Compound or Product in divided doses including but not limited to methods of their manufacture, methods of their use, or otherwise relate to ANGIOGENE Split Dose Know-How,

including all certificates of invention, divisions, continuations, continuations-in-part, reissues, supplementary protection certificates or the like of any such patents and current and future patent applications, including but not limited to the patent applications listed on Schedule 1.37 hereto, and any counterparts thereof which have been or may be filed in other countries.

1.38. "Split-Dose Technology" shall mean a method of administering any vascular damaging agent in a divided dose, including the inventions disclosed in the Split-Dose Patent Assets.

1.39. "Sublicense Consideration" shall mean (i) the amounts actually received by MEDICINOVA from sublicensees of rights granted by ANGIOGENE to MEDICINOVA under Section 2.1 of this Agreement either (a) as royalties on net sales of Product by such sublicensee, or as payments based on the achievement of milestones relating to Product or (b) as specific consideration for the grant of such sublicense (whether such payments are made on grant of the sublicense or at any other time during the term of such sublicense) and, (ii) subsequent to the closing of an underwritten initial public offering of MEDICINOVA'S securities pursuant to a registration statement under the United States Securities Act of 1933, as amended, amounts actually received by MEDICINOVA from sublicensees of rights granted by ANGIOGENE to MEDICINOVA under Section 2.1 of this Agreement, in connection with such sublicense, for the sale of MEDICINOVA'S equity securities to such sublicensee, that are in excess of the market price of such securities; and shall specifically exclude any amounts received by MEDICINOVA from sublicensees to fund or reimburse MEDICINOVA'S research and development costs in connection with Compound or Product.

1.40. "Synthesized Compound" shall mean a compound that has been synthesized by ANGIOGENE prior to the Effective Date, is set forth with an ANGIOGENE compound number and chemical name on Schedule 1.40 hereto, and for which the physical characterization and screening results from the vascular volume assay for each such compound were provided to MEDICINOVA in writing prior to the Effective Date.

1.41. "Territory" shall mean all of the countries in the world.

1.42. "Third Party(ies)" shall mean a person or entity who or which is neither a Party nor an Affiliate of a Party.

1.43. "Valid Claim" means a claim of an issued and unexpired patent included within the Patent Assets, which has not been revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, and which has not been

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disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

ARTICLE II

LICENSE; SUBLICENSES

2.1. Exclusive Royalty-Bearing License Grant. In consideration of and subject to the terms and conditions of this Agreement, ANGIOGENE hereby grants to MEDICINOVA an exclusive (even as to ANGIOGENE), royalty bearing license under the Patent Assets and the ANGIOGENE Know-How to develop, make, have made, use, import, offer for sale, market, commercialize, distribute and sell and otherwise dispose of Compound and Product in the Territory. The exclusive license granted under this Section 2.1 includes the right to grant sublicenses.

2.2. Exclusive Non-Royalty Bearing License Grant. In consideration of and subject to the terms and conditions of this Agreement, ANGIOGENE hereby grants to MEDICINOVA an exclusive, royalty-free license to use and exploit(i) the NOS Patent Assets and the ANGIOGENE NOS Know-How to develop, make, have made, use, import, offer for sale, market, commercialize, distribute and sell and otherwise dispose of the NOS Inhibitor Technology and any NOS Inhibitor and (ii) the Split Dose Patent Assets and the ANGIOGENE Split Dose Know-How to develop, make, have made, use, import, offer for sale, market, commercialize, distribute and sell and otherwise dispose of Compound or Product using the Split Dose Technology, each solely in connection with the use of Compound and/or Product in the Territory.

2.2.1. ANGIOGENE shall not grant to any Third Party any rights under the NOS Patent Assets or ANGIOGENE NOS Know-How or the Split Dose Patent Assets or the ANGIOGENE Split Dose Know-How that are inconsistent or in conflict with the rights granted by ANGIOGENE under this Section 2.2.

2.2.2. For the avoidance of doubt, ANGIOGENE shall be entitled to use and exploit the NOS Patent Assets, the ANGIOGENE NOS Know-How, the Split Dose Patent Assets or the ANGIOGENE Split Dose Know-How either itself and/or by the grant of nonexclusive licenses to any Third Party provided such use or exploitation (i) is not inconsistent with the grant of rights to MEDICINOVA under this Section 2.2; (ii) would not prevent MEDICINOVA from exploiting, or does not cover or relate to use of, the NOS Patent Assets and/or the ANGIOGENE NOS Know-How in combination with Compound or Product; and (iii) would not prevent MEDICINOVA from exploiting, or does not cover or relate to use of, the Split Dose Patent Assets and/or the ANGIOGENE Split Dose Know-How with respect to Compound or Product.

2.2.3. The exclusive license granted under this Section 2.2 includes the right to grant sublicenses. Except as specifically set forth in Section 2.1 and this Section 2.2, MEDICINOVA is not granted any other license by implication or otherwise.

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2.3. Improvements. Title to any Improvement developed, discovered and/or reduced to practice solely by MEDICINOVA in connection with the licenses granted under Section 2.1 and 2.2 above shall be vested solely in MEDICINOVA. Title to any Improvement developed, discovered and/ or reduced to practice solely by ANGIOGENE shall be vested solely in ANGIOGENE, subject to the licenses granted under Section 2.1 and 2.2 above.

2.4. Sublicenses. MEDICINOVA shall have the right to grant sublicenses of any and all rights licensed to MEDICINOVA by ANGIOGENE under this Agreement to Affiliates or any Third Party in the Territory. In the event of such a sublicense by MEDICINOVA to a Third Party of any rights licensed to MEDICINOVA by ANGIOGENE under Section 2.1 of this Agreement, the provisions of Section 5.3.2 of this Agreement shall be applicable. MEDICINOVA shall inform ANGIOGENE of the grant of any such sublicenses and shall promptly provide copies thereof to ANGIOGENE.

ARTICLE III
RESEARCH, DEVELOPMENT AND COMMERCIALIZATION

3.1. Exchange of Information. Within thirty (30) days after execution of this Agreement, ANGIOGENE shall disclose to MEDICINOVA in English and in writing all ANGIOGENE Intellectual Property not previously available or made available to MEDICINOVA. Throughout the term of this Agreement, and in addition to the other communications required under this Agreement, ANGIOGENE shall also promptly disclose to MEDICINOVA in English and in writing on an ongoing basis all ANGIOGENE Intellectual Property, and any and all additions or revisions thereto.

3.2. Research Committee. The Parties hereby establish a joint Research Committee (the “Research Committee”) to facilitate the identification of preclinical activities, guide the selection and characterization of one or more candidates for clinical development, and review the research program relating to Product as follows:

(a) Composition of the Research Committee. The Research Committee shall be comprised of three (3) named representatives of MEDICINOVA and two (2) named representatives of ANGIOGENE. The initial representatives for each Party hereto shall be set forth on Schedule 3.2. Each Party shall appoint its respective representatives to the Research Committee from time to time, and may substitute one or more of its representatives, in its sole discretion, effective upon notice to the other Party of such change. Additional representatives or consultants may from time to time, by mutual consent of the Parties, be invited to attend Research Committee meetings, subject to compliance with Section 4.1. The Research Committee shall use its best efforts in good faith to resolve by consensus any issue relevant to research of Product pursuant to this Agreement. At meetings of the Research Committee, the Parties shall discuss the progress and results of the research program and ANGIOGENE may provide input to MEDICINOVA on the research program. However, subject to the terms and conditions of this Agreement, MEDICINOVA shall retain full control and ultimately shall have the

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right to make all decisions related to the research program and the designation of the Development Candidate relating to Product.

(b) Meetings. The Research Committee shall meet at least once each Calendar Quarter, starting in the Calendar Quarter in which this Agreement is executed, with the location for such meetings to be mutually acceptable and determined by the Research Committee. Alternatively, the Research Committee may meet by means of conference call or other similar communications equipment. The Research Committee shall terminate and be dissolved immediately after the selection of the Development Candidate.

3.3. Diligence; Development and Commercialization. MEDICINOVA shall use commercially reasonable efforts to develop and commercialize Product, including the preparation and filing of regulatory submissions. As used herein, "commercially reasonable efforts" shall mean efforts and resources normally used by MEDICINOVA for a product owned by it or to which it has exclusive rights, which is of similar market potential at a similar stage in its development or product life, taking into account issues of safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the compound or product, the regulatory and reimbursement structure involved, the profitability of the applicable products, and other relevant factors. The obligations set forth in this Section 3.3 are expressly conditioned upon the absence of any serious adverse conditions relating to the safety or efficacy of Compound or Product including the absence of any action by any regulatory authority limiting the development or commercialization of Compound or Product.

3.4. Regulatory Matters.

(a) MEDICINOVA shall own, control and retain primary legal responsibility for the preparation, filing and prosecution of all filings and regulatory applications required to obtain authorization to commercially develop, sell and use Product in the Territory, whether used itself or in combination with an NOS Inhibitor and whether or not the Split Dose Technology is used in connection with such Product. MEDICINOVA shall promptly notify ANGIOGENE upon the receipt of Regulatory Approvals and of the date of First Commercial Sale.

(b) ANGIOGENE shall transfer to MEDICINOVA as soon as practicable after the Effective Date any IND or other regulatory filings relating to Compound or Product owned or controlled by ANGIOGENE, and ANGIOGENE shall allow MEDICINOVA to cross reference any other IND, Drug Master File or other regulatory filing owned or controlled by ANGIOGENE relating to Compound or Product or to the NOS Inhibitor Technology, any NOS Inhibitor or the Split Dose Technology, if used by MEDICINOVA with Compound or Product. Upon MEDICINOVA's request, ANGIOGENE shall consult and cooperate with MEDICINOVA in connection with obtaining regulatory approval of Product.

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3.5. Trademark. MEDICINOVA shall select, own and maintain trademarks for Product in the Territory whether used itself or in combination with an NOS Inhibitor.

3.6. Adverse Events. ANGIOGENE shall promptly furnish to MEDICINOVA all information of which ANGIOGENE becomes aware concerning safety or utility of Compound or Product alone or in combination with the NOS Inhibitor Technology or the Split Dose Technology, such as adverse or unexpected side effects, injury or other events associated with uses, studies, investigations or tests of Compound or Product alone or in combination with any NOS Inhibitor whether or not such Party is required to report such information to any regulatory authority and whether or not such event is determined to be attributable to Compound, Product, such NOS Inhibitor or such Split Dose Technology. MEDICINOVA shall promptly furnish to ANGIOGENE all information of which MEDICINOVA becomes aware concerning safety or utility of Compound and Product in combination with the NOS Inhibitor Technology or when used with the Split Dose Technology, such as adverse or unexpected side effects, injury or other events associated with uses, studies, investigations or tests of Compound and Product in combination with the NOS Inhibitor or when used with the Split Dose Technology, whether or not such Party is required to report such information to any regulatory authority and whether or not such event is determined to be attributable to Compound, Product, such NOS Inhibitor or Split Dose Technology.

ARTICLE IV
CONFIDENTIALITY AND PUBLICITY

4.1. Non-Disclosure and Non-Use Obligations. All Proprietary Information disclosed by one Party to the other Party hereunder shall be maintained in confidence and shall not be disclosed to any Third Party or used for any purpose except as expressly permitted herein without the prior written consent of the Party that disclosed the Proprietary Information to the other Party during the term of this Agreement and for a period of ten years thereafter. The foregoing non-disclosure and non-use obligations shall not apply to the extent that such Proprietary Information:

(a) is lawfully known by the receiving Party at the time of its receipt, and not through a prior disclosure by the disclosing Party, as documented by business records;

(b) is or becomes properly in the public domain or knowledge otherwise than as a result of breach of this Agreement by the receiving Party;

(c) is subsequently disclosed to a receiving Party by a Third Party who may lawfully do so and is not under an obligation of confidentiality to the disclosing Party; or

(d) is developed by the receiving Party independently of Proprietary Information received from the other Party, as documented by research and development records.

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4.2. Permitted Disclosure of Proprietary Information. Notwithstanding Section 4.1, a Party receiving Proprietary Information of another Party may disclose such Proprietary Information:

(a) to governmental or other regulatory agencies in order to obtain patents pursuant to this Agreement, or to gain approval to conduct clinical trials or to market Product, but such disclosure may be only to the extent reasonably necessary to obtain such patents or authorizations;

(b) by each of MEDICINOVA or ANGIOGENE to its respective agents, consultants, Affiliates, MEDICINOVA's sublicensees and/or other Third Parties ("Disclosees") for the research and development, manufacturing and/or marketing of the Compound and/or Product (or for such parties to determine their interests in performing such activities) on the condition that such Disclosees agree to be bound by the confidentiality obligations consistent with this Agreement.; or

(c) if and to the extent required to be disclosed by law or court order, provided that notice is promptly delivered to the non-disclosing Party in order to provide an opportunity to challenge or limit the disclosure obligations; provided, however, without limiting any of the foregoing, it is understood that MEDICINOVA or its Affiliates may make disclosure of this Agreement and the terms hereof in any filings required by SEC, may file this Agreement as an exhibit to any filing with the SEC and may distribute any such filing in the ordinary course of its business.

Upon execution of this Agreement, either Party may issue a press release in the form to be attached as Schedule 4.2.

4.3 Publication. In the event ANGIOGENE or any Affiliate of or consultant or contractor to ANGIOGENE wishes to make a publication relating to Compound or Product alone or in combination with the NOS Inhibitor Technology or the Split Dose Technology, it shall deliver to MEDICINOVA a copy of the proposed publication or an outline of the oral disclosure at least thirty (30) Business Days prior to submission or presentation, such that any issue of patent protection can be resolved in accordance with the terms of this Agreement.

4.4 Handling of Proprietary Information. Each Party agrees in relation to the other Party's Proprietary Information to take all relevant precautions to a standard at least as high as that Party itself treats its own Proprietary Information but in any event to not less than a reasonable standard.

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ARTICLE V

PAYMENTS; ROYALTIES AND REPORTS

5.1. License Fee. In consideration of the rights granted by ANGIOGENE hereunder, MEDICINOVA shall pay ANGIOGENE **[**]**, payable within ten (10) days after the Effective Date.

5.2. Milestone Payments. Subject to the terms and conditions contained in this Agreement, and in further consideration of the rights granted by ANGIOGENE hereunder, MEDICINOVA shall pay ANGIOGENE the following milestone payments, contingent upon occurrence of the specified event, with each milestone payment to be made no more than once with respect to the achievement of such milestone, but payable the first time such milestone is achieved:

(a) **[**]** upon issuance in the United States of a U. S. patent based on International Application Number PCT/GB00/00099, Entitled "Benzimidazole Vascular Damaging Agents," with composition claims similar in scope to and directed to the subject matter recited in at least claims 3 and 4 of said International Application, as set forth in Schedule 1.27;

(b) **[**]** upon grant (after any opposition period or proceeding) in Europe of a European patent based on International Application Number PCT/GB00/00099, Entitled "Benzimidazole Vascular Damaging Agents," with composition claims similar in scope to and directed to the subject matter recited in at least claims 3 and 4 of said International Application, or with Swiss-type claims similar in scope to and directed to the subject matter recited in at least claims 1 and 2 of said International Application, as set forth in Schedule 1.27;

(c) (i) **[**]** upon MEDICINOVA'S selection of a Development Candidate, if such compound is a Synthesized Compound or (ii) US $ **[**]** upon MEDICINOVA'S selection of a Development Candidate, if such compound is not a Synthesized Compound;

(d) **[**]** upon the commencement (first dosing of the first patient) of the first Phase 1 Clinical Trial;

(e) **[**]** upon the commencement (first dosing of the first patient) of the first Phase 2 Clinical Trial;

(f) **[**]** upon the commencement (first dosing of the first patient) of the first Phase 3 Clinical Trial;

(g) **[**]** upon the FDA's first acceptance for filing of an NDA;

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(h) US **[**]** upon the first acceptance for filing of an NDA under the Centralized Procedure or in Europe;

(i) US **[**]** upon receipt of written Regulatory Approval by the FDA;

(j) US **[**]** upon receipt of written Regulatory Approval in Europe; and

(k) US **[**]** upon receipt of written Regulatory Approval by the Ministry of Health, Labour and Welfare (or any successor agency having substantially the same functions) in Japan.

MEDICINOVA shall notify ANGIOGENE in writing within thirty (30) days after the achievement of each milestone, and such notice shall be accompanied by payment of the appropriate milestone payment, Milestone payments made under Section 5.2 (i), (j) and (k) shall be creditable against payments required under Section 5.3.1 or 5.3.2 of this Agreement in the applicable countries in the Territory. The payments described in this Section 5.2 shall be payable only upon the initial achievement of each milestone, and no amounts shall be due hereunder for any subsequent or repeated achievement of such milestones, regardless of the number of Products for which such milestone may be achieved.

5.3. Royalties and Other Payments.

5.3.1. Royalties Payable By MEDICINOVA.

(i) Subject to the terms and conditions of this Agreement, and in further consideration of the rights granted by ANGIOGENE hereunder, MEDICINOVA shall pay to ANGIOGENE royalties in the applicable percentage specified in Schedule 5.3.1 attached hereto for Net Sales in each Royalty Year of Products by MEDICINOVA and its Affiliates in the Territory if the manufacture, use or sale of such Product would, absent the license granted hereunder, infringe one or more Valid Claims of the Patent Assets in the applicable country.

(ii) Royalties on Net Sales at the rates set forth in Schedule 5.3.1 shall accrue as of the date of First Commercial Sale of Product in the applicable country and shall continue and accrue on Net Sales on a country-by-country basis until the earlier of (i) the expiration of the last to expire Patent Asset including a Valid Claim in such country or (ii) fifteen (15) years from First Commercial Sale. Thereafter, MEDICINOVA shall be relieved of any royalty payment under this Section 5.3.

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(iii) The payment of royalties set forth above shall be subject to the following conditions:

(A) only one payment shall be due with respect to the same unit of Product and no multiple royalties shall be payable because any Product, or its manufacture, sale or use is covered by more than one Valid Claim;

(B) no royalties shall accrue on the disposition of Product by MEDICINOVA, Affiliates or sublicensees as samples (promotion or otherwise) or as donations (for example, to non-profit institutions or government agencies) or for clinical trials; and

(C) ANGIOGENE shall be responsible for payment of any royalties or other obligations owed by ANGIOGENE to any Third Party.

5.3.2. Payments in the Event of Sublicense.

(i) In the event MEDICINOVA enters into a sublicense with a Third Party or Third Parties under Section 2.4 of this Agreement of any rights licensed to MEDICINOVA by ANGIOGENE under Section 2.1 of this Agreement, then in lieu of MEDICINOVA paying ANGIOGENE the milestone payments set forth in Section 5.2 above and the royalty payments set forth in Section 5.3.1 above, MEDICINOVA shall pay ANGIOGENE the following applicable percentages of Sublicense Consideration received by MEDICINOVA from such sublicensee(s):

(a) **[**]** of Sublicense Consideration, if a sublicense is entered into after completion **[**]**;

(b) **[**]** of Sublicense Consideration, if a sublicense is entered into after completion **[**]**;

(c) **[**]** of Sublicense Consideration, if a sublicense is entered into during or after **[**]**; or

(d) **[**]** of Sublicense Consideration, if a sublicense is entered into before commencement **[**]**.

(ii) Payments shall be required under Section 5.3.2(i) for so long as MEDICINOVA is receiving Sublicense Consideration.

5.3.3. Compulsory Licenses. If a compulsory license is granted to a Third Party with respect to Product in any country in the Territory with a royalty rate lower than the royalty rate provided by Section 5.3.1, then the royalty rate to be paid by MEDICINOVA

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on Net Sales in that country under Section 5.3.1 shall be reduced to the rate paid by the compulsory Third Party licensee.

5.3.4. Third Party Licenses. If MEDICINOVA would be prevented from developing, making, having made, using, selling or importing Product included in the Patent Assets in any country of the Territory on the grounds that by doing so MEDICINOVA or any Sublicensee would infringe patent rights held by a Third Party in said country, those patent rights relating to Compound, and if MEDICINOVA wishes to obtain a license from such Third Party, any royalties or other payments paid under such Third Party patent licenses by MEDICINOVA in such country for such Calendar Quarter shall be creditable against the royalty or other payments payable to ANGIOGENE by MEDICINOVA in such country.

5.3.5. Combination Product. Notwithstanding the provisions of Section 5.3.1, in the event a Product is sold as a combination product or kit with other biologically active components other than an NOS Inhibitor, Net Sales, for purposes of calculating royalty payments on the combination product, shall be calculated by multiplying the Net Sales of that combination product or kit by the fraction A/B, where A is the gross selling price of the Product sold separately and B is the gross selling price of the combination product or kit. If no such separate sales are made by MEDICINOVA or its Affiliates, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the combination product or kit by the fraction C/(C+D), where C (excluding the fully allocated cost of the other biologically active component in question) is the fully allocated cost of the Compound and D is the fully allocated cost of such other biologically active components.

5.4. Reports; Payment of Royalty. During the term of the Agreement for so long as royalty payments are due, MEDICINOVA shall furnish to ANGIOGENE a quarterly written report for the Calendar Quarter showing the sales of all Products subject to royalty payments sold by MEDICINOVA, its Affiliates and its sublicensees during the reporting period and the royalties payable under this Agreement. Reports shall be due on the ninetieth (90^{th}) day following the close of each Calendar Quarter. Royalties shown to have accrued by each royalty report, if any, shall be due and payable on the date such royalty report is due. MEDICINOVA shall keep complete and accurate records in sufficient detail to enable the royalties hereunder to be determined.

5.5. Audits. Upon the written request of ANGIOGENE and not more than once in each Calendar Year, MEDICINOVA shall permit an independent certified public accounting firm selected by ANGIOGENE and acceptable to MEDICINOVA (acting reasonably and not to unreasonably delay such acceptance) to have access during normal business hours, upon ten-days notice to MEDICINOVA, to such of the records of MEDICINOVA as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any Royalty Year ending not more than twenty-four (24) months prior to the date of such request. The accounting firm shall disclose to ANGIOGENE only whether the royalty reports are correct or incorrect and the specific details concerning any discrepancies.

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5.5.1. If such accounting firm concludes that additional royalties were owed during such Royalty Year, MEDICINOVA shall pay the additional royalties within sixty (60) days of the date ANGIOGENE delivers to MEDICINOVA such accounting firm's written report so concluding; provided however, that, in the event that MEDICINOVA shall not be in agreement with the conclusion of such report (a) MEDICINOVA shall not be required to pay such additional royalties and (b) such matter shall be resolved pursuant to the provisions of Section 9.5 herein. In the event such accounting firm concludes that amounts were overpaid by MEDICINOVA during such period, MEDICINOVA shall have a credit against future royalties payable to ANGIOGENE in the amount of such overpayment. The fees charged by such accounting firm shall be paid by ANGIOGENE; provided, however, that if an error in favor of ANGIOGENE of more than the greater of (i) $100,000 or (ii) ten percent (10%) of the royalties due hereunder for the period being reviewed is discovered, then the fees and expenses of the accounting firm shall be paid by MEDICINOVA.

5.5.2. Upon the expiration of twenty-four (24) months following the end of any Royalty Year the calculation of royalties payable with respect to such Royalty Year shall be binding and conclusive upon ANGIOGENE, and MEDICINOVA shall be released from any liability or accountability with respect to royalties for such year.

5.5.3. ANGIOGENE and MEDICINOVA shall treat all financial information subject to review under this Section 5.5 or under any sublicense agreement in accordance with the confidentiality provisions of this Agreement.

5.6. Payment Exchange Rate. All payments to ANGIOGENE under this Agreement shall be made in United States dollars. In the case of sales outside the United States, the rate of exchange to be used in computing the amount of currency equivalent in United States dollars due ANGIOGENE shall be calculated monthly in accordance with GAAP and based on the conversion rates published in the Wall Street Journal, Eastern edition.

5.7. Tax Withholding. If laws, rules or regulations require withholding of income taxes or other taxes imposed upon payments set forth in this Article V, ANGIOGENE shall provide MEDICINOVA, prior to any such payment, annually or more frequently if required, with all forms or documentation required by any applicable taxation laws, treaties or agreements to such withholding or as necessary to claim a benefit thereunder (including, but not limited to Form W-8BEN or any successor forms) and MEDICINOVA shall make such withholding payments as required and subtract such withholding payments from the payments set forth in this Article V. MEDICINOVA will use commercially reasonable efforts consistent with its usual business practices and cooperate with ANGIOGENE to ensure that any withholding taxes imposed are reduced as far as possible under the provisions of the current or any future taxation treaties or agreements between foreign countries.

5.8. Exchange Controls. Notwithstanding any other provision of this Agreement, if at any time legal restrictions prevent the prompt remittance of part or all of the royalties with respect to

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Net Sales in any country, payment shall be made through such lawful means or methods as MEDICINOVA may determine. When in any country the law or regulations prohibit both the transmittal and deposit of royalties on sales in such a country, royalty payments shall be suspended for as long as such prohibition is in effect (and such suspended payments shall not accrue interest), and promptly after such prohibition ceases to be in effect, all royalties that MEDICINOVA or its Affiliates or sublicensees would have been obligated to transmit or deposit, but for the prohibition, shall be deposited or transmitted, as the case may be, to the extent allowable (with any interest earned on such suspended royalties which were placed in an interest-bearing bank account in that country, less any transactional costs). If the royalty rate specified in this Agreement should exceed the permissible rate established in any country, the royalty rate for sales in such country shall be adjusted to the highest legally permissible or government-approved rate.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

6.1. ANGIOGENE Representations and Warranties. ANGIOGENE represents and warrants to MEDICINOVA that as of the Effective Date:

(a) With respect to the preparation and prosecution of Patent Assets, NOS Patent Assets and Split Dose Patent Assets, (i) ANGIOGENE and its agents have used all reasonable and predictable efforts to comply with applicable U. S., non-U.S., and Patent Cooperation Treaty laws, articles and rules, including in each of its pending applications, where applicable, naming the proper inventors, satisfying its duty of candor, disclosing the best mode and otherwise complying with all the requirements of 35 U.S.C.112 and (ii) ANGIOGENE has no reason to believe that U.S. and non-U.S. claims would not be granted**,** which would include claims similar in scope to and directed to the subject matter recited in the claims of the International Applications, as set forth in Schedules 1.25, 1.27 and 1.37;

(b) this Agreement has been duly executed and delivered by ANGIOGENE and constitutes legal, valid, and binding obligations enforceable against ANGIOGENE in accordance with its terms;

(c) no approval, authorization, consent, or other order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by ANGIOGENE of this Agreement or the consummation by ANGIOGENE of the transactions contemplated hereby;

(d) ANGIOGENE has the full corporate power and authority to enter into and deliver this Agreement, to perform and to grant the licenses granted under Article II hereof and to consummate the transactions contemplated hereby; all corporate acts and other proceedings required to be taken to authorize

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such execution, delivery, and consummation have been duly and properly taken and obtained;

(e) ANGIOGENE has not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the ANGIOGENE Intellectual Property nor has ANGIOGENE entered into any agreement with any Third Party that could prevent MEDICINOVA from exploiting, or that grants rights or is otherwise in conflict with, the rights granted to MEDICINOVA pursuant to this Agreement;

(f) it is the sole and exclusive owner under the ANGIOGENE Intellectual Property, all of which are owned free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental or university entity or subdivision thereof has any claim of ownership with respect to the ANGIOGENE Intellectual Property, whatsoever;

(g) the development, manufacture, importation, use and sale of Compound and Products do not to the best of ANGIOGENE'S knowledge, infringe any patent rights owned or possessed by any Third Party;

(h) Schedules 1.27,1.25 and 1.37 are complete and accurate lists of all patent applications in the Territory relating to Compound or Product, the NOS Inhibitor Technology and the Split Dose Technology, respectively, owned by ANGIOGENE or to which ANGIOGENE has the right to license;

(i) there are no claims, judgments or settlements against or owed by ANGIOGENE or pending or, to the best of its knowledge, threatened claims or litigation relating to the ANGIOGENE Intellectual Property;

(j) no contract research organization, corporation, business entity or individual which have been involved in any studies conducted for the purpose of obtaining regulatory approvals have been debarred individuals or entities within the meaning of 21 U.S.C. section 335(a) or (b); and

(k) to the best of ANGIOGENE's knowledge and belief in connection with development of Compound and Product, ANGIOGENE has complied in all material respects with applicable U.S. and UK laws and regulations.

6.2. MEDICINOVA Representations and Warranties. MEDICINOVA represents and warrants to ANGIOGENE that as of the Effective Date:

(a) this Agreement has been duly executed and delivered by it and constitutes legal, valid, and binding obligations enforceable against it in accordance with its terms;

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(b) it has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All corporate acts and other proceedings required to be taken to authorize such execution, delivery, and consummation have been duly and properly taken and obtained; and

(c) no approval, authorization, consent, or other order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by it of this Agreement or the consummation by it of the transactions contemplated hereby.

ARTICLE VII
PATENT MATTERS

7.1. Filing, Prosecution and Maintenance of Patent Applications or Patents included in Patent Assets. From and after the Effective Date, MEDICINOVA shall have the right and responsibility to file, prosecute and maintain the Patent Assets in ANGIOGENE's name and, upon MEDICINOVA's request, ANGIOGENE shall reasonably cooperate in the filing, prosecution and/or maintenance of such patents. MEDICINOVA shall be responsible for the payment of all patent prosecution and maintenance costs incurred after the Effective Date, provided that all of such costs paid by MEDICINOVA shall be creditable against any amounts otherwise payable by MEDICINOVA to ANGIOGENE under Section 5.3.1 or 5.3.2 of this Agreement. If MEDICINOVA elects not to prosecute or maintain a patent included in the Patent Assets in any country, it shall provide ANGIOGENE with written advance notice sufficient to avoid any loss or forfeiture, and ANGIOGENE shall have the right, at its sole expense, to prosecute or maintain such patent in such country. Upon ANGIOGENE's request, MEDICINOVA shall reasonably cooperate in the prosecution or maintenance of such patent.

7.2. Filing, Prosecution and Maintenance of Patent Applications or Patents included in NOS Patent Assets or Split Dose Patent Assets. ANGIOGENE shall have the right and responsibility to file, prosecute and maintain the NOS Patent Assets and the Split Dose Patent Assets in ANGIOGENE's name and shall be responsible for the payment of all related patent prosecution and maintenance costs. ANGIOGENE warrants and represents that it has disclosed to MEDICINOVA the complete texts of all NOS Patent Assets and Split Dose Patent Assets filed by or on behalf of ANGIOGENE as well as all information received by ANGIOGENE concerning the institution or possible institution of any interference, opposition, re-examination, reissue, revocation, nullification, or any official proceeding involving an NOS Patent Asset or Split Dose Patent Asset owned by ANGIOGENE, and that it will continue such disclosure with respect to new events during the term of the AGREEMENT. MEDICINOVA shall have the right to review all such future applications and make recommendations to ANGIOGENE concerning them and their conduct. ANGIOGENE agrees to keep MEDICINOVA promptly and fully informed of the course of patent prosecution or other proceedings including providing MEDICINOVA with copies of observations submitted by ANGIOGENE (or any ANGIOGENE licensee if such licensee is required to submit such copies to ANGIOGENE) to or received by ANGIOGENE (or any ANGIOGENE licensee if such licensee is required to submit such copies to ANGIOGENE) from the United States Patent and

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Trademark Office concerning NOS Patent Assets or Split Dose Patent Assets owned by ANGIOGENE. If ANGIOGENE elects or any designee of ANGIOGENE informs ANGIOGENE that is has elected, not to prosecute or maintain a patent included in the NOS Patent Assets or Split Dose Patent Assets which are owned by ANGIOGENE in any country, ANGIOGENE shall promptly inform MEDICINOVA in writing, and MEDICINOVA shall have the right but not the obligation, at its sole expense, to prosecute or maintain such patent. Upon MEDICINOVA'S request, ANGIOGENE shall reasonably cooperate in the prosecution or maintenance of such patent and, in consideration of MEDICINOVA'S assumption of the prosecution or maintenance of any of the NOS Patent Assets or Split Dose Patent Assets in any country, ANGIOGENE shall assign to MEDICINOVA all of ANGIOGENE's right, title and interest in, to and under such NOS Patent Asset or Split Dose Patent Assets, as applicable, in such country, including the right to bring a lawsuit for past infringement.

7.3. Patent Office Proceedings. Each Party shall inform the other Party of any request for, filing, or declaration of any proceeding before a patent office seeking to protest, oppose, cancel, reexamine, declare an interference proceeding, initiate a conflicts proceeding, or analogous process involving a patent application or patent included in the Patent Assets. Each Party thereafter shall cooperate fully with the other with respect to any such patent office proceeding. Each Party will provide the other with any information or assistance that is reasonable.

7.4. Enforcement and Defense.

(a) Each Party shall promptly (and in any event within 20 Business Days) give the other Party notice of any infringement in the Territory of any patent application or patent included in the Patent Assets that comes to such Party's attention. The Parties will thereafter consult and cooperate fully to determine a course of action, including, without limitation, the commencement of legal action by any Party. However, MEDICINOVA shall have the first right to initiate and prosecute such legal action at its own expense and in the name of ANGIOGENE and MEDICINOVA, or to control the defense of any declaratory judgment action relating to the Patent Assets. MEDICINOVA shall have a period of 40 Business Days from becoming aware of any such infringement to inform ANGIOGENE if MEDICINOVA elects not to exercise such first right. ANGIOGENE shall, if MEDICINOVA either elects not to exercise such first right or fails to make such election with such period of 40 Business Days, have the right either to initiate and prosecute such action or to control the defense of such declaratory judgment action in the name of ANGIOGENE and, if necessary, MEDICINOVA. In no event shall ANGIOGENE be obligated to enforce or defend any of the Patent Assets.

(b) If MEDICINOVA elects not to initiate and prosecute an infringement or defend a declaratory judgment action in any country in the Territory as provided in Subsection 7.4(a), and ANGIOGENE elects to do so, the cost of any agreed-upon course of action, including the costs of any legal

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action commenced or any declaratory judgment action defended, shall be borne solely by ANGIOGENE.

(c) For any such legal action or defense, in the event that any Party is unable to initiate, prosecute, or defend such action solely in its own name, the other Party will join such action voluntarily and will execute all documents necessary for the Party to prosecute, defend and maintain such action. In connection with any such action, the Parties will cooperate fully and will provide each other with any information or assistance that either reasonably may request.

(d) Any recovery obtained by MEDICINOVA or ANGIOGENE shall be shared as follows:

(i) the Party that initiated and prosecuted, or maintained the defense of, the action shall recoup all of its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action, whether the recovery is by settlement or otherwise;

(ii) the other Party then shall, to the extent possible, recover its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action;

(iii) if ANGIOGENE initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining then shall be retained by ANGIOGENE; and

(iv) if MEDICINOVA initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining shall be retained by MEDICINOVA, except that ANGIOGENE shall receive a portion equivalent to the royalties or other payments it would have received under this Agreement if such amount were deemed Net Sales.

(e) ANGIOGENE shall inform MEDICINOVA of any certification regarding any Patent Assets it has received pursuant to either 21 U.S.C. §§ 355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or under Canada's Patented Medicines (Notice of Compliance) Regulations Article 5 and shall provide MEDICINOVA with a copy of such certification within five (5) days of receipt. ANGIOGENE's and MEDICINOVA's rights with respect to the initiation and prosecution, or defense, of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be allocated as defined in Subsections 7.3(d) (i) through (iv); provided, however, that MEDICINOVA shall exercise the first right to initiate and prosecute, or defend, any action and shall inform

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ANGIOGENE of such decision within fifteen (15) days of receipt of the certification, after which time, if MEDICINOVA has not advised ANGIOGENE of its intention to initiate and prosecute, or defend, such action, ANGIOGENE shall have the right to initiate and prosecute, or defend, such action.

7.5. Patent Term Extensions and Supplemental Protection Certificates. The Parties shall cooperate in obtaining patent term extensions or supplemental protection certificates or their equivalents in any country in the Territory where applicable and where desired by MEDICINOVA. If elections with respect to obtaining such extension or supplemental protection certificates are to be made, MEDICINOVA shall have the right to make the election and ANGIOGENE shall abide by such election. All costs incurred relating to the activities under this Section 7.5 shall be borne by MEDICINOVA provided that all of such costs paid by MEDICINOVA shall be creditable against any amounts otherwise payable by MEDICINOVA to ANGIOGENE under Section 5.3.1 or 5.3.2 of this Agreement.

ARTICLE VIII
TERM AND TERMINATION

8.1. Term and Expiration. This Agreement shall be effective as of the Effective Date and unless terminated earlier pursuant to Section 8.2 and 8.3 below, the term of this Agreement shall continue in effect until expiration of all royalty obligations hereunder.

8.2. Termination by Notice. Notwithstanding anything contained herein to the contrary, MEDICINOVA shall have the right to terminate this Agreement at any time by giving thirty (30) days advance written notice to ANGIOGENE. Except as set forth in this Agreement, in the event of such termination, (i) the rights and obligations hereunder, excluding any payment obligation that has accrued as of the termination date and excluding rights and obligations relating to confidentiality, shall terminate immediately, and (ii) the provisions of Section 8.4 shall be applicable.

8.3. Termination.

8.3.1. Termination for Cause. Either Party may terminate this Agreement by notice to the other Party at any time during the term of this Agreement as follows:

(a) if the other Party is in breach of any material obligation hereunder by causes and reasons within its control, or has breached, in any material respect, any representations or warranties set forth in Article VI, and has not cured such breach within ninety (90) days after notice requesting cure of the breach, provided, however, that if the breach is not capable of being cured within ninety (90) days of such written notice, the Agreement may not be terminated so long as the breaching Party commences and is taking commercially reasonable actions to cure such breach as promptly as practicable; or

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(b) upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party; provided, however, in the case of any involuntary bankruptcy, reorganization, liquidation, receivership or assignment proceeding such right to terminate shall only become effective if the Party consents to the involuntary proceeding or such proceeding is not dismissed within ninety (90) days after the filing thereof.

8.3.2. Licensee Rights Not Affected.

(a) In the event MEDICINOVA terminates this Agreement under Section 8.3.1(b), or this Agreement is otherwise terminated under Section 8.3.1(b), or ANGIOGENE is a debtor in a bankruptcy proceeding, whether voluntary or involuntary, all rights and licenses granted pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of 11 U.S.C. §101 et seq. (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that MEDICINOVA and ANGIOGENE shall retain and may fully exercise all of their respective rights, remedies and elections under the Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against ANGIOGENE under the Bankruptcy Code, MEDICINOVA shall be entitled to all applicable rights under Section 365 of the Bankruptcy Code, including but not limited to, entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property upon written request therefor by MEDICINOVA.

(b) In the event MEDICINOVA is a debtor in a bankruptcy proceeding, whether voluntary or involuntary, all rights and licenses granted pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365 of the Bankruptcy Code, executory contracts. The Parties agree that applicable law does not excuse ANGIOGENE from accepting performance by, or rendering performance under this Agreement and all rights and licenses granted hereunder to, a person or entity other than MEDICINOVA.

8.4. Effect of Expiration or Termination. Except as set forth in this Agreement, in the event of termination of this Agreement, the rights and obligations hereunder, excluding any payment obligation that has accrued as of the termination date and excluding rights and obligations relating to confidentiality, shall terminate immediately, except that MEDICINOVA and its Affiliates and sublicensees shall have the right to sell or otherwise dispose of the stock of any Product subject to this Agreement then on hand or in process of manufacture. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to

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such expiration or termination. In addition to any other provisions of this Agreement which by their terms continue after the expiration of this Agreement, the provisions of Article IV shall survive the expiration or termination of this Agreement and shall continue in effect for seven (7) years from the date of expiration or termination. In addition, any other provision required to interpret and enforce the Parties' rights and obligations under this Agreement shall also survive, but only to the extent required for the full observation and performance of this Agreement. Any expiration or early termination of this Agreement shall be without prejudice to the rights of any Party against the other accrued or accruing under this Agreement prior to termination. Except as expressly set forth herein, the rights to terminate as set forth herein shall be in addition to all other rights and remedies available under this Agreement, at law, or in equity, or otherwise.

8.5. Consequences of Termination. Upon termination of this Agreement pursuant to Section 8.2 or upon termination by ANGIOGENE pursuant to Section 8.3.1(a) MEDICINOVA shall, if requested to do so in writing by ANGIOGENE, license to ANGIOGENE or its designee all INDs, NDAs or then existing Regulatory Approvals obtained and controlled by MEDICINOVA or its Affiliates to make, have made use and sell Product, on commercially reasonable terms to be negotiated in good faith between the Parties. In the event of termination of this Agreement by MEDICINOVA pursuant to Section 8.2 or by ANGIOGENE pursuant to Section 8.3.1 (a) prior to the initiation of a Phase 2 clinical trial on Product, the foregoing license from MEDICINOVA to ANGIOGENE shall be royalty-free.

ARTICLE IX
MISCELLANEOUS

9.1. Force Majeure. Neither Party shall be held liable or responsible to the other Party nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement during the period of time when such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including, but not limited to, fire, flood, embargo, war, acts of war (whether war be declared or not), insurrection, riot, civil commotion, strike, lockout or other labor disturbance, act of God or act, omission or delay in acting by any governmental authority or the other Party. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practicable.

9.2. Assignment. The Agreement may not be assigned or otherwise transferred without the prior written consent of the other Party; provided, however, that MEDICINOVA may assign this Agreement to an Affiliate or in connection with the transfer or sale of its business or all or substantially all of its assets related to Compound or Product or in the event of a merger, consolidation, change in control or similar corporate transaction.[cannot agree to consent in this situation]. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

9.3. Severability. In the event that any of the provisions contained in this Agreement are held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby,

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unless the absence of the invalidated provision(s) adversely affect the substantive rights of the Parties. In such event, the Parties shall replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

9.4. Notices. All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to MEDICINOVA to:

MEDICINOVA, INC.
4540 Towne Centre Court
San Diego, CA 92121
United States
Attention: Takashi Kiyoizumi, M.D., Ph.D.
Tel: 858.373.1500
Fax: 858.373.7000

if to ANGIOGENE to:

ANGIOGENE PHARMACEUTICALS LTD.
Magdalen Centre
The Oxford Science Park
Oxford OX4 4GA
United Kingdom
Attention: Chief Executive Officer
Tel: 011. 44 1865 784660
Fax: 011.44 1865 784661

or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance herewith. Any such communication shall be deemed to have been given when delivered if personally delivered or sent by facsimile on a Business Day, upon confirmed delivery by nationally-recognized overnight courier if so delivered and on the third Business Day following the date of mailing if sent by registered or certified mail.

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9.5. Applicable Law. The Agreement shall be governed by and construed in accordance with the laws of the United States of America and State of New York without reference to any rules of conflict of laws.

9.6. Dispute Resolution.

(a) The Parties agree to attempt initially to solve all claims, disputes, or controversies arising under, out of, or in connection with this Agreement (a "Dispute") by conducting good faith negotiations. Any Disputes which cannot be resolved by good faith negotiation within twenty (20) Business Days, shall be referred, by written notice from either Party to the other, to the Chief Executive Officer of each Party. Such Chief Executive Officers shall negotiate in good faith to achieve a resolution of the Dispute referred to them within twenty (20) Business Days after such notice is received by the Party to whom the notice was sent. If the Chief Executive Officers are unable to settle the Dispute between themselves within twenty (20) Business Days, they shall so report to the Parties in writing. The Dispute shall then be referred to mediation as set forth in the following subsection (b).

(b) Upon the Parties receiving the Chief Executive Officers' report that the Dispute referred to them pursuant to subsection (a) has not been resolved, the Dispute shall be referred to mediation by written notice from either Party to the other. The mediation shall be conducted pursuant to the LCIA Mediation Procedure. The place of the mediation shall be New York, New York, United States and the language of the mediation shall be English. If the Parties have not reached a settlement within twenty (20) Business Days of the date of the notice of mediation, the Dispute shall be referred to arbitration pursuant to subsection (c) below.

(c) If after the procedures set forth in subsections (a) and (b) above, the Dispute has not been resolved, a Party shall decide to institute arbitration proceedings, it shall give written notice to that effect to the other Party. The Parties shall refrain from instituting the arbitration proceedings for a period of sixty (60) days following such notice. During such period, the Parties shall continue to make good faith efforts to amicably resolve the dispute without arbitration. If the Parties have not reached a settlement during that period the arbitration proceedings shall go forward and be governed by the LCIA Arbitration Rules then in force. Each such arbitration shall be conducted by a panel of three arbitrators: one arbitrator shall be appointed by each of MEDICINOVA and ANGIOGENE and the third arbitrator, who shall be the Chairman of the tribunal, shall be appointed by the two-Party appointed arbitrators. Any such arbitration shall be held in New York, New York, U.S.A. and the language of the arbitration shall be English.

The tribunal shall issue its award within forty-five (45) days after the date on which the arbitration proceedings have closed. The arbitrators shall have the authority to grant specific performance. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Each Party

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shall bear its own costs and expenses incurred in connection with any arbitration proceeding and the Parties shall equally share the cost of the mediation and arbitration levied by the LCIA.

Any mediation or arbitration proceeding entered into pursuant to this Section 9.5 shall be conducted in the English language. Subject to the foregoing, for purposes of this Agreement, each Party consents, for itself and its Affiliates, to the jurisdiction of the courts of the State of New York, county of New York and the U.S. District Court for the Southern District of New York.

9.7. Entire Agreement. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly merged in and made a part of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by all Parties hereto.

9.8. Independent Contractors. It is expressly agreed that the Parties shall be independent contractors and that the relationship between the Parties shall not constitute a partnership, joint venture or agency. Neither Party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of such other Party.

9.9. Waiver. The waiver by a Party hereto of any right hereunder or the failure to perform or of a breach by another Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

9.10. Headings. The captions to the several Articles and Sections hereof are not a part of the Agreement, but are merely guides or labels to assist in locating and reading the several Articles and Sections hereof.

9.11. Counterparts. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

ANGIOGENE PHARMACEUTICALS LTD.

By: /s/ Peter Davis
Name: Peter Davis, Ph.D.
Title: Chief Executive Officer

MEDICINOVA, INC.

By: /s/ Takashi Kiyoizumi
Name: Takashi Kiyoizumi, M.D., Ph.D.
Title: President and Chief Executive Officer

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SCHEDULE 1.25

NOS PATENT ASSETS

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SCHEDULE 1.27

PATENT ASSETS

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SCHEDULE 1.37

SPLIT DOSE PATENT ASSETS

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SCHEDULE 1.40

SYNTHESIZED COMPOUNDS

[**]

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SCHEDULE 3.2

RESEARCH COMMITTEE REPRESENTATIVES

For ANGIOGENE

PETER DAVIS, PH.D.

GRAEME J. DOUGHERTY, PH.D.

For MEDICINOVA

TAKASH1 KIYOIZUMI, M.D.. PH.D

KENNETH W. LOCKE, PH.D.

ERI OSHIMA, M.D.

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SCHEDULE 4.2

FORM OF PRESS RELEASE

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Hilary Michels
Director
The Townsend Agency
(858) 457-4888 x 158
hmichels@townsendagency.com

MEDICINOVA ACQUIRES WORLDWIDE RIGHTS TO NOVEL SERIES OF VASCULAR TARGETING AGENTS FOR THE TREATMENT OF CANCER

MediciNova to advance ANG 600 series into Phase 1 clinical program

SAN DIEGO – June XX, 2002– MediciNova, Inc. today announced that it has acquired exclusive worldwide rights to a series of novel vascular targeting agents for cancer treatment from Angiogene Pharmaceuticals Ltd, Oxford U.K. The targeting agents, also known as the ANG 600 series, are currently in preclinical development.

In exchange for worldwide rights to the ANG 600 series, MediciNova will provide Angiogene with an up-front licensing payment, as well as milestone and royalty payments. MediciNova will be responsible for the future preclinical and clinical development, regulatory activities and commercialization of the ANG 600 series. The Company plans to initiate a Phase I clinical program for ANG 600 in 2003.

Vascular targeting agents have shown exciting activity in a number of solid tumor models. These agents interfere with the function of blood vessels in tumors and metastases, thereby impeding further tumor growth. A small number of compounds are currently in preclinical and early clinical development for the treatment of solid tumors such as breast, lung and colorectal cancer.

“Angiogene is a pioneer of vascular targeting agent research,” said Takashi Kiyoizumi, M.D., Ph.D., president and chief executive officer of MediciNova. The ANG 600 series of compounds shows significant potency in inducing tumor necrosis by selectively damaging tumor vasculature. To date, there are only a few vascular targeting agents in preclinical and clinical development. In various preclinical animal models, the ANG 600 series of compounds consistently demonstrated stronger effects over the earlier generation of compounds,” Dr. Kiyoizumi said.

Peter Davis, Ph.D., chief executive officer of Angiogene, said, The concept of vascular targeting has recently received substantial validation in clinical studies. The ANG 600 compounds represent a completely new structural class of vascular targeting agents with promising preclinical activity. We are pleased to be working with MediciNova, a company that can provide the focus, commitment and resources to drive these novel compounds through clinical trials.”

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About Angiogene

Angiogene Pharmaceuticals Ltd. is a privately owned company focused on the generation of innovative therapies for diseases that involve angiogenesis. Based in the UK, Angiogene conducts research in the UK and in North America. Current research programs include both small-molecule research and gene therapy approaches. For more information about Angiogene, please visit the Company's Web site at http://www.angiogene.co.uk

About MediciNova

MediciNova, Inc., located in San Diego, California, was established in September 2000. MediciNova's mission is to address unmet medical needs through the discovery, development and commercialization of innovative therapeutic agents to treat inflammatory diseases and cancer. MediciNova currently focuses its efforts on advancing a portfolio of programs built primarily through collaborations and technology acquisitions.

To date, MediciNova, a privately held company, has raised $10 million through Tanabe Seiyaku, the oldest pharmaceutical company in Japan with annual sales of $1.8 billion. MediciNova's growing pipeline includes MN-001, an asthma compound in Phase I clinical trials licensed from Kyorin Pharmaceutical Co., Ltd. MediciNova holds exclusive worldwide rights to MN-001, excluding Japan, China, Taiwan and Korea. MediciNova has also established a collaboration with the University of Tokyo in store-operated calcium (SOC) channel-based drug screening and discovery.

For more information about MediciNova, please visit the Company's Web site at http://www.medicinova.com.

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SCHEDULE 5.3.1

ROYALTY RATES

For Products sold in the U.S if Valid Claim exists, for each Royalty Year:

Annual Net Sales	**Royalty Rate**
Annual Net Sales for the first USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]** but less than USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]**	**[**]**

For example, If Annual Net Sales in the U.S., is USD **[**]** royalty payment to ANGIOGENE shall be calculated as USD **[**]** x **[**]** plus USD **[**]** x **[**]** = USD **[**]**.

For Products sold in countries subject to Centralized Procedure if Valid Claim exists in such country, for each Royalty Year:

Annual Net Sales	**Royalty Rate**
Annual Net Sales for the first USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]** but less than USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]**	**[**]**

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SCHEDULE 5.3.1 (continued)

ROYALTY RATES

For Products sold in the Rest of the World if Valid Claim exists in such country, for each Royalty Year:

Annual Net Sales	Royalty Rate
Annual Net Sales for the first USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]** but less than USD **[**]**	**[**]**
For annual Net Sales more than USD **[**]**	**[**]**

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THIS LICENSE AGREEMENT effective as of June 1, 2003 ("Effective Date"), by and between RIKEN, a company organized and existing under the laws of Japan having its registered office at 2-1 Hirokawa, Wako-shi, Saitama 351-0198, Japan ("RIKEN"), Dr. Katsuhiko Mikoshiba, an individual having an address at 2-19-25 Inokashira, Mitaka, Tokyo, Japan ("MIKOSHIBA") and MediciNova, Inc., a corporation organized and existing under the laws of the State of Delaware, United States, and having its principal office at 4370 La Jolla Village Drive, Suite 400, San Diego, CA 92122 United States ("MEDICINOVA").

W I T N E S S E T H:

WHEREAS, LICENSORS are the sole owners of the Patent Assets (as defined herein);

WHEREAS, MEDICINOVA desires to obtain exclusive license rights, with rights to grant sublicenses, under the Patent Assets and LICENSORS desire to grant such licenses to MEDICINOVA, upon the terms and conditions set forth herein; and

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Unless specifically set forth to the contrary herein, the following terms, where used in the singular or plural, shall have the respective meanings set forth below:

1.1. "Affiliate" shall mean (i) any corporation or business entity of which more than fifty percent (50%) of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a Party; (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds more than fifty percent (50%) (or the maximum ownership interest permitted by law) of the securities or other ownership interests representing the equity, voting stock or general partnership interest of a Party or (iii) any corporation or business entity of which a Party has the

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right to acquire, directly or indirectly, at least fifty percent (50%) of the securities or other ownership interests representing the equity, voting stock or general partnership interest thereof.

1.2. "Business Day(s)" means any day that is not a Saturday or a Sunday or a day on which the New York Stock Exchange is closed.

1.3. "Calendar Quarter" shall mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.4. "Calendar Year" shall mean each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.5. "Centralized Procedure" shall mean the European Union Centralized Procedure for marketing authorization in accordance with Council Regulation n° 2309/93 of July 22, 1993 or any successor regulations.

1.6. "CFR" shall mean the United States Code of Federal Regulations.

1.7. "Compound" shall mean IP3-binding polypeptides and their homologs or analogs.

1.8. "Dominating Patent" shall mean an unexpired patent which has not been invalidated by a court or other governmental agency of competent jurisdiction which is owned by a Third Party and which MEDICINOVA or its sublicensees reasonably believe they have no commercially reasonable alternative to obtaining a royalty-bearing license under such patent in order to commercialize a Product under this Agreement.

1.9. "End of Phase 2 Meeting" shall mean the first end of Phase 2 meeting with the FDA, as defined in 21 CFR Section 312.47, intended to determine the safety of proceeding to Phase 3, evaluate the Phase 3 plan and protocols and identify any additional information necessary to support an NDA for Product.

1.10. "Effective Date" shall mean the date first above written.

1.11. "Europe" shall mean the United Kingdom, France, Germany and Italy.

1.12. "FDA" shall mean the United States Food and Drug Administration and any successor agency having substantially the same functions.

1.13. "Field" means all uses, excluding the use of assay kits for assaying IP3 and/or the capacity of a substance to bind to IP3.

1.14. "First Commercial Sale" shall mean the first sale of Product in any country in the Territory by MEDICINOVA, its Affiliates or its sublicensee(s), for end use or consumption, after all required approvals have been granted by the governing health authority of such country.

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1.15. "GAAP" means generally accepted accounting principles in the United States.

1.16. "Improvement" shall mean any and all improvements and enhancements, including any changes or modifications to the subject matter disclosed in the Patent Assets and any methods, processes, compositions therein and thereto patentable or otherwise, related to the Compound or Product including, without limitation, any change or modification in the manufacture, formulation, ingredients, preparation, presentation, means of delivery or administration, dosage, indication, use or packaging of Compound or Product.

1.17. "IND" shall mean an investigational new drug application and any amendments thereto relating to the use of Product in the United States or the equivalent application in any other regulatory jurisdiction in the Territory, the filing of which is necessary to commence clinical testing of pharmaceutical products in humans.

1.18. "Inventor" shall mean MIKOSHIBA or those under MIKOSHIBA's direction and control.

1.19. "LICENSORS" shall mean RIKEN and MIKOSHIBA; LICENSOR shall mean either RIKEN or MIKOSHIBA.

1.20. "NDA" shall mean a new drug application filed with the FDA for marketing authorization of a Product in the United States or, if the context so indicates, a corresponding submission under the Centralized Procedure or with the Japanese Ministry of Health and Welfare, and any amendments and supplements thereto.

1.21. "Net Sales" shall mean the actual gross amount invoiced for the commercial sale of Product in the Territory commencing upon the date of First Commercial Sale, after deducting, in accordance with GAAP, the following:

(i) trade, cash and quantity discounts;

(ii) allowances for product returns, including allowances for rejected Product, or spoilage or recalled Product;

(iii) rebates and chargebacks;

(iv) retroactive price reductions;

(v) sales or excise taxes, VAT or other taxes, and transportation and insurance charges and additional special transportation, custom duties, and other governmental charges;

(vi) rebates or similar payments paid in connection with sales of Product to any governmental or regulatory authority in respect of

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any state or federal Medicare, Medicaid or similar programs in any country of the Territory; and

(vii) write-offs or allowances for bad debts.

Sales or other transfers between MEDICINOVA and its Affiliates shall be excluded from the computation of Net Sales and no payments will be payable on such sales or transfers except where such Affiliates are end users, but Net Sales shall include the subsequent sales to Third Parties by such Affiliates.

1.22. "Party" shall mean RIKEN, MIKOSHIBA or MEDICINOVA.

1.23. "Patent Assets" shall mean (i) **[**]**, (ii) any Japanese, U.S., international and foreign patent applications claiming priority benefits of a patent application listed in part (i) above, including, but not limited to, conversions, continuing prosecution applications, requests for continuing examination, divisional applications, substitutions, re-examinations, continuations, and continuations-in-part; (iii) all Japanese, U.S., international and foreign patents issuing from patent applications listed in parts (i) or (ii) above; and (iv) all reissues, renewals, supplemental certificates of protection and extensions of patents issuing from patents listed in part (iii) above, in each case which are owned or co-owned by LICENSOR(S) and which relate to Compound or Product or Improvements which are developed, produced, conceived or invented by Inventor; including but not limited to the patents and patent applications listed on Schedule 1.23 hereto, and any counterparts thereof which have been or may be filed in other countries.

1.24. "Phase 1 Clinical Trial" shall mean the clinical trial in which Product is initially introduced into humans.

1.25. "Phase 3 Clinical Trial" means a clinical trial conducted after an End of Phase 2 Meeting on a sufficient number of patients that is designed to establish that Product is safe and efficacious for its intended use, and to define warnings, precautions and adverse reactions that are associated with the Product in the dosage range to be prescribed, and supporting marketing authorization or label expansion of Product.

1.26. "Product" shall mean any product in final form for commercial sale by prescription, over-the-counter, or by any other method (or, where the context so indicates, the product being tested in clinical trials), which contains Compound as at least one of the therapeutically active ingredients, in all final dosage forms and package configurations for any indication, or any line extension thereof, in the Field.

1.27. "Proprietary Information" shall mean any and all scientific, clinical, regulatory, marketing, financial and commercial information or data, whether communicated in writing, orally or by any other means, which is owned and under the protection of one Party and is being provided by that Party to the other Party in connection with this Agreement.

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1.28. "Regulatory Approval" means all approvals (including pricing and reimbursement approvals required for marketing authorization), product and/or establishment licenses, registrations or authorizations of all regional, federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, import, export, transport and sale of Product in a regulatory jurisdiction.

1.29. "Riken/Mikoshiba Agreement" shall mean that agreement between RIKEN and MIKOSHIBA dated as of **[**]**, a complete copy of which, together with an English translation thereof, is attached hereto as Exhibit 1.29.

1.30. "Royalty Year" shall mean, (i) for the year in which the First Commercial Sale occurs, the period commencing with the first day of the Calendar Quarter in which the First Commercial Sale occurs (the "Commencement Date") and expiring on the last day of the Calendar Quarter that ends twelve (12) months after the Commencement Date and (ii) for each subsequent year, each successive twelve (12) month period.

1.31. "SEC" shall mean the United States Securities and Exchange Commission, or any successor agency.

1.32. "Territory" shall mean all of the countries and territories in the world.

1.33. "Third Party(ies)" shall mean a person or entity who or which is neither a Party nor an Affiliate of a Party.

1.34. "Valid Claim" means a claim of an issued and unexpired patent included within the Patent Assets, which has not been revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

ARTICLE II
LICENSE; SUBLICENSES

2.1. Exclusive License Grant. In consideration of and subject to the terms and conditions of this Agreement, LICENSORS hereby grant to MEDICINOVA an exclusive (even as to LICENSORS), worldwide license under the Patent Assets to develop, make, have made, use, import, offer for sale, market, commercialize, distribute and sell and otherwise dispose of Compound and Product in the Field and, outside the Field, to use the Patent Assets for research and development purposes and not for commercial purposes. The exclusive license granted under this Section 2.1 includes the right to grant sublicenses. LICENSORS reserve the right to practice the Patent Assets for their own internal research and educational purposes; provided, however, that such use is for non-commercial academic purposes only and for no other purpose, and subject to the provisions of Section 2.2 below.

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2.2. Improvements. Title to any Improvement conceived, developed, discovered and/or reduced to practice solely by MEDICINOVA in connection with the license granted under Section 2.1 above shall be vested solely in MEDICINOVA; provided, however, that LICENSORS shall have the right to use MEDICINOVA Improvements for their own internal research and educational purposes provided, that (i) such use is for non-commercial academic purposes only and for no other purpose and (ii) LICENSORS' shall promptly notify MEDICINOVA of any intellectual property, discovery or invention, once conceived and/or reduced to practice by LICENSORS in the course of conducting or performing such non-commercial activity relating to MEDICINOVA Improvements. Any interest LICENSORS may have in any patents or patent applications that may embody, disclose or claim such further intellectual property, discovery or invention relating to MEDICINOVA Improvements shall automatically become part of the Patent Assets at no additional cost to MEDICINOVA and any interest LICENSORS may have in any Improvements that are not embodied, disclosed or claimed in any patents or patent applications shall be non-exclusively licensed, free of charge, to MEDICINOVA for application to Compound or Product during the term of this Agreement

2.3. Sublicenses. MEDICINOVA shall have the right to grant sublicenses of any and all rights licensed to MEDICINOVA by LICENSORS under this Agreement to Affiliates or any Third Party in the Territory. In the event of such a sublicense by MEDICINOVA to a Third Party of any rights licensed to MEDICINOVA by LICENSORS under Section 2.1 of this Agreement, the provisions of Section 5.3.2 of this Agreement shall be applicable. MEDICINOVA shall inform RIKEN of the grant of any such sublicenses and shall promptly provide copies thereof to RIKEN.

ARTICLE III
RESEARCH, DEVELOPMENT AND COMMERCIALIZATION

3.1. Exchange of Information. Within sixty (60) days after execution of this Agreement, LICENSORS shall disclose to MEDICINOVA in English and in writing all Patent Assets not previously available or made available to MEDICINOVA. Throughout the term of this Agreement, and in addition to the other communications required under this Agreement, LICENSORS shall also promptly disclose to MEDICINOVA in English and in writing on an ongoing basis all Patent Assets, and any and all additions or revisions thereto.

3.2. Diligence; Development and Commercialization. MEDICINOVA shall use commercially reasonable efforts to develop and commercialize Product, including the preparation and filing of regulatory submissions. As used herein, "commercially reasonable efforts" shall mean efforts and resources normally used by MEDICINOVA for a product owned by it or to which it has exclusive rights, which is of similar market potential at a similar stage in its development or product life, taking into account issues of safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the compound or product, the regulatory and reimbursement structure involved, the profitability of the applicable products, and other relevant factors. The obligations set forth in this Section 3.2 are expressly conditioned upon the absence of any serious adverse conditions relating to the safety or efficacy of

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Compound or Product including the absence of any action by any regulatory authority limiting the development or commercialization of Compound or Product.

3.3. Regulatory Matters.

(a) MEDICINOVA shall own, control and retain primary legal responsibility for the preparation, filing and prosecution of all filings and regulatory applications required to obtain authorization to commercially develop, sell and use Product in the Territory. MEDICINOVA shall promptly notify RIKEN upon the receipt of Regulatory Approvals and of the date of First Commercial Sale.

(b) RIKEN or MIKOSHIBA, as applicable, shall transfer to MEDICINOVA as soon as practicable after the Effective Date any regulatory filings relating to Compound or Product owned or controlled by such LICENSOR, and LICENSORS shall allow MEDICINOVA to cross reference any regulatory filing owned or controlled by either LICENSOR relating to Compound or Product. Upon MEDICINOVA's request, LICENSORS shall consult and cooperate with MEDICINOVA in connection with obtaining regulatory approval of Product.

3.4. Trademark. MEDICINOVA shall select, own and maintain trademarks for Product in the Territory

3.5. Adverse Events. Each Party shall promptly furnish to the other Parties hereto all information of which such Party becomes aware concerning safety or utility of Compound or Product, such as adverse or unexpected side effects, injury or other events associated with uses, studies, investigations or tests of Compound or Product whether or not such Party is required to report such information to any regulatory authority and whether or not such event is determined to be attributable to Compound or Product. MEDICINOVA'S obligation under this Section 3.5 shall be satisfied by MEDICINOVA providing such information to RIKEN.

ARTICLE IV
CONFIDENTIALITY AND PUBLICITY

4.1. Non-Disclosure and Non-Use Obligations. All Proprietary Information disclosed by one Party to the other Party hereunder shall be maintained in confidence and shall not be disclosed to any Third Party or used for any purpose except as expressly permitted herein without the prior written consent of the Party that disclosed the Proprietary Information to the other Party during the term of this Agreement and for a period of five years thereafter. The foregoing non-disclosure and non-use obligations shall not apply to the extent that such Proprietary Information:

(a) is lawfully known by the receiving Party at the time of its receipt, and not through a prior disclosure by the disclosing Party, as documented by business records;

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(b) is or becomes properly in the public domain or knowledge otherwise than as a result of breach of this Agreement by the receiving Party;

(c) is subsequently disclosed to a receiving Party by a Third Party who may lawfully do so and is not under an obligation of confidentiality to the disclosing Party; or

(d) is developed by the receiving Party independently of Proprietary Information received from the other Party, as documented by research and development records.

4.2. Permitted Disclosure of Proprietary Information. Notwithstanding Section 4.1, a Party receiving Proprietary Information of another Party may disclose such Proprietary Information:

(a) to governmental or other regulatory agencies in order to obtain patents pursuant to this Agreement, or to gain approval to conduct clinical trials or to market Product, but such disclosure may be only to the extent reasonably necessary to obtain such patents or authorizations;

(b) by each of MEDICINOVA or LICENSORS to its respective agents, consultants, Affiliates, MEDICINOVA's sublicensees and/or other Third Parties ("Disclosees") for the research and development, manufacturing and/or marketing of the Compound and/or Product (or for such parties to determine their interests in performing such activities) on the condition that such Disclosees agree to be bound by the confidentiality obligations consistent with this Agreement; or

(c) if and to the extent required to be disclosed by law or court order, provided that notice is promptly delivered to the non-disclosing Party in order to provide an opportunity to challenge or limit the disclosure obligations; provided, however, without limiting any of the foregoing, it is understood that MEDICINOVA or its Affiliates may make disclosure of this Agreement and the terms hereof in any filings required by SEC, may file this Agreement as an exhibit to any filing with the SEC and may distribute any such filing in the ordinary course of its business.

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4.3 Publication. In the event either Party or any Affiliate of or consultant or contractor to either Party wishes to make a written or oral publication relating to Compound or Product, it shall deliver to the other Party a copy of the proposed written publication or an outline of the proposed oral disclosure at least thirty (30) Business Days prior to submission or presentation, such that any issue of patent protection can be resolved in accordance with the terms of this Agreement. Delivery of such material to RIKEN by MEDICINOVA shall satisfy MEDICINOVA'S obligations to deliver to LICENSORS under this Section 4.3.

ARTICLE V
PAYMENTS; ROYALTIES AND REPORTS

5.1. License Fee. In consideration of the rights granted by LICENSORS hereunder, MEDICINOVA shall pay to RIKEN, on behalf of RIKEN and MIKOSHIBA, **[**]**, payable within ten (10) days after the Effective Date. The Parties agree that this amount includes reimbursement of certain patent costs related to the Patent Assets previously incurred by LICENSORS.

5.2. Milestone Payments. Subject to the terms and conditions contained in this Agreement, and in further consideration of the rights granted by LICENSORS hereunder, MEDICINOVA shall pay to RIKEN, on behalf of RIKEN and MIKOSHIBA, the following milestone payments, contingent upon occurrence of the specified event, with each milestone payment to be made no more than once with respect to the achievement of such milestone, but payable the first time such milestone is achieved:

(a) US **[**]** upon the commencement (first dosing of the first patient) of the first Phase 1 Clinical Trial in the United States;

(b) US **[**]** upon the commencement (first dosing of the first patient) of the first Phase 3 Clinical Trial in the United States;

(c) US **[**]** upon the FDA's first acceptance for filing of an NDA;

(d) US **[**]** upon receipt of first written Regulatory Approval by the FDA;

(e) US **[**]** upon receipt of first written Regulatory Approval in Europe; and

(f) US **[**]** upon receipt of first written Regulatory Approval by the Ministry of Health, Labour and Welfare (or any successor agency having substantially the same functions) in Japan.

MEDICINOVA shall notify RIKEN in writing within thirty (30) days after the achievement of each milestone, and such notice shall be accompanied by payment of the appropriate milestone payment. The payments described in this Section 5.2 shall be payable only upon the initial achievement of each milestone, and no amounts shall be due hereunder for any subsequent or

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repeated achievement of such milestones, regardless of the number of Products for which such milestone may be achieved.

5.3. Royalties and Other Payments.

5.3.1. Royalties Payable By MEDICINOVA.

(a) Subject to the terms and conditions of this Agreement, and in further consideration of the rights granted by LICENSORS hereunder, except as otherwise provided herein, MEDICINOVA shall pay to RIKEN, on behalf of RIKEN and MIKOSHIBA, the following percentages of royalties on Net Sales in each Royalty Year by MEDICINOVA and its Affiliates if the manufacture, use or sale of such Product would, absent the license granted hereunder, infringe one or more Valid Claims in the applicable country:

(i) **[**]** of Net Sales equal to or less than US**[**]**;

(ii) **[**]** of Net Sales greater than US**[**]** and less than or equal to US**[**]**; and

(iii) **[**]** of Net Sales greater US**[**]**.

(b) Royalties on Net Sales at the rates set forth in Schedule 5.3.1(a) shall accrue as of the date of First Commercial Sale of Product in the applicable country and shall continue and accrue on Net Sales on a country-by-country basis until the last date on which the manufacture, use or sale of such Product would, absent the license granted hereunder, infringe one or more Valid Claims in such country. Thereafter, MEDICINOVA shall be relieved of any royalty payment under this Section 5.3.

(c) The payment of royalties set forth above (or any payments required by Section 5.3.2 of this Agreement) shall be subject to the following conditions:

(i) only one payment shall be due with respect to the same unit of Product and no multiple royalties shall be payable because any Product, or its manufacture, sale or use is covered by more than one Valid Claim;

(ii) no royalties shall accrue on the disposition of Product by MEDICINOVA, Affiliates or sublicensees as samples (promotion or otherwise) or as donations (for example, to non-profit institutions or government agencies) or for clinical trials; and

(iii) RIKEN shall be responsible for payment of, shall pay and shall indemnify MEDICINOVA against any liability or claim for, any royalties or other payments, obligations or amounts owed to MIKOSHIBA as a result of the rights granted by RIKEN and/or MIKOSHIBA and the payments made by MEDICINOVA to RIKEN under this Agreement. RIKEN shall also be responsible for payment of, shall pay and shall indemnify MEDICINOVA against any

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liability or claim for, any royalties or other payments, obligations or amounts owed to any Third Parties as a result of the rights granted by RIKEN and/or MIKOSHIBA under this Agreement.

5.3.2. Payments in the Event of Sublicense. In the event MEDICINOVA enters into a sublicense with a Third Party or Third Parties under Section 2.3 of this Agreement of any rights licensed to MEDICINOVA by LICENSORS under Section 2.1 of this Agreement, then in lieu of MEDICINOVA paying to RIKEN the royalty payments set forth in Section 5.3.1 above, MEDICINOVA shall pay to RIKEN, on behalf of RIKEN and MIKOSHIBA, **[**]** of royalties received by MEDICINOVA from such sublicensee(s) (the "Sublicense Royalty Payments"). Payments shall be required under Section 5.3.2 for the same period set forth in Section 5.3.1(b) hereof.

5.3.3. Compulsory Licenses. If a compulsory license is granted to a Third Party with respect to Product in any country with a royalty rate lower than the royalty rate provided by Section 5.3.1, then the royalty rate to be paid by MEDICINOVA on Net Sales in that country under Section 5.3.1 shall be reduced to the rate paid by the compulsory Third Party licensee.

5.3.4. Third Party Licenses. If MEDICINOVA would be prevented from developing, making, having made, using, selling or importing Product included in the Patent Assets in any country of the Territory on the grounds that by doing so MEDICINOVA or any sublicensee would infringe a Dominating Patent or other patent rights held by a Third Party in said country, any royalties or other payments paid to such Third Party by MEDICINOVA in such country shall be creditable against the royalty or other payments payable to RIKEN by MEDICINOVA in such country.

5.3.5. Combination Product. Notwithstanding the provisions of Section 5.3.1, in the event a Product is sold as a combination product or kit with other biologically active components, Net Sales, for purposes of calculating royalty payments on the combination product, shall be calculated by multiplying the Net Sales of that combination product or kit by the fraction A/B, where A is the gross selling price of the Product sold separately and B is the gross selling price of the combination product or kit. If no such separate sales are made by MEDICINOVA or its Affiliates, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the combination product or kit by the fraction C/(C+D), where C (excluding the fully allocated cost of the other biologically active component in question) is the fully allocated cost of the Compound and D is the fully allocated cost of such other biologically active components.

5.4. Reports; Payment of Royalty. During the term of the Agreement for so long as royalty payments are due, MEDICINOVA shall furnish to RIKEN a quarterly written report for the Calendar Quarter showing the sales of all Products subject to royalty payments sold by MEDICINOVA and its Affiliates (or, if sales of Product were made by a sublicensee, the Sublicense Royalty Payments received from such sublicensee as a result of such sales) during the reporting period and the royalties payable under this Agreement. Reports shall be due on the sixtieth (60^{th}) day following the close of each Calendar Quarter. Royalties shown to have

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accrued by each royalty report, if any, shall be due and payable on the date such royalty report is due. MEDICINOVA shall keep complete and accurate records in sufficient detail to enable the royalties hereunder to be determined.

5.5. Audits. Upon the written request of RIKEN and not more than once in each Calendar Year, MEDICINOVA shall permit an independent certified public accounting firm selected by RIKEN and acceptable to MEDICINOVA to have access during normal business hours, upon ten-days notice to MEDICINOVA, to such of the records of MEDICINOVA as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any Royalty Year ending not more than twenty-four (24) months prior to the date of such request. The accounting firm shall disclose to RIKEN only whether the royalty reports are correct or incorrect and the specific details concerning any discrepancies.

5.5.1. If such accounting firm concludes that additional royalties were owed during such Royalty Year, MEDICINOVA shall pay the additional royalties within sixty (60) days of the date RIKEN delivers to MEDICINOVA such accounting firm's written report so concluding; provided however, that, in the event that MEDICINOVA shall not be in agreement with the conclusion of such report (a) MEDICINOVA shall not be required to pay such additional royalties and (b) such matter shall be resolved pursuant to the provisions of Section 9.5 herein. In the event such accounting firm or, if the matter is resolved in accordance with Section 9.5 herein, any arbitration award concludes that amounts were overpaid by MEDICINOVA during such period, RIKEN shall repay MEDICINOVA the amount of such overpayment within sixty (60) days of the date of delivery of such accounting firm's written report or the arbitration award so concluding. The fees charged by such accounting firm shall be paid by RIKEN; provided, however, that if an error in favor of RIKEN of more than the greater of (i) $100,000 or (ii) ten percent (10%) of the royalties due hereunder for the period being reviewed is discovered, then the fees and expenses of the accounting firm shall be paid by MEDICINOVA.

5.5.2. Upon the expiration of twenty-four (24) months following the end of any Royalty Year the calculation of royalties payable with respect to such Royalty Year shall be binding and conclusive upon RIKEN, and MEDICINOVA shall be released from any liability or accountability with respect to royalties for such year.

5.5.3. Each Party hereto shall treat all financial information subject to review under this Section 5.5 or under any sublicense agreement in accordance with the confidentiality provisions of this Agreement.

5.6. Payment Exchange Rate. All payments to RIKEN under this Agreement shall be made in United States dollars. In the case of sales outside the United States, the rate of exchange to be used in computing the amount of currency equivalent in United States dollars due RIKEN shall be calculated monthly in accordance with GAAP and based on the conversion rates published in the Wall Street Journal, Eastern edition.

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5.7. Tax Withholding. If laws, rules or regulations require withholding of income taxes or other taxes imposed upon payments set forth in this Article V, RIKEN shall provide MEDICINOVA, prior to any such payment, annually or more frequently if required, with all forms or documentation required by any applicable taxation laws, treaties or agreements to such withholding or as necessary to claim a benefit thereunder (including, but not limited to Form W-8BEN or any successor forms) and MEDICINOVA shall make such withholding payments as required and subtract such withholding payments from the payments set forth in this Article V. MEDICINOVA will use commercially reasonable efforts consistent with its usual business practices and cooperate with RIKEN to ensure that any withholding taxes imposed are reduced as far as possible under the provisions of the current or any future taxation treaties or agreements between foreign countries.

5.8. Exchange Controls. Notwithstanding any other provision of this Agreement, if at any time legal restrictions prevent the prompt remittance of part or all of the royalties with respect to Net Sales in any country, payment shall be made through such lawful means or methods as MEDICINOVA may determine. When in any country the law or regulations prohibit both the transmittal and deposit of royalties on sales in such a country, royalty payments shall be suspended for as long as such prohibition is in effect (and such suspended payments shall not accrue interest), and promptly after such prohibition ceases to be in effect, all royalties that MEDICINOVA or its Affiliates would have been obligated to transmit or deposit, but for the prohibition, shall be deposited or transmitted, as the case may be, to the extent allowable, (less any transactional costs). If the royalty rate specified in this Agreement should exceed the permissible rate established in any country, the royalty rate for sales in such country shall be adjusted to the highest legally permissible or government-approved rate.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

6.1. LICENSORS' Representations and Warranties. LICENSORS severally represent and warrant to MEDICINOVA that:

(a) With respect to the preparation and prosecution of Patent Assets, (i) LICENSORS and its agents have used all reasonable and predictable efforts to comply with applicable U. S., non-U.S., and International treaties, laws, articles and rules, including in each of its pending applications, where applicable, naming the proper inventors, satisfying its duty of candor, disclosing the best mode and otherwise complying with all the requirements of 35 U.S.C.112 and (ii) LICENSORS have no reason to believe that U.S. and non-U.S. claims would not be granted, which would include claims similar in scope to and directed to the subject matter recited in the claims of **[**]**, included in the Patent Assets as set forth in Schedule 1.23.

(b) this Agreement has been duly executed and delivered by LICENSORS and constitutes legal, valid, and binding obligations enforceable against LICENSORS in accordance with its terms;

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(c) as of the Effective Date, no approval, authorization, consent, or other order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by LICENSORS of this Agreement or the consummation by LICENSORS of the transactions contemplated hereby;

(d) as of the Effective Date, LICENSORS have the full corporate power and authority to enter into and deliver this Agreement, to perform and to grant the licenses granted under Article II hereof and to consummate the transactions contemplated hereby; all corporate acts and other proceedings required to be taken to authorize such execution, delivery, and consummation have been duly and properly taken and obtained;

(e) LICENSORS have not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Patent Assets nor have LICENSORS entered into any agreement with any Third Party that could prevent MEDICINOVA from exploiting, or that grants rights or is otherwise in conflict with, the rights granted to MEDICINOVA pursuant to this Agreement;

(f) LICENSORS are the sole and exclusive owners under the Patent Assets, all of which are owned free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental or university entity or subdivision thereof, including without limitation, the University of Tokyo, has any claim of ownership with respect to the Patent Assets, whatsoever;

(g) as of the Effective Date, the contemplated development, importation, manufacture, use, offer for sale and sale of Compound does not and will not infringe any patent rights owned or possessed by any Third Party;

(h) they have disclosed to MEDICINOVA all information known by them as of the Effective Date, that is reasonably believed by LICENSORS to be related to the Compound, Product, or Patent Assets and the activities contemplated under this Agreement;

(i) Schedule 1.23 is a complete and accurate list of all patents and patent applications included under Patent Assets as of the Effective Date;

(j) as of the Effective Date, there are no claims, judgments or settlements against or owed by LICENSORS or pending or, to the best of its knowledge, threatened claims or litigation relating to the Patent Assets;

(k) in connection with development of Compound, LICENSORS have complied in all material respects with applicable U.S. and Japanese laws and regulations;

(l) attached as Exhibit 1.29 is a true and complete copy of the Riken/Mikoshiba Agreement, including all exhibits and supplements thereto and modifications or amendments thereof. Neither RIKEN nor MIKOSHIBA is in default under or in breach of any terms or provisions of the Riken/Mikoshiba Agreement, and such agreement is in full force and effect as

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of the date hereof. During the term of this Agreement, neither RIKEN nor MIKOSHIBA shall amend, modify, terminate or cause a default under the Riken/Mikoshiba Agreement. Notwithstanding any provision in the Riken/Mikoshiba Agreement, each of RIKEN and MIKOSHIBA consent to the terms and conditions of this Agreement and, to the extent any of the terms and conditions of this Agreement are inconsistent with provisions of the Riken/Mikoshiba Agreement, the terms and conditions of this Agreement shall govern.

6.2. MEDICINOVA Representations and Warranties. MEDICINOVA represents and warrants to LICENSORS that as of the Effective Date:

(a) this Agreement has been duly executed and delivered by it and constitutes legal, valid, and binding obligations enforceable against it in accordance with its terms;

(b) it has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All corporate acts and other proceedings required to be taken to authorize such execution, delivery, and consummation have been duly and properly taken and obtained; and

(c) no approval, authorization, consent, or other order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by it of this Agreement or the consummation by it of the transactions contemplated hereby.

6.3. Effect of Representations and Warranties.

It is understood that if the representations and warranties made by a party under this Article 6 are not true and accurate, and the other party incurs damages, liabilities, costs or other expenses as a result, the Party making such representations and warranties shall indemnify and hold the other party harmless from and against any such damages, liabilities, costs or other expenses incurred as a result.

ARTICLE VII
PATENT MATTERS

7.1. Filing, Prosecution and Maintenance of Patent Applications or Patents included in Patent Assets. RIKEN shall have the initial right and responsibility to file, prosecute and maintain the Patent Assets in the name of LICENSORS using agents and/or attorneys reasonably acceptable to MEDICINOVA. RIKEN shall be responsible for the payment of forty percent (40%) and MEDICINOVA shall be responsible for the payment of sixty percent (60%) of all patent prosecution and maintenance costs. RIKEN shall keep MEDICINOVA fully informed of all matters relating to the filing, prosecution and maintenance of the Patent Assets including providing MEDICINOVA with copies of substantive communications, search reports and third party observations submitted to or received from patent offices throughout the Territory and shall give MEDICINOVA the opportunity to review and comment on any of the foregoing. If RIKEN

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elects not to prosecute or maintain a patent application or patent included in the Patent Assets in any country, it shall provide MEDICINOVA with written advance notice sufficient to avoid any loss or forfeiture, and MEDICINOVA shall have the right, at its sole expense, to prosecute or maintain such patent application or patent in such country. Following receipt of such notice, upon request of MEDICINOVA, RIKEN and MIKOSHIBA shall assign to MEDICINOVA such patent application or patent that is proposed to be abandoned or otherwise caused or allowed to lapse or be forfeited, for no further consideration. Thereafter, MEDICINOVA'S royalty obligations related to such patent application or patent in such country shall terminate and such patent application or patent in such country shall no longer be deemed a Patent Asset.

7.2. Patent Office Proceedings. Each Party shall inform the other Party of any request for, filing, or declaration of any proceeding before a patent office seeking to protest, oppose, cancel, reexamine, declare an interference proceeding, initiate a conflicts proceeding, or analogous process involving a patent application or patent included in the Patent Assets. Each Party thereafter shall cooperate fully with the other with respect to any such patent office proceeding. Each Party will provide the other with any information or assistance that is reasonable. Each Party will bear its own costs.

7.3. Enforcement and Defense.

(a) Each Party shall promptly (and in any event within 20 Business Days) give the other Parties notice of any infringement in the Territory of any patent application or patent included in the Patent Assets that comes to such Party's attention. The Parties will thereafter consult and cooperate fully to determine a course of action, including, without limitation, the commencement of legal action by any Party. However, MEDICINOVA shall have the first right to initiate and prosecute such legal action at its own expense and in the name of RIKEN, MIKOSHIBA and/or MEDICINOVA, or to control the defense of any declaratory judgment action relating to the Patent Assets. MEDICINOVA shall have a period of 40 Business Days from becoming aware of any such infringement to inform RIKEN if MEDICINOVA elects not to exercise such first right. RIKEN shall, if MEDICINOVA either elects not to exercise such first right or fails to make such election within such period of 40 Business Days, have the right either to initiate and prosecute such action or to control the defense of such declaratory judgment action in the name of RIKEN and MIKOSHIBA, and if necessary, MEDICINOVA.

(b) If MEDICINOVA elects not to initiate and prosecute an infringement or defend a declaratory judgment action in any country in the Territory as provided in Subsection 7.3(a), and RIKEN elects to do so, the cost of any agreed-upon course of action, including the costs of any legal action commenced or any declaratory judgment action defended, shall be borne solely by RIKEN.

(c) For any such legal action or defense, in the event that any Party is unable to initiate, prosecute, or defend such action solely in its own name, the other Party will join such action voluntarily and will execute all documents necessary for the Party to prosecute, defend and

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maintain such action. In connection with any such action, the Parties will cooperate fully and will provide each other with any information or assistance that either reasonably may request.

(d) Any recovery obtained by MEDICINOVA or RIKEN shall be shared as follows:

(i) the Party that initiated and prosecuted, or maintained the defense of, the action shall recoup all of its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action, whether the recovery is by settlement or otherwise;

(ii) the other Party then shall, to the extent possible, recover its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action;

(iii) if RIKEN initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining then shall be retained by RIKEN; and

(iv) if MEDICINOVA initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining shall be retained by MEDICINOVA, except that RIKEN shall receive a portion equivalent to the royalties or other payments it would have received under this Agreement if such amount were deemed Net Sales.

(e) Either LICENSOR shall inform MEDICINOVA of any certification regarding any Patent Assets it has received pursuant to either 21 U.S.C. §§ 355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or under Canada's Patented Medicines (Notice of Compliance) Regulations Article 5 and shall provide MEDICINOVA with a copy of such certification within five (5) days of receipt. RIKEN'S and MEDICINOVA's rights with respect to the initiation and prosecution, or defense, of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be allocated as defined in Subsections 7.3(d) (i) through (iv); provided, however, that MEDICINOVA shall exercise the first right to initiate and prosecute, or defend, any action and shall inform RIKEN of such decision within fifteen (15) days of receipt of the certification, after which time, if MEDICINOVA has not advised RIKEN of its intention to initiate and prosecute, or defend, such action, RIKEN shall have the right to initiate and prosecute, or defend, such action.

7.4 Patent Term Extensions and Supplemental Protection Certificates. The Parties shall cooperate in obtaining patent term extensions or supplemental protection certificates or their equivalents in any country in the Territory where applicable and where desired by MEDICINOVA. If elections with respect to obtaining such extension or supplemental protection certificates are to be made, MEDICINOVA shall have the right to make the election and LICENSORS shall abide by such election. All costs incurred relating to the activities under this Section 7.4 shall be borne by MEDICINOVA provided that all of such costs paid by

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MEDICINOVA shall be creditable against any amounts otherwise payable by MEDICINOVA to RIKEN under Section 5.3.1 or 5.3.2 of this Agreement.

ARTICLE VIII
TERM AND TERMINATION

8.1. Term and Expiration. This Agreement shall be effective as of the Effective Date and unless terminated earlier pursuant to Section 8.2 and 8.3 below, the term of this Agreement shall continue in effect until the date of expiration of the last to expire patent included in the Patent Assets. Expiration of this Agreement under this provision shall not preclude MEDICINOVA from continuing to develop, make, have made, use, sell, offer for sale, and import Product in the Territory without further remuneration to LICENSORS.

8.2. Termination by Notice. Notwithstanding anything contained herein to the contrary, MEDICINOVA shall have the right to terminate this Agreement at any time by giving sixty (60) days advance written notice to LICENSORS. Except as set forth in this Agreement, in the event of such termination, the rights and obligations hereunder, excluding any payment obligation that has accrued as of the termination date and excluding rights and obligations relating to confidentiality, shall terminate immediately, and the provisions of Section 8.4 shall be applicable.

8.3. Termination.

8.3.1. Termination for Cause. Either Party may terminate this Agreement by notice to the other Party at any time during the term of this Agreement as follows:

(a) if the other Party is in breach of any material obligation hereunder by causes and reasons within its control, or has breached, in any material respect, any representations or warranties set forth in Article VI, and has not cured such breach within ninety (90) days after notice requesting cure of the breach, provided, however, that if the breach is not capable of being cured within ninety (90) days of such written notice, the Agreement may not be terminated so long as the breaching Party commences and is taking commercially reasonable actions to cure such breach as promptly as practicable; or

(b) upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party; provided, however, in the case of any involuntary bankruptcy, reorganization, liquidation, receivership or assignment proceeding such right to terminate shall only become effective if the Party consents to the involuntary proceeding or such proceeding is not dismissed within ninety (90) days after the filing thereof and if the Party subject to the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings gives the other Party written notice thereof.

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8.3.2. Licensee Rights Not Affected.

(a) In the event MEDICINOVA terminates this Agreement under Section 8.3.1(b), or this Agreement is otherwise terminated under Section 8.3.1(b), or LICENSORS is a debtor in a bankruptcy proceeding, whether voluntary or involuntary, all rights and licenses granted pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of 11 U.S.C. §101 et seq. (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that MEDICINOVA and RIKEN shall retain and may fully exercise all of their respective rights, remedies and elections under the Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either LICENSOR under the Bankruptcy Code, MEDICINOVA shall be entitled to all applicable rights under Section 365 of the Bankruptcy Code, including but not limited to, entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property upon written request therefor by MEDICINOVA.

(b) In the event MEDICINOVA is a debtor in a bankruptcy proceeding, whether voluntary or involuntary, all rights and licenses granted pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365 of the Bankruptcy Code, executory contracts. The Parties agree that applicable law does not excuse LICENSORS from accepting performance by, or rendering performance under this Agreement and all rights and licenses granted hereunder to, a person or entity other than MEDICINOVA.

8.4. Effect of Expiration or Termination. Except as set forth in this Agreement, in the event of termination of this Agreement, the rights and obligations hereunder, excluding any payment obligation that has accrued as of the termination date and excluding rights and obligations relating to confidentiality, shall terminate immediately, except that MEDICINOVA and its Affiliates and sublicensees shall have the right to sell or otherwise dispose of the stock of any Product subject to this Agreement then on hand or in process of manufacture. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. In addition to any other provisions of this Agreement which by their terms continue after the expiration of this Agreement, the provisions of Article IV shall survive the expiration or termination of this Agreement and shall continue in effect for five (5) years from the date of expiration or termination. In addition, any other provision required to interpret and enforce the Parties' rights and obligations under this Agreement shall also survive, but only to the extent required for the full observation and performance of this Agreement. Any expiration or early termination of this Agreement shall be without prejudice to the rights of any Party against the other accrued or accruing under this Agreement prior to termination. Except as expressly set forth herein, the rights to terminate as set forth herein shall be in addition to all other rights and remedies available under this Agreement, at law, or in equity, or otherwise.

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ARTICLE IX
INDEMNIFICATION

9.1. MEDICINOVA shall indemnify, defend and hold harmless LICENSORS from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professional fees and other expenses of litigation and/or arbitration) (a "Liability") resulting from a claim, suit or proceeding brought by a Third Party against LICENSORS, arising from or occurring as a result of activities performed by MEDICINOVA in connection with the development, manufacture or sale of any Product, except to the extent caused by the negligence or willful misconduct of either LICENSOR or any breach of this Agreement by either LICENSOR.

9.2. LICENSORS shall indemnify, defend and hold harmless MEDICINOVA from and against any and all Liability resulting from a claim, suit or proceeding brought by a Third Party against MEDICINOVA, arising from or occurring as a result of activities performed by either LICENSOR in connection with the development, manufacture or sale of any Product, except to the extent caused by the negligence or willful misconduct of MEDICINOVA or any breach of this Agreement by MEDICINOVA.

9.3. RIKEN shall indemnify, defend and hold harmless MEDICINOVA from and against any and all Liability resulting from a claim, suit or proceeding brought by any Third Party against MEDICINOVA, alleging patent infringement or any claim relating to the Patent Assets.

9.4 In the event that a Party intends to claim indemnification under this Article 9 they shall promptly notify the indemnifying party in writing of such alleged Liability. The indemnifying party shall have the sole right to control the defense and settlement thereof. The indemnified party shall cooperate with the indemnifying party and its legal representatives in the investigation of any action, claim or liability covered by this Article 9. The indemnified party shall not, except at their own cost, voluntarily make any payment or incur any expense with respect to any claim or suit without the prior written consent of the indemnifying party.

ARTICLE X
MISCELLANEOUS

10.1. Force Majeure. Neither Party shall be held liable or responsible to the other Party nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement during the period of time when such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including, but not limited to, fire, flood, embargo, war, acts of war (whether war be declared or not), insurrection, riot, civil commotion, strike, lockout or other labor disturbance, act of God or act, omission or delay in acting by any governmental authority or the other Party. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practicable.

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10.2. Assignment. The Agreement may not be assigned or otherwise transferred without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, that MEDICINOVA may assign this Agreement to an Affiliate or in connection with the transfer or sale of its business or all or substantially all of its assets or in the event of a merger, consolidation, change in control or similar corporate transaction. MECINOVA shall promptly inform RIKEN of the Assignment in a written form. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

10.3. Severability. In the event that any of the provisions contained in this Agreement are held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affect the substantive rights of the Parties. In such event, the Parties shall replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

10.4. Notices. All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by internationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to MEDICINOVA to:

MEDICINOVA, INC.
4370 La Jolla Village Drive, Suite 400
San Diego, CA 92122
United States
Attention: Takashi Kiyoizumi, M.D., Ph.D.
Tel: 858.373.1500
Fax: 858.373.7000

if to LICENSORS to:

RIKEN
Technology Transfer Division
2-1 Hirokawa
Wako-shi, Saitama 351-0198
Japan
Attention: Hideki Okawara
Tel:+81-48-467-9762
Fax::+81-48-462-4609

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or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance herewith. Any such communication shall be deemed to have been given when delivered if personally delivered or sent by facsimile on a Business Day, upon confirmed delivery by internationally-recognized overnight courier if so delivered and on the seventh (7^{th}) Business Day following the date of mailing if sent by registered or certified mail.

10.5. Applicable Law. The Agreement shall be governed by and construed in accordance with the laws of the United States of America and State of New York without reference to any rules of conflict of laws.

10.6. Dispute Resolution.

(a) The Parties agree to attempt initially to solve all claims, disputes, or controversies arising under, out of, or in connection with this Agreement (a "Dispute") by conducting good faith negotiations. Any Disputes which cannot be resolved by good faith negotiation within twenty (20) Business Days, shall be referred, by written notice from either Party to the other, to the Chief Executive Officer of each Party. Such Chief Executive Officers shall negotiate in good faith to achieve a resolution of the Dispute referred to them within twenty (20) Business Days after such notice is received by the Party to whom the notice was sent. If the Chief Executive Officers are unable to settle the Dispute between themselves within twenty (20) Business Days, they shall so report to the Parties in writing. The Dispute shall then be referred to mediation as set forth in the following subsection (b).

(b) Upon the Parties receiving the Chief Executive Officers' report that the Dispute referred to them pursuant to subsection (a) has not been resolved, the Dispute shall be referred to mediation by written notice from either Party to the other. The mediation shall be conducted pursuant to the LCIA Mediation Procedure. In the event MEDICINOVA is the claimant, the mediation shall be held in Japan; in the event any LICENSOR is the claimant, the mediation shall be held in the United States, in the state of California. The language of the mediation shall be English. If the Parties have not reached a settlement within twenty (20) Business Days of the date of the notice of mediation, the Dispute shall be referred to arbitration pursuant to subsection (c) below.

(c) If after the procedures set forth in subsections (a) and (b) above, the Dispute has not been resolved, a Party shall decide to institute arbitration proceedings, it shall give written notice to that effect to the other Party. The Parties shall refrain from instituting the arbitration proceedings for a period of sixty (60) days following such notice. During such period, the Parties shall continue to make good faith efforts to amicably resolve the dispute without arbitration. If the Parties have not reached a settlement during that period the arbitration proceedings shall go forward and be governed by the LCIA Arbitration Rules then in force. Each such arbitration shall be conducted by a panel of three arbitrators with appropriate experience in the biotechnology or pharmaceutical industry: one arbitrator shall be appointed by each of

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MEDICINOVA and RIKEN and the third arbitrator, who shall be the Chairman of the tribunal, shall be appointed by the two-Party appointed arbitrators. In the event MEDICINOVA is the claimant, the arbitration shall be held in Japan; in the event any LICENSOR is the claimant, the arbitration shall be held in the United States, in the state of California. The language of the arbitration shall be English.

The tribunal shall issue its award within forty-five (45) days after the date on which the arbitration proceedings have closed. The arbitrators shall have the authority to grant specific performance. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Each Party shall bear its own costs and expenses incurred in connection with any arbitration proceeding and the Parties shall equally share the cost of the mediation and arbitration levied by the LCIA.

Any mediation or arbitration proceeding entered into pursuant to this Section 10.6 shall be conducted in the English language. Subject to the foregoing, for purposes of this Agreement, each Party consents, for itself and its Affiliates, to the jurisdiction of the courts of the State of California.

10.7. Entire Agreement. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly merged in and made a part of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by all Parties hereto.

10.8. Independent Contractors. It is expressly agreed that the Parties shall be independent contractors and that the relationship between the Parties shall not constitute a partnership, joint venture or agency. Neither Party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of such other Party.

10.9. Waiver. The waiver by a Party hereto of any right hereunder or the failure to perform or of a breach by another Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

10.10. Headings. The captions to the several Articles and Sections hereof are not a part of the Agreement, but are merely guides or labels to assist in locating and reading the several Articles and Sections hereof.

10.11. Counterparts. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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10.12. Right to Develop Independently. Nothing in this Agreement shall be deemed to prevent MEDICINOVA from commercializing products similar to or competitive with a Product. Nothing in this Agreement will impair MEDICINOVA'S right to independently acquire, license, develop for itself, or have others develop for it, intellectual property and technology performing similar functions as the Compound or Product or to market and distribute products based on such other intellectual property and technology.

10.13. Further Assurances. At any time or from time to time on and after the date of this Agreement, each Party shall at the request of the other (i) deliver to the other such records, data or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as the other Party may reasonably deem necessary or desirable in order for the other Party to obtain the full benefits of this Agreement and the transactions contemplated herein.

10.14. LIMITATION OF LIABILITY. NO PARTY SHALL BE LIABLE TO ANY OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

RIKEN

By: /s/ Tasaburo Masuda
Name: Tasaburo Masuda
Title: Chief Executive Officer

MEDICINOVA, INC.

By: /s/ Takashi Kiyoizumi
Name: Takashi Kiyoizumi, M.D., Ph.D.
Title: President and Chief Executive Officer

Dr. Katsuhiko Mikoshiba

By: /s/ Katsuhiko Mikoshiba

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SCHEDULE 1.23
PATENT ASSETS

Country	Application No.	Application Date	Patent No.
[**]	**[**]**	**[**]**	
[**]	**[**]**	[**] (Internal Priority Filing based on the Japanese Patent Application No. **[**]**)	
[**]	**[**]**	**[**]**	
[**]	**[**]**	**[**]**	**[**]**
[**]	**[**]**	**[**]**	

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EXHIBIT 1.29

RIKEN/MIKOSHIBA AGREEMENT

Agreement for Joint Application (English translation by RIKEN)

Rikagaku Kenkyuusho having its registered office at 2-1 Hirosawa, Wako-shi, Saitama 351-0198 Japan (hereafter called " Riken") and Dr. Katsuhiko Mikoshiba whose registered residence at 2-19-25 Inokashira, Mitaka, Tokyo, Japan (hereafter called "Mikoshiba") entered into the following agreement with respect to the invention specified below. (hereafter called "Invention").

Specifics of the Invention

Date of the Application; **[**]**

Application Number; **[**]**

Title of the Invention; **[**]**

Article 1. (Shares in the Right)

1. The right to obtain patent both in Japan and in foreign countries with respect to the invention and patent right to be obtained based on such right to obtain patent (hereafter called " the Patent etc"), shall be jointly owned by Riken and Mikoshiba. Each party share in of the Patent etc. shall be as follows:

Riken **[**]** and Mikoshiba **[**]**

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Article 2. (Procedure)

1. After the consultation with Mikoshiba

Riken shall carry out various procedures before the Patent Office, concerning the Invention such as application for patent examination, application for patent trial, and the payment of patent fees (hereafter called " Procedure of the Invention") and Mikoshiba shall cooperate with Riken.

2. Riken may appoint and replace its representatives with respect to Procedure of the Invention and shall consent thereto.

Article 3. (Sharing of Expenses)

1. Riken and Mikoshiba shall each share, in proportion to each party's share in the right provided by Article 1. hereof, the stamp duties to be paid to the Patent Office for Procedures of the Invention as well as fees to be paid to patent attorney, and Riken and Mikoshiba shall pay these expenses at the request by their representatives. In the event Riken paid certain expenses for Mikoshiba which Mikoshiba is obligated to pay, Mikoshiba shall immediately reimburse such expenses to Riken at Riken's request for reimbursement.

Article 4. (Working by Mikoshiba)

1. Riken will not work the Patent.

2. Mikoshiba will give a notice to Riken when he decides to work the Patent.

3. In the event Mikoshiba works the Patent, Mikoshiba shall pay to Riken an amount of money calculated by multiplying an amount of royalty which is equivalent to what is received for licensing of the Patent etc. to a third party and Riken's share stipulated in Article 1.

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Article 5. (Licensing to a Third Party)

1. If and when the Patent etc. is licensed to a third party, Riken and Mikoshiba shall consult with each other with respect to the conditions etc. of such licensing. Provided, however, the consultation is not consummated before the date designated by Riken, Mikoshiba shall accept Riken's intention.

2. In the event Riken and Mikoshiba received a royalty payment from the third party as a result of licensing under the preceding paragraph, Riken and Mikoshiba share the amount of royalty in proportion to each party's share provided by Article hereof.

Article 6. (Dispute with a Third Party)

If and when either Riken or Mikoshiba becomes aware that the Patent etc. is infringed or is going to be infringed by a third party, said party shall inform the fact to the other party and Riken and Mikoshiba shall cope with such infringement in cooperation with each other. Expenses incurred thereafter or recoveries for the damage from the third party shall be in principle shared or distributed, as the case may be, between Riken and Mikoshiba in proportion to each party's share ratio provided by Article 1. hereof.

Article 7. (Assignment of Share in the Patent etc.)

1. If and when Mikoshiba assigns its share in the Patent etc. provided by Article 1. hereto to a third party, Mikoshiba shall obtain in advance Riken's written consent thereto pursuant to Paragraph 3 of Article 33 and Paragraph 1 of Article 73 of the Patent Law.

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2. If and when Mikoshiba obtained Riken's written consent specified by the preceding paragraph, Mikoshiba shall cause the third party who becomes the assignee to succeed to the rights and obligations of Mikoshiba which are provided by the Agreement hereof. Such succession of the rights and obligations shall be confirmed by Riken in writing. If and when the said assignee fails to fulfill the rights and obligations, Mikoshiba shall be jointly and severally liable with the assignee for the damage caused by the failure.

Article 8. (Waiver of Share in the Patent etc.)

1. In the event Mikoshiba desired to waive its own share in the Patent etc. provided by Article 1. hereof, Mikoshiba shall in advance notify Riken in writing.

2. In the following events, Mikoshiba shall be deemed to have waived its share in the Patent etc.

(1) If and when Mikoshiba fails to fulfill its obligation to render its cooperation provided by Article 3. hereof within a month from the date of request for payment by Riken or its representative.

(2) If and when Mikoshiba fails to fulfill its obligation to render its cooperation provided by Paragraph 1 of Article 2. and Article 6. until the date designated by Riken.

3. In the event Mikoshiba waived its share in the Patent etc. in accordance with Paragraph 1 or 2 of this Article, Riken, at its option, may succeed to Mikoshiba's share in the Patent etc. without making any payment to Mikoshiba. Mikoshiba shall cooperate with Riken in various procedures necessary for such succession such as the change of the name of patent application which shall be prosecuted by Riken at its expense.

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4. In the event Mikoshiba’s obligation to cooperate with Riken provided by the preceding paragraph is not fulfilled on or before the date designated by Riken and the procedures of the preceding Paragraph is not completed, then, the Patent etc. shall be deemed to be solely owned by Riken and Riken may dispose of the Patent etc. at its discretion.

Article 9. (Patent Application based on Priority Claim)

Whether or not an application based on Priority Claim concerning the Invention may be filed should be determined through the consultation between Riken and Mikoshiba prior to filing of such an application. Various conditions for joint application according to Article 9. hereof should be determined pursuant to the Agreement.

Article 10. (Patent Application in Foreign Countries)

Whether or not an application for a patent concerning the Invention may be filed in a foreign country to its Patent Office shall be determined through the consultation between Riken and Mikoshiba prior to filing of such an application. Various conditions for patent application in foreign countries according to Article 10. hereof should be determined pursuant to the Agreement.

Article 11. (Notice)

1. Any and all notice to Mikoshiba to be made by Riken or by its representative pursuant to the provisions of this Agreement shall be dispatched to the following address; Mikoshiba’s address is 2-19-25 Inokashira, Mitaka, Tokyo, Japan.

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2. If and when Mikoshiba changed its address specified in the preceding paragraph, Mikoshiba shall notify Riken of such change in writing within fourteen (14) days from the date of such changing.

3. Any and all notice to Mikoshiba to be made by Riken or its representative pursuant to the provisions of this Agreement shall be deemed to be received by Mikoshiba after the lapse of seven (7) day period starting from the next day of the date of dispatch. Provided, however, if and when Mikoshiba's address is located outside of Japan, such period shall be fourteen (14) days.

Article 12. (Term of the Agreement)

This Agreement shall be effective from the date of application for the Patent etc. concerning the Invention until the date of expiration of the Patent etc.

Article 13. (Miscellaneous)

In the event any question arises in connection with any and all matters which are not provided in this Agreement or any and all matter in this Agreement, Riken and Mikoshiba shall consult with each other in good faith and resolve the question.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly signed in two originals and Riken and Mikoshiba shall each retain one original.

Signature blank for Riken and Mikoshiba

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EXCLUSIVE LICENSE AGREEMENT

This Exclusive License Agreement (the "Agreement") is made as of this 25th day of February, 2004 (the "Effective Date") by and between Kissei Pharmaceutical Co., Ltd., a corporation duly organized and existing under the laws of Japan and having its registered office at 19-48, Yoshino, Matsumoto-City, Nagano-Prefecture 399-8710, Japan ("Kissei") and MediciNova, Inc., a corporation duly organized and existing under the laws of the State of Delaware, United States and having its registered office at 4350 La Jolla Village Dr., Ste. 950, San Diego, California 92122, USA ("MediciNova"). Each of Kissei and MediciNova is referred to herein as a "Party" and collectively, as the "Parties."

WITNESSETH THAT:

WHEREAS, Kissei has developed Compound for premature labour and is the owner of all rights and title to and interest in the Kissei Intellectual Property;

WHEREAS, MediciNova desires to obtain from Kissei an exclusive license in the MediciNova Territory with respect to the Compound and the Product under such Kissei Intellectual Property and Kissei desires to grant such license to MediciNova on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants and obligations expressed herein, and intending to be legally bound, the Parties hereto agree as follows:

1 Definitions

1.01 "Act" means the United States Food Drug and Cosmetic Act of 1934, and the rules and regulations promulgated thereunder, or any successor act, as the same shall be in effect from time to time.

1.02 "Active Pharmaceutical Ingredient" or "API" means the actual Compound, in bulk form, used as the active pharmaceutical ingredient in the manufacture of Products that MediciNova develops hereunder or which MediciNova uses to develop, manufacture and sell the Product hereunder.

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1.03 “Affiliate” means any person, corporation, firm, partnership, limited liability company or other entity that controls, is controlled by or is under common control with a Party to this Agreement. For purposes of this definition, an entity will be regarded as in “control” of another corporation if (a) it owns or directly or indirectly controls at least 50% of the voting stock of the other corporation or such lesser maximum percentage permitted in those jurisdictions where majority ownership by foreign entities is prohibited, (b) it owns or has a right to at least 50% of the net assets of an entity without voting securities, or (c) it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the entity, whether through contract or otherwise.

1.04 “Business Day(s)” means any day that is not a Saturday or a Sunday or a day on which the New York Stock Exchange or the Tokyo Stock Exchange is closed.

1.05 “cGMP” means current applicable good manufacturing practices as defined in regulations promulgated by the FDA under the Act and, if applicable, corresponding applicable laws and regulations of other countries in the MediciNova Territory relating to the manufacture, testing prior to delivery, storage and delivery of the Compound.

1.06 “Compound” means the compound, defined as **[**]** with the internal Kissei code name of **[**]** and any other compounds disclosed or included in, or covered by any of the Kissei Patents listed on Exhibit A.

1.07 “Commercially Reasonable Efforts” means such efforts which are no less than those efforts used by MediciNova with its own compounds and products having comparable commercial potential, stage of development, medical/scientific, technical and regulatory profile, intellectual property protection, the competitiveness of the intended marketplace, and other relevant factors.

1.08 “Control” means, with respect to any Patent, Know-How, Trademark or other intellectual property right, that the Party controlling such right owns a transferable interest or has a license to practice such Patent, Know-How, Trademark or right and has the ability to grant the other Party access, a license or a sublicense (as applicable) to practice such Patent, Know-How, Trademark or right.

1.09 “Cost of Goods Sold” means, with respect to Active Pharmaceutical Ingredient, the actual fully allocated cost of manufacturing such Active Pharmaceutical Ingredient calculated in accordance with GAAP or appropriate accounting principles similar to GAAP, which consists of (i) the direct cost of any raw materials, intermediates, packaging materials and labour (including benefits) utilized in such manufacturing (including filling, finishing, quality control and stability testing, labelling and packaging, as applicable), (ii) an appropriate share of factory overhead allocated to the Active Pharmaceutical Ingredient being manufactured, (iii) handling charges like transportation costs and insurance related thereto and (iv) the net cost or credit of any value-added taxes actually paid or utilized by such Party or Affiliate in respect of the manufacture of the Active Pharmaceutical Ingredient. It is understood and agreed that in the case of Active Pharmaceutical Ingredient manufactured by Third Parties, Cost of Goods Sold means such payments made to such

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Third Parties for the acquisition of such Active Pharmaceutical Ingredient, as well as the net cost or credit of any value-added taxes actually paid or utilized by the purchaser in respect of such acquisition of such Active Pharmaceutical Ingredient.

1.10 "EMEA" means the European Agency for the Evaluation of Medicinal Products based in London (UK), as established by Council Regulation n° 2309/93 of July 22, 1993, as subsequently amended by Commission Regulation 649/98 of March 23, 1998, or any successor agency thereto.

1.11 "End of Phase 2 Meeting" means the first end of Phase 2 meeting with the FDA, as defined in 21 CFR Section 312.47, intended to determine the safety of proceeding to Phase III Clinical Study, evaluate the Phase III Clinical Study plan and protocols and identify any additional information necessary to support an NDA for Product in the USA, or any applicable meeting or event outside the USA in the MediciNova Territory.

1.12 "FDA" means the United States Food and Drug Administration, or any successor agency thereto.

1.13 "Field" means the treatment, palliation or prevention of disease, including premature labour in human beings.

1.14 "First Commercial Sale" means the first sale of Product, on a country-by-country basis, by MediciNova, its Affiliate or its sublicensee(s), for end use or consumption, after all required Regulatory Approvals have been granted by the Regulatory Authorities of such country.

1.15 "GAAP" means generally accepted accounting principles in the United States, consistently applied.

1.16 "Generic Drug" means any product containing Compound other than a Product introduced in such country by MediciNova or its Affiliates or its sublicensees.

1.17 "Generic Competition" exists or is deemed to exist, in any particular country, commencing on where IMS or IMS- equivalent data is available, the first date on which Generic Drugs in any and all formulations achieve a market share **[**]** or greater of the total prescriptions for Product in such country (as so shown by the average of the monthly IMS (or IMS-equivalent) data for such prescriptions).

1.18 "Improvement" means any and all technical information, patentable or non-patentable, Controlled by either Party which cover any improvement, invention or discovery concerning the Compound or the Product licensed hereunder including, without limitation, new or improved methods of manufacture, formulas, uses and indications, methods of delivery and dosage forms thereof as well as the addition of other active ingredients.

1.19 "IND" means an investigational new drug application and any amendment thereto filed with FDA in conformance with applicable laws and regulations, for the purposes of initiating

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clinical trials of a pharmaceutical compound in the United States or the equivalent application in any other regulatory jurisdiction in the MediciNova Territory.

1.20 "Initiation" means with respect to any clinical study, the start of patient treatment for such clinical study by or on behalf of MediciNova.

1.21 "Kissei Intellectual Property" means the Kissei Patents and the Kissei Know How.

1.22 "Kissei Know-How" means all Know-How Controlled by Kissei or its Affiliates, and licensees (other than MediciNova) on the Effective Date and all Know-How which becomes Controlled by Kissei, its Affiliates, and licensees (other than MediciNova) during the term of this Agreement.

1.23 "Kissei Patents" means all Patents Controlled by Kissei or its Affiliates and licensees (other than MediciNova) as of the Effective Date, and all Patents that relate to the Compound or Product in the MediciNova Territory that become Controlled by Kissei or its Affiliate during the term of this Agreement, including the Patents listed on Exhibit A.

1.24 "Kissei Territory" means Japan.

1.25 "Know-How" means all technical information specifically relating to the Compound or the Product in the Field, including, all biological, toxicological, chemical information, biochemical information, metabolic, non-clinical, pre-clinical, clinical, pharmacological, pharmacokinetic data, physico-chemical properties, assay, formulation, quality control, synthetic process, and manufacturing method and data, specifications, and any other information or inventions relating thereto.

1.26 "Major European Countries" means France, Germany, and the United Kingdom.

1.27 "MediciNova Know-How" means all Know-How which is at the Effective Date or thereafter becomes Controlled by MediciNova or its Affiliates during the term of this Agreement.

1.28 "MediciNova Patents" means all Patents that relate to the Compound or Product that become Controlled by MediciNova or its Affiliates during the term of this Agreement.

1.29 "MediciNova Territory" means all countries of the world, except for Japan.

1.30 "NDA" means, (i) in the United States, a new drug application as defined in the Act and applicable regulations promulgated thereunder and submitted to the FDA to obtain Regulatory Approval of Product in the United States, and all subsequent amendments and supplements to such NDA, and (ii) in regulatory jurisdictions outside the United States, such submissions filed with the applicable Regulatory Authority in such regulatory jurisdiction to obtain

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Regulatory Approval of Product in such regulatory jurisdiction, and any amendments and supplements thereto.

1.31 "Net Sales" means with respect to any Product, the gross amounts invoiced by MediciNova or its Affiliates to Third Party customers for sales or other transfers or disposition of a Product commencing as of the date of First Commercial Sale, less:

(i) customary trade, quantity, and cash discounts or rebates actually allowed on Product;

(ii) credits or allowances given to customers for rejections or returns of Product or on account of retroactive price reductions affecting such Product;

(iii) sales taxes, excise taxes, use taxes, import/export duties or other governmental charges actually due or incurred with respect to the production, importation, use or sale of a Product to Third Parties;

(iv) Product rebates and Product chargebacks, or similar payments or credits consistent with industry standards granted to managed health care organizations, wholesalers, distributors, buying groups, retailers, health care insurance carriers, pharmacy benefit management companies, health maintenance organizations or other institutions or health care organizations or to federal, state/provincial, local and other governments, their agencies and purchasers and reimbursers; and

(v) write-offs or allowances for bad debts.

1.32 "Patent" means all patents and patent applications, including provisionals and priority filings, utility models and their applications (which shall be deemed to include certificates of invention and applications for certificates of invention and supplementary protection certificates), and which specifically or generically claim the Compound or Product, claim a use for the Compound or Product, claim a method of making the Compound or Product or otherwise covers the Compound or Product, including but not limited to the patents and patent applications listed on Exhibit A, which exhibit may be amended from time to time by the Parties, together in all cases with any continuations, continuations-in-part, divisions, patents of addition, reexaminations, reissues, renewals as well as extensions, supplementary protection certificates and any other patent term extensions of any of the foregoing.

1.33 "Phase III Clinical Study" means a large scale clinical trial conducted after an End of Phase 2 Meeting and conducted on a sufficient number of patients that is designed to establish that Product is safe and efficacious for its intended use, and to define warnings, precautions and adverse reactions that are associated with Product in the dosage range to be prescribed, and supporting marketing authorization of Product.

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1.34 “Product” means any and all pharmaceutical preparations in the Field in any finished dosage packaged form for sale to Third Parties which contains the Compound or combinations thereof as at least one of the primary therapeutically active ingredients.

1.35 “Regulatory Approval” means, in any jurisdiction in the MediciNova Territory, all approvals (including where applicable pricing and reimbursement approvals required for marketing authorization), product and/or establishment licenses, registrations or authorizations necessary for the manufacture, use, storage, import, export, transport and marketing and/or sale of Product, to the extent such approvals are required in such jurisdiction.

1.36 “Regulatory Authorities” means the FDA in the U.S., and any health regulatory authority(ies) in any country(ies) in the MediciNova Territory that is substantially equivalent to the FDA and holds responsibility for granting Regulatory Approval for a Product in such country(ies), and any successor(s) thereto having substantially the same functions.

1.37 “Regulatory Filings” means (i) with respect to the United States, any IND or NDA, and (ii) with respect to countries or jurisdictions outside the United States but still within the MediciNova Territory, any filings, registrations or applications equivalent to an IND or NDA.

1.38 “Sublicense Royalty Payments” means (i) royalties based on net sales of Product in any country in the MediciNova Territory and (ii) any other payments that are received by MediciNova after the First Commercial Sale of Product in such country from a sublicensee of any of the rights granted by Kissei to MediciNova under Section 2.01 of this Agreement, as consideration for the grant of such sublicense (but specifically excluding any amounts received by MediciNova from sublicensees to fund or reimburse MediciNova’s research and development costs in connection with Product after the date of the sublicense.

1.39 “Third Party” means any party other than a Party to this Agreement and such Party’s Affiliate.

1.40 “Valid Claim” means any claim contained in an issued and unexpired Kissei Patents which has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, and which has not been admitted to be invalid or unenforceable through abandonment, reissue, disclaimer or otherwise.

2 Grant

2.01 Grant of Rights. Kissei hereby grants to MediciNova an exclusive license, with the right to grant sublicenses, under the Kissei Intellectual Property to use and develop the Compound in the Field in the MediciNova Territory, and to make, have made, use, develop and sell, offer to sell and import the Product in the Field in the MediciNova Territory.

2.02 Sublicenses. Any sublicense granted by MediciNova shall be subject to the terms and conditions of this Agreement. MediciNova may grant sublicenses to its Affiliates or, with Kissei’s prior written approval, to a Third Party which approval shall not be unreasonably withheld

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or delayed by Kissei. In addition, MediciNova may use contractors in the drug development, non-clinical development and clinical testing, formulation and manufacturing of Product. In case that MediciNova grant sublicenses to its Affiliates or a Third Party, MediciNova shall provide Kissei with a copy of any sublicense agreement with a Third Party.

2.03 Improvements. Title to any Improvement developed, discovered and/or reduced to practice solely by MediciNova in connection with the licenses granted under Section 2.1 above shall be vested solely in MediciNova. Title to any Improvement developed, discovered and/ or reduced to practice solely by Kissei shall be vested solely in Kissei, subject to the licenses granted under Section 2.1 above.

3 Disclosure of Know-How

3.01 Disclosure of Kissei Know-How. Forty five (45) days after the Effective Date of this Agreement, Kissei shall disclose or make available to MediciNova all of the Kissei Intellectual Property not previously made available to MediciNova except the Kissei Intellectual Property related to manufacturing Active Pharmaceutical Ingredient. Thereafter during the term of this Agreement, Kissei shall disclose or make available to MediciNova all future Kissei Know-How on a regular basis, provided that all material new Know-How shall be provided without delay, except the Kissei Intellectual Property related to manufacturing Active Pharmaceutical Ingredient, provided that such Kissei Intellectual Property related to manufacturing Active Pharmaceutical Ingredient shall be provided in accordance with the terms of the supply agreement referred to in Section 9.01 if applicable.

3.02 Disclosure of MediciNova Know-How. MediciNova shall disclose to Kissei, during the term of this Agreement, any and all MediciNova Know-How on a regular basis, provided that all material new Know-How shall be provided without delay. Kissei shall have the right to use and disclose the Know-How received from MediciNova hereof to its Affiliates, its licensees, consultants and contractors in the Kissei Territory for their use and for the sole purpose of this Agreement.

4 Milestone Payments

4.01 Milestone Payments. In partial consideration of the license rights granted to MediciNova by Kissei at the Effective Date hereunder, MediciNova shall pay to Kissei the following milestone amounts within thirty (30) days of and contingent upon the occurrence of the corresponding events described below:

	Event	Payment (in US Dollars):
(i)	Receipt of first package of Kissei Know-How pursuant to Section 3.01	**[**]**
(ii)	Initiation of Phase III Clinical Study	**[**]**

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	Event	Payment (in US Dollars):
(iii)	Filing of NDA in the USA	[**]
(iv)	Filing of the NDA with the EMEA or in two or more of the Major European Countries	[**]
(v)	Written Regulatory Approval in the USA	[**]
(vi)	Written Regulatory Approval by the EMEA or in two or more of the Major European Countries	[**]
	TOTAL PAYMENTS	[**]

4.02 Non-Refundable. Any payments made by MediciNova in accordance with Section 4.01 hereof shall, once they are paid, not be refundable nor creditable for any reason whatsoever.

4.03 Single Payments. The payments specified in Section 4.01 shall be made only one time upon the first occurrence of the event described in Section 4.01, regardless of how many times such event may be achieved with regard to Compound or Product.

5 Royalties

5.01 Payment from MediciNova to Kissei. In partial consideration of the license rights granted to MediciNova at the Effective Date hereunder, MediciNova shall pay to Kissei a royalty on Net Sales within sixty (60) days after the end of each Royalty Period in accordance with the provisions of this Section 5.

5.02 Royalty Rates and Term.

(a) In each country in the MediciNova Territory in which the manufacture, use or sale of Product or Compound would, absent the license granted hereunder, infringe one or more Valid Claims of the Kissei Patents in such country (the "Patent Countries"), the royalty rate shall be **[**]** of Net Sales. Royalties on Net Sales in the Patent Countries shall accrue as of the date of First Commercial Sale in the applicable country and shall continue and accrue on Net Sales on a country-by-country basis until the expiration of the last to expire Kissei Patents containing a Valid Claim in such country. Thereafter, MediciNova shall be relieved of any royalty payment under this Section 5.02 (a) but shall be subject to royalties under Section 5.02 (b), if applicable

(b) In any country in the MediciNova Territory in which (i) there were no Valid Claims of Kissei Patents or (ii) the last to expire Kissei Patents containing a Valid Claim expired prior to ten (10) years from the date of First Commercial Sale (the "Know-How Countries"), the royalty rate in such country shall be **[**]** of Net Sales. Royalties on Net Sales in the Know-How Countries shall accrue at the rate set forth in the preceding sentence immediately upon (i) the date of First Commercial Sale, in any country in the MediciNova Territory in which there was no Valid Claims of the Kissei Patents as of the date of First Commercial Sale in such country or (ii) the date immediately following the date of the expiration of the last to expire Kissei Patent in such country

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that contained a Valid Claim (provided such expiration occurs prior to ten (10) years from the date of First Commercial Sale in such country), and shall continue and accrue on Net Sales in such country for a period expiring ten (10) years from the date of First Commercial Sale in such country. Thereafter, MediciNova shall be relieved of any royalty payment under this Section 5.02 (b).

(c) Notwithstanding the provisions of Section 5.02 (a) and 5.2 (b), no royalties shall be payable in respect of Net Sales in any country after the date that Generic Competition exists in such country.

5.03 Kissei shall be responsible for payment of, shall pay and shall indemnify MediciNova against any losses, liabilities or claims arising out of or for, any royalties or other payments, obligations or amounts owed to any Third Party listed on Schedule 10, as a result of the rights granted by Kissei to MediciNova and the amounts payable by MediciNova to Kissei pursuant to the terms of this Agreement.

5.04 Combination Product. Notwithstanding the provisions of Section 5.02, in the event a Product is sold as a combination product with other biologically active components, Net Sales, for purposes of royalty payments on the combination product, shall be calculated by multiplying the Net Sales of that combination product by the fraction A/B, where A is the gross selling price of the Product sold separately and B is the gross selling price of the combination product. If no such separate sales are made by MediciNova or its Affiliates, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the combination product by the fraction C/(C+D), where C is the commercial value of the Compound and D is the commercial value of such other biologically active components, provided that both Parties shall determine C and D prior to the start of clinical development of the combination product.

5.05 Accounting of Royalties. No royalty shall be payable on a Product made or used for tests or development purposes, or distributed as samples and for which no payment other than cost reimbursement is received by MediciNova, or its Affiliates or sublicensees. No royalties shall be payable on sales among MediciNova and its Affiliates or its sublicensees, but royalties shall be payable on subsequent sales by MediciNova and its Affiliates or its sublicensees to a Third Party. Only one royalty payment shall be due with respect to the same unit of Product.

5.06 Compulsory Licenses. If a compulsory license is granted to a Third Party under the applicable laws of any country in the MediciNova Territory with respect to Product in such country with a royalty rate lower than the applicable royalty rate provided by Section 5.02, then the royalty rate to be paid by MediciNova on Net Sales in that country shall be reduced to the rate paid by the compulsory Third Party licensee during the period that Generic Competition exists.

5.07 Royalty Reports; Records. During the term of this Agreement after First Commercial Sale, MediciNova shall furnish or cause to be furnished to Kissei on a quarterly basis (the “Royalty Period”) a written report or reports (the “Royalty Report”) covering:

(a) the Net Sales of all Product in each country of the MediciNova Territory during the Royalty Period;

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(b) the royalties, payable in US Dollars, which shall have accrued hereunder in respect to such Net Sales;

(c) withholding taxes, if any, required by law to be deducted in respect of such royalties; and

(d) the exchange rates used in determining the amount of US Dollars.

5.08 Exchange Rates; Reports. With respect to sales of Product invoiced in US Dollars, the Net Sales and royalty payable shall be expressed in such currency as it is. With respect to sales of Product invoiced in a currency other than US Dollars, the Net Sales and royalty payable shall be expressed in the domestic currency of the country where such sale was made together with the US Dollars equivalent of the royalty payable, calculated in accordance with GAAP using the exchange rates posted in *The Financial Times* (if available*).* Royalty Reports shall be due on the sixtieth (60^{th}) day following the close of each respective Royalty Period. MediciNova and its Affiliates shall keep contemporaneous, legible, verifiable and accurate records in sufficient detail to enable the royalties payable hereunder to be determined and substantiated.

5.09 Withholding Tax. If laws, rules or regulations require withholding of income taxes or other taxes imposed upon payments set forth in Section 4 or Section 5, MediciNova shall deduct any withholding taxes and other statutory duties from the royalties and other payments set forth in Section 4 and 5 of this Agreement and pay them to the proper tax authorities required by law applicable at the date of payment. MediciNova shall maintain official receipts of payment of any withholding taxes and forward these receipts to Kissei. Kissei shall cooperate with MediciNova regarding the withholding tax procedure including providing MediciNova, prior to any such payment, once each calendar year or more frequently if required, with all forms or documentation required by any applicable taxation laws, treaties or agreements to such withholding or as necessary to claim a benefit thereunder (including, but not limited to United States Internal Revenue Service Form W-8BEN or any successor forms).

5.10 Exchange Controls. Notwithstanding any other provision of this Agreement, if at any time legal restrictions prevent the prompt remittance of part or all of the royalties with respect to Net Sales in any country, payment shall be made through such lawful means or methods as both Parties may determine. When in any country the law or regulations prohibit both the transmittal and deposit of royalties on sales in such a country, royalty payments shall be suspended for as long as such prohibition is in effect (and such suspended payments shall not accrue interest stipulated in Section 5.10), and promptly after such prohibition ceases to be in effect, all royalties or other payments that MediciNova or its Affiliates would have been obligated to transmit or deposit, but for the prohibition, shall be deposited or transmitted, as the case may be, to the extent allowable (with any interest earned on such suspended royalties which were placed in an interest-bearing bank account in that country, less any transactional costs). If the royalty rate specified in this Agreement should exceed the permissible rate established in any country, the royalty rate for sales in such country shall be adjusted to the highest legally permissible or government-approved rate.

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5.11 Audit Rights. Kissei shall have the right to have an independent certified public accounting firm of its own selection, except one to whom MediciNova, its Affiliate or its sublicensee may have reasonable objection, and at its own expense (except if the result of such audit results in a variation or error exceeding five percent (5%) of the payments that were paid to Kissei), examine the relevant books and records of account of MediciNova and its Affiliate and its sublicensee during reasonable business hours upon reasonable prior written notice to MediciNova and not more often than once each calendar year, for not more than three (3) previous years, to determine whether appropriate accounting and payment have been made to Kissei hereunder. Kissei may exercise such right until the end of three (3) years after the termination or expiration of this Agreement. Upon the expiration of three years following the end of any Royalty Period the calculation of royalties payable with respect to such Royalty Period shall be binding and conclusive upon Kissei, and MediciNova shall be released from any liability or accountability with respect to royalties for such period.

(a) MediciNova shall within sixty (60) days of receipt of a written report by such accounting firm concluding that additional royalties were owed, pay to Kissei the full amount of any underpayment, together with interest thereon at the LIBOR Rate plus one percent (1%) compounding monthly from the date payment was due, but in no event in excess of the maximum rate permitted by applicable law. “LIBOR Rate” means an interest rate per annum equal to the rate of interest per annum at which deposits in United States dollars are offered by the principal office of Citibank, N.A. in London, England, to prime banks in the London interbank market at 11:00 a.m. (London time) on the Business Day immediately preceding the commencement of such interest period.

(b) The accounting firm shall disclose to Kissei only whether the Royalty Report is correct or incorrect and the specific details concerning any discrepancies and shall treat as confidential, and shall not disclose to Kissei, any information other than information which shall be given to Kissei pursuant to this Section 5.10.

5.12 Third Party Licenses. In the event that (i) the Compound or a Product is deemed by a court of competent jurisdiction to infringe a valid claim of a patent owned or Controlled by a Third Party in any given country of the MediciNova Territory, or (ii) MediciNova, its Affiliates or its sublicensees determine, after consultation with Kissei, that it is necessary to pay royalties or other fees to any Third Party to obtain a license to practice any Third Parties rights in order to market, manufacture or develop a Compound or a Product in any given country of the MediciNova Territory, then in such event, MediciNova and its Affiliates may deduct **[**]** of such royalties due to such Third Parties (or such amounts expended in settlement of such claim, or for securing such rights) from the royalties due to Kissei by MediciNova with respect to Net Sales of such Product or Sublicense Royalty Payments in such country. The amount of the reduction in the royalty rate, however, shall in no case exceed **[**]** of the amounts that Kissei would have received according to Section 5 but for this provision. The provisions of this Section 5.12 shall not apply to patents, if any, Controlled by any of the entities listed on Schedule 10, for which Kissei shall be solely responsible for any royalties or other payments.

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5.13 Payments in the Event of Sublicense. In the event MediciNova enters into one or more sublicense agreement(s) with one or more Third Party or Third Parties under Section 2.02 of this Agreement, the respective percentages of royalties set forth in Section 5.02 would no longer be applicable to the Net Sales in the country or countries covered by the sublicense agreement(s) and, in lieu thereof, MediciNova shall pay to Kissei the following respective percentages of the total Sublicense Royalty Payments for the concerned country(ies):

(a) **[**]** if the sublicense agreement is entered into prior to **[**]**; or

(b) **[**]** if the sublicense agreement is entered into after the **[**]**.

6 Development

6.01 Development Plan. Within three (3) months after the Effective Date, MediciNova shall submit to Kissei the general development plan for the Product in the MediciNova Territory. Such development plan may be modified from time to time by MediciNova, if it judges such modification is appropriate but in such event MediciNova shall submit such modified development plan to Kissei.

6.02 Protocol Preparation. In the event that MediciNova prepares the protocols for any non-clinical or clinical studies that MediciNova proposes to carry out, MediciNova shall provide Kissei for its prior review and comments with such protocols or summaries of such, and Kissei may give MediciNova comments thereon within ten (10) days from the receipt thereof and MediciNova shall take into account such comments from Kissei as far as they are scientifically and objectively appropriate and reasonable provided, however, that MediciNova shall have the sole final responsibility for decisions with respect to development in the MediciNova Territory. Similarly, in the event that Kissei prepares the protocols for any non-clinical or clinical studies that Kissei proposes to carry out, Kissei shall provide MediciNova for its prior review and comments with such protocols or summaries of such, and MediciNova may give Kissei comments thereon within ten (10) days from the receipt thereof and Kissei shall take into account such comments from MediciNova as far as they are scientifically and objectively appropriate and reasonable, provided, however, that Kissei shall have the sole final responsibility for decisions with respect to development in the Kissei Territory.

6.03 Commercially Reasonable Efforts. MediciNova shall use its Commercially Reasonable Efforts at its own responsibility and expense to diligently pursue the development of the Product in accordance with MediciNova's development plan. The obligations set forth in this Section 6 are expressly conditioned upon the absence of any serious adverse conditions or event relating to the safety or efficacy of Compound or Product, including the absence of any action by any Regulatory Authority limiting the development or commercialization of Compound or Product.

6.04 Development Delay. In the event that MediciNova becomes aware that the development of the Product will be delayed more than six (6) months from its development plan with respect to the commencement of any clinical trials, submission of the NDA or receipt of

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Regulatory Approval in the MediciNova Territory, MediciNova shall promptly inform Kissei of that effect.

6.05 Regulatory Filings Submission. MediciNova shall make available to Kissei, as part of MediciNova Know-How, any NDA filed in the MediciNova Territory and Kissei shall make available to MediciNova, as part of Kissei Know-How, any NDA filed in the Kissei Territory. MediciNova shall own and Control any NDA in the MediciNova Territory and Kissei shall own and Control any NDA in the Kissei Territory.

6.06 Development Status Report. MediciNova shall provide Kissei with a development status report on the development activities of MediciNova or its Affiliates on an annual basis, with the delivery to the Kissei of the summary of the annual report to an IND submitted to a Regulatory Authority in connection with the periodic reporting requirements of the IND (or comparable report in any jurisdiction other than the United States) to be in satisfaction of the foregoing requirement.

6.07 Annual Meeting. During the development of the Product by MediciNova or its Affiliate in the MediciNova Territory, Kissei and MediciNova shall meet or have a video-conference or telephone conference as often as reasonably necessary, but at least once a year, to exchange information.

6.08 Development Data. MediciNova agrees to provide Kissei, from time to time, with MediciNova Development Data, as part of MediciNova Know How, relating to the Compound and the Product for the purpose of allowing Kissei to conduct its own development program with respect to the the Product in the Kissei Territory, and to file for Regulatory Approval in the Kissei Territory. For the purpose of this Section, MediciNova Development Data means all study reports for clinical and non-clinical studies and other information reasonably requested by Kissei.

7 Marketing and Commercialization

7.01 Commercially Reasonable Efforts. MediciNova shall use Commercially Reasonable Efforts, at its own expense, to promote, market, distribute and sell the Product in the MediciNova Territory. Subject to the terms and conditions of this Agreement, MediciNova shall have final responsibility for marketing the Product in the MediciNova Territory and for all decisions relevant to the MediciNova Territory.

7.02 Commercialization. Within six (6) months following receipt by MediciNova or its Affiliate or its sublicensee, of a Regulatory Approval and any necessary pricing and reimbursement approvals for the Product in the MediciNova Territory, MediciNova shall start, and shall ensure that its Affiliate and its sublicensee start, the marketing and sales of the Product in such MediciNova

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Territory with its Commercially Reasonable Efforts, at its own expense, and to use Commercially Reasonable Efforts to promote, market, distribute and sell the Product consistent with accepted pharmaceutical business practice and applicable legal requirements.

7.03 Package Design. The design of the package of the Product for sale in the MediciNova Territory will be decided by MediciNova at its sole discretion. However, MediciNova shall furnish Kissei with copies of all Product packages, package inserts and monographs as well as major promotional materials such as brochures, pamphlets and the like, to be used for marketing of the Product in the Major Countries for Kissei's archive. Unless prohibited by law, regulation, rule, regulatory agency policy or informal regulatory agency guidance in a country in the MediciNova Territory, all of such packages, package inserts, monographs and promotional materials shall properly and clearly indicate in such reasonable shape, size and colour so as to render the indication plainly discernible and as specified or approved by Kissei the words, "developed, manufactured and sold by MediciNova (or its designee) under license from Kissei Pharmaceutical Co., Ltd., Matsumoto, Japan", or an equivalent wording in the relevant language in each country of the MediciNova Territory.

7.04 Option to Co-promote. Kissei retain the option to participate in the promotion of the Product in the MediciNova Territory, on terms to be agreed to by MediciNova. Both Parties will negotiate in good faith to enter into a co-promotion agreement within 6 months of an NDA filing in the United States and the Major European Countries.

8 Trademark

8.01 MediciNova shall, in its sole discretion, in its own name and at its own expense, select, register and own all right, title and interest in its own trademark to be used for the Product in the MediciNova Territory ("Trademark").

8.02 Kissei shall have the right to register the Trademark at Kissei's expense and in Kissei's name in the Kissei Territory solely for use with respect to Product in the Kissei Territory. In the event that the Trademark has been registered by MediciNova in the Kissei Territory, MediciNova shall assign and transfer such Trademark registrations in the Kissei Territory to Kissei free of charge upon Kissei's request.

8.03 MediciNova shall be responsible for the clearance of the Trademark in the MediciNova Territory whereas Kissei shall be responsible for the clearance of the Trademark in the Kissei Territory.

8.04 MediciNova shall continue to be the owner of the Trademark in the MediciNova Territory after the expiration or termination of this Agreement. MediciNova shall have the right to maintain the registrations of the Trademark in the MediciNova Territory at its own expense.

8.05 Neither Party shall use or maintain the Trademark nor will either Party apply for the Trademark outside of its respective territory, except that MediciNova may apply to register the Trademark in the Kissei Territory subject to Section 8.02 above. Neither Party shall take action

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which could prejudice the validity, registration or reputation of the Trademark and the goodwill associated with the same.

8.06 The Parties undertake to inform each other promptly on any material opposition, infringement or threatened infringement of the Trademark in their respective territories, or challenge or threatened challenge to the validity of the Trademark or cancellation or threat thereof of any registration therefor coming to their notice. In the MediciNova Territory, MediciNova shall have the exclusive right to take action in respect of the registration, defence, infringement, and maintenance of the Trademark and Kissei shall provide all such assistance and co-operation, including but not limited to furnishing of documents and information and the execution of registered user documentation or the like as may be required to give effect to any action as may be taken, or required to be taken by MediciNova, and in the Kissei Territory it is Kissei that shall have the corresponding rights for the Trademark. Each Party must approve in writing any proposed settlement by the other Party if such proposed settlement involves allowing the co-existence of the Trademark with another mark in such Party's respective Territory.

9 Manufacturing

9.01 Active Pharmaceutical Ingredient.

(a) Subject to the terms of a clinical supply agreement to be entered into between the Parties, Kissei shall have the sole right to manufacture and supply to MediciNova in accordance with cGMP and other applicable regulatory requirements the Active Pharmaceutical Ingredient and MediciNova shall purchase such Active Pharmaceutical Ingredient from Kissei, for use in preclinical and clinical trials. The supply price of such Active Pharmaceutical Ingredient shall be the Cost of Goods Sold. Notwithstanding the stipulation in Section 3.01, Kissei shall disclose or make available to MediciNova the Kissei Intellectual Property relating to manufacturing Active Pharmaceutical Ingredient to the extent that such information is required by Regulatory Authorities to obtain Regulatory Approval or Kissei or its designee shall file a Drug Master File relating to the Active Pharmaceutical Ingredient. In the event that Kissei or its designee files a Drug Master File relating to Active Pharmaceutical Ingredient, Kissei or such designee will allow MediciNova or its designees to cross reference any such Drug Master File free of charge.

(b) Subject to the terms of a commercial supply agreement to be entered into between the Parties, Kissei shall also have the sole right to manufacture and supply Active Pharmaceutical Ingredient for commercial use by MediciNova or its designees in the MediciNova Territory. MediciNova or its designees shall have the right free of charge to cross reference any Drug Master File, if any, owned or controlled by Kissei or its designee and relating to Compound necessary to obtain Regulatory Approval in any jurisdiction in the MediciNova Territory. No later than the date of the End of Phase 2 Meeting (the date of which shall be provided to Kissei at least thirty (30) days in advance by MediciNova), the Parties or their respective designees shall negotiate in good faith to enter into a commercial supply agreement containing commercially reasonable terms applicable to similar types of supply agreements, including provisions for MediciNova to provide Kissei with forecasts of its requirements of Product. In the case of Active Pharmaceutical Ingredient manufactured by Third Parties, the supply price for commercial use means the price paid by Kissei

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to such Third Parties for the acquisition of such Active Pharmaceutical Ingredient, as well as the net cost or credit of any value-added taxes actually paid or utilized by Kissei in respect of such acquisition of such Active Pharmaceutical Ingredient, plus a percentage to be agreed to in good faith by the Parties in the commercial supply agreement. Both Parties agree that the supply price for commercial use will not exceed **[**]**, provided that both Parties will discuss in good faith and agree to the supply of Compound including the grant to MediciNova of rights to make or manufacture, or have made or manufactured the Active Pharmaceutical Ingredient (i) if MediciNova is unable to obtain a reasonable profit (from the viewpoint of the pharmaceutical industry standard in the United States) based on Kissei's supply price or if future economic conditions are changed materially; (ii) if Kissei or its designee is unable to comply with regulatory requirements applicable to the manufacture of such Active Pharmaceutical Ingredient; or (iii) if Kissei or its designee is unwilling or unable to meet MediciNova's requirements of Active Pharmaceutical Ingredient. In such event, upon MediciNova's request, Kissei will (x) expand the license granted to MediciNova under Section 2.01 hereof to include the right to make or have made Compound; and (y) assist MediciNova in the transition of such manufacturing and supply to MediciNova or its designee, including providing technology and other transfer services at Kissei's standard FTE rate.

(c) MediciNova, or its designees, shall have the right to periodically inspect/audit the manufacturing facilities and records of Kissei or its designee to assure compliance with cGMP. Likewise, inspection/audit of manufacturing facilities and records by Regulatory Authorities shall be permitted by Kissei. The supply agreement will cover these and other matters relating to inspection/audit.

9.02 Drug Product. MediciNova shall have the sole right to manufacture the Product for the use in the MediciNova Territory.

10 Disclaimer; Representations and Warranties

10.01 Kissei does not warrant that MediciNova can successfully develop, obtain Regulatory Approvals for, or market the Product in the MediciNova Territory by using and relying upon the Kissei Patents and the Kissei Know-How supplied by Kissei hereunder, and that Kissei can successfully develop, obtain Regulatory Approvals for, or market the Product in the Kissei Territory.

10.02 Kissei represents and warrants to MediciNova that as of the Effective Date:

(i) Kissei is a corporation duly organized, validly existing and in good standing under the laws of state or jurisdiction in which it is incorporated;

(ii) Kissei has full right and authority to enter into this Agreement and to grant the license to MediciNova as herein described; Kissei is the sole owner of the Kissei Patents, all of which are owned free and clear of any liens, charges, claims or

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encumbrances, and no other person, corporate or other private entity, or governmental or university entity or subdivision thereof, has any claim of ownership or rights with respect to the Kissei Patents, whatsoever; Except as set forth on Schedule 10, Kissei is the sole owner of the Kissei Know How, all of which is owned free and clear of any liens, charges, claims or encumbrances, and no other person, corporate or other private entity, or governmental or university entity or subdivision thereof, has any claim of ownership or rights with respect to the Kissei Know How, whatsoever

(iii) This Agreement has been duly authorized, executed and delivered by Kissei and constitutes a valid and binding contract of Kissei enforceable against Kissei in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally from time to time if effect, and to general principles of equity; all corporate acts and other proceedings required to be taken to authorize such execution, delivery, and consummation have been duly and properly taken and obtained;

(iv) The execution, delivery and performance of this Agreement does not conflict with any other agreement, contract, instrument or understanding, oral or written, to which Kissei is a party, or by which it is bound, nor will it violate any law or regulation of any legislature, court, governmental body, administrative agency or other authority having jurisdiction over Kissei; no approval, authorization, consent, or other order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by Kissei of this Agreement or the consummation by Kissei of the transactions contemplated hereby;

(v) Attached hereto as Exhibit A is a complete and accurate list of all patents and patent applications relating to Compound or Product owned or Controlled by Kissei as of the Effective Date. To the best knowledge of Kissei, the issued claims included in the Kissei Patents as of the Effective Date are valid and enforceable and do not infringe any Third Party rights;

(vi) to Kissei's knowledge, the contemplated development, importation, manufacture, use, offer for sale and sale of Compound or Product would not infringe any patent rights owned or possessed by any Third Party;

(vii) Kissei has disclosed to MediciNova the complete texts of all patents or patent applications relating to Compound or Product that are in existence on the Effective Date and that are owned or Controlled by Kissei as well as all information received by Kissei concerning the institution or possible institution of any interference, opposition, re-examination, reissue, revocation, nullification, or any official proceeding involving a Kissei Patent, and that it will continue such disclosure with respect to new events during the term of the Agreement;

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(viii) there are no claims, judgments or settlements against or owed by Kissei relating to the Kissei Patents or pending or, to the Kissei knowledge, threatened claims or litigation against Kissei relating to the Kissei Patents;

(ix) in connection with development of Compound and Product, Kissei and its employees, agents, clinical institutions and clinical investigators have complied and are complying in all material respects with applicable laws and regulations;

(x) Kissei has disclosed to MediciNova any facts known to Kissei as of the Effective Date that Kisssei reasonably believes in good faith to be material regarding: (i) preclinical and clinical study results and protocols for Compound and/or Product; (ii) any communications to and from any Regulatory Authority with respect to Compound and/or Product, including, but not limited to, Regulatory Filings; and (iii) adverse drug experiences or other IND safety reports with respect to Compound and/or Product;

(xi) Kissei has not granted as of the Effective Date, and will not grant during the term of this Agreement, any right to any Affiliate or Third Party relating to the Kissei Patents or the Kissei Know-How in the Field in the MediciNova Territory which would conflict with the rights granted to MediciNova hereunder;

(xii) Kissei shall pay any amounts which Kissei shall owe to the Third Parties listed on Schedule 10 under Kissei's respective agreements with such Third Parties by virtue of this Agreement, and shall perform in all material respects its obligations under such agreements which are necessary to enable MediciNova to perform its obligations under this Agreement; and

(xiii) In the event that Kissei receives notice from any of the Third Parties listed on Schedule 10 that Kissei has committed a breach of its obligations under any of the agreements with such Third Parties, which breach gives rise to a right by the respective Third Party, respectively, to terminate the respective agreement in a way that would terminate or adversely affect MediciNova's ability to exercise its rights or perform its obligations under this Agreement, Kissei shall notify MediciNova of such situation, and Kissei shall use commercially reasonable efforts to cure such breach. However, if Kissei is unable to or does not cure such breach, Kissei shall, to the extent possible, permit MediciNova at its option to cure such breach, and shall reimburse MediciNova for any amounts paid by MediciNova to do so;

(xiv) Kissei represents and warrants that (a) the formulation, manufacture, testing, delivery and storage of Active Pharmaceutical Ingredient to be supplied to MediciNova under this Agreement shall be in compliance with cGMP and all other applicable laws and regulations; (b) the Active Pharmaceutical Ingredient supplied will not, on the date of shipment, be adulterated or misbranded within the meaning of the Act and the regulations issued thereunder or within the meaning of any other applicable law, rules or regulations, the provisions of which are in effect at the time

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of such shipment; and (c) the Active Pharmaceutical Ingredient supplied shall be free of any lien, security, interest or other encumbrance on title and shall be free of defects in material and workmanship.

10.03 MediciNova represents and warrants to Kissei that as of the Effective Date:

(i) MediciNova is a corporation duly organized, validly existing and in good standing under the laws of state of Delaware, United States and it has full right and authority to enter into this Agreement and to accept the license granted as herein described.

(ii) This Agreement has been duly authorized, executed and delivered by MediciNova and constitutes a valid and binding contract of MediciNova enforceable against MediciNova in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally from time to time if effect, and to general principles of equity; all corporate acts and other proceedings required to be taken to authorize such execution, delivery, and consummation have been duly and properly taken and obtained;

(iii) The execution, delivery and performance of this Agreement does not conflict with any other agreement, contract, instrument or understanding, oral or written, to which MediciNova is a party, or by which it is bound, nor will it violate any law or regulation of any legislature, court, governmental body, administrative agency or other authority having jurisdiction over MediciNova; no approval, authorization, consent, or other order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by MediciNova of this Agreement or the consummation by MediciNova of the transactions contemplated hereby;

(iv) It has not knowingly performed any acts that are inconsistent with the terms and purposes of this Agreement or that may infringe upon any of the rights of Kissei hereunder.

(v) It has thoroughly studied all Kissei Know-How provided to MediciNova prior to execution of this Agreement and significant data concerning the Compound and the Product provided by Kissei to MediciNova prior to execution of this Agreement, including but not limited to their safety and efficacy and risk/benefit, and it has made its own judgment to enter into this Agreement at its own risk.

10.04 Limitation of Warranty. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTY, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, WITH

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RESPECT TO ANY OF THE MATERIALS, INFORMATION, SERVICES OR LICENSES PROVIDED PURSUANT TO THIS AGREEMENT.

10.05 Performance by Affiliates. The Parties recognize that each Party may perform some or all of its obligations under this Agreement through Affiliates and Third Party contractors provided, however, that each Party will remain responsible and liable for the performance by its Affiliates and Third Party contractors and will cause its Affiliates and Third Party contractors to comply with the provisions of this Agreement in connection with such performance.

11 Intellectual Property

11.01 Prosecution and Maintenance. Kissei shall have full responsibility, including financial responsibility for prosecution and maintenance for all Kissei Patents worldwide. Kissei shall inform MediciNova on a country-by-country basis of any significant developments in the prosecution of pending patent applications included in the Kissei Patents, including the issuance of any final office actions, allowance of claims, or upcoming grant of any domestic or foreign patent based thereon. If Kissei elects not to file, prosecute or maintain or elects to abandon Kissei Patents in any country in the MediciNova Territory, it shall provide MediciNova with written advance notice sufficient to avoid any loss or forfeiture (and in any event not less than thirty (30) days notice), and MediciNova shall have the right but not the obligation, at its sole expense, to file, prosecute or maintain such patent or patent application in MediciNova's name and Kissei shall assign to MediciNova all of Kissei's right, title and interest in and to such Kissei Patents and, in the event MediciNova exercises such right, such patent or patent application shall no longer be deemed Kissei Patents. Kissei shall give reasonable assistance to MediciNova to support prosecution and defence of such Patent rights (excluding financial assistance) should MediciNova elect to continue prosecution. MediciNova shall have the right to control the prosecution, grant and maintenance of any MediciNova Patents in the MediciNova Territory and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to such Patents and shall be responsible for the payment of all such patent prosecution and maintenance costs.

11.02 Cooperation. Each Party shall make available as far as possible to the other Party or to the other Party's authorized attorneys, agents, representatives, employees or consultants any documents necessary or appropriate to enable the other Party to file, prosecute and maintain patent applications and resulting patents, as set forth in Section 11.01 above, for a period of time sufficient for the other Party to obtain the assistance it needs from the first Party. Where appropriate, each Party shall sign or cause to have signed all documents relating to said patent applications or patents at no charge to the other Party. The responsible Party under Section 11.01 shall solicit the other Party's review of the nature and text of such patent applications and important prosecution matters related thereto in reasonably sufficient time prior to filing thereof, and the responsible Party shall take into account the other Party's reasonable comments related thereto.

11.03 Updates. To achieve the purpose of making updates and modifications to Exhibit A, Kissei shall send a list of additional patents to be included in the Kissei Patents to MediciNova from time to time; provided, however, that the failure to update or modify Exhibit A shall not affect the definition of Kissei Patents.

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11.04 Validity Challenge. In the event that a Third Party attacks the validity of any particular Kissei Patents in any country of the MediciNova Territory then Kissei shall have the first right to take such legal action, at its discretion, as is required to defend the validity of such particular Kissei Patents and MediciNova shall give all reasonable assistance (excluding financial assistance) to Kissei. MediciNova may be represented by counsel of its own selection at its own expense in any such legal action but Kissei shall have the right to control the suit and proceeding; provided, however, that Kissei shall not agree to any settlement of the suit without the prior written consent of MediciNova. If Kissei does not take legal action as is required to defend the validity of such particular Kissei Patents, Kissei shall provide at least thirty (30) days notice to MediciNova prior to a corresponding deadline, if applicable, and MediciNova may then, at its option, assume control and defence of such action at its expense. In the event that MediciNova assumes control of the defence, Kissei shall give reasonable assistance (excluding financial assistance) to MediciNova. Kissei may be represented by counsel of its own selection at its own expense in any such legal action, but MediciNova shall have the right to control the suit and proceeding; provided, however, that MediciNova shall not agree to any settlement of the suit without the prior written consent of Kissei.

11.05 Patent Term Extensions or Restorations. The Parties shall cooperate in obtaining any extension of the term or restorations of the Kissei Patents or any other similar period of exclusivity, which may be available under the laws and regulations in any country of the MediciNova Territory. The Parties shall promptly inform each other on registrations obtained in countries eligible for Patent Term Extension, and provide all assistance to timely fulfil the official requirements for Patent Term Extension. If elections with respect to obtaining such extension or supplemental protection certificates are to be made, MediciNova shall have the first right to make the election in the MediciNova Territory.

12 Infringement

12.01 Infringement Claims against Third Parties.

(a) Notice. If either Party learns of any misappropriation of Kissei Know-How, or any infringement or threatened infringement by a Third Party of Kissei Patents, such Party will promptly notify the other Party and will provide such other Party with all available evidence of such misappropriation or infringement.

(b) Prosecution.

(i) Kissei shall have the first right to institute, prosecute and control at its own expense, any action or proceeding with respect to infringement in the Field and in the MediciNova Territory of any Kissei Patents or any misappropriation of a Product right in the Field and in the MediciNova Territory, by counsel of its own choice, and will consult with MediciNova on any actions that MediciNova proposes to take in such action or proceeding. MediciNova shall cooperate with Kissei in any such action or proceeding brought by Kissei against a Third Party, and will have the right to consult with Kissei and to participate in and be represented by independent counsel of its own choice in such litigation at its own expense.

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(ii) If Kissei does not bring an action or proceeding or otherwise take appropriate action in Kissei's discretion to abate such infringement or misappropriation in the Field and in the MediciNova Territory within a period of ninety (90) days of written notice by MediciNova to Kissei requesting such action, MediciNova will have the right, but not the obligation, to bring and control, by counsel of its own choice, any such infringement or misappropriation action or proceeding relating to such Kissei Patents. Kissei will cooperate with MediciNova in any such action or proceeding brought by MediciNova against a Third Party, and will have the right to consult with MediciNova and to participate in and be represented by independent counsel of its own choice in such litigation at its own expense.

(iii) If one Party brings any such action or proceeding under this Section, the other Party agrees, at the request and expense of the first Party, to be joined as a Party plaintiff to the extent necessary to secure its damages and prosecute the action or proceeding and to give the first Party reasonable assistance and authority to file and prosecute the suit.

(c) Settlement with a Third Party. The Party that controls the prosecution of a given action under this Section will also have the right to control settlement of an action described above; provided, however, that no settlement will be entered into with respect to a Patent without the written consent of the Party owning such Patent, which shall not be unreasonably withheld if such settlement would require the Party to be subject to an injunction or make a monetary payment in excess of 10,000 US Dollars or would restrict the claims in or invalidate any of the Patents.

(d) Costs and Awards.

(i) To the extent that Kissei or MediciNova initiates and prosecutes a proceeding under Section 12.01 on its own, without the material assistance of or the participation as a co-plaintiff in the action by the other Party, then the Party that prosecuted the action shall be entitled to retain for its sole and exclusive benefit any damages or other monetary award recovered therein in its favour.

(ii) To the extent that both Kissei and MediciNova materially assist or participate in, any such proceeding then:

first, the costs and expenses of each of Kissei and MediciNova shall be reimbursed to each Party pro rata, based on the actual amounts spent by such Party, out of any damages or other monetary awards recovered therein in favour of Kissei and/or MediciNova; and second, the amount of any remaining damages or other monetary awards recovered therein in favour of Kissei and/or MediciNova, shall be divided as follows: (1) first, to MediciNova, as reimbursement for lost sales associated with Products and to Kissei as reimbursement for lost royalties solely to the extent that the award of compensation is attributable to lost profits associated with Products; and (2) second, any amounts remaining shall be allocated as follows: (a) if Kissei is the Party prosecuting such action, one hundred percent (100%) to Kissei, (b) if MediciNova is the Party prosecuting such

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action, one hundred percent (100%) to MediciNova subject to the royalty payment to Kissei according to the Section 5.02, and (c) if both Parties are prosecuting such action, fifty percent (50%) to each Party.

12.02 Infringement of Third Party Rights.

(a) Notice. If the development, registration, manufacture, use, marketing or sale of the Product results in a claim against a Party of infringement or misappropriation of any Third Party's patent or other intellectual property right ("Third-Party Claim"), the Party first having notice of a Third-Party Claim shall promptly notify the other Party in writing specifying in reasonable detail the alleged grounds or basis for the Third-Party Claim (to the extent known).

(b) Patent Infringement Claims. If the development, registration, manufacture, use, marketing or sale of Product in a country in the MediciNova Territory results in a Third-Party Claim of patent infringement, the Parties agree to respond to and/or defend against the Third-Party Claim as follows:

(i) Control of Defence. Kissei shall have the initial right to manage solely the defence of the Parties against the Third-Party Claim. If Kissei elects to exercise such right as to the Third-Party Claim, MediciNova shall cooperate with Kissei at Kissei's request and shall have the right to be represented by counsel selected and paid for by MediciNova. If Kissei elects not to exercise such right as to the Third-Party Claim, MediciNova shall have the right to manage solely the defence of the Parties against the Third-Party Claim and Kissei shall cooperate with MediciNova at MediciNova's request and shall have the right to be represented by counsel selected and paid for by Kissei.

(ii) Settlements. The Party that manages solely the defence of the Parties against the Third-Party Claim shall also have the right to settle such Third-Party Claim on terms deemed appropriate by such Party, provided, however, that (A) neither Party shall settle any Third-Party Claim in a manner that is prejudicial to the Products, (B) such Party shall consult with the other Party concerning the terms of any settlement agreement before entering into such an agreement, and (C) neither Party shall settle any such Third-party Claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any Third Party royalty payments required to be paid as the result of a judgment or settlement under this Section 12.02 shall be subject to the provisions of Section 5.11 above.

(iii) Costs of Defence. Each Party shall be responsible for its own fees and costs of attorneys and consultants, together with the court costs, incurred in defending against the Third-Party Claim.

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13 Improvements & Grant-back

13.01 In the event that any Improvements result from the activities solely undertaken by Kissei pursuant to this Agreement, patentable and non-patentable inventions shall be owned by Kissei and patent applications shall be filed under the name of Kissei and at Kissei's expense. Any Improvement patents Controlled by Kissei shall be included in the Kissei Patents and subject to the license granted hereunder at no further cost to MediciNova.

13.02 Kissei shall have the royalty-free, non-exclusive right and license to use all of the MediciNova Know-How (including the Improvements based thereon) and any Improvement patents owned or Controlled by MediciNova resulting from the activities undertaken by MediciNova and its Affiliates pursuant to this Agreement, and to disclose and sublicense the same to Kissei's Affiliate and licensee, for the sole purpose of manufacture, develop, use or sale of Compound or Product in the Field in the Kissei Territory. In the event MediciNova grants a sublicense of any of the rights granted to it by Kissei under this agreement, MediciNova will try to obtain from such sublicensee a royalty-free non-exclusive right for Kissei to use any Patents or Know How Controlled and developed by such sublicensee during the term of such sublicense agreement for the sole purpose of using Product in the Field in the Kissei Territory.

13.03 Kissei and MediciNova shall jointly own all inventions and patents and patent applications thereon that are conceived and reduced to practice by one or more employees, agents or consultants of Kissei or its Affiliate, together with one or more employees, agents or consultants of MediciNova or its Affiliate, provided that Kissei's interest in such jointly owned inventions, patents and patent applications shall be included in the license granted to MediciNova under this Agreement and provided further that MediciNova's interest in such jointly owned inventions, patents and patent applications shall be granted to Kissei in accordance with Sections 13.02.

14 Confidentiality/Publications

14.01 Confidentiality. Subject to any other provisions of this Agreement, either Party, for itself and its Affiliate and its sublicensee or licensee agrees that it shall, during the term of this Agreement and for a period of five (5) years thereafter or ten (10) years from the Effective Date, whichever is longer, hold in confidence the Know-How disclosed by the other Party, which is defined as "Confidential Information" hereunder, and shall not disclose such Confidential Information to any Third Party nor use such Confidential Information for any commercial purpose other than the purpose of this Agreement, without first obtaining the written consent of the other Party. Confidential Information means any and all Know-How, except as follows:

(i) such Know-How is a part of the public domain prior to the disclosure by providing Party to receiving Party hereunder; or

(ii) such Know-How becomes a part of the public domain after the disclosure by providing Party to receiving Party hereunder without any breach by receiving Party of this Agreement; or

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(iii) such Know-How which receiving Party can demonstrate that it had independently developed prior to the disclosure by providing Party to receiving Party hereunder; or

(iv) such Know-How is disclosed to receiving Party by Third Party who has the right to make such disclosure.

(v) such Know-How is required to be disclosed by law or for the purpose of complying with governmental regulations.

14.02 Permitted Disclosures. To the extent it is reasonably necessary or appropriate to fulfill its obligations or exercise its rights under this Agreement, (a) a Party may disclose Confidential Information which is otherwise obligated under this Section 14 not to disclose to its Affiliates, to Kissei licensees, if the Party is Kissei, to its sublicensees, if the Party is MediciNova, and to its consultants, outside contractors and clinical investigators, on a need-to-know basis on condition that such persons agree to keep the Confidential Information confidential for the same time periods and to the same extent as such Party is required to keep the Confidential Information confidential; and (b) a Party (including MediciNova's sublicensees or Kissei licensees) may disclose such Confidential Information to government or other regulatory authorities to the extent that such disclosure is required by applicable law (including without limitation all applicable securities laws), regulation, agency or court order, or is reasonably necessary to obtain patents or authorizations to conduct clinical trials with, and to market the Product, provided that the disclosing Party shall provide written notice to the other Party and sufficient opportunity to object to such disclosure or to request confidential treatment thereof.

14.03 Publications. If either Party wishes to publish any information, data or results regarding the Compound or the Product in written, oral or other form, a manuscript of the proposed publication shall first be sent to the other Party at least sixty (60) days in advance of such publication for review. Unless the reviewing Party informs the other in writing during this sixty (60) day period that the proposed publication must be delayed in order to protect a patentable invention or changed to avoid disclosure of confidential trade secrets or Know-How, the other Party shall be free to publish such results without restriction. In the event that a delay of the proposed publication be required, the other Party shall withhold such submission for publication for an additional period, up to ninety (90) days, or such other period as the Parties may mutually agree.

15 Safety Information

15.01 Both Parties shall fully comply with all applicable medical event reporting recommendations and requirements in all countries where the Parties intend to carry out clinical studies and/or to market the Product and agree to exchange such information as may be necessary to achieve that end and to ensure that both Parties are completely informed regarding medical experience with the Product. This includes single case reports, together with an appropriate medical evaluation, as well as aggregate data, such as PSURs required by the competent authorities.

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15.02 The Parties agree on the procedures and formalities to be used for the exchange of medical and adverse events information pertaining to the Product, no later than ninety (90) days after the Effective Date.

16 Term and Termination

16.01 This Agreement shall become effective on the Effective Date. Unless sooner terminated by any other provision of this Agreement, the term of the Agreement shall expire with respect to each Product on a country-by-country basis upon date of expiration of all royalty and or payment obligations stipulated in the Section 5 in the countries in the MediciNova Territory.

16.02 Notwithstanding the stipulation in Section 16.01 hereof, this Agreement shall terminate upon the occurrence of any of the following itemized events:

(i) Either Party notifies the other Party of the fact of default or breach of any material provision in this Agreement by the notified Party, and the notified Party fails to take corrective measures to mitigate or cure such default or breach within ninety (90) days from the date of notification, provided that notice of termination is given within six (6) months of the default or breach and prior to correction of the default or breach; or

(ii) Either Party files in any court or agency pursuant to any statute or regulation pertaining to bankruptcy, solvency, or payment of debts, of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of the Party or of its assets, or if the other Party proposes a written agreement of composition or extension of its debts, or if the other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within sixty (60) days after the filing thereof, or if the other Party shall propose or be a Party to any dissolution or liquidation, or if the other Party shall make an assignment for the benefit of creditors.

16.03 MediciNova may, at its discretion, terminate this Agreement for scientific or commercial reasons, upon one hundred (100) days' prior written notice to Kissei during the development phase and one hundred and eighty (180) days' prior written notice to Kissei during the commercialization phase.

17 Effects of Termination

17.01 Upon expiration of this Agreement pursuant to Section 16.01, MediciNova will continue to have a royalty-free, perpetual right to continue to make, have made, further develop or have develop, use, sell, offer to sell import and export the Product.

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17.02 Expiration or termination of this Agreement for any reason shall be without prejudice to:

(i) the obligation of confidentiality provided for in Section 14 hereof;

(ii) Kissei's right to receive all payments accrued as of the date of termination under Section 5 hereof;

(iii) Kissei's right of inspecting books and account of MediciNova and its Affiliate relative to the calculation of royalty payments for Royalty Periods occurring prior to the date of termination as per Section 5.10 hereof;

(iv) the rights and ownership in any intellectual property the respective Party has obtained prior to expiration or termination;

(v) Kissei's right provided for in Section 13.02 and 13.03 hereof;

(vi) MediciNova and its Affiliates and sublicensees shall have the right to sell or otherwise dispose of the stock of any Product subject to this Agreement then on hand or in process of manufacture, provided that the payment stipulated in Section 5 shall be made to Kissei; and

(vii) any other rights or remedies which either Party may then or thereafter have hereunder or at law or in equity or otherwise.

18 Announcement

No public announcement or other disclosure to Third Parties concerning the existence of or terms or provisions of this Agreement shall be made, either directly or indirectly, by any Party to this Agreement, except as may be legally required or as may be required for recording purposes, without first obtaining the written approval of the other Party and agreement upon the nature and text of such announcement or disclosure. The Party desiring to make any such public announcement or other disclosure shall inform the other Party of the proposed announcement or disclosure in reasonably sufficient time prior to public release, and shall provide the other Party with a written copy thereof, in order to allow such other Party to review, comment upon and approve announcement or disclosure, which such approval shall not be unreasonably withheld or delayed.

19 Governing Law

This Agreement shall be governed by and interpreted in accordance with the internal substantive laws of the State of New York, United States, without giving effect to any choice of law rules, except matters of intellectual property law, which shall be determined in accordance with the national intellectual property laws relevant to the intellectual property in question.

20 Dispute Resolution

20.01 Organization Resolution. The Parties will try to settle their differences amicably between themselves. In the event of any controversy or claim arising out of or relating to any

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provision of this Agreement or the performance or alleged non-performance of a Party of its obligations under this Agreement which is not subject to the final decision of a Party as specified herein ("Dispute"), a Party may notify the other Party in writing of such Dispute. If the Parties are unable to resolve the Dispute within sixty (60) days of receipt of the written notice by the other Party, such Dispute will be referred to a Board member of MediciNova and a Board member of Kissei (the "Board Members"), who will use their good faith efforts to resolve the Dispute within thirty (30) days after it was referred to them. If such Board Members are unable to settle the Dispute between them within thirty (30) days, they shall so report to the Parties in writing. The Dispute shall then be referred to mediation and/or arbitration as set forth in the following Section 20.02.

20.02 Mediation/Arbitration. Upon the Parties receiving the Board Members' report that the Dispute referred to them pursuant to Section 20.01 has not been resolved, the Dispute shall be referred to mediation by written notice from either Party to the other. The mediation shall be conducted pursuant to the LCIA Mediation Procedure. In the event MediciNova is the claimant, the mediation shall be held in Tokyo, Japan; in the event Kissei is the claimant, the mediation shall be held in New York, New York, United States. If the Parties have not reached a settlement within twenty (20) Business Days of the date of the commencement of mediation, the Dispute shall be referred to arbitration as follows.

If after the procedures set forth above, the Dispute has not been resolved, a Party shall decide to institute arbitration proceedings, and it shall give written notice to that effect to the other Party. The Parties shall refrain from instituting the arbitration proceedings for a period of sixty (60) days following such notice. During such period, the Parties shall continue to make good faith efforts to amicably resolve the Dispute without arbitration. If the Parties have not reached a settlement during that period the arbitration proceedings shall go forward and be governed by the LCIA Arbitration Rules then in force. Each such arbitration shall be conducted by a panel of three arbitrators with appropriate experience in the biotechnology or pharmaceutical industry: one arbitrator shall be appointed by each of MediciNova and Kissei and the third arbitrator, who shall be the Chairman of the tribunal, shall be appointed by the two Party-appointed arbitrators. In the event MediciNova is the claimant, the arbitration shall be held in Tokyo, Japan; in the event Kissei is the claimant, the arbitration shall be held in San Diego, California, United States. Any mediation or arbitration proceeding entered into pursuant to this Section 20.02 shall be conducted in the English language when it is held in the United States or in the Japanese language when it is held in Japan.

20.03 Binding Decision. The decision by the arbitrator will be binding and conclusive upon the Parties, their successors and permitted assigns and the Parties will comply with such decision in good faith. Each Party hereby submits itself to the jurisdiction of the courts of the place where the arbitration is held, but only for the entry of judgment with respect to the decision of the arbitrators hereunder. Notwithstanding the foregoing, judgment may be entered to recognize the award (but not to revise or to amend the award) in any court in the country where the arbitration takes place, or any court having jurisdiction over the Parties. The Parties agree that any damages awarded pursuant to any Dispute submitted to arbitration hereunder will be limited to compensatory damages and that the arbitrators will in no event have authority to award any special, incidental,

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consequential or punitive damages. The arbitrators shall have the authority to grant specific performance. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based on such claim, Dispute or other matter in question would be barred by the applicable statute of limitations.

20.04 Expenses. The fees and expenses of the arbitrators, the fees and expenses of a court reporter, and any expenses for a hearing room, will be shared equally by the Parties. The Parties will otherwise bear their respective expenses of the arbitration.

21 Notices

21.01 Any notice required to be given under this Agreement shall be given in the English language by sending such notices by postage-prepaid registered airmail or an internationally recognized overnight courier service addressed to the other Party at the address listed below:

For Kissei: Kissei Pharmaceutical Co., Ltd.
1-8-9 Nihonbashi, Muromachi
Chuo-Ku, Tokyo 103-0022, Japan
Attention: Senior Director of Business Development and Licensing
Tel: +81 3 3279 2307
Fax: +81 3 3279 2541

For MediciNova: MediciNova, Inc.
4350 La Jolla Village Dr., Ste. 950
San Diego, California 92122, USA
Attention: Takashi Kiyoizumi, M.D., Ph.D.
Tel: +1 858 373 1100
Fax: +1 858 373 7000

Either Party may notify the other Party of a different address to receive the other Party's notices in accordance with the manner described in this Section 21.01.

21.02 In the case where any notice is sent by airmail, such notice shall be sent return receipt requested and is deemed to be received by the other Party upon endorsement, by an employee or agent of the other Party of such receipt.

22 Force Majeure

22.01 Neither Party shall be liable for any failure to perform as required by this Agreement by reason of Force Majeure, to the extent such failure to perform is due to circumstances reasonably beyond the control of such Party, including but not limited to requisition or interference by any government, state or local authorities, war, riots, civil disturbances, strikes or other labor disputes, accidents, failure to secure required governmental approval, civil disorders or acts of aggression, acts of God, energy or other conservation shortages, diseases, or other such occurrences.

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22.02 If and when any Party is hindered in its performance of its obligations under this Agreement by reason of Force Majeure, the performance shall be suspended during, but not longer than, the continuance of such circumstances.

22.03 Either Party hereto whose performance of obligations has been hindered by reason of Force Majeure shall, to the extent possible, inform the other Party immediately, and shall use reasonable efforts to overcome the effect of the Force Majeure.

23 Indemnification

23.01 Kissei shall defend, indemnify and hold MediciNova and its Affiliates and sublicensees and all the officers, directors, employees, successors and assigns thereof (the "MediciNova Indemnified Parties") harmless against all liabilities, damages, losses, costs or expenses (including but not limited to reasonable legal fees and expenses) resulting from any Third Party claim made or suit brought against any MediciNova Indemnified Party to the extent the same is arising from:

(a) Kissei's material breach of any term of this Agreement,

(b) the negligence, recklessness or willful misconduct or fraud on the part of Kissei or any of its Affiliate or licensees or any of its or their officers, directors or employees with respect to the Compound or Active Pharmaceutical Ingredient produced or supplied by Kissei or in the performance of this Agreement,

(c) any product liability claim related to the Compound prior to the Effective Date or during the term of this Agreement for Compound used in the Kissei Territory, or

(d) any clinical studies and marketing activities conducted by or on behalf of Kissei prior to the Effective Date and during the term of this Agreement.

However, Kissei shall not be required to indemnify MediciNova to the extent that any such claims arose out of or resulted from the negligence, recklessness or willful misconduct or fraud of MediciNova or any of its Affiliates or sublicensees.

23.02 MediciNova shall defend, indemnify and hold Kissei and its Affiliates and licensees and all the officers, directors, employees, successors and assigns (the "Kissei Indemnified Parties") thereof harmless from and against all liabilities, damages, losses, costs or expenses (including but not limited to reasonable legal fees and expenses) resulting from any Third Party claim made or suit brought against any Kissei Indemnified Party to the extent the same is arising from:

(a) MediciNova's material breach of any term of this Agreement,

(b) the negligence, recklessness or willful misconduct or fraud on the part of MediciNova or any of its Affiliate or sublicensee or any of its or their officers, directors or

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employees with respect to the Product produced by MediciNova or in the performance of this Agreement,

(c) any product liability claim related to the Product produced, manufactured, supplied, used, tested, by MediciNova and sold as a Product into the MediciNova Territory at any time after the Effective Date, or

(d) any clinical studies and marketing activities conducted by or on behalf of MediciNova during the term of this Agreement

However, MediciNova shall not be required to indemnify Kissei to the extent that any such claims arose out of or resulted from the negligence, recklessness or wilful misconduct or fraud of Kissei or any of its Affiliates or licensees.

23.03 Indemnification Procedures. A Party which intends to claim indemnification under Section 23.01 or 23.02 hereof (the "Indemnitee") will promptly notify the other Party (the "Indemnitor") in writing of any claim, lawsuit or other action in respect of which the Indemnitee or any of Indemnified Parties (as the case may be) intend to claim such indemnification within a reasonable period of time after the assertion of such claim; provided, however, that the failure to provide written notice of such claim within a reasonable period of time will not relieve the Indemnitor of any of its obligations hereunder, except to the extent that the Indemnitor is prejudiced by such failure to provide prompt notice. The Indemnitor will have the right to assume the complete control of the defence, compromise or settlement of any such claim (provided that no settlement of any claim will include any admission of wrongdoing on the part of an Indemnitee, without the prior written consent of such Indemnitee, which such consent will not be unreasonably withheld). The Indemnitor may, at its own expense, employ of legal counsel to defend the claim at issue. The Indemnitee may, in its sole discretion and at its own expense, employ legal counsel to represent it (in addition to the legal counsel employed by the Indemnitor) in any such matter, and in such event legal counsel selected by the Indemnitor will be required to confer and cooperate with such counsel of the Indemnitee in such defence, compromise or settlement for the purpose of informing and sharing information with the Indemnitee. The Indemnitee will, at its own expense, make available to Indemnitor those employees, officers and directors or other Indemnified Parties whose assistance, testimony or presence is necessary, useful or appropriate to assist the Indemnitor in evaluating, defending or settling any such claim; provided, however, that any such access will be conducted in such a manner as not to interfere unreasonably with the operations of the businesses of Indemnitee.

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24 Non-assignability

This Agreement may not be assigned without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided, however, that without such consent either Party may assign this Agreement to an Affiliate, or in connection with the transfer or sale of all or substantially all of its business or assets or in the event of a merger, consolidation, change in control or similar corporate transaction. Any successor or permitted assignee shall assume all obligations of its assignor under this Agreement.

25 Language

25.01 This text of this Agreement in the English language shall be the original text, and any text in another language, even if such a text is made by translation of the text in English language or prepared by any of the Parties hereto for the purpose of its own convenience, shall have no meaning for any purpose between the Parties hereto.

25.02 Any information to be provided under this Agreement including but not limited to any Know-How has to be provided in Japanese or the English language.

26 Entire Agreement

This Agreement shall constitute the entire agreement between the Parties hereto concerning the subject matter hereof and shall supersede any other agreements, whether oral or written, express or implied, and may not be changed or modified or revised except as specifically agreed upon by the Parties in writing.

27 Separability

27.01 In the event any portion of this Agreement shall be held illegal, void or ineffective, the remaining portions hereof shall remain in full force and effect.

27.02 If any of the terms or provisions of this Agreement are in conflict with any applicable statute or rule or law, then such terms or provisions shall be deemed inoperative to the extent that they may conflict therewith and shall be deemed to be modified to conform with such statute or rule or law.

28 Independent Contractors; No Partnership.

The Parties hereto are independent contractors. In making and performing this Agreement, the Parties are acting, and intend to be treated, as independent entities performing a contract, and nothing contained in this Agreement is to be construed or implied or deemed to create an agency, partnership, joint venture or an employee/employer relationship between MediciNova and Kissei. This Agreement is not, and will not be deemed to be, a partnership agreement or joint venture agreement, expressly or by implication. Employees of each Party remain employees of said Party and will be considered at no time agents of or owing a fiduciary duty to the other Party. Neither

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Party hereto will have any implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any other contract, agreement or undertaking with any Third Party.

29 Amendment

The Parties hereto may amend, modify or alter any of the provisions of this Agreement, but such amendment, modification or alteration will be valid and binding on either Party only if memorized by a written instrument that explicitly refers to this Agreement and is duly executed by both Parties hereto.

30 Counterparts

This Agreement may be executed by the Parties in one or more identical counterparts, all of which together will constitute this Agreement. If this Agreement is executed in counterparts, no signatory hereto will be bound until both Parties have duly executed a counterpart of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in duplicate counterparts by their duly authorized representatives, each fully executed copy hereof to be deemed as original, as of the date and year first above written.

Kissei Pharmaceutical Co., Ltd.

By: /s/ Mutsuo Kanzawa
Mr. Mutsuo Kanzawa
President and Chief Executive Officer
Kissei Pharmaceutical Co., Ltd.

MediciNova, Inc.

By: /s/ Takashi Kiyoizumi
Dr. Takashi Kiyoizumi
President and Chief Executive Officer
MediciNova, Inc.

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Exhibit A
Kissei Patents

1. Substance

International Application Number: **[**]**
International Publication Number: **[**]**

Country Name	Application No.	Patent No.
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
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2. Use

International Application Number: **[**]**
International Publication Number: *(to be determined)*

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Schedule 10
Third Party Rights

[**], regarding contract API manufacturing
[**], regarding co-development of **[**]** in Japan

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Exhibit 10.8

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LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") dated as of April 27, 2004 ("Effective Date"), is entered into between MediciNova, Inc., a Delaware corporation ("MN") having a place of business located at 4350 La Jolla Village Drive, Ste 950, San Diego, California 92122, U.S.A., and Mitsubishi Pharma Corporation, a Japanese corporation ("MPC"), having a place of business located at 6-9, Hiranomach 2-chome, Chuo-ku, Osaka 541-0046, Japan.

W I T N E S S E T H:

WHEREAS, MPC is the owner of the MPC Intellectual Property, as defined herein;

WHEREAS, MN desires to obtain an exclusive license, with a right to grant sublicenses, under the MPC Intellectual Property, and MPC desires to grant such license to MN, upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, unless specifically set forth to the contrary herein, the terms defined in this Article 1 shall have the respective meanings set forth below, it being understood that words in the singular include the plural and vice versa:

1.1 "Act" shall mean the United States Food Drug and Cosmetic Act of 1938, as amended, and the rules and regulations promulgated thereunder, or any successor act, as the same shall be in effect from time to time.

1.2 "Affiliate" shall mean, (i) any corporation or business entity of which at least fifty percent (50%) of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a Party or by any entity mentioned in (ii) hereinafter; or (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds at least fifty percent (50%) (or the

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maximum ownership interest permitted by law) of the securities or other ownership interests representing the equity, voting stock or general partnership interest of a Party.

1.3 "API" shall mean Compound, in bulk form, for use as the active pharmaceutical ingredient in the manufacture of Products.

1.4 "Business Day(s)" shall mean any day that is not a Saturday, a Sunday, a national holiday in Japan and/or United States, a day on which the New York Stock Exchange and/or the Tokyo Stock Exchange is closed.

1.5 "Calendar Quarter" shall mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.6 "Calendar Year" shall mean each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.7 "CFR" shall mean the United States Code of Federal Regulations.

1.8 "cGMP" shall mean current good manufacturing practices as defined in regulations promulgated by the FDA under the Act and, if applicable, corresponding applicable laws and regulations of other countries in the MN Territory or the MPC Territory relating to the formulation, manufacture, testing prior to delivery, storage and delivery of the Compound and Product.

1.9 "Claimed Compound" shall mean a compound, other than Compound, which is disclosed or claimed in U.S. Patent No. 5,234,948.

1.10 "Compound" shall mean the chemical compound known as **[**]** and designated **[**]**, as diagrammed on **Schedule 1.10** hereto, and **[**]**.

1.11 "Control" shall mean possession of the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement with any Third Party.

1.12 "Cost of Goods Sold" shall mean all costs incurred by MPC or MN associated with the manufacturing of API or Product, as applicable depending on the context, that are considered costs of goods sold in accordance with GAAP, including labor, materials and factory costs, including amounts payable to third party contractors and manufacturers.

1.13 "EMEA" shall mean the European Agency for the Evaluation of Medicinal Products based in London (UK), as established by Council Regulation n° 2309/93 of July 22, 1993, as subsequently amended by Commission Regulation 649/98 of March 23, 1998, and any successor thereto having substantially the same functions.

1.14 "End of Phase 2 Meeting" shall mean the first end of Phase 2 meeting with the FDA, as defined in 21 CFR Section 312.47, intended to determine the safety of proceeding to

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Phase 3, evaluate the Phase 3 plan and protocols and identify any additional information necessary to support an NDA for Product.

1.15 "EXW" shall have the meaning as such term is defined in the ICC Incoterms, 2000, International Rules for the Interpretation of Trade Terms, ICC Publication No. 560.

1.16 "FDA" shall mean the United States Food and Drug Administration and any successor thereto having substantially the same functions.

1.17 "Field" shall mean any use of Compound or Product in the prophylaxis, palliation, diagnosis or treatment of any human disease.

1.18 "First Commercial Sale" shall mean the first commercial sale of Product to a Third Party in each country in the MN Territory by MN, its Affiliates and/or its sublicensees after Regulatory Approval has been granted by the Regulatory Authority of such country.

1.19 "GAAP" shall mean generally accepted accounting principles in the United States.

1.20 "Generic Competition" shall mean the situation, in any particular country in the MN Territory, that (i) any Generic Drug is sold in the Field in a such country in the MN Territory and despite MN's commercially reasonable efforts to commercialize the Product pursuant to Section 2.1.4 (ii) Generic Drug(s) achieve a market share in **[**]** or greater of the total prescriptions for Product in such country (as so shown by the average of the monthly IMS (or IMS-equivalent) data for such prescriptions) or (iii) in jurisdictions in which no IMS or IMS equivalent data is available, the Net Sales in two consecutive Calendar Quarters immediately or at any time after the launch of a Generic Drug in such jurisdiction falls to **[**]** or below of the Net Sales in the two consecutive Calendar Quarters immediately prior to the launch of such Generic Drug in such jurisdiction.

1.21 "Generic Drug(s)" shall mean any product containing Compound for which Regulatory Approval for the same indication(s) as that of the Product is obtained by abbreviated NDA (ANDA) in the United States or a corresponding application in any country other than United States in the MN Territory; in each case other than a product introduced in such country by MN, its Affiliates or sublicensees.

1.22 "Improvement" shall mean any improvement, including without limitation any change or modification to any method, process, composition any enhancement in the manufacture, formulation, ingredients, preparation, presentation, means of delivery, dosage or packaging relating to Compound or Product.

1.23 "IND" shall mean an investigational new drug application, as defined in 21 CFR Section 312.3, and any amendments thereto, filed with the FDA or an equivalent application filed with an equivalent Regulatory Authority outside the United States, the filing of which is necessary to commence clinical testing of Product in such regulatory jurisdiction.

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1.24 “Major European Countries” shall mean United Kingdom, France, Germany or Italy.

1.25 “Marketing Approval Application” or “MAA” shall mean any new registration application or marketing authorization application, including any supplements or amendments thereto, such as a foreign counterpart or comparable to the NDA, which MN may file with the requisite Regulatory Authority in any jurisdiction in the MN Territory, that is required to obtain Regulatory Approval of Product for a particular indication in such jurisdiction.

1.26 “MN Intellectual Property” shall mean all intellectual property and proprietary rights in (i) all MN Patent Assets and (ii) all MN Know-How.

1.27 “MN Know-How” shall mean any and all unpatented information and materials, including but not limited to, discoveries, Improvements, processes, formulae, data, inventions, invention disclosures, know-how and trade secrets, including without limitation, all chemical, pharmaceutical, toxicological, biochemical, and biological, technical and nontechnical data, and information relating to the results of tests, assays, methods, and processes, and specifications and/or other documents containing information and related data, and any preclinical, clinical, assay control, regulatory, and any other test results or information, that are necessary or useful for the development, manufacturing, Regulatory Approval and/or marketing of Product and that become during the term of this Agreement owned or Controlled by MN.

1.28 “MN Patent Assets” shall mean all Patent Assets that are necessary or useful to develop, make, use, market, or sell Compound or Product and that become during the term of this Agreement owned or Controlled by MN.

1.29 “MN Territory” shall mean all countries worldwide, except for the MPC Territory.

1.30 “MPC Intellectual Property” shall mean all intellectual property and proprietary rights in (i) all MPC Patent Assets and (ii) all MPC Know-How.

1.31 “MPC Know-How” shall mean any and all unpatented information and materials, including but not limited to, discoveries, Improvements, processes, formulae, data, inventions, invention disclosures, know-how and trade secrets, including without limitation, all chemical, pharmaceutical, toxicological, biochemical, and biological, technical and nontechnical data, and information relating to the results of tests, assays, methods, and processes, and specifications and/or other documents containing information and related data, and any preclinical, clinical, assay control, regulatory, and any other test results or information, that are necessary or useful for the development, manufacturing, Regulatory Approval and/or marketing of Compound or Product and that are or become during the term of this Agreement owned or Controlled by MPC.

1.32 “MPC Licensee” shall mean a Third Party to which MPC licenses any or all MPC Intellectual Property in the MPC Territory in accordance with the terms of this Agreement.

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1.33 "MPC Patent Assets" shall mean all Patent Assets that are necessary or useful to develop, make, use, market, or sell Compound or Product and that are or become during the term of this Agreement owned or Controlled by MPC, including but not limited to the Patent Assets listed on **Schedule 1.33** hereto, and any counterparts thereof which have been or may be filed in other countries.

1.34 "MPC Territory" shall mean Japan, Singapore, Brunei, Thailand, Malaysia, Indonesia, Philippines, Vietnam, Bangladesh, Pakistan, South Korea, People's Republic of China and Taiwan.

1.35 "NDA" shall mean a new drug application as defined in the Act and applicable regulations promulgated thereunder that is submitted to the FDA to apply for Regulatory Approval of a Product in the United States and any amendments and supplements thereto.

1.36 "Net Sales" shall mean the sales revenues received by MN or any MN Affiliate from sales of Products to Third Party customers, commencing upon the date of First Commercial Sale, after deducting, in accordance with GAAP, any (a) credits, allowances, samples, discounts and rebates to, and chargebacks from the account of, such Third Party customers; (b) freight and insurance costs; (c) trade discounts, cash discounts, quantity discounts, rebates; (d)retroactive price reductions; (e) recalls, credits and allowances on account of returned or rejected Product, including allowance for breakage or spoilage; (f) sales, value-added and other direct taxes incurred directly in connection with the sale of Product;**(**g) rebates, chargebacks or similar payments or credits granted to managed health care organizations, wholesalers, distributors, buying groups, health care insurance carriers, pharmacy benefit management companies, health maintenance organizations, or other institutions or health care organizations or to any governmental or regulatory authority in respect of any state, provincial, local or federal Medicare, Medicaid or similar programs in any country in the MN Territory; (h) write-offs for bad debts or allowances; and (i) customs duties, custom broker charges and other surcharges and governmental charges incurred in connection with the exportation or importation of Product.

Sales or other transfers between MN and its Affiliates shall be excluded from the computation of Net Sales and no payments will be payable on such sales or transfers except where such Affiliates are end users, but Net Sales shall include the subsequent sales to Third Parties by such Affiliates.

1.37 "Net Sublicense Consideration" shall mean (a) any amounts actually received by MN from sublicensees of the rights granted by MPC to MN under Section 3.1 of this Agreement, as consideration or substantially similar to consideration for the grant of such sublicense, including but not limited to, as royalties based on net sales of Product by such sublicensee, as payments based on the achievement of milestones relating to Product, or the amount of any profit of MN derived from the supply of API to sublicensee(s), (i.e. transfer price from MN to sublicensee(s) less Cost of Goods Sold borne by MN) (but specifically excluding any amounts received by MN from sublicensees to fund or reimburse MN's research and development costs incurred by MN in connection with the Product under such sublicense agreement between MN

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and its sublicensee)less (b) any amounts previously paid by MN to MPC under Sections 4.1 and 4.2 of this Agreement at or prior to the time MN receives such payments from such sublicense.

1.38 "Party" shall mean MPC or MN.

1.39 "Patent Assets" means any patents, patent applications, certificates of invention, or applications for certificates of invention and any supplemental protection certificates, together with any extensions, registrations, confirmations, reissues, substitutions, divisions, continuations or continuations-in-part, reexaminations or renewals thereof.

1.40 "Person" shall mean an individual, corporation, partnership, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.41 "Phase 2 Clinical Trial" shall mean clinical trials conducted in patients in accordance with current Good Clinical Practice and designated to indicate (i) a statistically significant level of efficacy for the Product in the Field consistent with the clinical hypothesis set forth in the relevant protocol and (ii) the Product's safety, as well as to obtain a preliminary indication of the unit and/or dosage regimen required.

1.42 "Phase 3 Clinical Trial" shall mean a clinical trial conducted after an End of Phase 2 Meeting on a sufficient number of patients that is designed to establish that Product is safe and efficacious for its intended use, and to define warnings, precautions and adverse reactions that are associated with Product in the dosage range to be prescribed, and supporting Regulatory Approval of Product in the Field.

1.43 "Product" shall mean any product, excluding an ophthalmic solution, in final form, packaged and labeled for commercial sale by prescription, or by any other method (or, where the context so indicates, the product being tested in clinical trials), which contains Compound as the sole therapeutically active ingredient in any dosage form or package configuration.

1.44 "Proprietary Information" shall mean any and all scientific, clinical, regulatory, marketing, financial and commercial information or data, whether communicated in writing, orally or by any other means, which is owned and under the protection of one Party and is being provided by that Party to the other Party in connection with this Agreement.

1.45 "Regulatory Approval" shall mean all approvals (including pricing and reimbursement approvals required for marketing authorization), product and/or establishment licenses, registrations or authorizations of all regional, federal, state or local regulatory agencies, departments, bureaus or other Regulatory Authority, necessary for the manufacture, use, storage, import, export, transport and sale of Compound or Product in a regulatory jurisdiction.

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1.46 "Regulatory Authority" shall mean any court, tribunal, arbitrator, agency, commission, official or other instrumentality of any federal, state, county, city or other political subdivision, domestic or foreign, that performs a function for such political subdivision similar to the function performed by the FDA for the United States with regard to the approval, licensing, registration or authorization to test, manufacture, promote, market, distribute, use, store, import, transport or sell a product in the defined territory or political subdivisions, or with respect to the approval of pricing or reimbursement for such product.

1.47 "Royalty Term" shall mean the period, on a country-by-country basis, that commences on the date of the First Commercial Sale in such country and expires ten (10)years from such date of First Commercial Sale in such country.

1.48 "Royalty Year" shall mean, (i) for the year in which the First Commercial Sale occurs (the "First Royalty Year"), the period commencing with the first day of the Calendar Quarter in which the First Commercial Sale occurs and expiring on the last day of the Calendar Year in which the First Commercial Sale occurs; and (ii) for each subsequent year, each successive Calendar Year.

1.49 "Third Party" shall mean any Person other than MPC, MN and their respective Affiliates.

1.50 "Trademark" shall mean any trademark, trade name or trade dress as MN shall adopt for Product that is at any time during the term of this Agreement owned or Controlled by MN.

1.51 "Valid Patent Claim" shall mean a claim of an issued and unexpired patent included within the MPC Patent Assets, which has not been held revoked, or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

ARTICLE 2
DEVELOPMENT; REGULATORY MATTERS; SUPPLY OF API

2.1 Development in the MN Territory.

2.1.1 Development Program. A summary of the development program relating to the Product proposed to be conducted by MN, its Affiliate and/or a sublicensee (the "Program") setting forth a summary of the planned activities is attached as **Schedule 2.1**, and may from time to time be amended by MN, its Affiliate and/or any sublicensee.

2.1.2 Progress Reports. MN shall annually and at any time upon MPC's request, which is not more than once a year, provide MPC with a written report summarizing the status of all development activities of MN, its Affiliates and, if available to MN, sublicensees relating to Product, including but not limited to, amendment of the Program, results of non-clinical and/or

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clinical studies conducted by MN, its Affiliates and/or, if available to MN, its sublicensees and MN's activities relating to sublicenses to any Third Party with the delivery to MPC of the summary of the annual report to an IND submitted by MN to the FDA in connection with the periodic reporting requirements of the IND to be in satisfaction of the foregoing requirement (the "Progress Report").

2.1.3 Study Protocol, IND and NDA. MN, its Affiliate and/or its sublicensee shall, upon MPC's request, provide MPC with the final version of the (i) study protocol of any clinical trials, (ii) IND and (iii) NDA.

2.1.4 Diligence. MN, its Affiliate and/or its sublicensee shall use commercially reasonable efforts to develop and commercialize Product in the MN Territory in the Field, including the preparation and filing of regulatory submissions. As used herein, "commercially reasonable efforts" shall mean efforts and resources normally used by MN for a product owned by it or to which it has exclusive rights, which is of similar market potential at a similar stage in its development or product life, taking into account issues of safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the compound or product, the regulatory and reimbursement structure involved, the profitability of the applicable products, and other relevant factors. The obligations of MN under this Agreement are expressly conditioned upon the absence of any adverse conditions relating to the safety or efficacy of Compound or Product including the absence of any action by any Regulatory Authority limiting the development or commercialization of Compound or Product.

2.1.5 Remedies. Without prejudice to any remedies as provided in this Agreement and appropriate laws, in the event MN, its Affiliate or its sublicensee fails to meet any of the following events, and MN, its Affiliate or its sublicensee does not demonstrate to MPC's reasonable satisfaction that, despite MN's, its Affiliate's or its sublicensee's efforts set forth in Section 2.1.4, the failure to meet the events was due to reason(s) beyond MN's, its Affiliate's or sublicensee's reasonable control, including, for example, (i) the unavailability of drug supplies needed to conduct the clinical trial, including, without limitation, as a result of failure of stability or lack of a satisfactory formulation; (ii) an inability to conduct the clinical trial due to action on the part of any Regulatory Authority, including, without limitation, the placement of a clinical hold on such clinical trial; (iii) the conduct of such clinical trial would violate any applicable laws, rules or regulations; or (iv) a good faith determination on the part of MN that the Product which is intended to be studied in the clinical trial is not safe or efficacious in its then current formulation or dosage form or dose level, MPC shall have the right to terminate this Agreement:

(a) **[**]**; or

(b) **[**]**.

2.1.6 Regulatory Matters. MN shall own, control and retain primary legal responsibility for, and shall be responsible for funding, the preparation, filing and prosecution of all filings and regulatory applications required to obtain Regulatory Approval of Product in the

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MN Territory in the Field. MN may subcontract portions of the Program; provided, however, that such subcontracted Third Party shall be subject to an agreement with MN consistent with the confidentiality obligations in accordance with Article 7 below. MPC shall transfer free of charge to MN as soon as practicable after the Effective Date any IND or other regulatory filings or approvals in the MN Territory relating to Compound or Product owned or Controlled by MPC and MPC shall allow MN or its designees free of charge the right to cross reference any IND, MAA or other regulatory filing in the MPC Territory or drug master file if owned or Controlled by MPC and relating to Compound or Product. Upon MN's reasonable request, MPC shall use commercially reasonable efforts to consult and cooperate with MN in obtaining Regulatory Approval of Product in the MN Territory. MN shall pay to MPC (i) the actual cost incurred to MPC by such consultation and cooperation, including but not limited to travel expense and (ii) reasonable absence fee for MPC's person dispatched to be separately agreed upon between the Parties.

2.2 Development in the MPC Territory.

2.2.1 Joint Committee. In case that at any time during the term of this Agreement, MPC decides to develop Product in the MPC Territory for an indication that is the same as or substantially similar to any indication for which MN has developed or is developing Product in the MN Territory, MPC shall so advise MN in writing and within thirty (30) days thereafter, the Parties shall establish a joint committee to coordinate, review and assess the clinical development of Product necessary to receive Regulatory Approvals, to harmonize worldwide objectives for Product and to facilitate the transfer of data and regulatory communications, including the handling and reporting of adverse events, between the Parties. The specific composition, role and responsibility of the joint committee, and details relating to meetings and decision making, shall be negotiated in good faith in an amendment to this agreement or a separate agreement to be entered into between the Parties at that time.

2.2.2 MPC shall own, control and retain primary legal responsibility for, and shall be responsible for funding, the preparation, filing and prosecution of all filings and regulatory applications required to obtain Regulatory Approval of Product in the MPC Territory.

2.2.3 At MPC's request and upon no less than ten (10) months' notice, MN agrees to supply or cause its Affiliate or its sublicensee supply to MPC with total requirements of API which is necessary for MPC's development and commercialization of the Product. MN shall supply such API for development at Cost of Goods Sold incurred by MN, its Affiliate or its sublicensee. Details of terms and conditions relating to the supply, including but not limited to the supply price of API for commercialization shall be negotiated in good faith and agreed upon between the parties separately.

2.3 Supply of API. MPC hereby agrees to supply to MN or its designees seventeen (17) kg of such API without any charge. MPC will ship such API, EXW at MPC's facility, and MN shall bear the costs of shipment and insurance. The other delivery terms and schedule for all such API shall be determined by mutual agreement of the parties, to be negotiated in good faith.

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In the event that MN or its Affiliate stops developing the Product, MN or its Affiliate shall prevent further use of such API and shall return to MPC or destroy, pursuant to MPC's decision, the remainder of such API. In the event that MN's sublicensee halts development of the Product, MN shall use commercially reasonable efforts to preclude further use of any remaining API by such sublicensee and to either secure the return of any such remaining API to MPC or have such remaining API destroyed.

2.4 Adverse Event Reporting. MPC, its Affiliate, and/or MPC Licensee and MN, its Affiliate and/or its sublicensee shall cooperate with respect to the exchange of adverse event and safety information associated with the Compound and Product. Details of the cooperation in the handling of adverse event and safety information related to the Compound and Product shall be the subject of an amendment to this agreement or a separate agreement to be negotiated in good faith between the Parties.

ARTICLE 3
LICENSES; SUBLICENSES

3.1 License Grant to MN. MPC hereby grants to MN and its Affiliate an irrevocable, exclusive (even as to MPC) license under the MPC Intellectual Property, including the right to grant sublicenses, to practice the MPC Intellectual Property, and to develop, make, have made, use, offer for sale, market, sell, import, and distribute Product into and throughout the MN Territory in the Field. Furthermore, MPC hereby grants to MN and its Affiliate a co-exclusive license with MPC under the MPC Intellectual Property, including the right to grant sublicenses, to make and have made the Compound solely for the formulation anywhere in the world of Product intended for importation, marketing, distribution, use, offer for sale, and sale by each Party in each Party's respective Territory, pursuant to Sections 2.1 and 2.2, above, provided that if either Party, its Affiliate, or its sublicensee desires to have a Third Party make the Compound at a site located within the other Party's Territory, then such Party shall permit the other Party to submit a competitive bid and consider in good faith the merits of such bid compared with other competitive bids received from one or more Third Parties. For the removal of doubt, MN's co-exclusive right to make or have made Compound extends only to Compound intended for Product to be marketed and sold in MN Territory and MPC's co-exclusive right to make or have made Compound extends only to Compound intended for Product to be marketed and sold in MPC Territory.

3.2 Option to Co-promote. MPC shall have the option to participate in the promotion of the Product in the MN Territory, on terms to be agreed to by MN. The Parties will negotiate in good faith to enter into a co-promotion agreement within six (6) months of an NDA filing in the United States and an MAA in the Major European Countries. In case co-promotion is prevented by laws or other regulations in a particular country in the MN Territory, the Parties agree to initiate discussions on how to provide MPC with similar rights in a legally acceptable fashion.

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3.3 Sublicense Rights. MN may grant sublicenses within the scope of the license granted to MN under this Agreement to any Third Party, provided, however, that MN shall obtain prior MPC's written consent, which shall not be unreasonably withheld or delayed. In the event of any sublicense to a Third Party in each country of the MN Territory, the provisions of Section 4.5 shall be applicable in such country.

3.4 Claimed Compound.

3.4.1 Discussion Right to Claimed Compound. During the period of seven (7) years from the Effective Date, if MPC desires to license to a Third Party a Claimed Compound in the MN Territory, MPC shall discuss with MN the terms and conditions of license relating to such Claimed Compound prior to discussing or offering to a Third Party.

3.4.2 Back Up Compound. If the development of the Compound and the Product is terminated by MN, its Affiliate, and its sublicensee in all countries of the MN Territory because (i) of a serious safety or efficacy problem or (ii) the pharmaceutical properties of the Compound or Product are determined to present a serious problem, and MN desires to develop a Claimed Compound which is at the stage of clinical trials in human, MN may substitute within six (6) months of its termination of the development of Compound its right, title and interest in and to such Claimed Compound for that of the Compound under this Agreement, provided, however, that MN shall obtain prior MPC's written consent, which shall not be unreasonably withheld.

3.5 Combination Product. If MN or its Affiliate desires to develop and/or commercialize combination products in the MN Territory, MN and MPC shall discuss in good faith the terms and conditions relating to such development or commercialization of such combination products. For the purpose of this Section 3.5, "combination product" shall mean any product in final form, packaged and labeled for commercial sale by prescription, or by any other method (or, where the context so indicates, the product being tested in clinical trials), which contains Compound as one of the therapeutically active ingredients and another therapeutically active ingredient(s) in any dosage form or package configuration.

3.6 Disclosure of MPC's Information. Within thirty (30) Business Days after the Effective Date, MPC shall disclose to MN in writing all of the then-available MPC Intellectual Property not previously disclosed to MN on an as-is basis. During the term of this Agreement, and in addition to the other communications required under this Agreement, MPC shall also promptly disclose to MN in writing on an ongoing basis MPC Intellectual Property and other information developed in connection with MPC's activities relating to the Compound and/or the Product, if any. Upon MN's request, MPC will assist MN in the transition of such manufacturing and supply to MN or its designee, including providing technology and other transfer services at MPC's standard FTE rate.

3.7 Disclosure of MN's Information. MN shall disclose to MPC for use any and all MN Know-How, including without limitation, IND, NDA, study protocol, information relating

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to marketing the Product and materials for marketing Product (e.g. a brochure or a pamphlet of the Product) from time to time or through the Progress Report.

3.8 License Grant to MPC. MN hereby grants to MPC a non-exclusive royalty-free license including the right to grant sublicenses to MPC Licensees to use the MN Intellectual Property solely to develop, make, have made, use, offer for sale, market, sell, import, and distribute Compound and Product in the MPC Territory.

ARTICLE 4
PAYMENTS AND ROYALTIES

4.1 Up Front License Fee. In consideration of the rights granted by MPC hereunder, MN shall pay to MPC **[**]** within ten (10) days after the Effective Date.

4.2 Milestone Payments. Subject to the terms and conditions contained in this Agreement, in further consideration of the rights granted by MPC hereunder, MN shall pay MPC the following milestone payments, contingent upon occurrence of the specified event, with each milestone payment to be made no more than once with respect to the achievement of such milestone and no amounts shall be due hereunder for any subsequent or repeated achievement of such milestones, regardless of the number of Products for which such milestone may be achieved (but payable on the first achievement of such milestone):

(a) An amount equal to the difference between (i) **[**]** and (ii) the amount, not to exceed **[**]**, incurred by MN for formulation work relating to Compound and/or Product, upon initiation (dosing of the first patient) of the first Phase 3 Clinical Trial in the MN Territory;

(b) **[**]** upon the FDA's first acceptance for filing of an NDA;

(c) **[**]** upon receipt in writing of the first Regulatory Approval in the United States by MN, its Affiliates or its sublicensees;

(d) **[**]** upon the EMEA's first acceptance for filing of an NDA;

(e) **[**]** upon receipt in writing of the first Regulatory Approval from the EMEA by MN, its Affiliates or its sublicensees together with Regulatory Approval in at least two (2) of the Major European Countries;

(f) **[**]** upon the achievement of cumulative Net Sales in all MN Territory of **[**]**; and

(g) **[**]** upon the achievement of cumulative Net Sales in all MN Territory of **[**].**

MN shall notify MPC in writing within thirty (30) days after the achievement of the milestones specified in Sections 4.2 (a) through (e) and each such notice shall be accompanied by the

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appropriate milestone payment. MN shall notify MPC in writing within ninety (90) days after the achievement of the milestones specified in Sections 4.2 (f) and (g) and any such milestone payment required to be made by MN under such Section 4.2 (f) or (g) shall be paid together with the royalty payment for such Calendar Quarter.

4.3 Royalties Payable by MN. Subject to the terms and conditions contained in this Agreement, in further consideration of the license granted by MPC to MN herein, MN shall pay to MPC royalties in the applicable percentages set forth below for Net Sales in each Royalty Year by MN and its Affiliates in the MN Territory:

Annual (on a Royalty Year basis) Net Sales in all countries in the MN Territory	Royalty Rate
On the portion that is less than **[**]**	**[**]**
On the portion that is greater than or equal to **[**]** and less than **[**]**	**[**]**
On the portion that is greater than or equal to **[**]**	**[**]**

Royalties on Net Sales at the rates set forth in this Section 4.3 shall accrue on a country-by-country basis as of the date of First Commercial Sale in an applicable country and shall continue and accrue on Net Sales in such applicable country until the expiration of the Royalty Term, provided that:

(a) in an applicable country where a Valid Patent Claim exists after the expiration of the Royalty Term, the Parties agree to negotiate in good faith the amount of continued royalty payments, if any, in such country, which continued royalty payments, if any, shall in no event extend beyond the expiration of such Valid Patent Claim; and

(b) in an applicable country where Generic Competition exists during the Royalty Term, and for as long as such Generic Competition exists in such applicable country, Net Sales from such applicable country shall be reduced by **[**]** before including same into the Net Sales in all countries in the MN Territory for the purpose of calculating the applicable royalty rates from the table set forth in this Section 4.3.

4.4 Compulsory Licenses. If a compulsory license is granted to a Third Party with respect to Product in any country in the MN Territory with a royalty rate lower than the royalty rate provided in Section 4.3, then the royalty rate to be paid to MPC on Net Sales in that country shall be adjusted in a manner that equates the entry of such compulsory Third Party licensee with the existence of Generic Competition as set forth in Section 4.3(b).

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4.5 One Royalty. No royalty shall be payable under this Article 4 with respect to sales of Products among MN and its Affiliates for resale, nor shall a royalty be payable under this Article 4 with respect to Products distributed for use in research and/or development, in clinical trials, as donations to non-profit institutions or government agencies or as promotional free samples.

4.6 Sublicense Payments. In the event MN enters into a sublicense with a Third Party or Third Parties under Section 3.2 of this Agreement granting a sublicense of any rights licensed to MN by MPC under Section 3.1 of this Agreement in any country in the MN Territory, MN's obligation to pay MPC milestone payments under Section 4.2 and royalties under Section 4.3 above shall terminate with respect to any milestones or royalties applicable to such country or countries, and, in lieu thereof, MN shall pay MPC the following applicable percentages of Net Sublicense Consideration applicable to the country or countries subject to the sublicense for so long as MN receives such Net Sublicense Consideration:

(i) **[**]** of Net Sublicense Consideration, if a sublicense is entered into before **[**]**; or

(ii) **[**]** of Net Sublicense Consideration, if a sublicense is entered into after **[**]**.

ARTICLE 5
ROYALTY REPORTS AND ACCOUNTING

5.1 Reports. During the Royalty Term, MN shall furnish to MPC a written report for the Calendar Quarter showing on a country by country basis, (a) the gross sales of all Products sold by MN and its Affiliates in the MN Territory during such Calendar Quarter and the calculation of Net Sales from such gross sales; (b) the royalties, payable in United States dollars, which shall have accrued hereunder based upon Net Sales; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the date of the First Commercial Sale of each Product in each country in the MN Territory; (e) in the case of a sublicense to a Third Party, Net Sublicense Consideration received by MN; and (f) the exchange rates used in determining the amount of United States dollars, as more specifically provided in Section 6.2 below. Reports shall be due forty-five (45) days following the close of each Calendar Quarter. MN shall keep complete and accurate records in sufficient detail to properly reflect all gross sales and Net Sales and to enable the royalties payable hereunder to be determined.

5.2 Audits.

5.2.1 Audit Rights. Upon the written request of MPC and not more than once in each Calendar Year, MN shall permit MPC's accounting personnel and/or an independent certified public accounting firm of nationally recognized standing, selected by MPC and reasonably acceptable to MN, at MPC's expense, to have access during normal business hours on at least ten (10) days' prior written notice, to such of the records of MN and its Affiliates as may

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be reasonably necessary to verify the accuracy of the royalty reports hereunder for any Royalty Year ending not more than thirty-six (36) months prior to the date of such request. The accounting representatives shall disclose to MPC only whether the records are correct or not and the specific details concerning any discrepancies.

5.2.2 Audit Results. If MPC or such accounting firm concludes that additional royalties were owed during such period, MN shall remit to MPC within thirty (30) days of the date MPC delivers to MN such accounting firm's or MPC's written report so concluding: (i) the amount of such additional royalties and (ii) interest on the amount of such additional royalties which shall be calculated pursuant to Section 6.4; provided, however, that, in the event that MN shall not be in agreement with the conclusion of such report (a) MN shall not be required to pay such additional royalties and (b) such matter shall be resolved pursuant to the provisions of Section 11.6 herein. In the event such accounting firm concludes that amounts were overpaid by MN during such period, MN shall have a credit against future royalties payable to MPC in the amount of such overpayment; provided, however, that in the event that MPC shall not be in agreement with the conclusion of such report (a) MN shall not have such a credit and (b) such matter shall be resolved pursuant to the provisions of Section 11.6 herein. The fees charged by such accounting firm shall be paid by MPC; provided, however, that if an error in favor of MPC of more than seven and one-half percent (7.5%) of the royalties due hereunder for the period being reviewed is discovered, then MN shall pay the reasonable fees and expenses charged by such accounting firm. Upon the expiration of thirty-six (36) months following the end of any Royalty Year, the calculation of royalties payable with respect to such Royalty Year shall be binding and conclusive upon MPC and MN shall be released from any liability or accountability with respect to royalties for such Royalty Year.

5.2.3 Confidential Financial Information. MPC shall treat all financial information subject to review under this Article 5 or under any sublicense agreement as confidential, and shall cause its accounting firm to retain all such financial information in confidence.

ARTICLE 6
PAYMENTS

6.1 Payment Terms. Royalties shown to have accrued by each royalty report provided for under Article 5 of this Agreement shall be due and payable on the date such royalty report is due. In order for MPC to receive compensation on a quarterly basis, MN shall pay to MPC, on a quarterly basis, royalties based on the cumulative Net Sales for the applicable Royalty Year through the end of such Calendar Quarter, less royalties previously paid to MPC on account of Net Sales for the previous Calendar Quarters in such Royalty Year.

6.2 Payment Method. All payments by MN to MPC under this Agreement shall be paid in United States dollars. If any currency conversion shall be required in connection with the payment of any royalties hereunder, such conversion shall be made by using the average of the

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exchange rates for the purchase and sale of United States dollars reported by the Wall Street Journal on the last Business Day of the Calendar Quarter to which such royalty payments relate.

6.3 Exchange Control. If at any time legal restrictions prevent the prompt remittance of part or all royalties with respect to any country in the MN Territory where the Product is sold, MN shall have the right, at its option, to make such payments by depositing the amount thereof in local currency to MPC's account in a bank or other depository designated by MPC in such country. If the royalty rate specified in this Agreement should exceed the permissible rate established in any country in the MN Territory, the royalty rate in such country shall be adjusted to the highest legally permissible or government-approved rate.

6.4 Overdue Payments. In the event the initial payment, any milestone payment, any royalty payment or payment relating to Net Sublicense Consideration is not made when due, such outstanding payment shall accrue interest (from the date such payment is due through and including the date upon which full payment is made) at the rate equal to one percent (1%) plus the Prime Rate. "Prime Rate" for purposes of this Section 6.4 shall mean the prime rate of Citibank, N.A. in New York, New York as published in the Wall Street Journal computed on a daily basis and shall change when and as the Prime Rate changes.

6.5 Withholding Taxes. MN shall be entitled to deduct from any payment due MPC under this Agreement the amount of any withholding taxes payable by MN or its Affiliates, or any taxes required to be withheld by MN or its Affiliates, to the extent MN or its Affiliates pay to the appropriate governmental authority on behalf of MPC such taxes, levies or charges. MN shall use reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of MPC by MN or its Affiliates. MN promptly shall deliver to MPC proof of payment of all such taxes, levies and other charges, together with copies of all communications from or with such governmental authority with respect thereto. MPC shall provide MN with all forms or documentation required by any applicable taxation laws, treaties or agreements to such withholding or as necessary to claim a benefit thereunder (including, but not limited to, Form W-8BEN and any successor form).

ARTICLE 7
CONFIDENTIALITY AND PUBLICITY

7.1 Nondisclosure Obligations. Except as otherwise provided in this Article 7, during the term of this Agreement and for a period of five (5) years thereafter, both Parties shall maintain in confidence and use only for purposes of this Agreement information and data resulting from or related to the development of the Compound or Products and other information and data supplied by the other Party under this Agreement marked "Confidential." For purposes of this Article 7, information and data described in this Section shall be deemed "Proprietary Information."

7.2 Permitted Disclosures. To the extent it is reasonably necessary or appropriate to fulfill its obligations or exercise its rights under this Agreement, (a) a Party may disclose Proprietary Information which is otherwise obligated under this Article 7 not to disclose to its

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Affiliates, to MPC Licensees, if the Party is MPC, to its sublicensees, if the Party is MN, and to its consultants, outside contractors and clinical investigators, on a need-to-know basis on condition that such Persons agree to keep the Proprietary Information confidential for the same time periods and to the same extent as such Party is required to keep the Proprietary Information confidential; and (b) a Party (including MN's sublicensees or MPC Licensees) may disclose such Proprietary Information to government or other regulatory authorities to the extent that such disclosure is required by applicable law (including without limitation all applicable securities laws), regulation, agency or court order, or is reasonably necessary to obtain patents or authorizations to conduct clinical trials with, and to commercially market the Product, provided that the disclosing Party shall provide written notice to the other Party and sufficient opportunity to object to such disclosure or to request confidential treatment thereof. The obligation not to disclose or use Proprietary Information received from the other Party shall not apply to any part of such Proprietary Information that (i) is or becomes patented, published or otherwise part of the public domain other than by acts of the Party obligated not to disclose such Proprietary Information in contravention of this Agreement; (ii) is disclosed to the receiving Party by a Third Party, provided such Proprietary Information was not obtained by such Third Party directly or indirectly from the other Party on a confidential basis; (iii) prior to disclosure under this Agreement, was already in the possession of the receiving Party, provided such Proprietary Information was not obtained directly or indirectly from the other Party; (iv) is subsequently and independently developed by the receiving Party without the knowledge of the Proprietary Information or (v) is disclosed in a press release agreed to by both Parties, which agreement shall not be unreasonably withheld.

ARTICLE 8
INTELLECTUAL PROPERTY AND INFRINGEMENT

8.1 Ownership of Improvements. The entire right and title in all Improvements, and any Patent Assets based thereon, made or conceived during the term of this Agreement by employees or others acting on behalf of MN or its Affiliates shall be owned solely by MN. The entire right and title in all Improvements, and any Patent Assets based thereon, made or conceived during the term of this Agreement by employees or others acting on behalf of MPC or its Affiliates shall be owned solely by MPC, subject to the licenses granted to MN under this Agreement

8.2 Ownership of Trademarks. MN shall select, own and maintain Trademarks for Product in the MN Territory. The entire right and title in all Trademarks used by MN, its Affiliates and, if applicable, its sublicensees, in the MN Territory shall be owned solely by MN. In case MPC desires to use the Trademark for the Product in the MPC Territory, MN shall grant MPC a royalty-free exclusive license, with the right to grant sublicenses, to use the Trademark for the Product during and after expiration or termination of this Agreement in the MPC Territory.

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8.3 Patent Prosecution and Maintenance. MPC shall have the initial right to control the filing, prosecution and maintenance of the MPC Patent Assets in the MPC Territory and the MN Territory, and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to the MPC Patent Assets. MPC shall be responsible for the payment of all such patent prosecution and maintenance costs. MPC shall solicit MN's review of the nature and text of any such patent applications in the MN Territory and important prosecution matters related thereto in reasonably sufficient time prior to filing thereof, and MPC shall take into account MN's reasonable comments related thereto. MPC shall inform MN of any significant developments in the prosecution of pending patent applications included in the MPC Patent Assets, including the issuance of any final office actions, allowance of claims, or upcoming grant of any domestic or foreign patent based thereon. If MPC decides not to file, prosecute or maintain a Patent Asset included in the MPC Patent Assets in any country in the MN Territory, it shall provide MN with written advance notice sufficient to avoid any loss or forfeiture (but in any event at least sixty (60) days notice), and MN shall have the right but not the obligation, at its sole expense, to file, prosecute or maintain such patent application in MPC's name and, if MN elects to do so, MPC shall assign to MN all of MPC's right, title and interest in and to such MPC Patent Assets in the MN Territory and such Patent Asset shall no longer be deemed an MPC Patent Asset in the MN Territory. MN shall have the right to control the filing, prosecution, and maintenance of the MN Patent Assets in the MN Territory and the MPC Territory, and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to the MN Patent Assets. MN shall be responsible for the payment of all such patent prosecution and maintenance costs. If MN elects not to file, prosecute or maintain a Patent Asset included in the MN Patent Assets in any country in the MPC Territory, it shall provide MPC with written advance notice sufficient to avoid any loss or forfeiture (but in any event at least sixty (60) days notice), and MPC shall have the right but not the obligation, at its sole expense, to file, prosecute or maintain such patent application in MPC's name and, if MPC elects to do so, MN shall assign to MPC all of MN's right, title and interest in and to such MN Patent Assets in the MPC Territory and such Patent Asset shall no longer be deemed an MN Patent Asset in the MPC Territory.

8.4 Cooperation. Each Party shall make available as far as possible to the other Party or to the other Party's authorized attorneys, agents, representatives, employees or consultants any documents necessary or appropriate to enable the other Party to file, prosecute and maintain patent applications and resulting patents, as set forth in Section 8.3 above, for a period of time sufficient for the other Party to obtain the assistance it needs from the first Party. Where appropriate, each Party shall sign or cause to have signed all documents relating to said patent applications or patents at no charge to the other Party.

8.5 Enforcement of Patent Assets. In the event either Party learns of significant and continuing infringement of the MPC Patent Assets, it shall promptly provide written notice to the other Party of the fact and supply such other Party with all evidence it possesses pertaining to and establishing said infringement(s). MN shall have the first right to enforce the MPC Patent Assets against infringers in the MN Territory, and shall consult with MPC both prior to and during said enforcement.

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8.6 Procedure for Enforcement of Patent Assets. MN shall have six (6) months from the date of receipt of notice of request by MPC to abate the infringement, or to file suit against at least one of the infringers, at the sole expense of MN, following consultation with MPC. If MN does not, within six (6) months of receipt of such notice, abate the infringement or file suit to enforce the MPC Patent Assets against at least one infringer in a country in the MN Territory, MPC shall have the right to take whatever action it deems appropriate in its own name to enforce the MPC Patent Assets in the MN Territory; provided, however, that, within thirty (30) days after receipt of notice of MPC's intent to file such suit, MN shall have the right to jointly prosecute such suit.

8.7 Settlements. The Party controlling the action may not settle the action or otherwise consent to an adverse judgment in such action that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. Notwithstanding the foregoing, MPC and MN shall cooperate with each other in the planning and execution of any action to enforce the MPC Patent Assets. Any recovery obtained by MN or MPC shall be shared as follows:

(i) the Party that initiated and prosecuted, or maintained the defense of, the action shall recoup all of its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action, whether the recovery is by settlement or otherwise;

(ii) the other Party then shall, to the extent possible, recover its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action;

(iii) if MPC initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining then shall be retained by MPC; and

(iv) if MN initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining shall be retained by MN, except that MPC shall receive a portion equivalent to the royalties it would have received in accordance with the terms of this Agreement if the amount of any remaining recovery had been Net Sales.

8.8 Notification of Patent Term Restoration. The Parties shall cooperate with each other in obtaining patent term restoration or supplemental protection certificates or their equivalents in any country where applicable to the MPC Patent Assets in the MN Territory and the MPC Territory. Each Party shall notify the other if it becomes aware of (a) the issuance of a patent included within the MPC Patent Assets, giving the date of issue and patent number for each such patent, and (b) each notice pertaining to any patent included within the MPC Patent Assets pursuant to the United States Drug Price Competition and Patent Term Restoration Act of 1984 (hereinafter called the "1984 Act"), including notices pursuant to §§ 101 and 103 of the 1984 Act from persons who have filed an abbreviated NDA ("ANDA"). Such notices shall be given promptly, but in any event within five (5) days of each such patent's date of issue or receipt of each such notice pursuant to the 1984 Act, whichever is applicable. MN shall notify MPC of each filing for patent term restoration under the 1984 Act, and all awards of patent term restoration (extensions) with respect to the MPC Patent Assets. Likewise, MPC or MN, as the

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case may be, shall inform the other Party of patent extensions and periods of data exclusivity in the rest of the world regarding any Product.

8.9 Infringement Actions by Third Parties. If MN or any of its Affiliates shall be sued by a Third Party for infringement of a patent held by such Third Party because of the manufacture, importation, use, offer for sale or sale of the Compound or Products under MPC Intellectual Property, MN shall promptly notify MPC in writing of the institution of such suit. MN shall have the first right, in its sole discretion, to control the defense of such suit at its own expense, in which event MPC shall have the right to be represented by advisory counsel of its own selection, at its own expense, and shall cooperate fully in the defense of such suit and furnish to MN all evidence and assistance in MPC's control. If MN does not elect within thirty (30) days after such notice from MN to MPC to so control the defense of such suit, MPC may undertake such control at its own expense, and MN shall then have the right to be represented by advisory counsel of its own selection and at its own expense, and MN shall cooperate fully in the defense of such suit and furnish to MPC all evidence and assistance in MN's control. The Party controlling the suit may not settle the suit or otherwise consent to an adverse judgment in such suit that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. The royalty or other payments required to be paid by MN or its Affiliates to any Third Party as the result of a judgment or settlement under this Section 8.9 shall be creditable against the royalty payments pursuant to Section 4.3 due MPC with respect to the sale of such Product in such country, provided, however, that in no event shall the royalties payable to MPC pursuant to Section 4.3 be reduced to less than fifty percent (50%) of the amount due under this Agreement.

ARTICLE 9
TERM AND TERMINATION

9.1 Expiration. Unless terminated earlier pursuant to Sections 9.2 or 9.3 below, this Agreement shall expire on a country-by-country basis on the expiration of the Royalty Term in such country, subject, however, to continued royalty payments, if any, under Section 4.3(a). Notwithstanding the above, in case that MN enters into a sublicense with a Third Party or Third Parties, the obligation of the payment by MN to MPC relating to Net Sublicense Consideration pursuant to Section 4.7 shall survive until the expiration of the period in which MN receives Net Sublicense Consideration from such sublicensee. Expiration of this Agreement in a particular country under this provision shall not preclude MN from continuing to develop, make, have made, use, sell, offer for sale, and import Product in such country without further remuneration to MPC, subject, however, to continued royalty payments, if any, under Section 4.3(a).

9.2 Termination by MN. MN shall have the right, in its sole discretion, to terminate this Agreement (a) by providing not less than thirty (30) days prior written notice of such termination to MPC, with respect to the entire Agreement, or with respect to any country in the MN Territory in the event that a Third Party claims that Compound or Product infringes such Third Party's intellectual property in any country in the MN Territory, or (b) by providing not less than ninety (90) days written notice to MPC if in MN's reasonable opinion the safety,

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patient tolerability, efficacy, or the profile or the commercial viability of the Product does not justify continued development by MN, its Affiliate and/or its sublicensee with respect to the entire Agreement, or with respect to any country in the MN Territory. Subject to the provisions of Section 9.4 below, the rights and obligations of MPC and of MN with respect to this Agreement in its entirety or with respect to the terminated country in the MN Territory, as applicable, shall terminate in the event of a termination pursuant to this Section 9.2, provided, however, that in the event of a partial termination by MN under this Section 9.2, this Agreement shall continue in full force and effect with respect to the countries in the MN Territory unaffected by such partial termination, and such country shall be excluded from the countries of the MN Territory.

9.3 Termination for Cause. (a) Either Party may terminate this Agreement upon or after the breach of any material provision of this Agreement by the other Party, if the breaching Party has not cured such breach within ninety (90) days after notice thereof from the non-breaching Party. This Agreement shall terminate, at the option of the non-breaching Party, at the expiration of such ninety (90) day cure period; provided, however, that if the breach is not capable of being cured within ninety (90) days of such written notice, this Agreement may not be terminated so long as the breaching Party commences and is taking commercially reasonable actions to cure such breach as promptly as practicable.

(b) Either Party may terminate this Agreement upon giving notice to the other Party, which termination notice shall have immediate effect, in the case of any adjudication of bankruptcy or insolvency, appointment of a receiver by a court of competent jurisdiction, assignment for the benefit of creditors, or institution of liquidation proceedings by or against the other Party provided, however, in the case of any involuntary bankruptcy, reorganization, liquidation, receivership or assignment proceeding such right to terminate shall only become effective if the Party consents to the involuntary proceeding or such proceeding is not dismissed within ninety (90) days after the filing thereof.

9.4 Effect of Expiration and Termination. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing on or prior to such expiration or termination. MN and its Affiliates and sublicensees shall have the right to sell or otherwise dispose of the stock of any Product subject to this Agreement then on hand or in process of manufacture, subject to Articles 4, 5 and 6. In addition to any other provisions of this Agreement which by their terms continue after the expiration of this Agreement, the provisions of Article 7 shall survive the expiration or termination of this Agreement and shall continue in effect during the term set forth in Section 7.1. In addition, any other provision required to interpret and enforce the Parties' rights and obligations under this Agreement shall also survive, but only to the extent required for the full observation and performance of this Agreement. Except as expressly set forth herein, the rights to terminate as set forth herein shall be in addition to all other rights and remedies available under this Agreement, at law, or in equity, or otherwise.

9.4.1 Effect of Termination Without MPC's Cause. In the event this Agreement shall be terminated by MPC pursuant to Section 9.3 or terminated by MN pursuant to Section 9.2,

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MN and its Affiliate shall promptly return to MPC or destroy all MPC Intellectual Property and all copies thereof, and may thereafter not use any such MPC Intellectual Property. Further, MN and its Affiliate shall furnish MPC with all MN Intellectual Property not already provided to MPC with a right to use and have used. Further, MN and/or its Affiliate shall transfer to MPC or its nominee any IND, NDA or other documents filed with any Regulatory Authorities in MN Territory and Regulatory Approvals obtained in the MN Territory free of charge. MN and its Affiliate shall, at the request of MPC, cooperate with MPC or its nominee for the smooth transfer of them. In consideration of the foregoing, in the event such termination occurs after commencement of a pivotal clinical trial of Product, MN shall be entitled to a royalty equal to **[**]** of net sales of Product in the MN Territory for a period of seven (7) years from the date of such termination of this Agreement, except if such termination resulted from a material breach by MN.

9.4.2 Effect of Termination for MPC's Cause. In the event this Agreement shall be terminated by MN pursuant to Sections 9.3 , MN shall have an irrevocable, perpetual and exclusive license under MPC Intellectual Property to develop, make, have made, use, offer for sale, market, sell, import, and distribute Compound and Product in the MN Territory; provided, however, that, the applicable royalty rates set forth in Section 4.3 or sharing rate set forth in Section 4.6 shall be reduced by fifty percent (50%). Further, MPC's license granted by MN pursuant to Section 3.5 shall be amended from royalty-free license to royalty-bearing license. MPC shall pay royalties to MN equal to **[**]** of all net sales of the Products in the MPC Territory for a period of five (5) years from the date of such termination of this Agreement**.**

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

The Parties hereby represent and warrant as follows:

10.1 Corporate Existence and Power. Such Party (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated; and (b) has the corporate power and authority and the legal right to own and operate its property and assets, to lease the property and assets it operates under lease, and to carry on its business as it is now being conducted;

10.2 Authorization and Enforcement of Obligations. Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms;

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10.3 Consents. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such Party in connection with this Agreement have been obtained;

10.4 No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations and (b) do not conflict with, or constitute a default under, any contractual obligation of such Party; and

10.5 Ownership, Validity and Non-Infringement. As of the Effective Date, MPC represents and warrants to MN that: (a) the MPC Intellectual Property are owned or Controlled solely and exclusively by MPC free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental or university entity or subdivision thereof, has any valid claim of ownership with respect to the MPC Intellectual Property, whatsoever; (b) MPC has not previously granted, and will not grant during the term of this Agreement, any right, license or interest in and to the MPC Intellectual Property, or any portion thereof, inconsistent with the license granted to MN herein; (c) MPC is not aware of the existence of any references or conduct that would bring into question the validity or enforceability of the MPC Intellectual Property in the Field except for ophthalmology; (d) there are no threatened or pending actions, suits, investigations, claims or proceedings in any way relating to the MPC Intellectual Property; (e) the MPC Intellectual Property and the contemplated development, importation or exportation, manufacture, use, offer for sale and sale of any Compound or Product in the Field except for ophthalmology, do not infringe any patent rights owned or possessed by any Third Party; (f) MPC has disclosed to MN all information known by it that is reasonably believed by MPC to be related to the MPC Intellectual Property (including all information received by MPC concerning the institution or possible institution of any interference, opposition, re-examination, reissue, revocation, nullification, or any official proceeding involving a MPC Patent Asset, and will continue such disclosure with respect to new events during the term of the Agreement) and the activities contemplated under this Agreement; and (g) **Schedule 1.33** contains a complete and accurate list of all patents and patent applications relating to Compound or Product owned or Controlled by MPC in the Field.

10.6 Supply of API. MPC represents and warrants that the manufacture, testing and storage of API supplied to MN under this Agreement shall be in compliance with cGMP and all other applicable laws and regulations. For the purpose of Section 303(c) of the Act, all API supplied will not, on the date of shipment, be adulterated or misbranded within the meaning of the Act and the regulations issued thereunder or within the meaning of any other applicable law, rules or regulations, the provisions of which are in effect at the time of such shipment, and will not be an article which may not, under the provisions of Section 404 or 505 of the Act, be introduced into interstate commerce. MPC further represents and warrants that API supplied to MN under this Agreement shall be free of any lien, security, interest or other encumbrance on title and shall be free of defects in material and workmanship.

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10.7 Funding. MN represents and warrants that it intends to allocate a commercially reasonable level of its available corporate funds to perform its development obligations under this Agreement.

10.8 Effect of Representations and Warranties. It is understood that if the representations and warranties made by a Party under this Article 10 are not true and accurate, and the other Party incurs damages, liabilities, costs or other expenses as a result, the Party making such representations and warranties shall indemnify and hold the other Party harmless from and against any such damages, liabilities, costs or other expenses incurred as a result. Notwithstanding the foregoing, if the representations and warranties made by MPC under Section 10.5(e) are not true and accurate, and the other Party incurs damages, liabilities, costs or other expenses as a result, Section 8.9 shall operate to indemnify MN and MPC shall have no further obligation to compensate MN for such damages, liabilities, costs or other expenses incurred as a result.

10.9 EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTIES OF ANY KIND EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, OR VALIDITY OF ANY PATENT ASSETS ISSUED OR PENDING.

ARTICLE 11
INDEMNIFICATION

11.1 MN's Obligation. MN shall defend, indemnify, and hold harmless MPC, its Affiliates and their respective directors, officers, shareholders, employees and agents ("MPC Indemnitees"), from and against any and all liabilities, damages, losses, penalties, fines, costs, interest, and expenses, including, but not limited to reasonable attorney's fees ("Damages") arising from or occurring as a result of a Third Party's claim, action, suit, judgment or settlement against an MPC Indemnitee that is due to or based upon:

(a) any breach of a representation, warranty, covenant or agreement of MN under this Agreement,

(b) any negligent or more culpable act of MN, its Affiliates or its sublicensees under this Agreement, or

(c) development, manufacture, use, sale or labeling of Compound, API or Product by MN, its Affiliates or its sublicensees.

However, MN shall not indemnify or hold harmless MPC Indemnitees from Damages to the extent that such Damages are finally determined to have resulted from the acts or omissions of an

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MPC Indemnitee. MN's obligations under this Section shall survive the expiration or termination of this Agreement for any reason.

11.2 MPC's Obligation. MPC shall defend, indemnify, and hold harmless MN, its Affiliates and their respective directors, officers, shareholders, employees and agents ("MN Indemnitees"), from and against any and all Damages arising from or occurring as a result of a Third Party's claim, action, suit, judgment or settlement against an MN Indemnitee that is due to or based upon:

(a) any breach of a representation, warranty, covenant or agreement of MPC under this Agreement,

(b) any negligent or more culpable act of MPC, its Affiliates or its sublicensees under this Agreement, or

(c) development, manufacture, use, sale, promotion or labeling of Compound, API or Product by MPC, its Affiliates or its sublicensees.

However, MPC shall not indemnify or hold harmless MN Indemnitees from Damages to the extent that such Damages are finally determined to have resulted from the acts or omissions of an MN Indemnitee. MPC's obligations under this Section shall survive the expiration or termination of this Agreement for any reason.

11.3 Insurance. MN shall maintain and keep in force for the term of this Agreement comprehensive general liability insurance including Products/Completed Operations, Contractual and Broad Form Property Damage covering its indemnification obligations hereunder combined single limit for Bodily Injury and Property Damage. It is understood that such insurance shall not be construed to limit MN's liability with respect to such indemnification obligations. Such insurance shall be placed with a first class insurance carrier with at least BBB rating by Standard & Poor. Prior to initiation of each clinical trial, MN shall furnish a certificate of insurance to MPC (or provide MPC with a written affirmation of the adequacy of an existing certificate) evidencing the foregoing endorsements, coverage and limits, and providing that such insurance shall not expire or be canceled or modified without reasonable prior notice to MPC.

ARTICLE 12
MISCELLANEOUS

12.1 Force Majeure. Neither Party shall be held liable or responsible to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement to the extent, and for so long as, such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including but not limited to fire, floods, embargoes, power shortage or failure, war, acts of war (whether war be declared or not), terrorism, insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority or the other Party.

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12.2 Assignment. This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligations hereunder be assigned or transferred by either Party without the consent of the other Party; provided, however, that either MPC or MN may, without such consent, assign this Agreement and its rights and obligations hereunder to an Affiliate or in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger or consolidation or change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

12.3 Severability. Each Party hereby acknowledges that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties shall substitute, by mutual consent, valid provisions for such invalid provisions which valid provisions in their economic effect are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such provisions. In case such provisions cannot be agreed upon, the invalidity of one or several provisions of the Agreement shall not affect the validity of this Agreement as a whole, unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without such invalid provisions.

12.4 Notices. Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties to the other shall be in writing, delivered personally or by facsimile or email (and promptly confirmed by personal delivery, U.S. first class mail or courier), U.S. first class mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated in the first paragraph of this Agreement, or to such other address as the addressee shall have last furnished in writing to the addressor and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

12.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law principles thereof except matters of patent law, which shall be determined in accordance with the national intellectual property laws relevant to the Patent Asset in question.

12.6 Dispute Resolution. (a) The Parties agree to attempt initially to solve all claims, disputes, or controversies arising under, out of, or in connection with this Agreement (a “Dispute”) by conducting good faith negotiations. Any Disputes which cannot be resolved by good faith negotiation within thirty (30) days, shall be referred, by written notice from either Party to the other, to the Chief Executive Officer of each Party. Such Chief Executive Officers shall negotiate in good faith to achieve a resolution of the Dispute referred to them within thirty (30) days after such notice is received by the Party to whom the notice was sent. If the Chief Executive Officers are unable to settle the Dispute between themselves within thirty (30) days, they shall so report to the Parties in writing. The Dispute shall then be referred to arbitration as set forth in the following subsection (b).

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(b) Upon the Parties receiving the Chief Executive Officers' report that the Dispute referred to them pursuant to subsection (a) has not been resolved, a Party shall decide to institute arbitration proceedings, it shall give written notice to that effect to the other Party. The Parties shall refrain from instituting the arbitration proceedings for a period of sixty (60) days following such notice. During such period, the Parties shall continue to make good faith efforts to amicably resolve the dispute without arbitration. If the Parties have not reached a settlement during that period the arbitration proceedings shall go forward and be governed by the rules of the American Arbitration Association ("AAA") then in force. Each such arbitration shall be conducted by a panel of three arbitrators: one arbitrator shall be appointed by each of MN and MPC and the third arbitrator, who shall be the Chairman of the tribunal, shall be appointed by the two-Party appointed arbitrators. Any such arbitration shall be held in New York, USA and the language of the arbitration shall be English.

The tribunal shall issue its award within forty-five (45) days after the date on which the arbitration proceedings have closed. The arbitrators shall have the authority to grant specific performance. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Each Party shall bear its own costs and expenses incurred in connection with any arbitration proceeding and the Parties shall equally share the cost of the arbitration levied by the AAA.

12.7 Non Competition. MN and/or its Affiliate agrees that it shall not, directly or indirectly, develop, have developed, sell or market any 5-HT1A agonist in the Field in the MN Territory (other than Compound).

12.8 LIMITATION OF LIABILITY. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

12.9 Further Assurances. At any time or from time to time on and after the date of this Agreement, each Party shall at the request of the other (i) deliver to the other such records, data or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as such Party or the other Party may reasonably deem necessary or desirable in order for the other Party to obtain the full benefits of this Agreement and the transactions contemplated herein.

12.10 Entire Agreement. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly superseded by this

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Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both Parties.

12.11 Headings. The captions to the several Articles and Sections hereof are not a part of this Agreement, but are merely guides or labels to assist in locating and reading the several Articles and Sections hereof.

12.12 Independent Contractors. It is expressly agreed that MPC and MN shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither MPC nor MN shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party to do so.

12.13 Waiver. The waiver by either Party of any right hereunder or the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

12.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

MEDICINOVA, INC.

By: /s/ Takashi Kiyoizumi
Name: Takashi Kiyoizumi, M.D., Ph.D.
Title: President and CEO

MITSUBISHI PHARMA CORPORATION

By: /s/ Akihiro Tobe
Name: Akihiro Tobe, Ph.D.
Title: Managing Executive Officer, Division Manager, Strategic Planning Division

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SCHEDULE 1.10

Diagram of **[**]**

[**]

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SCHEDULE 1.33

MPC Patent Assets

[**]

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SCHEDULE 2.1

Program

[**]

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Master Services Agreement

This Master Services Agreement ("Agreement") is made on the 1st day of December 2003, by and between:

1. Asahi Kasei Pharma Corporation
   9-1 Kanda Mitoshiro-cho
   Chiyoda-ku, Tokyo 101-8481
   Japan

   and

2. MediciNova, Inc.
   4350 La Jolla Village Drive
   - Suite 950
   San Diego, CA 92122
   USA

WHEREAS

A. Asahi Kasei Pharma Corporation (hereinafter referred to as Asahi) is a pharmaceutical company focusing on discovery, development and commercialisation of therapeutic agents.

B. MediciNova, Inc. (hereinafter referred to as MediciNova) is engaged in the business of planning and managing pharmaceutical development programs, in addition to development and commercialisation of therapeutic agents.

C. Asahi may wish to retain the services of MediciNova from time to time to perform Services in connection with the development of pharmaceuticals as more fully set forth in various project specific addenda to be attached to this Agreement and incorporated herein by reference (Project Addendum).

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D. MediciNova desires to assist Asahi in organizing, monitoring and supervising certain development activities and Asahi desires to retain MediciNova in accordance with the terms and conditions of this Agreement and attached Project Addendum.

E. Asahi and MediciNova entered into a Confidentiality and Non-Disclosure Agreement dated October 10, 2003 (referred to herein as the "Confidentiality Agreement", the terms of which remain in full force and effect) .

NOW, FOR GOOD AND VALUABLE CONSIDERATION (THE SUFFICIENCY OF WHICH IS ACKNOWLEDGED BY BOTH PARTIES), IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS

1.1. Unless the context requires otherwise, the following expressions have the following meanings:

1.1.1. "Affiliate" means a company or other entity, which directly or indirectly controls, is controlled by or is under common control together with a Party to this Agreement. For the purposes of this Agreement, the word "control" means the power to vote on or direct the affairs of such company or entity by reason of ownership or control of more than half the voting stock or management or control by agreement.

1.1.2. "Background IPR" means such Asahi's intellectual property rights, results, data and materials that Asahi deems necessary or desirable for the conduct of the Services, including without limitation patents and patent applications relating thereto not generated under a Study but already in existence at the Effective Date and owned by, licensed to or otherwise controlled by Asahi or its Affiliates.

1.1.3. "Client Information" has the meaning given in Section 5.1.

1.1.4. "Compound" means the drug to be investigated and/or developed.

1.1.5. "Documentation" means all records in any form (including paper documents, electronic, magnetic and optical records) describing methods and conduct of the Services, factors affecting the Services and the action taken including (without prejudice to the generality of the foregoing) the Protocols, copies of submissions and approvals from the necessary authorities and the ethics committee, investigators' curricula vitae, consent forms, monitor reports, audit certificates, correspondence, reference ranges, raw data, samples, completed case report forms and the reports.

1.1.6. "Effective Date" means December 1, 2003.

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1.1.7. “Intellectual Property Rights” means any inventions (whether patentable or not), patents, registered designs, registered trade marks or applications for any of the above, copyright, design right, unregistered trade marks or business names and technical Know-How and all other proprietary rights and similar rights in any jurisdiction that are conceived, created, developed or reduced to practice as a result of or in connection with the Services (whether made by MediciNova or its Affiliates alone, together with MediciNova or another third party) except for the MediciNova Property defined in Section 5.1.

1.1.8. “Know-How” means all technical, clinical and other information generated as a result of or in connection with the Services including (but not limited to) all Study Data, knowledge, inventions, formulae, specimens, specifications, procedures, tests, samples, reports, results and techniques arising therefrom. Notwithstanding the foregoing, Know-How does not include MediciNova’s own data obtained as a result of or in connection with the Services and all other MediciNova information of a privileged and/or proprietary nature not specific to the Services, including, without limitation, MediciNova Property (as defined in Section 5.1) which are and remain the sole and exclusive property of MediciNova.

1.1.9. “Protocol” means the approved protocol for a Study described in a Project Addendum.

1.1.10. “Services” means the work described in a Project Addendum.

1.1.11. “Study” means a trial performed which utilizes the Services provided hereunder.

1.1.12. “Study Data” means the source data and the raw patient data generated directly from a Study on standardized case report forms and related material (including but not limited to copies of correspondence, hospital discharge summaries, patient notes and laboratory results). For the purposes of this Agreement, physical representations of the data (including without limitation charts, graphs, figures and study reports containing those physical representations) will also be designated as Study Data.

1.1.13. “Suppliers” means any organization or persons subcontracted by MediciNova and authorized by Asahi under Section 3.3 to provide services to aid in the assessment and implementation of the Services.

1.2. References to the singular include the plural and vice versa.

1.3. Paragraph headings are for ease of reference only and are not part of this Agreement for the purpose of construction.

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2. APPOINTMENT AND SCOPE - PROJECT ADDENDUM

2.1. In the event that the Parties reach agreement with respect to particular Services, one or more Project Addenda will be created. A Project Addendum will be attached to this Agreement and will collectively, independent from other Project Addenda, constitute together with this Agreement the entire agreement for the specific Services. No Project Addendum will be attached to this Agreement without first being executed by the Parties hereto. To the extent any terms set forth in a Project Addendum conflict with the terms set forth in the Agreement, the terms of the Project Addendum will control.

2.2. For the avoidance of doubt, nothing in this Agreement will prevent or restrict Asahi from appointing any such other persons or entities to conduct the same or similar Services.

3. THE SERVICES

3.1. MediciNova hereby agrees to provide to Asahi the Services at all times during this Agreement in accordance with the terms and conditions set out in each Project Addendum attached to this Agreement. In performing the Services, MediciNova will comply with this Agreement, the applicable Project Addendum and specified financial agreements, relevant professional standards and all applicable laws, rules, guidelines and regulations, including, but not limited to, the Federal Food, Drug and Cosmetic Act and/or relevant European Union regulations.

3.2. MediciNova will perform the Services under the direction of the MediciNova employee identified as the Project Leader in the applicable Project Addendum or such other person, acceptable to Asahi, as MediciNova may from time to time designate the Project Leader.

3.3. MediciNova may sub-contract any one or more of the Services only with the prior written approval of Asahi. With regard to any such sub-contract, MediciNova will:

3.3.1. ensure and be responsible for the compliance by any Supplier with the terms and conditions of this Agreement (including without limitation the terms of confidentiality, Intellectual Property Rights and access to Study Data);

3.3.2. include in the sub-contract provisions consistent with this Agreement for the benefit of Asahi.

3.4. Each Project Addendum will include a detailed and specific transfer of obligations from Asahi to MediciNova as required by 21 CFR 312.52.

3.5. If Asahi wishes to change the scope of the Services or wishes to obtain additional Services not initially covered by this Agreement and/or not listed in the Project Addenda, Asahi will so advise MediciNova and submit a specification of its requirements to MediciNova. Within 10 working days of receiving the specification, MediciNova will provide Asahi with a cost and time estimate for performing the changed or additional

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Services. Any such additional Services, compensation and time schedules must be mutually agreed upon by the Parties in writing prior to the provision of said Services in an amendment to the pertinent Project Addendum, and the Services set forth therein shall be deemed to be Services as the term is used in this Agreement.

4. FINANCIAL ARRANGEMENTS

4.1. Asahi will be responsible for the settlement of all amounts due to MediciNova in a form and of a nature reasonably acceptable to MediciNova. Each Project Addendum attached to this Agreement will include a payment schedule for the performance of the Services. Payment of all invoices submitted by MediciNova to Asahi are due within 30 days of receipt of invoice by Asahi unless otherwise set forth in the Project Addenda. In the event any Project Addendum, or this Agreement, is terminated, Asahi will pay MediciNova pursuant to the provisions of Section 11 of this Agreement.

4.2 Taxes (and any penalties thereon) imposed on any payment made by Asahi to MediciNova will be the responsibility of MediciNova.

4.3 MediciNova will provide all necessary fiscal management of its Suppliers, and will act as agent for Asahi in paying such Suppliers for the Services they provide. MediciNova will pay the Suppliers directly and will be reimbursed by Asahi for such costs on a pass-through basis. Upon execution of each Project Addenda, Asahi will deposit with MediciNova an amount specified in the Project Addendum. Thereafter, MediciNova will invoice Asahi for its Supplier fees, costs and expenses (collectively, the “Supplier Fees”) and its management fee in accordance with the payment terms of the Project Addendum. Asahi will pay such invoices in accordance with Section 4.1.

5. INTELLECTUAL PROPERTY RIGHTS AND ACCESS TO STUDY DATA

Ownership of the Know-How, Intellectual Property Rights relating to the Know-How and all other Intellectual Property Rights resides exclusively in Asahi and/or its Affiliates. MediciNova agrees to assign and hereby assigns to Asahi and will require all of its Suppliers to agree to assign to Asahi all rights MediciNova or its Affiliates, directors, officers, employees, representatives or Suppliers may have in any Know-How and Intellectual Property Rights and agrees to assist Asahi, at Asahi’s expense, in obtaining or extending protection and agrees to do any act or execute any document as may be required in order to enable ownership of such rights to be vested in Asahi. MediciNova represents that it has and will continue to have agreements with its Affiliates, directors, officers, employees, agents, representatives and Suppliers to effectuate the terms of this Section and that it will enforce such agreements to provide Asahi with the benefit of this Section. Notwithstanding the foregoing, Asahi acknowledges that MediciNova possesses certain inventions, processes, know-how, trade secrets, improvements, and other intellectual properties and other assets including, but not limited to, analytical methods, procedures and techniques, procedure manuals, personnel data, financial information, computer technical expertise and software, which have been independently developed by

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MediciNova and which relate to MediciNova's business or operations (collectively, "MediciNova Property"). Asahi and MediciNova agree that any MediciNova Property or improvements thereto which are used, improved, modified, or developed by MediciNova under or during the term of this Agreement are the sole and exclusive property of MediciNova, provided that MediciNova will not, without Asahi's prior written consent, integrate MediciNova Property into any process or procedure such that future practice of the process or procedure would require a license to use such MediciNova Property.

5.1 Asahi will own and have the exclusive and unrestricted free right to use for all purposes the material, Documentation, data (including without limitation Study Data) and other information of any kind generated or created as part of the Services; provided, however, that such exclusive unrestricted free right to use will not apply to the MediciNova Property. At all times during and following termination of this Agreement, Asahi is entitled to make such use of, disclose and publish the Study Data, the Know-How and the Intellectual Property Rights as it sees fit. MediciNova may not publish any articles, make any presentations or disclose information in any way relating to the Services or referring to data, information or materials generated as part of the Services, in whole or in part, without the prior written consent of Asahi. For the avoidance of doubt, Study Data, Know-How and Intellectual Property Rights are all Client Information under Section 6 herein.

6. MEDICINOVA HEREBY ACKNOWLEDGES AND AGREES FOR ITSELF AND ITS AFFILIATES THAT:

6.0.1 nothing contained herein grants any right to MediciNova to use any trade marks or trade names of Asahi or its Affiliates relating to Asahi's Compounds;

6.0.2 nothing contained herein grants any licence, right or permission to MediciNova to use the Know-How, Intellectual Property Rights, the Background IPR and other Client Information except as specifically agreed herein.

6.1 Asahi hereby grants MediciNova and its Suppliers a non-exclusive, non-transferable, royalty-free licence to use the Background IPR for the purpose only and to the extent necessary to enable MediciNova and its Suppliers to perform the Services under this Agreement. This licence automatically terminates upon the completion (or earlier termination) of the Services or termination of this Agreement. For the avoidance of doubt, MediciNova or its Suppliers have no rights whatsoever to disclose, refer to, publish or use the Know-How, the Intellectual Property Rights or other Client Information, whether during or after termination of this Agreement, except as expressly set out in this Agreement.

7. CONFIDENTIALITY

7.1 The Confidentiality Agreement remains in full force and effect.

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7.2 MediciNova will put in place similar agreements with its Suppliers.

8. LIABILITY AND INDEMNITY

8.1 Each Party will indemnify and hold harmless the other Party, its Affiliates, directors, officers, employees and agents in respect of all liabilities, costs, claims, loss, damage, demands, actions and expenses, including reasonable attorneys' fees and expert costs and expenses, arising directly from the breaching Party's material breach of any of the terms of this Agreement; provided, however, that the breaching Party is not obligated under this provision for any indirect, special, incidental or consequential loss or damage.

8.2 The indemnities set out above do not apply to any claim or proceeding if and to the extent that such claim results from the fault or negligence of the Party seeking to benefit from the indemnity, its employees or agents.

8.3 The Party seeking indemnification under this section (the "Indemnified Party") shall (i) give the other Party (the "Indemnifying Party") notice of the relevant claim, (ii) cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the defense of such claim, and (iii) give the Indemnifying Party the right to control the defense and settlement of any such claim, except that the Indemnifying Party shall not enter into any settlement that affects the Indemnified Party's rights or interest without the Indemnified Party's prior written approval. The Indemnified Party shall have no authority to settle any claim on behalf of the Indemnifying Party.

8.4 For the purposes of this clause, any Study investigator or Study staff retained to conduct the Study, on behalf of Asahi, are not deemed to be an agent or subcontractor of MediciNova.

9. RECORD KEEPING, INSPECTION, AND AUDIT

9.1 Asahi may, at any time during the continuance of this Agreement, inspect, examine, and audit at mutually agreed upon times the records, operating procedures, methods, facilities and premises of MediciNova, its Suppliers and investigators solely to monitor the performance of the Services hereunder, to determine whether the Services are being conducted fully in accordance with the Project Addendum and all applicable laws and regulations. Asahi may appoint an agent or agents to conduct any inspection, examination or audit under this clause on Asahi's behalf. MediciNova will not make unreasonable objections to independent third party auditors selected by Asahi.

9.2 During the term of this Agreement and for a period of one year after, MediciNova or its Suppliers will maintain**,** and will be responsible for the storage of**,** all materials and data obtained or generated by MediciNova or its Suppliers in the course of providing the Services, including all computerized records and files, in a secure area reasonably

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protected from fire, theft and destruction. Project records, supplies and samples will be handled, stored and archived in a manner consistent with GMP, GCP, GLP and similar international guidelines. The termination of this Agreement for whatever reason does not release MediciNova and its Suppliers from its obligations under any appropriate international guidelines.

Upon at least twenty days' advance notice from Asahi, MediciNova will make said records available to representatives or agents of Asahi in MediciNova's offices for the purposes of auditing said records to verify MediciNova's or its Suppliers' compliance with the terms of this Agreement.

In the event information confidential to a third party is contained on any records subject to audit by Asahi, such records may be reviewed by an independent auditor appointed by Asahi. Such independent auditor will sign in advance of inspection a confidential disclosure agreement suitable in form to Asahi, MediciNova, and the appointed auditor.

10. FORCE MAJEURE

If the performance of this Agreement or any obligation under it is prevented, restricted or interfered with by reason of circumstances beyond the reasonable control of that Party obliged to perform it (including, without limitation, flood, fire, storm, strike, lockout, sabotage, terrorist act, civil commotion and government intervention), the Party so affected will (upon giving prompt notice thereof to the other Party) be excused from performance to the extent only of the prevention, restriction or interference, provided always that the Party so affected will use its reasonable endeavours to avoid or remove the causes of non-performance and will continue performance as expeditiously as possible as soon as such causes have been removed. In case the delay caused by Force Majeure exceeds one month the Parties will meet to discuss the situation, and the Party suffering from the non-performance of the other party will have the right to terminate this Agreement.

11. TERM AND TERMINATION

11.1 This Agreement will commence on the Effective Date and continue indefinitely unless earlier terminated in accordance with this Section 11. Project Addenda will commence upon the date of complete execution by the Parties and will terminate upon the completion of Services unless earlier terminated in accordance with this Section 11.

11.2 If either Party is in default of its material obligations under this Agreement, the non-defaulting Party will promptly notify the defaulting Party in writing of any such default. The Parties will have a period of 30 days from the date of receipt of such notice within which to agree on a process to remedy such default. If the Parties fail to agree on appropriate reasonable action or if the defaulting Party is unable to so remedy the default,

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this Agreement will at non-defaulting Party's option, immediately terminate upon notice in writing to the defaulting Party.

11.3 Either Party may immediately terminate this Agreement or any or all Project Addenda upon notice in writing to the other Party if the other Party convenes a meeting of its creditors or goes or threatens to go into liquidation (other than for the purposes of amalgamation or reconstruction), has an administration order made in relation to it or otherwise ceases to trade.

11.4 Either Party may immediately terminate a Project Addendum upon written notice to the other Party on the ground that the safety of the patients in a Study warrants termination.

11.5 Asahi may terminate a Project Addendum immediately at any time upon written notice.

11.6 Either Party may terminate this Agreement at any time upon giving three month's written notice to the other Party.

11.7 The termination of this Agreement by either Party shall automatically terminate any and all Project Addenda, unless otherwise specified.

11.8 Termination of this Agreement or a Project Addendum will not affect the accrued rights and liabilities of the Parties hereto.

11.9 In the event of termination of this Agreement or a Project Addendum, Asahi will reimburse MediciNova for work properly performed to date and make payments of monies outstanding upon receipt of termination notice, and reimburse any reasonably incurred out of pocket expenses and non-cancellable obligations related to the Services, including without limitation all fees due to Suppliers and any termination fees or other charges incurred by MediciNova as a result of the termination of services with Suppliers and all costs incurred for work that is in process at the time of termination including any costs to wind up such work in process. Tasks associated with termination itself will only be performed by MediciNova upon request by Asahi, in which case Asahi will be liable for such costs. Provided, however, in the event of termination of this Agreement or a Project Addendum for reasons other than default by MediciNova, Asahi will pay MediciNova an amount equal to the management fee earned by MediciNova up to the date of termination.

11.10 Clauses that by their nature should survive, will survive termination of this Agreement or of a Project Addendum.

12. DISPUTE RESOLUTION

12.1 Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be finally settled by arbitration. If the respondent in such arbitration is MediciNova, the arbitration shall be held in San Diego, California in accordance with the

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commercial arbitration rules of the American Arbitration Association. If the respondent in such arbitration is Asahi, the arbitration shall be held in Tokyo, Japan in accordance with the commercial arbitration rules of the Japan Commercial Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

13. NOTICES

Any notice or other document to be given under this Agreement will be in writing and will be deemed to have been duly given if sent by first class post, registered post, internationally recognized overnight courier, or facsimile (provided in the latter case that a confirmatory copy is sent by post on the same day) to a Party at the address or facsimile number set out below or such other address as a Party may from time to time designate by written notice to the other Parties:

for Asahi

Akio Kobayashi/ General Manager
Pharmaceuticals Division
Asahi Kasei Pharma Corporation
9-1, Kanda Mitoshiro-cho, Chiyoda-ku,
Tokyo 101-8481 Japan

Phone: (3) 3259 5776
Fax : (3) 3259 5741

for MEDICINOVA

Takashi Kiyoizumi, M.D., Ph.D.
MediciNova, Inc
4350 La Jolla Village Drive
- Suite 950
San Diego, CA 92122
USA

Phone: (858) 373 1200
Fax: (858) 373 7000

14. GENERAL PROVISIONS

14.1. No change, modification, extension or amendment of the Agreement or any Project Addendum are valid and enforceable unless made in writing and agreed by both Parties.

14.2 If any one or more provisions of this Agreement is found to be illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby, provided the surviving Agreement materially comports with the Parties' original intent.

14.3 This Agreement plus any relevant addenda attached hereto and the Confidentiality Agreement constitute the entire agreement between the Parties as to the subject matter hereof and supersedes and overrides all prior agreements, discussions, representations and understandings relating to the same subject matter.

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14.4 The Parties hereto are independent contractors and nothing in this Agreement will create or be construed as creating a partnership or a relationship of agent and principal between the Parties, except as specifically described in this Agreement.

14.5 The validity, performance, construction, and termination of this Agreement will be governed by and construed in accordance with the Laws of the state of California.

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IN WITNESS WHEREOF this Agreement has been executed by duly authorised officers of the Parties.

For: Asahi Kasei Pharma Corporation	**For: MediciNova, Inc.**
/s/ Yasuaki Nakaoka	/s/ Takashi Kiyoizumi
(Signature)	(Signature)
Yasuaki Nakaoka	Takashi Kiyoizumi, M.D., Ph.D.
(Print Name)	(Print Name)
President	Chief Executive Officer
(Title)	(Title)
February 16, 2004	
(Date)	(Date)

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Master Service Agreement between Asahi Kasei Pharma, Corp. (ASAHI) and MediciNova, Inc. (MEDICINOVA)

Addendum 1

[**] is approved for the prevention of **[**]**. **[**]** is an orally available, **[**]** that is approved in Japan, Korea and China for the prevention of **[**]**. It is a **[**]**. The compound was isolated from a culture medium of the mold **[**]** in the laboratories of ASAHI, subsequently developed and launched as **[**]** in Japan (1984).

[**] , although primarily isolated as a substance having **[**]**, was found to **[**]**.

In contrast to other **[**]**, **[**]** has been shown in animal experiments to **[**]**.

In addition to the above mentioned prevention **[**]**, **[**]** has been approved in Japan for the treatment of **[**]**.

To further the clinical utility of **[**]**, ASAHI wishes to explore **[**]**. As a first step towards this goal, additional Phase I safety testing is necessary prior to an evaluation of **[**]**.

MEDICINOVA will provide the following services to ASAHI in support of a single Phase I trial of **[**]** :

CRO audit and selection
CRO contract negotiation
Investigator's Brochure review
CMC review
Review analytical methods/validation
Protocol & Informed Consent design & review
Maintain a regulatory document file
Coordinate CTM delivery
Clinical trial monitoring
Coordinate pharmacokinetics sample delivery
Periodic safety review
Review/edit final study report

These services will be performed by, or under the direct supervision of, Dr. Kenneth W. Locke, Sr. VP, Development Operations & Drug Discovery of MEDICINOVA Completion of the above services, excluding the review/editing of the final report, will be completed no later than May 1, 2004.

In consideration for these services, ASAHI agrees to pay MEDICINOVA monthly within 30 days of the receipt of the invoice from MEDICINOVA. The hourly rate of MEDICINOVA fee is USD**[**]**. It is expected that the aggregated required hours for the service is less than **[**]** hours.

The above consideration does not include CRO costs for conduct of the study, product-associated costs, analysis of plasma/serum samples or interpretation of pharmacokinetic study results, incidental costs (e.g., any shipping charges or tariffs/duties) or travel costs incurred by MEDICINOVA in the course of conducting the Phase I study. All such charges are the responsibility of ASAHI and are payable in U.S. dollars within 30 days of invoice by MEDICINOVA.

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for ASAHI KASEI PHARMA, CORP.

/s/ Yasuaki Nakaoka

Yasuaki Nakaoka, President
Asahi Kasei Pharma Corporation
9-1 Kanda Mitoshiro-cho,
Chiyoda-ku,
Tokyo 101-8481
Japan
Phone: (3)-3259-5776
Fax : (3)-3259-5741

for MEDICINOVA, INC.

/s/ Takashi Kiyoizumi

Takashi Kiyoizumi, M.D., Ph.D.
MediciNova, Inc.
4350 La Jolla Village Drive -
Suite 950
San Diego, CA 92122
USA
Phone: (858) 373-1200
Fax: (858) 373-7000

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Master Services Agreement

This Master Services Agreement ("Agreement") is made on the 25th day of June 2004, by and between:

1. Argenes Inc.
   Toranomon Pastoral Main Tower 7F
   4-1-1 Toranomon, Minato-ku Tokyo
   105-001, Japan

and

2. MediciNova, Inc.
   4350 La Jolla Village Drive, Suite 950
   San Diego, CA 92122
   USA

WHEREAS

A. Argenes Inc. (hereinafter referred to as "Argenes") is a pharmaceutical company focusing on discovery, development and commercialization of therapeutic agents.

B. MediciNova, Inc. (hereinafter referred to as "MediciNova") is engaged in the business of planning and managing pharmaceutical development programs, in addition to development and commercialization of therapeutic agents.

C. Argenes may wish to retain the services of MediciNova from time to time to perform Services in connection with the development of pharmaceuticals as more fully set forth in various project specific addenda to be attached to this Agreement and incorporated herein by reference (Project Addendum).

D. MediciNova desires to assist Argenes in organizing, monitoring and supervising certain development activities and Argenes desires to retain MediciNova in accordance with the terms and conditions of this Agreement and attached Project Addendum.

E. Argenes and MediciNova entered into a Confidentiality and Non-Disclosure Agreement dated May 21, 2004 (referred to herein as the "Confidentiality Agreement", the terms of which remain in full force and effect).

NOW, FOR GOOD AND VALUABLE CONSIDERATION (THE SUFFICIENCY OF WHICH IS ACKNOWLEDGED BY BOTH PARTIES), IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS

1.1. Unless the context requires otherwise, the following expressions have the following meanings:

1.1.1. "Affiliate" means a company or other entity, which directly or indirectly controls, is controlled by or is under common control together with a Party to this Agreement. For the purposes of this Agreement, the word "control" means the power to vote on or direct the affairs of such company or entity by reason of ownership or control of more than half the voting stock or management or control by agreement.

1.1.2. "Background IPR" means such Argenes' intellectual property rights, results, data and materials that Argenes deems necessary or desirable for the conduct of the Services, including without limitation patents and patent applications relating thereto not generated under a Study but already in existence at the Effective Date and owned by, licensed to or otherwise controlled by Argenes or its Affiliates.

1.1.3. "Client Information" has the meaning given in Section 5.1.

1.1.4. "Compound" means the drug to be investigated and/or developed.

1.1.5. "Documentation" means all records in any form (including paper documents, electronic, magnetic and optical records) describing methods and conduct of the Services, factors affecting the Services and the action taken including (without prejudice to the generality of the foregoing) the Protocols, copies of submissions and approvals from the necessary authorities and the ethics committee, investigators' curricula vitae, consent forms, monitor reports, audit certificates, correspondence, reference ranges, raw data, samples, completed case report forms and the reports.

1.1.6. "Effective Date" means June 25, 2004.

1.1.7. "Intellectual Property Rights" means any inventions (whether patentable or not), patents, registered designs, registered trade marks or applications for any of the above, copyright, design right, unregistered trade marks or business names and technical Know-How and all other proprietary rights and similar rights in any jurisdiction that are conceived, created, developed or reduced to practice as a result of or in connection with the Services (whether made by MediciNova or its

Affiliates alone, together with MediciNova or another third party) except for the MediciNova Property defined in Section 5.1.

1.1.8. “Know-How” means all technical, clinical and other information generated as a result of or in connection with the Services including (but not limited to) all Study Data, knowledge, inventions, formulae, specimens, specifications, procedures, tests, samples, reports, results and techniques arising therefrom. Notwithstanding the foregoing, Know-How does not include MediciNova’s own data obtained as a result of or in connection with the Services and all other MediciNova information of a privileged and/or proprietary nature not specific to the Services, including, without limitation, MediciNova Property (as defined in Section 5.1) which are and remain the sole and exclusive property of MediciNova.

1.1.9. “Protocol” means the approved protocol for a Study described in a Project Addendum.

1.1.10. “Services” means the work described in a Project Addendum.

1.1.11. “Study” means a trial performed which utilizes the Services provided hereunder.

1.1.12. “Study Data” means the source data and the raw patient data generated directly from a Study on standardized case report forms and related material (including but not limited to copies of correspondence, hospital discharge summaries, patient notes and laboratory results). For the purposes of this Agreement, physical representations of the data (including without limitation charts, graphs, figures and study reports containing those physical representations) will also be designated as Study Data.

1.1.13. “Suppliers” means any organization or persons subcontracted by MediciNova and authorized by Argenes under Section 3.3 to provide services to aid in the assessment and implementation of the Services.

1.2. References to the singular include the plural and vice versa.

1.3. Paragraph headings are for ease of reference only and are not part of this Agreement for the purpose of construction.

2. APPOINTMENT AND SCOPE - PROJECT ADDENDUM

2.1. In the event that the Parties reach agreement with respect to particular Services, one or more Project Addenda will be created. A Project Addendum will be attached to this Agreement and will collectively, independent from other Project Addenda, constitute together with this Agreement the entire agreement for the specific Services. No Project Addendum will be attached to this Agreement without first being executed by the Parties hereto. To the extent any terms set forth in a Project Addendum conflict with the terms set forth in the Agreement, the terms of the Project Addendum will control.

2.2. For the avoidance of doubt, nothing in this Agreement will prevent or restrict Argenes from appointing any such other persons or entities to conduct the same or similar Services.

3. THE SERVICES

3.1. MediciNova hereby agrees to provide to Argenes the Services at all times during this Agreement in accordance with the terms and conditions set out in each Project Addendum attached to this Agreement. In performing the Services, MediciNova will comply with this Agreement, the applicable Project Addendum and specified financial agreements, relevant professional standards and all applicable laws, rules, guidelines and regulations, including, but not limited to, the Federal Food, Drug and Cosmetic Act and/or relevant European Union regulations.

3.2. MediciNova will perform the Services under the direction of the MediciNova employee identified as the Project Leader in the applicable Project Addendum or such other person, acceptable to Argenes, as MediciNova may from time to time designate the Project Leader.

3.3. MediciNova may sub-contract any one or more of the Services only with the prior written approval of Argenes. With regard to any such sub-contract, MediciNova will:

3.3.1. ensure and be responsible for the compliance by any Supplier with the terms and conditions of this Agreement (including without limitation the terms of confidentiality, Intellectual Property Rights and access to Study Data);

3.3.2. include in the sub-contract provisions consistent with this Agreement for the benefit of Argenes.

3.4. Each Project Addendum will include a detailed and specific transfer of obligations from Argenes to MediciNova as required by 21 CFR 312.52.

3.5. If Argenes wishes to change the scope of the Services or wishes to obtain additional Services not initially covered by this Agreement and/or not listed in the Project Addenda, Argenes will so advise MediciNova and submit a specification of its requirements to MediciNova. Within 10 working days of receiving the specification, MediciNova will provide Argenes with a cost and time estimate for performing the changed or additional Services. Any such additional Services, compensation and time schedules must be mutually agreed upon by the Parties in writing prior to the provision of said Services in an amendment to the pertinent Project Addendum, and the Services set forth therein shall be deemed to be Services as the term is used in this Agreement.

4. FINANCIAL ARRANGEMENTS

4.1. Argenes will be responsible for the settlement of all amounts due to MediciNova in a form and of a nature reasonably acceptable to MediciNova. Each Project Addendum attached to this Agreement will include a payment schedule for the performance of the

Services. Payment of all invoices submitted by MediciNova to Argenes are due within 30 days of receipt of invoice by Argenes unless otherwise set forth in the Project Addenda. In the event any Project Addendum, or this Agreement, is terminated, Argenes will pay MediciNova pursuant to the provisions of Section 11 of this Agreement.

4.2 Taxes (and any penalties thereon) imposed on any payment made by Argenes to MediciNova will be the responsibility of MediciNova.

4.3 MediciNova will provide all necessary fiscal management of its Suppliers, and will act as agent for Argenes in paying such Suppliers for the Services they provide. MediciNova will pay the Suppliers directly and will be reimbursed by Argenes for such costs on a pass-through basis. Upon execution of each Project Addenda, Argenes will deposit with MediciNova an amount specified in the Project Addendum. Thereafter, MediciNova will invoice Argenes for its Supplier fees, costs and expenses (collectively, the "Supplier Fees") and its management fee in accordance with the payment terms of the Project Addendum. Argenes will pay such invoices in accordance with Section 4.1.

5. INTELLECTUAL PROPERTY RIGHTS AND ACCESS TO STUDY DATA

Ownership of the Know-How, Intellectual Property Rights relating to the Know-How and all other Intellectual Property Rights resides exclusively in Argenes and/or its Affiliates. MediciNova agrees to assign and hereby assigns to Argenes and will require all of its Suppliers to agree to assign to Argenes all rights MediciNova or its Affiliates, directors, officers, employees, representatives or Suppliers may have in any Know-How and Intellectual Property Rights and agrees to assist Argenes, at Argenes' expense, in obtaining or extending protection and agrees to do any act or execute any document as may be required in order to enable ownership of such rights to be vested in Argenes. MediciNova represents that it has and will continue to have agreements with its Affiliates, directors, officers, employees, agents, representatives and Suppliers to effectuate the terms of this Section and that it will enforce such agreements to provide Argenes with the benefit of this Section. Notwithstanding the foregoing, Argenes acknowledges that MediciNova possesses certain inventions, processes, know-how, trade secrets, improvements, and other intellectual properties and other assets including, but not limited to, analytical methods, procedures and techniques, procedure manuals, personnel data, financial information, computer technical expertise and software, which have been independently developed by MediciNova and which relate to MediciNova's business or operations (collectively, "MediciNova Property"). Argenes and MediciNova agree that any MediciNova Property or improvements thereto which are used, improved, modified, or developed by MediciNova under or during the term of this Agreement are the sole and exclusive property of MediciNova, provided that MediciNova will not, without Argenes' prior written consent, integrate MediciNova Property into any process or procedure such that future practice of the process or procedure would require a license to use such MediciNova Property.

5.1 Argenes will own and have the exclusive and unrestricted free right to use for all purposes the material, Documentation, data (including without limitation Study Data) and

other information of any kind generated or created as part of the Services; provided, however, that such exclusive unrestricted free right to use will not apply to the MediciNova Property. At all times during and following termination of this Agreement, Argenes is entitled to make such use of, disclose and publish the Study Data, the Know-How and the Intellectual Property Rights as it sees fit. MediciNova may not publish any articles, make any presentations or disclose information in any way relating to the Services or referring to data, information or materials generated as part of the Services, in whole or in part, without the prior written consent of Argenes. For the avoidance of doubt, Study Data, Know-How and Intellectual Property Rights are all Client Information under Section 6 herein.

6. MEDICINOVA HEREBY ACKNOWLEDGES AND AGREES FOR ITSELF AND ITS AFFILIATES THAT:

6.0.1 nothing contained herein grants any right to MediciNova to use any trade marks or trade names of Argenes or its Affiliates relating to Argenes' Compounds;

6.0.2 nothing contained herein grants any licence, right or permission to MediciNova to use the Know-How, Intellectual Property Rights, the Background IPR and other Client Information except as specifically agreed herein.

6.1 Argenes hereby grants MediciNova and its Suppliers a non-exclusive, non-transferable, royalty-free licence to use the Background IPR for the purpose only and to the extent necessary to enable MediciNova and its Suppliers to perform the Services under this Agreement. This licence automatically terminates upon the completion (or earlier termination) of the Services or termination of this Agreement. For the avoidance of doubt, MediciNova or its Suppliers have no rights whatsoever to disclose, refer to, publish or use the Know-How, the Intellectual Property Rights or other Client Information, whether during or after termination of this Agreement, except as expressly set out in this Agreement.

7. CONFIDENTIALITY

7.1 The Confidentiality Agreement remains in full force and effect.

7.2 MediciNova will put in place similar agreements with its Suppliers.

8. LIABILITY AND INDEMNITY

8.1 Each Party will indemnify and hold harmless the other Party, its Affiliates, directors, officers, employees and agents in respect of all liabilities, costs, claims, loss, damage, demands, actions and expenses, including reasonable attorneys' fees and expert costs and expenses, arising directly from the breaching Party's material breach of any of the terms

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of this Agreement; provided, however, that the breaching Party is not obligated under this provision for any indirect, special, incidental or consequential loss or damage.

8.2 The indemnities set out above do not apply to any claim or proceeding if and to the extent that such claim results from the fault or negligence of the Party seeking to benefit from the indemnity, its employees or agents.

8.3 The Party seeking indemnification under this section (the "Indemnified Party") shall (i) give the other Party (the "Indemnifying Party") notice of the relevant claim, (ii) cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the defense of such claim, and (iii) give the Indemnifying Party the right to control the defense and settlement of any such claim, except that the Indemnifying Party shall not enter into any settlement that affects the Indemnified Party's rights or interest without the Indemnified Party's prior written approval. The Indemnified Party shall have no authority to settle any claim on behalf of the Indemnifying Party.

8.4 For the purposes of this clause, any Study investigator or Study staff retained to conduct the Study, on behalf of Argenes, are not deemed to be an agent or subcontractor of MediciNova.

9. RECORD KEEPING, INSPECTION, AND AUDIT

9.1 Argenes may, at any time during the continuance of this Agreement, inspect, examine, and audit at mutually agreed upon times the records, operating procedures, methods, facilities and premises of MediciNova, its Suppliers and investigators solely to monitor the performance of the Services hereunder, to determine whether the Services are being conducted fully in accordance with the Project Addendum and all applicable laws and regulations. Argenes may appoint an agent or agents to conduct any inspection, examination or audit under this clause on Argenes' behalf. MediciNova will not make unreasonable objections to independent third party auditors selected by Argenes**.**

9.2 During the term of this Agreement and for a period of one year after, MediciNova or its Suppliers will maintain**,** and will be responsible for the storage of**,** all materials and data obtained or generated by MediciNova or its Suppliers in the course of providing the Services, including all computerized records and files, in a secure area reasonably protected from fire, theft and destruction. Project records, supplies and samples will be handled, stored and archived in a manner consistent with GMP, GCP, GLP and similar international guidelines. The termination of this Agreement for whatever reason does not release MediciNova and its Suppliers from its obligations under any appropriate international guidelines.

Upon at least twenty days' advance notice from Argenes, MediciNova will make said records available to representatives or agents of Argenes in MediciNova's offices for the purposes of auditing said records to verify MediciNova's or its Suppliers' compliance with the terms of this Agreement.

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In the event information confidential to a third party is contained on any records subject to audit by Argenes, such records may be reviewed by an independent auditor appointed by Argenes. Such independent auditor will sign in advance of inspection a confidential disclosure agreement suitable in form to Argenes, MediciNova, and the appointed auditor.

10. FORCE MAJEURE

If the performance of this Agreement or any obligation under it is prevented, restricted or interfered with by reason of circumstances beyond the reasonable control of that Party obliged to perform it (including, without limitation, flood, fire, storm, strike, lockout, sabotage, terrorist act, civil commotion and government intervention), the Party so affected will (upon giving prompt notice thereof to the other Party) be excused from performance to the extent only of the prevention, restriction or interference, provided always that the Party so affected will use its reasonable endeavours to avoid or remove the causes of non-performance and will continue performance as expeditiously as possible as soon as such causes have been removed. In case the delay caused by Force Majeure exceeds one month the Parties will meet to discuss the situation, and the Party suffering from the non-performance of the other party will have the right to terminate this Agreement.

11. TERM AND TERMINATION

11.1 This Agreement will commence on the Effective Date and continue indefinitely unless earlier terminated in accordance with this Section 11. Project Addenda will commence upon the date of complete execution by the Parties and will terminate upon the completion of Services unless earlier terminated in accordance with this Section 11.

11.2 If either Party is in default of its material obligations under this Agreement, the non-defaulting Party will promptly notify the defaulting Party in writing of any such default. The Parties will have a period of 30 days from the date of receipt of such notice within which to agree on a process to remedy such default. If the Parties fail to agree on appropriate reasonable action or if the defaulting Party is unable to so remedy the default, this Agreement will at non-defaulting Party's option, immediately terminate upon notice in writing to the defaulting Party.

11.3 Either Party may immediately terminate this Agreement or any or all Project Addenda upon notice in writing to the other Party if the other Party convenes a meeting of its creditors or goes or threatens to go into liquidation (other than for the purposes of amalgamation or reconstruction), has an administration order made in relation to it or otherwise ceases to trade.

11.4 Either Party may immediately terminate a Project Addendum upon written notice to the other Party on the ground that the safety of the patients in a Study warrants termination.

11.5 Argenes may terminate a Project Addendum immediately at any time upon written notice.

11.6 Either Party may terminate this Agreement at any time upon giving three month's written notice to the other Party.

11.7 The termination of this Agreement by either Party shall automatically terminate any and all Project Addenda, unless otherwise specified.

11.8 Termination of this Agreement or a Project Addendum will not affect the accrued rights and liabilities of the Parties hereto.

11.9 In the event of termination of this Agreement or a Project Addendum, Argenes will reimburse MediciNova for work properly performed to date and make payments of monies outstanding upon receipt of termination notice, and reimburse any reasonably incurred out of pocket expenses and non-cancellable obligations related to the Services, including without limitation all fees due to Suppliers and any termination fees or other charges incurred by MediciNova as a result of the termination of services with Suppliers and all costs incurred for work that is in process at the time of termination including any costs to wind up such work in process. Tasks associated with termination itself will only be performed by MediciNova upon request by Argenes, in which case Argenes will be liable for such costs, provided, however, in the event of termination of this Agreement or a Project Addendum for reasons other than default by MediciNova, Argenes will pay MediciNova an amount equal to the management fee earned by MediciNova up to the date of termination.

11.10 Clauses that by their nature should survive, will survive termination of this Agreement or of a Project Addendum.

12. DISPUTE RESOLUTION

12.1 Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be finally settled by arbitration. If the respondent in such arbitration is MediciNova, the arbitration shall be held in San Diego, California in accordance with the commercial arbitration rules of the American Arbitration Association. If the respondent in such arbitration is Argenes, the arbitration shall be held in Tokyo, Japan in accordance with the commercial arbitration rules of the Japan Commercial Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

13. NOTICES

Any notice or other document to be given under this Agreement will be in writing and will be deemed to have been duly given if sent by first class post, registered post, internationally recognized overnight courier, or facsimile (provided in the latter case that a confirmatory copy is sent by post on the same day) to a Party at the address or facsimile

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number set out below or such other address as a Party may from time to time designate by written notice to the other Parties:

for ARGENES

Masaru Kamishohara, D.V.M., Ph.D.
Argenes Inc.
Toranomon Pastoral Main Tower 7F
4-1-1 Toranomon, Minato-ku Tokyo
105-0001, Japan

Phone: 81 3 3433 4166
Fax : 81 3 3433 4167

for MEDICINOVA

Takashi Kiyoizumi, M.D., Ph.D.
MediciNova, Inc
4350 La Jolla Village Drive, Suite 950
San Diego, CA 92122
USA

Phone: (858) 373 1500
Fax: (858) 373 7000

14. GENERAL PROVISIONS

14.1. No change, modification, extension or amendment of the Agreement or any Project Addendum are valid and enforceable unless made in writing and agreed by both Parties.

14.2 If any one or more provisions of this Agreement is found to be illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby, provided the surviving Agreement materially comports with the Parties' original intent.

14.3 This Agreement plus any relevant addenda attached hereto and the Confidentiality Agreement constitute the entire agreement between the Parties as to the subject matter hereof and supersedes and overrides all prior agreements, discussions, representations and understandings relating to the same subject matter.

14.4 The Parties hereto are independent contractors and nothing in this Agreement will create or be construed as creating a partnership or a relationship of agent and principal between the Parties, except as specifically described in this Agreement.

14.5 The validity, performance, construction, and termination of this Agreement will be governed by and construed in accordance with the Laws of the state of California.

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IN WITNESS WHEREOF this Agreement has been executed by duly authorized officers of the Parties.

For: Argenes Inc.	**For: MediciNova, Inc.**
/s/ Masaru Kamishohara	/s/ Takashi Kiyoizumi
(Signature)	(Signature)
Masaru Kamishohara, D.V.M., Ph.D. Argenes Inc. Toranomon Pastoral Main Tower 7F 4-1-1 Toranomon, Minato-ku Tokyo 105-0001 Japan	Takashi Kiyoizumi, M.D., Ph.D. MediciNova, Inc. 4350 La Jolla Village Drive, Suite 950 San Diego, CA 92122 USA
(Print Name)	(Print Name)
	Chief Executive Officer
(Title)	(Title)
(Date)	(Date)

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Master Service Agreement between Argenes Inc. (ARGENES)
and MediciNova, Inc. (MEDICINOVA)

Addendum 1

To further the clinical utility of an **[**]** as a potential treatment for **[**]**, ARGENES wishes to conduct Phase I testing in **[**]**.

MEDICINOVA will provide the following services to ARGENES in support of a Phase I trial of its anti-APO-1/Fas mA:

CRO audit and selection
CRO contract negotiation
Investigator's Brochure review
CMC review
Review analytical methods/validation
Protocol & Informed Consent design & review
Maintain a regulatory document file
Coordinate CTM delivery
Clinical trial monitoring
Coordinate pharmacokinetics sample delivery
Periodic safety review
Review/edit final study report

These services will be performed by, or under the direct supervision of, Dr. Kenneth W. Locke, Sr. VP, Portfolio Management of MEDICINOVA. Completion of the above services will be completed no later than 4 weeks after the receipt of the final study report by MEDICINOVA for review/editing.

In consideration for these services, ARGENES agrees to pay MEDICINOVA monthly within 30 days of the receipt of the invoice from MEDICINOVA. The hourly rate of MEDICINOVA fee is USD **[**]**. It is expected that the aggregated required hours for the service is less than **[**]** hours per year.

The above consideration does not include CRO costs for conduct of the study, product-associated costs, analysis of plasma/serum samples or interpretation of pharmacokinetic study results, incidental costs (e.g., any shipping charges or tariffs/duties) or travel costs incurred by MEDICINOVA in the course of conducting the Phase I study. All such charges are the responsibility of ARGENES and are payable in U.S. dollars within 30 days of invoice by MEDICINOVA.

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for ARGENES INC.

/s/ Masaru Kamishohara

Masaru Kamishohara, D.V.M., Ph.D.
Argenes Inc.
Toranomon Pastoral Main Tower 7F
4-1-1 Toranomon, Minato-ku Tokyo
105-0001
Japan
Phone: +81 3 3433-4166
Fax : +81 3 3433-4167

for MEDICINOVA, INC.

/s/ Takashi Kiyoizumi

Takashi Kiyoizumi, M.D., Ph.D.
MediciNova, Inc.
4350 La Jolla Village Drive, Suite 950
San Diego, CA 92122
USA

Phone: (858) 373-1500
Fax: (858) 373-7000

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LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this "Agreement") dated as of October 22, 2004 (the "Effective Date"), is entered into between MediciNova, Inc., a Delaware corporation ("MN") having a place of business located at 4350 La Jolla Village Drive, Suite 950, San Diego, California 92122, U.S.A., and Kyorin Pharmaceutical Co., Ltd., a Japanese corporation ("KR"), having a place of business located at 5, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-8311, Japan.

W I T N E S S E T H:

WHEREAS, KR is the owner of the KR Intellectual Property Rights, as defined herein;

WHEREAS, MN desires to obtain exclusive license rights, with a right to grant sublicenses, under the KR Intellectual Property Rights, and KR desires to grant such license to MN, upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the terms defined in this Article 1 shall have the respective meanings set forth below, it being understood that (a) words in the singular include the plural and vice versa and (b) any reference to any Party includes its Affiliates, successors in title and permitted assigns:

1.1 "Act" shall mean the Federal Food, Drug, and Cosmetic Act of 1938, as amended, and the rules and regulations promulgated thereunder, or any successor act, as the same shall be in effect from time to time.

1.2 "Affiliate" shall mean, (i) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a Party or by any entity mentioned in (ii) hereinafter; (ii) any corporation or business entity

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which, directly or indirectly, owns, controls or holds fifty percent (50%) or more (or the maximum ownership interest permitted by law) of the securities or other ownership interests representing the equity, voting stock or general partnership interest of a Party; or (iii) any corporation or business entity of which a Party has the legal right to acquire, directly or indirectly, at least fifty percent (50%) of the securities or other ownership interests representing the equity, voting stock or general partnership interest thereof.

1.3 "Business Day" shall mean any day that is not a Saturday or a Sunday or a day on which the New York Stock Exchange or the Tokyo Stock Exchange is closed.

1.4 "Calendar Quarter" shall mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.5 "Calendar Year" shall mean each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.6 "cGMP" shall mean current applicable good manufacturing practices as defined in regulations promulgated by the FDA under the Act and, if applicable, corresponding applicable laws and regulations of other countries in the MN Territory or the KR Territory relating to the formulation, manufacture, testing prior to delivery, storage and delivery of Compound and Licensed Product.

1.7 "Compound" shall mean the chemical compound known as Ibudilast whose specific chemical name is **[**]**, as diagrammed on **Exhibit 1.7** hereto.

1.8 "Controlled by" shall mean with respect to the KR Intellectual Property, that (i) KR has an exclusive license to the KR Patent Assets or the KR Know-How and has the ability to grant licenses thereto to MN in accordance with the terms of this Agreement without violating the terms of the Sakoda Agreement or any other agreement or arrangement with Sakoda or any other Third Party and that (ii) neither Sakoda nor any other Third Party has any rights to grant a license or other rights to such KR Intellectual Property to any other Third Party.

1.9 "DMF" shall mean a Drug Master File, as defined in 21 CFR Section 314.420, as the same may be amended or re-promulgated from time to time or any successor filing or procedure and/or its equivalent in other countries of the MN Territory.

1.10 "End of Phase 2 Meeting" shall mean the first end of Phase 2 meeting with the FDA, as defined in 21 CFR Section 312.47, intended to determine the safety of proceeding to Phase 3, evaluate the Phase 3 plan and protocols and identify any additional information necessary to support an NDA for Licensed Product.

1.11 "FDA" shall mean the United States Food and Drug Administration or any successor thereto having regulatory jurisdiction over the manufacture, distribution and sale of drugs.

1.12 "First Commercial Sale" shall mean, the first commercial sale of Licensed Product to Third Party for use or consumption by the general public of such Licensed Product in any country in the MN Territory by MN and/or its sublicensee after Regulatory Approval has been granted by the governing health authority of such country.

1.13 "GAAP" shall mean generally accepted accounting principles in the United States.

1.14 "Generic Competition" shall exist or be deemed to exist, in any particular country in the MN Territory, commencing on the earlier of (i) where IMS or IMS-equivalent data is available, the first date on which Generic Drugs achieve a market share in one (1) Calendar Quarter of **[**]** or greater of the total prescriptions for Licensed Product in such country (as so shown by the average of the monthly IMS (or IMS-equivalent) data for such prescriptions) or (ii) the first date on which there are three (3) Generic Drugs available in one (1) Calendar Quarter in such country.

1.15 "Generic Drug" shall mean any product containing Compound that (i) is an AB rated equivalent to Licensed Product, as defined in the 23rd edition of Approved Drug Products with Therapeutic Equivalence Evaluations issued by the United States Department of Health and Human Services; (ii) is defined in a particular country in the MN Territory as a generic drug to Licensed Product by applicable legal texts or regulatory authorities in such country; or (iii) can be substituted for Licensed Product by a pharmacy, in each case other than a product introduced in such country by MN or its sublicensees.

1.16 "Improvement" shall mean any improvement, including without limitation, any change or modification to any method, process, composition, any enhancement in the manufacture, formulation, ingredients, preparation, presentation, means of delivery, dosage or packaging relating to Compound or Licensed Product, and shall include any homolog, analog, derivative, or conjugate of Compound or Licensed Product or any new use of the foregoing.

1.17 "IND" shall mean an investigational new drug application and any amendments thereto relating to the use of Compound or Licensed Product in the United States or the equivalent application and any amendments thereto in any other regulatory jurisdiction in the MN Territory or the KR Territory, the filing of which is necessary to commence clinical testing of Licensed Products in humans.

1.18 "KR Intellectual Property Rights" shall mean all intellectual property and proprietary rights in, arising out of, or associated with: (i) all KR Patent Assets and (ii) all KR Know-How.

1.19 "KR Know-How" shall mean any and all information and materials, including but not limited to, discoveries, information, Improvements, processes, formulae, data, inventions (whether patentable or not), invention disclosures, know-how and trade secrets, patentable or otherwise, which relate to Compound or Licensed Product, including without limitation, all chemical, pharmaceutical, toxicological, biochemical, biological, technical and nontechnical

data, and information relating to the results of tests, assays, methods, processes, and specifications and/or other documents containing information and related data, and any preclinical, clinical, assay control, regulatory, and any other information necessary or useful for the development and/or Regulatory Approval of Compound or Licensed Product that are as of the Effective Date or become at any time during the term of this Agreement owned or Controlled by KR.

1.20 "KR Licensee" shall mean a Person other than KR's Affiliates to which KR licenses any or all KR Intellectual Property Rights subject to the terms of this Agreement.

1.21 "KR Patent Assets" shall mean all United States, international and foreign utility and design patents and applications therefor (which shall be deemed to include certificates of invention and applications for certificates of invention and supplementary protection certificates) and all reissues, divisions, registrations, extensions, provisionals, continuations and continuations-in-part thereof which as of the Effective Date or at any time during the term of this Agreement:

(a) are owned or Controlled by KR, and

(b) relate to Compound or Licensed Product,

including, but not limited to, methods of their manufacture, methods of their use, or otherwise relating to KR Know-How, including the patents and patent applications listed on **Exhibit 1.21** hereto, and any counterparts thereof which have been or may be filed in other countries in the MN Territory.

1.22 "KR Territory" shall mean Japan, China (PRC), Taiwan (ROC) and South Korea.

1.23 "Licensed Product" shall mean any product other than Ophthalmic Product in final dosage form for commercial sale by prescription, over-the-counter, or by any other method (or, where the context so indicates, the product being tested in clinical trials), incorporating Compound as the primary therapeutically active ingredient in any dosage form or package configuration, such Licensed Product to include a combination product with other chemically or biologically active components.

1.24 "Market Exclusivity Period" shall mean that period of time with respect to a particular country in the MN Territory during which MN has the exclusive legal right to market Licensed Products pursuant to regulations of such country's governing health authority and during which no Generic Competition exists.

1.25 "MN Intellectual Property Rights" shall mean all Improvements under Section 8.1 of this Agreement.

1.26 "MN Option" shall mean the option described in Section 3.2.

1.27 "MN Territory" shall mean all countries worldwide, except for the KR Territory.

1.28 "MS Indication" shall mean use of Licensed Product to treat, alleviate or prevent any of the symptoms associated with multiple sclerosis.

1.29 "NDA" shall mean a new drug application filed with the FDA for marketing authorization of a Licensed Product in the United States, a corresponding submission in the European Union or under the Centralized Procedure if the context so indicates, or the equivalent application in any other regulatory jurisdiction, and any amendments and supplements thereto in the MN Territory or the KR Territory, as applicable.

1.30 "Net Sales" shall mean with respect to any Licensed Product, the gross amounts invoiced by MN to Third Party customers for sales or other transfers or disposition of a Licensed Product commencing as of the date of First Commercial Sale, less:

(a) customary trade, quantity, and cash discounts or rebates actually allowed on Licensed Product;

(b) credits or allowances given to Third Party customers for rejections or returns of Licensed Product or on account of retroactive price reductions affecting such Licensed Product;

(c) sales taxes, excise taxes, use taxes, import/export duties or other governmental charges actually due or incurred with respect to the production, importation, use or sale of a Licensed Product to Third Party customers;

(d) rebates and chargebacks, or similar payments or credits consistent with industry standards granted to managed health care organizations, wholesalers, distributors, buying groups, retailers, health care insurance carriers, pharmacy benefit management companies, health maintenance organizations or other institutions or health care organizations or to federal, state/provincial, local and other governments, their agencies and purchasers and reimbursers; and

(e) write offs or allowances for bad debts, in an amount not to exceed ten percent (10%) of the gross amount invoiced.

1.31 "Ophthalmic Product" shall mean any product in final dosage form for commercial sale by prescription, over-the-counter, or by any other method (or, where the context so indicates, the product being tested in clinical trials), incorporating Compound as the primary therapeutically active ingredient in a liquid pharmaceutical formulation that is applied directly to the eyes, such Ophthalmic Product to include a combination product with other chemically or biologically active components.

1.32 "Optional Indications" shall mean all indications or uses of Licensed Product other than the MS Indication.

1.33 “Party” shall mean KR or MN.

1.34 “Person” shall mean an individual, corporation, partnership, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.35 “Phase 3 Clinical Trial” shall mean a trial conducted after an End of Phase 2 Meeting in patients with multiple sclerosis on a sufficient number of patients that is designed to establish that Licensed Product is safe and efficacious for its intended use, and to define warnings, precautions and adverse reactions that are associated with Licensed Product in the dosage range to be prescribed, and supporting marketing authorization of Licensed Product for the MS Indication.

1.36 “Program” shall mean those activities to be undertaken by MN or its designee including its sublicensees with respect to Compound or Licensed Product which are devoted to the evaluation of safety and efficacy in preclinical and clinical trials, and/or the conduct of any other activities or studies directed toward obtaining Regulatory Approval of Compound or Licensed Product for the MS Indication.

1.37 “Proprietary Information” shall mean any and all scientific, clinical, regulatory, marketing, financial and commercial information or data, whether communicated in writing, orally or by any other means, which is owned and under the protection of one Party and is being provided by that Party to the other Party in connection with this Agreement.

1.38 “Regulatory Approval” shall mean all approvals (including pricing and reimbursement approvals required for marketing authorization), product and/or establishment licenses, registrations or authorizations of all regional, federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, import, export, transport and sale of Compound or Licensed Product in a regulatory jurisdiction in the MN Territory or the KR Territory, as applicable.

1.39 “Royalty Term” shall mean, with respect to each Licensed Product in each country in the MN Territory, the period of time beginning with the date of the First Commercial Sale of such Licensed Product by MN in such country and continuing until the later of (a) the last date on which the manufacture, use or sale of such Licensed Product in such country would infringe a Valid Patent Claim but for the license granted by this Agreement or (b) the last date of the Market Exclusivity Period in such country. In the event that in any country (x) neither a Valid Patent Claim nor Market Exclusivity Period existed during any period in which Licensed Product is sold in such country and (y) Licensed Product is not subject to Generic Competition in such country, then the Royalty Term in such country shall mean the period commencing on the date of the First Commercial Sale of Licensed Product by MN in such country and expiring on the earlier of (i) five (5) years from such date or (ii) the end of the second (2^{nd}) consecutive Calendar Quarter in which Generic Competition exists in such country.

1.40 "Royalty Year" shall mean (i) for the first year in which the date of First Commercial Sale occurs (the "First Royalty Year"), the period commencing with the first day (the "Commencement Date") of the Calendar Quarter in which such First Commercial Sale occurs and expiring on the last day of the twelfth (12^{th}) month following the Commencement Date and (ii) for each subsequent year, each successive twelve (12) month period commencing on the date immediately following the last day of the First Royalty Year.

1.41 "Sakoda" shall mean Saburo Sakoda, M.D.

1.42 "Sakoda Agreement" shall mean the Covenant by and between Sakoda and KR dated as of August 3, 2004, including the letter agreement by and between Sakoda and KR dated as of June 10, 2004, a copy (with the redaction of the financial terms) of which is attached hereto, together with an English translation thereof, as **Exhibit 1.42.**

1.43 "Third Party" shall mean any Person other than KR, MN and their respective Affiliates.

1.44 "Trademark" shall mean the trademark, trade name and trade dress to be used for sale of each Licensed Product by MN or its sublicensees which Trademark may include MN's existing trademark, trade name and trade dress.

1.45 "Valid Patent Claim" shall mean a claim of an issued and unexpired patent included within the KR Patent Assets, which has not been held permanently revoked, or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or for which an appeal has not been filed within the time allowed for appeal, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

ARTICLE 2
PROGRAM

2.1 Conduct of Program and Regulatory Matters.

(i) MN Territory.

MN shall use commercially reasonable efforts to develop and commercialize Licensed Product in the MN Territory for the MS Indication, including the preparation and filing of regulatory submissions. MN shall own, control and retain primary legal responsibility for, and shall be responsible for funding, the preparation, filing and prosecution of all filings and regulatory applications required to obtain Regulatory Approval of Licensed Product in the MN Territory for the MS Indication. MN may subcontract portions of the Program; provided, however, that such subcontracted Third Party shall be subject to an agreement with MN consistent with the confidentiality obligations in accordance with Article 7 below. KR shall transfer free of charge to MN as soon as practicable after the Effective Date any IND or other regulatory filings relating to Compound or Licensed Product owned or Controlled by KR, if any,

in the MN Territory and KR shall allow MN or its sublicensees free of charge the right to cross reference any IND, NDA or DMF if owned or controlled by KR and relating to Compound or Licensed Product. Upon MN's reasonable request, KR shall consult and cooperate with MN in obtaining Regulatory Approval of Licensed Product for the MS Indication in the MN Territory, provided that (i) MN provides KR with reasonable notice and reimburses KR for reasonable out-of-pocket expenses incurred by KR in performing such services at MN's request and (ii) unless either KR or its Affiliates is developing Licensed Product for the MS Indication in the KR Territory, any consultation and cooperation in obtaining such Regulatory Approval (other than providing KR Know-How or otherwise performing KR's obligations under this Agreement) shall be subject to KR's acceptance of such request.

(ii) KR Territory. KR shall own, control and retain primary legal responsibility for, and shall be responsible for funding, the preparation, filing and prosecution of all filings and regulatory applications required to obtain Regulatory Approval of Licensed Product in the KR Territory. MN shall allow KR or KR Licensees free of charge the right to cross reference any IND or NDA owned or controlled by MN and relating to Compound or Licensed Product in order for KR or KR Licensees to obtain such Regulatory Approval in the KR Territory.

2.2 Clinical Development Reports.

(i) MN Reports. MN shall provide KR with a written report on a semi-annual basis summarizing the status of MN's preclinical and clinical development and regulatory filing activities with respect to Compound and Licensed Product in the MN Territory, with the delivery to KR of the summary of the annual report to an IND submitted by MN or its sublicensees to the FDA or, if applicable, corresponding regulatory authorities in the MN Territory, in connection with the periodic reporting requirements of the IND, to be in satisfaction of any report required by this sentence. Alternatively, any such report may be in the form of a meeting at a mutually acceptable location, a video conference or a teleconference. Any disclosures of such progress and results shall be deemed Proprietary Information of MN. MN shall promptly notify KR upon the receipt of Regulatory Approvals and of the date of First Commercial Sale in the MN Territory. KR shall designate an appropriate representative of KR to receive such clinical development and regulatory communications and to coordinate further correspondence between the Parties. KR's initial designee shall be Toru Shionoya.

(ii) KR Reports. KR shall provide MN with a written report on a semi-annual basis summarizing the status of KR's preclinical and clinical development and regulatory filing activities with respect to (i) Ophthalmic Product in the KR Territory and the MN Territory; (ii) Compound and/or Licensed Product for the MS Indication in the KR Territory, and (iii) Compound and/or Licensed Product for the Optional Indications in the KR Territory and the MN Territory if applicable, with the delivery to MN of the summary of the annual report to an IND submitted by KR or KR Licensees to the regulatory authorities in the KR Territory (and in the MN Territory if applicable in the case of the Optional Indications or Ophthalmic Product, as applicable) in connection with the periodic reporting requirements of the applicable IND to be in

satisfaction of any report required by this sentence. Alternatively, such report may be in the form of a meeting at a mutually acceptable location, a video conference or a teleconference. Any disclosures of such progress and results shall be deemed Proprietary Information of KR. KR shall promptly notify MN upon the receipt of Regulatory Approvals and of the date of first commercial sale of (i) Ophthalmic Product in the KR Territory or the MN Territory, (ii) Compound and/or Licensed Product for the Optional Indications in the MN Territory or the KR Territory, or (iii) Compound or Licensed Product for the MS Indication in the KR Territory. MN shall designate an appropriate representative of MN to receive such clinical development and regulatory communications and to coordinate further correspondence between the Parties. MN's initial designee shall be Takashi Kiyoizumi, M.D., Ph.D.

2.3 Excused Performance. The obligations of MN under Section 2.1.(i) with respect to Compound and Licensed Product are expressly conditioned upon the absence of any serious adverse conditions relating to the safety or efficacy of Compound or Licensed Product including the absence of any action by any regulatory authority limiting the development or commercialization of Compound or Licensed Product.

2.4 Manufacture of Compound and Licensed Product. MN shall be responsible for the manufacture and supply of Compound and Licensed Product for preclinical, clinical and commercial purposes, in compliance with cGMP, in the MN Territory. In addition, no later than twelve (12) months prior to the earlier of the estimated first submission of an NDA by KR or KR Licensee for Regulatory Approval of (i) Licensed Product for the MS Indication in the KR Territory, (ii) Licensed Product for the Optional Indications in either the KR Territory or the MN Territory if MN does not exercise the MN Option, or (iii) Ophthalmic Product in either the KR Territory or the MN Territory, KR shall provide a written notice to MN (the "Supply Notice") stating whether KR desires MN to be the exclusive manufacturer and supplier of Compound and/or Licensed Product for use in the KR Territory and/or the MN Territory in the case of Compound for the Ophthalmic Product and Compound and/or Licensed Product for the Optional Indications and, if so, including a summary of KR's proposed terms for a supply agreement between the Parties. After receipt by MN of the Supply Notice, and if such proposed terms are acceptable to MN, the Parties shall negotiate in good faith to enter into a supply agreement containing commercially reasonable terms applicable to similar types of exclusive supply agreements.

ARTICLE 3
LICENSE AND OPTION

3.1 License Grant to MN. KR hereby grants to MN an irrevocable, exclusive (even as to KR) license in the MN Territory under the KR Intellectual Property Rights, including the right to grant sublicenses, to develop, use, offer for sale, make, have made, sell, import, distribute, and otherwise commercialize Compound and Licensed Product for the MS Indication (the "Initial License").

3.2 MN Option. KR hereby grants MN an exclusive option (the "MN Option") to acquire an exclusive (even as to KR) license in the MN Territory under the KR Intellectual Property Rights, including the right to grant sublicenses, to develop, make, have made, evaluate, use, offer for sale, market, sell, import, distribute, practice processes and methods and otherwise commercialize Compound and Licensed Product for the Optional Indications on the terms and conditions set forth in this Section 3.2 (the "Expanded License").

(i) In the event KR intends to develop or commercialize by itself or through any Affiliate or to enter into discussions or negotiations with any Third Party to develop or commercialize Compound and/or Licensed Product for any Optional Indication(s) in the MN Territory, KR shall give written notice to MN of such intention (the "Option Commencement Notice").

(ii) MN shall have the right to exercise the MN Option by delivery to KR of a written notice of exercise (the "Notice of Exercise") within thirty (30) days after the date it receives the Option Commencement Notice.

(iii) If MN exercises the MN Option by delivery to KR of the Notice of Exercise, then the Parties shall enter into an amendment to this Agreement to (i) provide for the grant by KR to MN of the Expanded License in exchange for royalties on Net Sales of Licensed Product for the Optional Indications at the same rates and on the same terms and conditions as royalties on Net Sales of Licensed Product payable for the MS Indication in accordance with the grant of the Initial License hereunder; and (ii) revise and clarify any other provisions of this Agreement as are deemed necessary or appropriate in view of the grant of the Expanded License, as may be mutually agreed to.

(iv) KR shall not grant to any Third Party any rights under the KR Intellectual Property Rights that are inconsistent or in conflict with the rights granted by KR to MN under this Agreement.

(v) In the event the MN Option is not exercised by MN, KR shall in determining the presentation form or formulation of Licensed Product for the Optional Indications and in determining whether to market Licensed Product for the Optional Indications in the MN Territory, have due regard to whether or not (a) the envisaged presentation form or formulation of Licensed Product for the Optional Indications or (b) marketing Licensed Product for the Optional Indications are likely to have a significant adverse impact on the commercialization of Licensed Product for the MS Indication (including, without limitation, impact as a result of off label use or other unauthorized activities).

(vi) In the event the MN Option is not exercised by MN, and if MN considers it necessary to do so, the Parties shall jointly retain a mutually agreed reputable organization such as IMS to monitor and track the respective sales of the Licensed Product for the MS Indications and the Optional Indications in the MN Territory.

3.3 Sublicense Rights. MN may grant sublicenses within the scope of the license granted to MN under this Agreement to any Affiliate or Third Party; provided, however that any such sublicense shall be subject to the provisions of this Agreement. MN shall promptly inform KR of each such sublicensee and provide KR with a copy of the sublicense agreements. In the event of any sublicense to a Third Party, the provisions of Section 4.8 shall be applicable. Upon termination of this Agreement pursuant to Section 9.3 by KR for an uncured material breach by MN, any existing sublicense agreement(s) shall survive and shall be assigned by MN to KR without any cost to KR provided that (i) the sublicensee is not in material breach of its sublicense agreement at the time of such termination of this Agreement, (ii) any sublicensee who desires its sublicense to survive shall promptly agree in writing to be bound by the applicable terms of and assume all obligations of MN under this Agreement, and (iii) KR does not have any commercially reasonable objection to such survival.

3.4 Exchange of Information. MN hereby acknowledges receipt of certain of KR Intellectual Property Rights prior to the execution of this Agreement. Upon execution of this Agreement, KR shall disclose to MN in writing all KR Intellectual Property Rights not previously disclosed. During the term of this Agreement, and in addition to the other communications required under this Agreement, KR shall also promptly disclose to MN in Japanese or in English and in writing on an ongoing basis all KR Intellectual Property Rights and other information developed in connection with KR's activities relating to Compound, if any.

3.5 License Grant to KR. MN hereby grants to KR an exclusive royalty-free license including the right to grant sublicenses to KR Licensees to use all the preclinical and clinical and regulatory databases owned by MN and developed in connection with MN's performance of the Program solely to (i) obtain Regulatory Approval of and commercialize Compound and Licensed Product for the MS Indication in the KR Territory; (ii) provided the MN Option became exercisable in accordance with Section 3.2 but MN did not exercise the MN Option, obtain Regulatory Approval of and commercialize Compound and Licensed Product in the KR Territory and the MN Territory for the Optional Indications; and (iii) obtain Regulatory Approval of and commercialize Ophthalmic Product in the KR Territory and the MN Territory; provided, however, that upon termination of this Agreement pursuant to Section 9.3 by MN, KR shall pay royalties to MN equal to **[**]** of all net sales of (i) Licensed Product for the MS Indication in the KR Territory, (ii) Licensed Product for the Optional Indications in the KR Territory and the MN Territory; and (iii) Ophthalmic Product in the KR Territory and the MN Territory, in each case by KR or KR Licensees for a period of five (5) years from the date of such termination of this Agreement if KR or any KR Licensee uses the foregoing MN's databases. In the event KR claims that KR or KR Licensee did not use such MN's databases or for any reason fails to make the royalty payments required by the preceding sentence, KR shall provide MN with copies of all regulatory submissions relating to Licensed Product for the MS Indication in the KR Territory or relating to Licensed Product for the Optional Indications, or relating to Ophthalmic Product in the KR Territory or the MN Territory in order for MN to determine whether such submissions used MN's databases (to the extent not already provided pursuant to other provisions of this Agreement).

3.6 Adverse Events. In the event KR develops or commercializes Compound and/or Licensed Product for the MS Indication in the KR Territory and/or develops and commercializes Compound and/or Licensed Product for the Optional Indications in the MN Territory or the KR Territory, and/or develops and commercializes Compound and/or Ophthalmic Product in the MN Territory or the KR Territory, each Party shall promptly furnish to the other Party all information concerning safety of Compound, Licensed Product or Ophthalmic Product, such as adverse or unexpected side effects, injury or other events associated with uses, studies, investigations or tests of Compound, Licensed Product or Ophthalmic Product, whether or not such Party is required to report such information to any regulatory authority and whether or not such event is determined to be attributable to Compound, Licensed Product or Ophthalmic Product. The procedures for exchange of such information shall be discussed and agreed upon between the Parties in writing.

ARTICLE 4
PAYMENTS AND ROYALTIES

4.1 Up Front License Fee. In consideration of the rights granted by KR hereunder, MN shall pay to KR **[**]**, payable within ten (10) days after the execution of this Agreement by the Parties.

4.2 Milestone Payments. In further consideration of the rights granted by KR hereunder, MN shall pay KR the following milestone payments, contingent upon occurrence of the specified event, with each milestone payment to be made no more than once with respect to the achievement of such milestone (but payable on the first achievement of such milestone):

(a) **[**]** upon initiation of the first clinical trial (upon dosing of the first patient) in patients with multiple sclerosis in the MN Territory by MN or its sublicensees;

(b) **[**]** upon initiation of the first Phase 3 Clinical Trial (upon dosing of the first patient) in the United States by MN or its sublicensees; and

(c) **[**]** upon receipt in writing of the first Regulatory Approval in the United States by MN or its sublicensees.

MN shall notify KR in writing within thirty (30) days after the first achievement of the milestones specified above and payment of the appropriate milestone payment shall be payable with MN's notices. The payments described in this Section 4.2 shall be payable only upon the initial achievement of each milestone, and no amounts shall be due hereunder for any subsequent or repeated achievement of such milestones, regardless of the number of Licensed Products for which such milestone may be achieved.

The payments made under Section 4.1 above and this Section 4.2 shall not be refundable or creditable against royalties payable under Section 4.3 below.

4.3 Royalties Payable by MN. In further consideration of the license granted by KR to MN herein, during the Royalty Term, MN shall pay to KR royalties in the applicable percentage specified in Exhibit 4.3 attached hereto for Net Sales in each Royalty Year of Licensed Products by MN in the MN Territory.

4.4 Combination Product. Notwithstanding the foregoing, in the event a Licensed Product is sold as a combination product with other chemically or biologically active components, Net Sales, for purposes of royalty payments on the combination product, shall be calculated by multiplying the Net Sales of that combination product by the fraction A/B, where A is the gross selling price of Licensed Product sold separately and B is the gross selling price of the combination product. If no such separate sales are made by MN, Net Sales for royalty determination shall be calculated by multiplying Net Sales of the combination product by the fraction C/(C+D), where C (excluding the fully allocated cost of the other chemically or biologically active component in question) is the fully allocated cost of the Compound and D is the fully allocated cost of such other chemically or biologically active components. It is understood and agreed to between the Parties, however, that if the fully allocated cost of such other chemically or biologically active components exceeds by a multiple of one hundred (100) the fully allocated cost of Compound, then the Parties shall discuss in good faith to determine a more appropriate method of calculating Net Sales for the combination product, consistent with the overall intents and purposes of this Agreement; provided, however, that in no event shall the calculation of Net Sales under this Section 4.4 be less than fifty percent (50%) of the actual Net Sales of the combination product.

4.5 Third Party Royalties. If MN is compelled, including under Section 8.9, to obtain one (1) or more patent licenses from and to pay royalties to any Third Party in any country in the MN Territory in order to exercise its rights hereunder to practice any process or method, or to make, use or sell Compound or Licensed Product, which is the subject of the Valid Patent Claim in such country, then fifty percent (50%) of the royalties actually paid to such Third Party by MN for sale of such Licensed Product for each Calendar Quarter in such country shall be creditable against the royalty payments due KR with respect to the sale of such Licensed Product by MN in such country; provided, however, that MN shall first notify and discuss the foregoing with KR and that in no event shall the royalty rate payable to KR under Section 4.3 be less than **[**]** of Net Sales.

4.6 One Royalty. No more than one (1) royalty payment shall be due with respect to a sale of a particular Licensed Product. No multiple royalties shall be payable because any Licensed Product, or its manufacture, sale or use is covered by more than one (1) Valid Patent Claim. No royalty shall be payable under this Article 4 with respect to sales of Licensed Products among MN and its Affiliates for resale, nor shall a royalty be payable under this Article 4 with respect to Licensed Products distributed for use in research and/or development, in clinical trials, as donations to non-profit institutions or government agencies or as promotional free samples.

**** CERTAIN INFORMATION (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST. AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

4.7 Compulsory Licenses. If a compulsory license is granted to a Third Party with respect to Licensed Product in any country in the MN Territory with a royalty rate lower than the royalty rate provided in Exhibit 4.3, then the royalty rate to be paid by MN on Net Sales in that country under Exhibit 4.3 shall be adjusted to the same rate paid by the compulsory Third Party licensee during the period of such compulsory license.

4.8 Sublicense Payments. In the event of any sublicense to a Third Party under Section 3.3 above in any country of the MN Territory in which MN is entitled to a lump sum and/or milestone payments and a royalty based on net sales of Licensed Product by the sublicensee under the sublicense agreements, then in lieu of royalty payments on Net Sales as set forth in Exhibit 4.3 in such country, MN shall pay KR (i) **[**]** of royalty payments received by MN based on net sales of Licensed Product by MN's sublicensee and (ii) **[**]** of lump sum and/or milestone payments received by MN from MN's sublicensee (other than payments made by MN's sublicensee (x) to reimburse MN for MN's research and development expenditures, calculated in accordance with GAAP, or (y) as equity investments in MN). The provisions of Article 5 and Article 6 will apply where appropriate with respect to the amounts payable under this Section 4.8.

4.9 Sakoda Agreement and Payments. KR shall be responsible for performance and payment of, shall perform and pay and shall indemnify MN against any liability or claim for, any royalties or other payments, obligations or amounts owed to Sakoda pursuant to the Sakoda Agreement as a result of the rights granted by KR to MN and the payments made by MN to KR under this Agreement. During the term of this Agreement, KR shall not amend, modify, or terminate the Sakoda Agreement without the prior written consent of MN, except to the extent such amendment or modification relates to the financial terms. In the event that KR breaches or causes a default under the Sakoda Agreement, KR shall immediately notify MN of such situation as soon as practicable, and KR shall use its commercially reasonable efforts to promptly cure such breach. If KR is unable to or does not cure such breach, KR shall (i) permit MN to cure such breach; provided, however, that any amounts paid by MN in connection with curing such breach shall be deducted from any amounts payable by MN to KR under this Agreement; and (ii) use its best efforts to obtain an agreement from Sakoda to the effect that in the event that the Sakoda Agreement is terminated, Sakoda shall grant MN substantially equivalent rights on substantially equivalent terms as those granted to KR pursuant to the Sakoda Agreement.

ARTICLE 5
ROYALTY REPORTS AND ACCOUNTING

5.1 Reports. During the Royalty Term, MN shall furnish to KR a written report for the Calendar Quarter showing on a country by country basis, (a) the gross sales of all Licensed Products sold by MN in the MN Territory during such Calendar Quarter and the calculation of Net Sales from such gross sales; (b) the royalties, payable in United States dollars, which shall have accrued hereunder based upon Net Sales of Licensed Products; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the date of the First Commercial Sales of each Licensed Product in each country in the MN Territory; and (e) the

exchange rates used in determining the amount of United States dollars, as more specifically provided in Section 6.2 below. Reports shall be due ninety (90) days following the close of each Calendar Quarter. MN shall keep complete and accurate records in sufficient detail to properly reflect all gross sales and Net Sales and to enable the royalties payable hereunder to be determined.

5.2 Audits.

(i) Audit Rights. Upon the written request of KR and not more than once in each Calendar Year, MN shall permit an independent certified public accounting firm of nationally recognized standing, selected by KR and reasonably acceptable to MN, at KR's expense, to have access during normal business hours on at least ten (10) days' prior written notice, to such of the records of MN as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any Royalty Year ending not more than thirty-six (36) months prior to the date of such request. The accounting firm shall disclose to KR only whether the records are correct or not and the specific details concerning any discrepancies. No other information shall be shared.

(ii) Audit Results. If such accounting firm concludes that additional royalties were owed during such period, MN shall pay the additional royalties within sixty (60) days of the date KR delivers to MN such accounting firm's written report so concluding; provided, however, that, in the event that MN shall not be in agreement with the conclusion of such report (a) MN shall not be required to pay such additional royalties and (b) such matter shall be resolved pursuant to the provisions of Section 11.6 herein. In the event such accounting firm concludes that amounts were overpaid by MN during such period, MN shall have a credit against future royalties payable to KR in the amount of such overpayment; provided, however, that in the event that KR shall not be in agreement with the conclusion of such report (a) MN shall not have such a credit and (b) such matter shall be resolved pursuant to the provisions of Section 11.6 herein. The fees charged by such accounting firm shall be paid by KR; provided, however, if the audit discloses that the royalties payable by MN for the audited period are more than one hundred ten percent (110%) of the royalties actually paid for such period, then MN shall pay the reasonable fees and expenses charged by such accounting firm. Upon the expiration of thirty-six (36) months following the end of any Royalty Year, the calculation of royalties payable with respect to such Royalty Year shall be binding and conclusive upon KR and MN shall be released from any liability or accountability with respect to royalties for such Royalty Year.

(iii) Confidential Financial Information. KR shall treat all financial information subject to review under this Article 5 or under any sublicense agreement as confidential, and shall cause its accounting firm to retain all such financial information in confidence.

ARTICLE 6
PAYMENTS

6.1 Payment Terms. Royalties shown to have accrued by each royalty report provided for under Article 5 of this Agreement shall be due and payable on the date such royalty report is due. Payment of royalties in whole or in part may be made in advance of such due date.

6.2 Payment Method. All payments by MN to KR under this Agreement shall be paid in United States dollars. If any currency conversion shall be required in connection with the payment of any royalties hereunder, such conversion shall be made by using the exchange rate for the purchase of U.S. dollars reported by the Wall Street Journal on the last Business Day of the Calendar Quarter to which such royalty payments relate.

6.3 Exchange Control. If at any time legal restrictions prevent the prompt remittance of part or all royalties with respect to any country in the MN Territory where Licensed Product is sold, MN shall have the right, at its option, to make such payments by depositing the amount thereof in local currency to KR's account in a bank or other depository designated by KR in such country. If the royalty rate specified in this Agreement should exceed the permissible rate established in any country in the MN Territory, the royalty rate in such country shall be adjusted to the highest legally permissible or government-approved rate.

6.4 Withholding Taxes. MN shall be entitled to deduct from any payment due KR under this Agreement the amount of any withholding taxes, value-added taxes or other taxes, levies or charges with respect to such amounts, other than United States taxes, payable by MN, or any taxes required to be withheld by MN or its Affiliates, to the extent MN pays to the appropriate governmental authority on behalf of KR such taxes, levies or charges. MN shall use reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of KR by MN. MN promptly shall deliver to KR proof of payment of all such taxes, levies and other charges, together with copies of all communications from or with such governmental authority with respect thereto. KR shall provide MN with all forms or documentation required by any applicable taxation laws, treaties or agreements to such withholding or as necessary to claim a benefit thereunder (including, but not limited to, Form W-8BEN and any successor form).

ARTICLE 7
CONFIDENTIALITY AND PUBLICITY

7.1 Nondisclosure Obligations. Except as otherwise provided in this Article 7, (a) during the term of this Agreement and for a period of five (5) years thereafter, both Parties shall maintain in confidence and use only for purposes of this Agreement information and data resulting from or related to the development of Compound or Licensed Products; (b) during the term of this Agreement, both Parties shall maintain in confidence and use only for purposes of this Agreement information and data not described in clause (a) above resulting from or related to the Program; and (c) during the term of this Agreement and for a period of five (5) years thereafter, both Parties shall also maintain in confidence and use only for purposes of this

Agreement all information and data not described in clause (a) or (b) above but supplied by the other Party under this Agreement marked "Confidential." For purposes of this Article 7, information and data described in clause (a), (b) or (c) above shall be deemed "Proprietary Information."

7.2 Permitted Disclosures. To the extent it is reasonably necessary or appropriate to fulfill its obligations or exercise its rights under this Agreement, (a) a Party may disclose Proprietary Information which is otherwise obligated under this Article 7 not to disclose to its Affiliates, to KR Licensees, if the Party is KR, to its sublicensees, if the Party is MN, and to its consultants, outside contractors and clinical investigators, on a need-to-know basis on condition that such Persons agree to keep the Proprietary Information confidential for the same time periods and to the same extent as such Party is required to keep the Proprietary Information confidential; and (b) a Party (including MN's sublicensees or KR Licensees) may disclose such Proprietary Information to government or other regulatory authorities to the extent that such disclosure is required by applicable law (including without limitation all applicable securities laws), regulation, agency or court order, or is reasonably necessary to obtain patents or authorizations to conduct clinical trials with, and to commercially market Licensed Product, provided that the disclosing Party shall provide written notice to the other Party and sufficient opportunity to object to such disclosure or to request confidential treatment thereof. The obligation not to disclose or use Proprietary Information received from the other Party shall not apply to any part of such Proprietary Information that (i) is or becomes patented, published or otherwise part of the public domain other than by acts of the Party obligated not to disclose such Proprietary Information in contravention of this Agreement; (ii) is disclosed to the receiving Party by a Third Party, provided such Proprietary Information was not obtained by such Third Party directly or indirectly from the other Party under this Agreement on a confidential basis; (iii) prior to disclosure under this Agreement, was already in the possession of the receiving Party, provided such Proprietary Information was not obtained directly or indirectly from the other Party under this Agreement; or (iv) is disclosed in a press release agreed to by both Parties, which agreement shall not be unreasonably withheld.

7.3 Publication. In the event a Party or consultant to such Party or MN's sublicensees or KR Licensees wishes to make a scientific publication relating to Compound or Licensed Product, it shall deliver to the other Party a copy of the proposed publication or an outline of the oral disclosure at least thirty (30) Business Days prior to submission or presentation, such that any issue of patent protection can be resolved in accordance with the terms of this Agreement.

ARTICLE 8
INTELLECTUAL PROPERTY RIGHTS AND INFRINGEMENT

8.1 Ownership of Improvements. The entire right and title in all Improvements or other technology directed to the use of Licensed Product or Compound in the MS Indication, and all processes relating thereto, whether or not patentable, and any patent applications or patents based thereon, made or conceived during and as a result of the Program by employees or others acting solely on behalf of MN shall be owned solely by MN.

8.2 Ownership of Trademarks. MN shall select, own and maintain Trademarks for Licensed Product in the MN Territory. The entire right and title in all Trademarks used by MN and, if applicable its sublicensees in the MN Territory shall be owned solely by MN.

8.3 Patent Applications.

(i) Foreign Filing Decisions. KR shall determine whether patents or patent applications included in the KR Intellectual Property Rights should be abandoned without replacement, abandoned and refiled, pursued within the country of original filing only, or used as the basis for a claim of priority under the Paris Convention or the Patent Cooperation Treaty for corresponding applications in other countries in the MN Territory after consultation with MN, and subject to the provisions of Section 8.3.(ii). The Parties shall consult together to ensure that so far as practicable the specifications of the patent applications filed in the United States and in other countries in the MN Territory contain the same information and claim at least the same scope of protection as sought in the priority country.

(ii) Prosecution and Maintenance. KR shall have the initial right to control the prosecution, grant and maintenance of the KR Intellectual Property Rights in the MN Territory and the KR Territory, and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to the KR Intellectual Property Rights. KR shall be responsible for the payment of all such patent prosecution and maintenance costs. MN shall have the right to control the prosecution, grant and maintenance of the MN Intellectual Property Rights in the KR Territory and the MN Territory, and to select all patent counsel or other professionals to advise, represent or act for it in all matters relating to the MN Intellectual Property Rights. MN shall be responsible for the payment of all such patent prosecution and maintenance costs. If KR elects under Section 8.3.(i) or this Section 8.3.(ii) not to file, prosecute or maintain a patent or patent application included in the KR Intellectual Property Rights in any country in the MN Territory, it shall provide MN with written advance notice sufficient to avoid any loss or forfeiture, and MN shall have the right but not the obligation, at its sole expense, to file, prosecute or maintain such patent or patent application in MN's name and KR shall assign to MN all of KR's right, title and interest in and to such patent or patent application, which shall no longer be deemed a KR Patent Asset.

8.4 Cooperation. Each Party shall make available as far as possible to the other Party or to the other Party's authorized attorneys or agents, each Party's representatives, employees or consultants and any documents necessary or appropriate to enable the other Party to file, prosecute and maintain patent or patent applications, as set forth in Sections 8.3.(i) and 8.3.(ii) above, as reasonably needed for a reasonable period of time. Where appropriate, each Party shall sign or cause to have signed all documents relating to said patent applications or patents at no charge to the other Party.

8.5 Enforcement of Intellectual Property Rights. MN shall have the first right to enforce the KR Intellectual Property Rights against infringers in the MN Territory, and shall consult with KR both prior to and during said enforcement. KR shall have the first right to

enforce the KR Intellectual Property Rights against infringers in the KR Territory, and may consult with MN both prior to and during said enforcement. In the event either Party learns of significant and continuing infringement of the KR Intellectual Property Rights, it shall promptly provide written notice to the other Party of the fact and supply such other Party with all evidence it possesses pertaining to and establishing said infringement(s).

8.6 Procedure for Enforcement of Intellectual Property Rights. The Party having the first right to enforce the KR Intellectual Property Rights pursuant to this Article 8 (the "Enforcing Party") shall have six (6) months from the date of receipt of notice of request by the other Party or any shorter period stipulated by any statute to abate the infringement, or to file suit against at least one of the infringers, at the sole expense of the Enforcing Party, following consultation with the other Party. If the Enforcing Party does not, within such six (6) months or shorter period, abate the infringement or file suit to enforce the KR Intellectual Property Rights against at least one infringer in a country in the MN Territory or the KR Territory, as applicable, the other Party shall have the right to take whatever action it deems appropriate in its own name and its own expense to enforce the KR Intellectual Property Rights in its Territory, as applicable; provided, however, that, within thirty (30) days after receipt of notice of the other Party's intent to file such suit, the Enforcing Party shall have the right to jointly prosecute such suit.

8.7 Settlements. The Party controlling the action may not settle the action or otherwise consent to an adverse judgment in such action that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. Notwithstanding the foregoing, KR and MN shall cooperate with each other in the planning and execution of any action to enforce the KR Intellectual Property Rights. Any recovery obtained by MN or KR shall be shared as follows:

(i) the Party that initiated and prosecuted, or maintained the defense of, the action shall recoup all of its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action, whether the recovery is by settlement or otherwise;

(ii) the other Party then shall, to the extent possible, recover its costs and expenses (including reasonable attorneys' fees) incurred in connection with the action;

(iii) if KR initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining then shall be retained by KR; and

(iv) if MN initiated and prosecuted, or maintained the defense of, the action, the amount of any recovery remaining shall be retained by MN, except that KR shall receive a portion equivalent to the royalties it would have received in accordance with the terms of this Agreement if the amount of such remaining recovery was considered Net Sales.

8.8 Notification of Patent Term Restoration. The Parties shall cooperate with each other in obtaining patent term restoration or supplemental protection certificates or their equivalents in any country where applicable to the KR Intellectual Property Rights in the MN Territory. MN shall notify KR of (a) the issuance of each U.S. patent included within the KR

Intellectual Property Rights, giving the date of issue and patent number for each such patent, and (b) each notice pertaining to any patent included within the KR Intellectual Property Rights pursuant to the Drug Price Competition and Patent Term Restoration Act of 1984 (the "1984 Act"), including notices pursuant to §§ 101 and 103 of the 1984 Act from Persons who have filed an abbreviated NDA. Such notices shall be given promptly, but in any event within five (5) days of each such patent's date of issue or receipt of each such notice pursuant to the 1984 Act, whichever is applicable. MN shall notify KR of each filing for patent term restoration under the 1984 Act and all awards of patent term restoration (extensions) with respect to the KR Intellectual Property Rights. Likewise, KR or MN, as the case may be, shall inform the other Party of patent extensions and periods of data exclusivity in the rest of the world regarding any Licensed Product.

8.9 Infringement Actions by Third Parties. If MN or its sublicensees or customers shall be sued by a Third Party for infringement of a patent held by such Third Party because of the manufacture, importation, marketing, use, offer for sale or sale of Compound or Licensed Products, MN shall promptly notify KR in writing of the institution of such suit. MN shall have the first right, in its sole discretion, to control the defense of such suit at its own expense, in which event KR shall have the right to be represented by advisory counsel of its own selection, at its own expense, and shall cooperate fully in the defense of such suit and furnish to MN all evidence and assistance in KR's control. If MN does not elect within thirty (30) days after such notice from MN to KR to so control the defense of such suit, KR may undertake such control at its own expense, and MN shall then have the right to be represented by advisory counsel of its own selection and at its own expense, and MN shall cooperate fully in the defense of such suit and furnish to KR all evidence and assistance in MN's control. The Party controlling the suit may not settle the suit or otherwise consent to an adverse judgment in such suit that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. Any Third Party royalty or other payments required to be paid as the result of a judgment or settlement under this Section 8.9 shall be borne equally by the Parties, subject to the provisions of Article 12.

ARTICLE 9
TERM AND TERMINATION

9.1 Expiration. Unless terminated earlier pursuant to Section 9.2 or 9.3 below, this Agreement shall expire on the later of the expiration of the Royalty Term on a country-by-country basis or the expiration of the obligation to make payments by MN to KR under Sections 4.3 and 4.8.

9.2 Termination by MN. MN shall have the right, in its sole discretion, to terminate this Agreement (a) with respect to the entire Agreement, or any country in the MN Territory in the event that a Third Party claims Compound infringes such Third Party's intellectual property rights in such country in the MN Territory, by providing not less than thirty (30) days prior written notice of such termination to KR or (b) with respect to the entire Agreement, or any country in the MN Territory with ninety (90) days written notice to KR, provided that prior to

such termination, MN shall discuss with KR the reasons for such termination. Subject to the provisions of Section 9.4 below, the rights and obligations of KR and of MN with respect to this Agreement in its entirety or with respect to the terminated country in the MN Territory, as applicable, shall terminate in the event of a termination pursuant to this Section 9.2; provided, however, that in the event of a partial termination by MN under this Section 9.2, this Agreement shall continue in full force and effect with respect to the countries in the MN Territory unaffected by such partial termination.

9.3 Termination for Cause. Either Party may terminate this Agreement upon or after the breach of any material provision of this Agreement by the other Party, if the breaching Party has not cured such breach within ninety (90) days after notice thereof from the non-breaching Party. This Agreement shall terminate, at the option of the non-breaching Party, at the expiration of such ninety (90) day cure period; provided, however, that if the breach is not capable of being cured within ninety (90) days of such written notice, this Agreement may not be terminated so long as the breaching Party commences and is taking commercially reasonable actions to cure such breach as promptly as practicable, provided that in such event, if the breach is not cured within one hundred eighty (180) days of such written notice, the non-breaching Party shall have the right to terminate this Agreement.

9.4 Effect of Expiration and Termination. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. MN and its sublicensees shall have the right to sell or otherwise dispose of the stock of any Compound and Licensed Product subject to this Agreement then on hand or in process of manufacture, subject to Articles 4, 5 and 6. In addition to any other provisions of this Agreement which by their terms continue after the expiration of this Agreement, the provisions of Article 7 shall survive the expiration or termination of this Agreement and shall continue in effect during the term set forth in Section 7.1. In addition, any other provision required to interpret and enforce the Parties' rights and obligations under this Agreement shall also survive, but only to the extent required for the full observation and performance of this Agreement. In the event of termination of this Agreement in its entirety or for any country in the MN Territory by MN pursuant to Section 9.2 (b) or termination of this Agreement by KR pursuant to Section 9.3, MN shall, if requested to do so in writing by KR, grant a license to KR or its designee under the MN Intellectual Property Rights, all INDs, NDAs and other existing Regulatory Approval obtained by MN in the MN Territory or in the terminated countries of the MN Territory, as applicable, to make, have made, use and sell Compound and Licensed Product for the MS Indication on commercially reasonable terms to be negotiated in good faith between the Parties. In the event of termination of this Agreement in its entirety by MN pursuant to Section 9.2 (b) or termination of this Agreement by KR pursuant to Section 9.3 prior to the completion of a Phase 2 clinical trial on Licensed Product, the foregoing license from MN to KR shall be royalty-free. Except as expressly set forth herein, the rights to terminate as set forth herein shall be in addition to all other rights and remedies available under this Agreement, at law, or in equity, or otherwise.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

The Parties hereby represent and warrant as follows:

10.1 Corporate Existence and Power. Such Party (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated; and (b) has the corporate power and authority and the legal right to own and operate its property and assets, to lease the property and assets it operates under lease, and to carry on its business as it is now being conducted;

10.2 Authorization and Enforcement of Obligations. Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms;

10.3 Consents. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such Party in connection with this Agreement have been obtained;

10.4 No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations and (b) do not conflict with, or constitute a default under, any contractual obligation of such Party; and

10.5 Ownership, Validity and Non-Infringement. As of the Effective Date, KR represents and warrants that: (a) the KR Intellectual Property Rights are owned or Controlled solely and exclusively by KR free and clear of any liens, charges and encumbrances, and no other person (including Sakoda), corporate or other private entity, or governmental or university entity or subdivision thereof, has any valid claim of ownership with respect to the KR Intellectual Property Rights, whatsoever; (b) KR has not previously granted, and will not grant during the term of this Agreement, any right, license or interest in and to the KR Intellectual Property Rights, or any portion thereof, inconsistent with the license granted to MN herein; (c) to KR's best knowledge, KR is not aware of the existence of any references, omissions or conduct that would bring into question the validity or enforceability of the KR Intellectual Property Rights; (d) there are no threatened or pending actions, suits, investigations, claims or proceedings in any way relating to the KR Intellectual Property Rights; (e) to KR's best knowledge, the KR Intellectual Property Rights and the contemplated development, importation or exportation, manufacture, use, offer for sale and sale of any Compound or Licensed Product do not infringe any patent rights owned or possessed by any Third Party; (f) KR has disclosed to MN all information known by it that is reasonably believed by KR to be related to the KR Intellectual Property Rights (including all information received by KR concerning the institution or possible institution of any interference, opposition, re-examination, reissue, revocation, nullification, or

any official proceeding involving the KR Patent Asset, and will continue such disclosure with respect to new events during the term of this Agreement) and the activities contemplated under this Agreement; and (g) Exhibit 1.21 is a complete and accurate list of all patents and patent applications relating to Compound or Licensed Product and relating to the MS Indication owned or Controlled by KR.

10.6 Sakoda Agreement. As of the Effective Date, KR represents and warrants that (a) attached as Exhibit 1.42 is a true and complete (subject to redaction only of the financial terms) copy of the Sakoda Agreement, and that the English translation thereof is for the purpose of MN's convenience only, and in the event of any difference in interpretation of the Sakoda Agreement, the Japanese language thereof shall prevail; (b) neither KR nor Sakoda is in default under or in breach of any of the terms or provisions of the Sakoda Agreement, and (c) the Sakoda Agreement is valid and in full force and effect and KR is not aware of any claims challenging the validity thereof.

10.7 Effect of Representations and Warranties. It is understood that if the representations and warranties made by a Party under this Article 10 are not true and accurate, and the other Party incurs damages, liabilities, costs or other expenses as a result, the Party making such representations and warranties shall indemnify and hold the other Party harmless from and against any such damages, liabilities, costs or other expenses incurred as a result.

ARTICLE 11
MISCELLANEOUS

11.1 Force Majeure. Neither Party shall be held liable or responsible to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement to the extent, and for so long as, such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including but not limited to fire, floods, embargoes, power shortage or failure, war, acts of war (whether war be declared or not), terrorism, insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority or the other Party.

11.2 Assignment. This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligation hereunder be assigned or transferred by either Party without the prior written consent of the other Party; provided, however, that either KR or MN may, without such consent, assign this Agreement and its rights and obligations hereunder in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger or consolidation or change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

11.3 Severability. Each Party hereby acknowledges that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties

shall substitute, by mutual consent, valid provisions for such invalid provisions which valid provisions in their economic effect are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such provisions. In case such provisions cannot be agreed upon, the invalidity of one or several provisions of this Agreement shall not affect the validity of this Agreement as a whole, unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without such invalid provisions.

11.4 Notices. Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties to the other shall be in writing, delivered personally or by facsimile or email (and promptly confirmed by personal delivery, U.S. first class mail or courier), U.S. first class mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated in the first paragraph of this Agreement, or to such other address as the addressee shall have last furnished in writing to the addressor and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

11.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the conflicts of law principles thereof.

11.6 Dispute Resolution. (a) The Parties agree to attempt initially to solve all claims, disputes, or controversies arising under, out of, or in connection with this Agreement (a "Dispute") by conducting good faith negotiations. Any Disputes which cannot be resolved by good faith negotiation within twenty (20) Business Days from the initiation of such negotiation, shall be referred, by written notice from either Party to the other, to the Chief Executive Officer or its equivalent, of each Party. Such Chief Executive Officers shall negotiate in good faith to achieve a resolution of the Dispute referred to them within twenty (20) Business Days after such notice is received by the Party to whom the notice was sent. If the Chief Executive Officers are unable to settle the Dispute between themselves within such twenty (20) Business Days, they shall so report to the Parties in writing. The Dispute shall then be referred to mediation as set forth in the following subsection (b).

(b) Upon the Parties receiving the Chief Executive Officers' report that the Dispute referred to them pursuant to subsection (a) has not been resolved, the Dispute shall be referred to mediation by written notice from either Party to the other. The mediation shall be conducted pursuant to the LCIA Mediation Procedure. The place of the mediation shall be London, England and the language of the mediation shall be English. If the Parties have not reached a settlement within twenty (20) Business Days of the date of the notice of mediation, the Dispute shall be referred to arbitration pursuant to subsection (c) below.

(c) If after the procedures set forth in subsections (a) and (b) above, the Dispute has not been resolved, a Party shall decide to institute arbitration proceedings, it shall give written notice to that effect to the other Party. The Parties shall refrain from instituting the arbitration

proceedings for a period of sixty (60) days following such notice. During such period, the Parties shall continue to make good faith efforts to amicably resolve the Dispute without arbitration. If the Parties have not reached a settlement during that period the arbitration proceedings shall go forward and be governed by the LCIA Arbitration Rules then in force. Each such arbitration shall be conducted by a panel of three (3) arbitrators: one (1) arbitrator shall be appointed by each of MN and KR and the third arbitrator, who shall be the Chairman of the tribunal, shall be appointed by the two-Party appointed arbitrators. Any such arbitration shall be held in New York, New York, USA and the language of the arbitration shall be English.

The tribunal shall issue its award within forty-five (45) days after the date on which the arbitration proceedings have closed. The arbitrators shall have the authority to grant specific performance. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based on Dispute would be barred by the applicable statute of limitations. Each Party shall bear its own costs and expenses incurred in connection with any arbitration proceeding and the Parties shall equally share the cost of the mediation and arbitration levied by the LCIA.

11.7 Right to Develop Independently. Nothing in this Agreement shall be deemed to prevent MN from developing and commercializing products which are similar to or competitive with Compound or Licensed Product so long as MN is using commercially reasonable efforts to develop and commercialize Licensed Product as specified in sub-section 2.1.(i).

11.8 Compliance with Laws. Either Party shall furnish to the other Party any information requested or required by that Party during the term of this Agreement or any extensions hereof to enable that Party to comply with the requirements of any U.S., Japan or foreign, federal, state and/or governmental agency.

11.9 LIMITATION OF LIABILITY. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

11.10 Further Assurances. At any time or from time to time on and after the date of this Agreement, each Party shall at the request of the other (i) deliver to the other such records, data or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as the other Party may reasonably deem necessary or desirable in order for the other Party to obtain the full benefits of this Agreement and the transactions contemplated herein.

11.11 Entire Agreement. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly superseded by this

Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both Parties.

11.12 Headings. The captions to the several Articles and Sections hereof are not a part of this Agreement, but are merely guides or labels to assist in locating and reading the several Articles and Sections hereof.

11.13 Independent Contractors. It is expressly agreed that KR and MN shall be independent contractors and that the relationship between the Parties shall not constitute a partnership, joint venture or agency. Neither KR nor MN shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party to do so.

11.14 Waiver. The waiver by either Party of any right hereunder or the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

11.15 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ARTICLE 12
INDEMNIFICATION

12.1 Indemnification by MN. MN shall indemnify, defend and hold KR and KR Licensees and their respective officers, directors, shareholders, agents and employees ("KR Indemnified Party") harmless against any and all claims, liability, damage, loss, cost or expense (including reasonable attorney's fees) (collectively, "Losses") incurred by KR arising or resulting from any Third Party claim made or suit brought against KR or any KR Indemnified Party to the extent any such Losses arise out of (i) any breach by MN of any of its representations or warranties in this Agreement; (ii) MN's negligence or willful misconduct; or (iii) the development, use, importation, promotion, marketing, commercialization, distribution and sale of Compound or Licensed Product by MN; provided, however, that MN shall not be required to indemnify KR or any KR Indemnified Party to the extent it is determined that the Losses resulted from the negligence or willful misconduct of KR or any such KR Indemnified Party or if KR would be required to indemnify MN under Section 12.2 below. MN shall use its commercially reasonable efforts to have its sublicensees indemnify, defend and hold KR and any KR Indemnified Party harmless against Losses in a substantially similar way under the sublicense agreement; provided, however, that in the event that MN fails to execute such sublicense agreement containing such indemnification provision, MN shall on behalf of its sublicensees, indemnify, defend and hold KR and KR Indemnified Party harmless against Losses in the same manner as provided in this Section 12.1.

12.2 Indemnification by KR. KR shall indemnify, defend and hold MN and its sublicensees and their respective officers, directors, shareholders, agents and employees ("MN Indemnified Party") harmless against any and all Losses incurred by MN arising or resulting from any Third Party claim made or suit brought against MN or any MN Indemnified Party to the extent any such Losses arise out of (i) any breach by KR of any of its representations or warranties in this Agreement, (ii) KR's negligence or willful misconduct; or (iii) the development, manufacture, use, importation, promotion, marketing, commercialization, distribution and sale of Compound or Licensed Product by KR; provided, however, that KR shall not be required to indemnify MN or any MN Indemnified Party to the extent it is determined that the Losses resulted from the negligence or willful misconduct of MN or any such MN Indemnified Party or if MN would be required to indemnify KR under Section 12.1 above.

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****** **CERTAIN INFORMATION (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST. AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

MEDICINOVA, INC.

By: /s/ Takashi Kiyoizumi
Name: Takashi Kiyoizumi, M.D., Ph.D.
Title: President and CEO

KYORIN PHARMACEUTICAL CO., LTD.

By: /s/ Ikuo Ogihara
Name: Ikuo Ogihara
Title: President

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EXHIBIT 1.7

[**]

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EXHIBIT 1.21

[**]

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EXHIBIT 1.42

SAKODA AGREEMENT

(See Attached)

****** **CERTAIN INFORMATION (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST. AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

EXHIBIT 4.3

ROYALTY RATES

For Licensed Products sold in the U.S.

Annual Net Sales	**Royalty Rate**
Annual Net Sales for the first **[**]**	**[**]**
For annual Net Sales more than **[**]** but less than **[**]**	**[**]**
For annual Net Sales more than **[**]**	**[**]**

Example: If annual Net Sales is **[**]** for sale of Licensed Products in the U.S., the royalty shall be calculated as **[**]** x **[**]** plus **[**]** x **[**]** = **[**]**.

For Licensed Products sold in non-U.S. countries within the MN Territory where a Valid Patent Claim and/or Market Exclusivity exists and Licensed Product is not subject to Generic Competition:

Annual Net Sales	**Royalty Rate**
Annual Net Sales for the first **[**]**	**[**]**
For annual Net Sales more than **[**]** but less than **[**]**	**[**]**
For annual Net Sales more than **[**]**	**[**]**

For Licensed Products sold in non-U.S. countries within the MN Territory where neither a Valid Patent Claim nor Market Exclusivity exists and Licensed Product is not subject to Generic Competition, a royalty rate equal to **[**]** of Net Sales in such country.

**** CERTAIN INFORMATION (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST. AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

Exhibit 1.42

[**]

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EXHIBIT 10.19

THE PLAZA AT LA JOLLA VILLAGE
SMITH BARNEY TOWER
SAN DIEGO, CALIFORNIA

OFFICE LEASE AGREEMENT

BETWEEN

CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership
("LANDLORD")

AND

MEDICINOVA, INC., a Delaware corporation
("TENANT")

OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT (the **"Lease"**) is made and entered into as of the 28th day of January 2004, by and between **CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership** (**"Landlord"**) and **MEDICINOVA, INC., a Delaware corporation** (**"Tenant"**). The following exhibits and attachments are incorporated into and made a part of the Lease: **Exhibit A** (Outline and Location of Premises), **Exhibit B** (Expenses and Taxes), **Exhibit C** (Work Letter), **Exhibit D** (Commencement Letter), **Exhibit E** (Building Rules and Regulations). **Exhibit F** (Additional Provisions) and **Exhibit G** (Parking Agreement).

1. Basic Lease Information.

1.01 **"Building"** shall mean the building located at 4350 La Jolla Village Drive, San Diego, California, commonly known as Smith Barney Tower. **"Rentable Square Footage of the Building"** is deemed to be **187,999** square feet.

1.02 **"Premises"** shall mean the area shown on **Exhibit A** to this Lease. The Premises is located on the 9th floor and known as Suite 950. If the Premises include one or more floors in their entirety, all corridors and restroom facilities located on such full floor(s) shall be considered part of the Premises. The **"Rentable Square Footage of the Premises"** is deemed to be **6,642** square feet. Landlord and Tenant stipulate and agree that the Rentable Square Footage of the Building and the Rentable Square Footage of the Premises are correct.

1.03 **"Base Rent":**

Period	Annual Rate Per Square Foot	Monthly Base Rent
February 8, 2004 – February 7, 2005	**$ 36.00**	**$19,926.00**
February 8, 2005 – February 7, 2006	**$ 37.20**	**$20,590.20**

1.04 **"Tenant's Pro Rata Share": 3.5330%.**

1.05 **"Base Year"** for Taxes (defined in **Exhibit B):** 2004; **"Base Year"** for Expenses (defined in **Exhibit B):** 2004.

1.06 **"Term":** A period of 24 months. Subject to Section 3, the Term shall commence on February 8, 2004 (the **"Commencement Date")** and, unless terminated early in accordance with this Lease, end on February 7, 2006 (the **"Termination Date")**. The Term is subject to extension based upon the terms and conditions of Exhibit F attached hereto.

1.07 Allowance(s)**:** Intentionally Omitted.

1.08 **"Security Deposit":** $41,180,40, as more fully described in Section 6.

1.09 **"Guarantor(s)":** shall mean any party that agrees in writing to guarantee the Lease. As of the date first written above, there are no Guarantors(s).

1.10 **"Broker(s)":** The Staubach Company.

1.11 **"Permitted Use":** general office use; provided that in no event shall the Premises, or any portion of the Premises, be used (i) for the operation of a discount stock and bond brokerage firm and (ii) to operate a business under the trade name of Bowne & Co., Inc. or Merrill Corp.

1.12 **"Notice Address(es)":**

Landlord:	Tenant:
CA-La Jolla II Limited Partnership c/o Equity office Management, L.L.C. 9255 Towne Centre Drive Suite 800 San Diego, California 92121 Attn: Property Manager	MEDICINOVA, INC. 4350 La Jolla Village Drive Suite 950 San Diego, California 92121 Attention: Kay Wright

A copy of any notices to Landlord shall be sent to Equity Office, One Market, 600 Spear Tower, San Francisco, CA 94105. Attn: Los Angeles Regional Counsel.

1.13 **"Business Day(s)"** are Monday through Friday of each week, exclusive of New Year's Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day (**"Holidays"**). Landlord may designate additional Holidays that are commonly recognized by other office buildings in the area where the Building is located. **"Building Service Hours"** are 6:00 a.m. to 6:00 p.m. on Business Days and 9:00 a.m. to 12:00 p.m. on Saturdays.

1.14 **"Landlord Work"** means the work that Landlord is obligated to perform in the Premises pursuant to a separate agreement (the **"Work Letter"**) attached to this Lease as **Exhibit C.**

1.15 **"Property"** means the Building and the parcel(s) of land on which it is located and, at Landlord's discretion, the parking facilities and other improvements, if any, serving the Building and the parcel(s) of land on which they are located.

2. Lease Grant.

The Premises are hereby leased to Tenant from Landlord, together with the right to use any portions of the Property that are designated by Landlord for the common use of tenants and others (the **"Common Areas"**).

3. Possession.

3.01 Intentionally Omitted

3.02 Subject to Landlord's obligation to perform Landlord Work, the Premises are accepted by Tenant in "as is" condition and configuration without any representations or warranties by Landlord. By taking possession of the Premises, Tenant agrees that the Premises are in good order and satisfactory condition. Landlord shall not be liable for a failure to deliver possession of the Premises or any other space due to the holdover or unlawful possession of such space by another party, however Landlord shall use reasonable efforts to obtain possession of the space. The commencement date for the space, in such event, shall be postponed until the date Landlord delivers possession of the Premises to Tenant free from occupancy by any party. If Tenant takes possession of the Premises before the Commencement Date, such possession shall be subject to the terms and conditions of this Lease and Tenant shall pay Rent (defined in Section 4.01) to Landlord for each day of possession before the Commencement Date. However, except for the cost of services requested by Tenant (e.g. freight elevator usage), Tenant shall not be required to pay Rent for any days of possession before the Commencement Date during which Tenant, with the approval of Landlord, is in possession of the Premises for the sole purpose of performing improvements or installing furniture, equipment or other personal property.

4. Rent.

4.01 Tenant shall pay Landlord, without any setoff or deduction, unless expressly set forth in this Lease, all Base Rent and Additional Rent due for the Term (collectively referred to as **"Rent"**). **"Additional Rent"** means all sums (exclusive of Base Rent) that Tenant is required to pay Landlord under this Lease. Tenant shall pay and be liable for all rental, sales and use taxes (but excluding income taxes), if any, imposed upon or measured by Rent. Base Rent and recurring monthly charges of Additional Rent shall be due and payable in advance on the first day of each calendar month without notice or demand, provided that the installment of Base Rent for the first full calendar month of the Term, shall be payable upon the execution of this Lease by Tenant. All other items of Rent shall be due and payable by Tenant on or before 30 days after billing by Landlord. Rent shall be made payable to the entity, and sent to the address, Landlord designates and shall be made by good and sufficient check or by other means acceptable to Landlord. Tenant shall pay Landlord an administration fee equal to 5% of all past due Rent, provided that Tenant shall be entitled to a grace period of 5 Business Days for the first

2 late payments of Rent in a calendar year. In addition, past due Rent shall accrue interest at 12% per annum. Landlord's acceptance of less than the correct amount of Rent shall be considered a payment on account of the earliest Rent due. Rent for any partial month during the Term shall be prorated. No endorsement or statement on a check or letter accompanying payment shall be considered an accord and satisfaction. Tenant's covenant to pay Rent is independent of every other covenant in this Lease.

4.02 Tenant shall pay Tenant's Pro Rata Share of Taxes and Expenses in accordance with **Exhibit B** of this Lease.

5. Compliance with Laws; Use.

The Premises shall be used for the Permitted Use and for no other use whatsoever. Tenant shall comply with all statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity whether in effect now or later, including the Americans with Disabilities Act (**"Law(s)"**), regarding the operation of Tenant's business and the use, condition, configuration and occupancy of the Premises. In addition, Tenant shall, at its sole cost and expense, promptly comply with any Laws that relate to the "Base Building" (defined below), but only to the extent such obligations are triggered by Tenant's use of the Premises, other than for general office use, or Alterations or improvements in the Premises performed or requested by Tenant. **"Base Building"** shall include the structural portions of the Building, the public restrooms and the Building mechanical, electrical and plumbing systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are located. Tenant shall promptly provide Landlord with copies of any notices it receives regarding an alleged violation of Law. Tenant shall comply with the rules and regulations of the Building attached as **Exhibit E** and such other reasonable rules and regulations adopted by Landlord from time to time, including rules and regulations for the performance of Alterations (defined in Section 9).

6. Security Deposit.

The Security Deposit shall be delivered to Landlord upon the execution of this Lease by Tenant and held by Landlord without liability for interest (unless required by Law) as security for the performance of Tenant's obligations. The Security Deposit is not an advance payment of Rent or a measure of damages. Landlord may use all or a portion of the Security Deposit to satisfy past due Rent or to cure any Default (defined in Section 18) by Tenant. If Landlord uses any portion of the Security Deposit, Tenant shall, within 5 days after demand, restore the Security Deposit to its original amount. Landlord shall return any unapplied portion of the Security Deposit to Tenant within 45 days after the later to occur of: (a) determination of the final Rent due from Tenant; or (b) the later to occur of the Termination Date or the date Tenant surrenders the Premises to Landlord in compliance with Section 25. Landlord may assign the Security Deposit to a successor or transferee and, following the assignment, Landlord shall have no further liability for the return of the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its other accounts. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any similar or successor Laws now or hereinafter in effect.

7. Building Services.

7.01 Landlord shall furnish Tenant with the following services: (a) water for use in the Base Building lavatories; (b) customary heat and air conditioning in season during Building Service Hours. Tenant shall have the right to receive HVAC service during hours other than Building Service Hours by paying Landlord's then standard charge for additional HVAC service and providing such prior notice as is reasonably specified by Landlord; (c) standard janitorial service on Business Days; (d) Elevator service; (e) Electricity in accordance with the terms and conditions in Section 7.02; and (f) such other services as Landlord reasonably determines are necessary or appropriate for the Property.

7.02 Electricity used by Tenant in the Premises shall be paid for by Tenant through inclusion in Expenses (except as provided for excess usage). Without the consent of Landlord, Tenant's use of electrical service shall not exceed, either in voltage, rated capacity, use beyond Building Service Hours or overall load, that which Landlord reasonably deems to be standard for the Building. Landlord shall have the right to measure electrical usage by commonly accepted methods. If it is determined that Tenant is using excess electricity, Tenant shall pay Landlord for the cost of such excess electrical usage as Additional Rent.

7.03 Landlord's failure to furnish, or any interruption, diminishment or termination of services due to the application of Laws, the failure of any equipment, the performance of repairs, improvements or alterations, utility interruptions or the occurrence of an event of Force Majeure (defined in Section 26.03) (collectively a **"Service Failure"**) shall not render Landlord liable to Tenant, constitute a constructive eviction of Tenant, give rise to an abatement of Rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement. However, if the Premises, or a material portion of the Premises, are made untenantable for a period in excess of 3 consecutive Business Days as a result of a Service Failure that is reasonably within the control of Landlord to correct, then Tenant, as its sole remedy, shall be entitled

to receive an abatement of Rent payable hereunder during the period beginning on the 4th consecutive Business Day of the Service Failure and ending on the day the service has been restored. If the entire Premises have not been rendered untenantable by the Service Failure, the amount of abatement shall be equitably prorated.

8. Leasehold Improvements.

All improvements in and to the Premises, including any Alterations (collectively, **"Leasehold Improvements"**) shall remain upon the Premises at the end of the Term without compensation to Tenant. Landlord, however, by written notice to Tenant at least 30 days prior to the Termination Date, may require Tenant, at its expense, to remove (a) any Cable (defined in Section 9.01) installed by or for the benefit of Tenant, and (b) any Landlord Work or Alterations that, in Landlord's reasonable judgment, are of a nature that would require removal and repair costs that are materially in excess of the removal and repair costs associated with standard office improvements (collectively referred to as **"Required Removables"**). Required Removables shall include, without limitation, internal stairways, raised floors, personal baths and showers, vaults, rolling file systems and structural alterations and modifications. The designated Required Removables shall be removed by Tenant before the Termination Date. Tenant shall repair damage caused by the installation or removal of Required Removables. If Tenant fails to perform its obligations in a timely manner, Landlord may perform such work at Tenant's expense. Landlord, within 10 days of Tenant's request for approval of such proposed Alteration, shall advise Tenant in writing whether the Alterations or any portion of the Alterations are Required Removables.

9. Repairs and Alterations.

9.01 Tenant shall periodically inspect the Premises to identify any conditions that are dangerous or in need of maintenance or repair. Tenant shall promptly provide Landlord with notice of any such conditions. Tenant shall, at its sole cost and expense, perform all maintenance and repairs to the Premises that are not Landlord's express responsibility under this Lease, and keep the Premises in good condition and repair, reasonable wear and tear excepted. Tenant's repair and maintenance obligations include, without limitation, repairs to: (a) floor covering; (b) interior partitions; (c) doors; (d) the interior side of demising walls; (e) electronic, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant (collectively, **"Cable"**); (f) supplemental air conditioning units, kitchens, including hot water heaters, plumbing, and similar facilities exclusively serving Tenant; and (g) Alterations. To the extent Landlord is not reimbursed by insurance proceeds, Tenant shall reimburse Landlord for the cost of repairing damage to the Building caused by the acts of Tenant, Tenant Related Parties and their respective contractors and vendors. If Tenant fails to make any repairs to the Premises for more than 15 days after notice from Landlord (although notice shall not be required in an emergency), Landlord may make the repairs, and Tenant shall pay the reasonable cost of the repairs, together with an administrative charge in an amount equal to 10% of the cost of the repairs.

9.02 Landlord shall keep and maintain in good repair and working order and perform maintenance upon the: (a) structural elements of the Building; (b) mechanical (including HVAC), electrical, plumbing and fire/life safety systems serving the Building in general; (c) Common Areas; (d) roof of the Building; (e) exterior windows of the Building; and (f) elevators serving the Building. Landlord shall promptly make repairs for which Landlord is responsible. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932, and Sections 1941 and 1942 of the California Civil Code, or any similar or successor Laws now or hereinafter in effect.

9.03 Tenant shall not make alterations, repairs, additions or improvements or install any Cable (collectively referred to as **"Alterations"**) without first obtaining the written consent of Landlord in each instance, which consent shall not be unreasonably withheld or delayed. For purposes of this Section 9.3, Landlord's consent to any Alterations shall be given as soon as possible, however, in any instance, within 15 Business Days following Landlord's receipt of all information required by Landlord to make its decision. However, Landlord's consent shall not be required for any Alteration that satisfies all of the following criteria (a **"Cosmetic Alteration"**): (a) is of a cosmetic nature such as painting, wallpapering, hanging pictures and installing carpeting; (b) is not visible from the exterior of the Premises or Building; (c) will not affect the Base Building; and (d) does not require work to be performed inside the walls or above the ceiling of the Premises, Cosmetic Alterations shall be subject to all the other provisions of this Section 9.03. Prior to starting work, Tenant shall furnish Landlord with plans and specifications; names of contractors reasonably acceptable to Landlord (provided that Landlord may designate specific contractors with respect to Base Building); required permits and approvals; evidence of contractor's and subcontractor's Insurance in amounts reasonably required by Landlord and naming Landlord as an additional insured; and any security for performance in amounts reasonably required by Landlord. Changes to the plans and specifications must also be submitted to Landlord for its approval. Alterations shall be constructed in a good and workmanlike manner using materials of a quality reasonably approved by Landlord. Tenant shall reimburse Landlord for any sums paid by Landlord for third party examination of Tenant's plans for non-Cosmetic Alterations. In addition, Tenant shall pay Landlord a fee for Landlord's oversight and coordination of any non-Cosmetic Alterations equal to 5% of the cost of the Alterations. Upon completion, Tenant shall furnish "as-built" plans for non-Cosmetic Alterations,

completion affidavits and full and final waivers of lien. Landlord's approval of an Alteration shall not be deemed a representation by Landlord that the Alteration complies with Law.

10. Entry by Landlord.

Landlord may enter the Premises to inspect, show or clean the Premises or to perform or facilitate the performance of repairs, alterations or additions to the Premises or any portion of the Building. Except in emergencies or to provide Building services, Landlord shall provide Tenant with at least 24 hours prior notice (or in the event of an emergency or if not practical under the circumstances reasonable prior verbal notice) of entry and shall use reasonable efforts to minimize any interference with Tenant's use of the Premises and Tenant shall be entitled to have an employee of Tenant accompany the person(s) entering the Premises, provided Tenant makes such employee available at the time Landlord or such other party desires to enter the Premises. If reasonably necessary, Landlord may temporarily close all or a portion of the Premises to perform repairs, alterations and additions. However, except in emergencies, Landlord will not close the Premises if the work can reasonably be completed on weekends and after Building Service Hours. Entry by Landlord shall not constitute a constructive eviction or entitle Tenant to an abatement or reduction of Rent.

11. Assignment and Subletting.

11.01 Except in connection with a Permitted Transfer (defined in Section 11.04), Tenant shall not assign, sublease, transfer or encumber any interest in this Lease or allow any third party to use any portion of the Premises (collectively or individually, a **"Transfer"**) without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed if Landlord does not exercise its recapture rights under Section 11.02. If the entity which controls the voting shares/rights of Tenant changes at any time, such change of ownership or control shall constitute a Transfer unless Tenant is an entity whose outstanding stock is listed on a recognized securities exchange or if at least 80% of its voting stock is owned by another entity, the voting stock of which is so listed. Tenant hereby waives the provisions of Section 1995.310 of the California Civil Code, or any similar or successor Laws, now or hereinafter in effect, and all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable Laws, on behalf of the proposed transferee. Any attempted Transfer in violation of this Section is voidable by Landlord. In no event shall any Transfer, including a Permitted Transfer, release or relieve Tenant from any obligation under this Lease.

11.02 Tenant shall provide Landlord with financial statements for the proposed transferee, a fully executed copy of the proposed assignment, sublease or other Transfer documentation and such other information as Landlord may reasonably request. Within 15 Business Days after receipt of the required information and documentation, Landlord shall either: (a) consent to the Transfer by execution of a consent agreement in a form reasonably designated by Landlord; (b) reasonably refuse to consent to the Transfer in writing; or (c) in the event of an assignment of this Lease or subletting of more than 20% of the Rentable Area of the Premises for more than 50% of the remaining Term (excluding unexercised options), recapture the portion of the Premises that Tenant is proposing to Transfer. If Landlord exercises its right to recapture, this Lease shall automatically be amended (or terminated if the entire Premises is being assigned or sublet) to delete the applicable portion of the Premises effective on the proposed effective date of the Transfer. Notwithstanding the above, Tenant, within 5 days after receipt of Landlord's notice of intent to terminate, may withdraw its request for consent to the Transfer. In that event, Landlord's election to terminate the Lease shall be null and void and of no force and effect, Tenant shall pay Landlord a review fee of $1,500.00 for Landlord's review of any Permitted Transfer or requested Transfer.

11.03 Tenant shall pay Landlord 50% of all rent and other consideration which Tenant receives as a result of a Transfer that is in excess of the Rent payable to Landlord for the portion of the Premises and Term covered by the Transfer. Tenant shall pay Landlord for Landlord's share of the excess within 30 days after Tenant's receipt of the excess. Tenant may deduct from the excess, on a straight-line basis, all reasonable and customary expenses directly incurred by Tenant attributable to the Transfer, including brokerage fees and construction costs. If Tenant is in Default, Landlord may require that all sublease payments be made directly to Landlord, in which case Tenant shall receive a credit against Rent in the amount of Tenant's share of payments received by Landlord.

11.04 Tenant may assign this Lease to a successor to Tenant by purchase, merger, consolidation or reorganization (an **"Ownership Change"**) or assign this Lease or sublet all or a portion of the Premises to an Affiliate without the consent of Landlord, provided that all of the following conditions are satisfied (a **"Permitted Transfer"**): (a) Tenant is not in Default; (b) in the event of an Ownership Change, Tenant's successor shall own substantially all of the assets of Tenant and have a net worth which is at least equal to Tenant's net worth as of the day prior to the proposed Ownership Change; (c) the Permitted Use does not allow the Premises to be used for retail purposes; and (d) Tenant shall give Landlord written notice at least 15 Business Days prior to the effective date of the Permitted Transfer, Tenant's notice to Landlord shall include information and documentation evidencing the Permitted Transfer and showing

that each of the above conditions has been satisfied. If requested by Landlord, Tenant's successor shall sign a commercially reasonable form of assumption agreement, **"Affiliate"** shall mean an entity controlled by, controlling or under common control with Tenant.

12. Liens.

Tenant shall not permit mechanics' or other liens to be placed upon the Property, Premises or Tenant's leasehold interest in connection with any work or service done or purportedly done by or for the benefit of Tenant or its transferees. Tenant shall give Landlord notice at least 15 days prior to the commencement of any work in the Premises to afford Landlord the opportunity, where applicable, to post and record notices of non-responsibility. Tenant, within 10 days of notice from Landlord, shall fully discharge any lien by settlement, by bonding or by insuring over the lien in the manner prescribed by the applicable lien Law. If Tenant fails to do so, Landlord may bond, insure over or otherwise discharge the lien. Tenant shall reimburse Landlord for any amount paid by Landlord, including, without limitation, reasonable attorneys' fees.

13. Indemnity and Waiver of Claims.

Tenant hereby waives all claims against and releases Landlord and its trustees, members, principals, beneficiaries, partners, officers, directors, employees, Mortgagees (defined in Section 23) and agents (the **"Landlord Related Parties"**) from all claims for any injury to or death of persons, damage to property or business loss in any manner related to (a) Force Majeure, (b) acts of third parties, (c) the bursting or leaking of any tank, water closet, drain or other pipe, (d) the inadequacy or failure of any security services, personnel or equipment, or (e) any matter not within the reasonable control of Landlord. Notwithstanding the foregoing, except as provided in Section 15 to the contrary, Tenant shall not be required to waive any claims against Landlord (other than for loss or damage to Tenant's business) where such loss or damage is due to the negligence or willful misconduct of Landlord or any Landlord Related Parties. Nothing herein shall be construed as to diminish the repair and maintenance obligations of Landlord contained elsewhere in this Lease. Except to the extent caused by the negligence or willful misconduct of Landlord or any Landlord Related Parties, Tenant shall indemnify, defend and hold Landlord and Landlord Related Parties harmless against and from all liabilities, obligations, damages, penalties, claims, actions, costs, charges and expenses, including, without limitation, reasonable attorneys' fees and other professional fees (if and to the extent permitted by Law) (collectively referred to as **"Losses"),** which may be imposed upon, incurred by or asserted against Landlord or any of the Landlord Related Parties by any third party and arising out of or in connection with any damage or injury occurring in the Premises or any acts or omissions (including violations of Law) of Tenant, the Tenant Related Parties or any of Tenant's transferees, contractors or licensees. Except to the extent caused by the negligence or willful misconduct of Tenant or any Tenant Related Parties, Landlord shall indemnify, defend and hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, employees and agents (**"Tenant Related Parties"**) harmless against and from all Losses which may be imposed upon, incurred by or asserted against Tenant or any of the Tenant Related Parties by any third party and arising out of or in connection with the acts or omissions (including violations of Law) of Landlord or the Landlord Related Parties.

14. Insurance.

Tenant shall maintain the following insurance (**"Tenant's Insurance"): (**a) Commercial General Liability Insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a minimum combined single limit of $2,000,000.00; (b) Property/Business Interruption Insurance written on an All Risk or Special Perils form, with coverage for broad form water damage including earthquake sprinkler leakage, at replacement cost value and with a replacement cost endorsement covering all of Tenant's business and trade fixtures, equipment, movable partitions, furniture, merchandise and other personal property within the Premises (**"Tenant's Property"**) and any Leasehold Improvements performed by or for the benefit of Tenant; (c) Workers' Compensation Insurance in amounts required by Law; and (d) Employers Liability Coverage of at least $1,000,000,00 per occurrence. Any company writing Tenant's Insurance shall have an A.M. Best rating of not less than A-VIII. All Commercial General Liability Insurance policies shall name as additional insureds Landlord (or its successors and assignees), the managing agent for the Building (or any successor), EOP Operating Limited Partnership, Equity Office Properties Trust and their respective members, principals, beneficiaries, partners, officers, directors, employees, and agents, and other designees of Landlord and its successors as the interest of such designees shall appear. All policies of Tenant's Insurance shall contain endorsements that the insurer(s) shall give Landlord and its designees at (east 30 days' advance written notice of any cancellation, termination, material change or lapse of insurance. Tenant shall provide Landlord with a certificate of insurance evidencing Tenant's Insurance prior to the earlier to occur of the Commencement Date or the date Tenant is provided with possession of the Premises, and thereafter as necessary to assure that Landlord always has current certificates evidencing Tenant's Insurance. So long as the same is available at commercially reasonable rates, Landlord shall maintain so called All Risk property insurance on the Building at replacement cost value as reasonably estimated by Landlord.

15. Subrogation.

Landlord and Tenant hereby waive and shall cause their respective Insurance carriers to waive any and all rights of recovery, claims, actions or causes of action against the other for any loss or damage with respect to Tenant's Property, Leasehold Improvements, the Building, the Premises, or any contents thereof, including rights, claims, actions and causes of action based on negligence, which loss or damage is (or would have been, had the insurance required by this Lease been carried) covered by insurance.

16. Casualty Damage.

16.01 If all or any portion of the Premises becomes untenantable by fire or other casualty to the Premises (collectively a **"Casualty"**), Landlord, with reasonable promptness, shall cause a general contractor selected by Landlord to provide Landlord and Tenant with a written estimate of the amount of time required using standard working methods to Substantially Complete the repair and restoration of the Premises and any Common Areas necessary to provide access to the Premises (**"Completion Estimate"**). If the Completion Estimate indicates that the Premises or any Common Areas necessary to provide access to the Premises cannot be made tenantable within 270 days from the date the repair is started, then either party shall have the right to terminate this Lease upon written notice to the other within 10 days after receipt of the Completion Estimate. Tenant, however, shall not have the right to terminate this Lease if the Casualty was caused by the negligence or intentional misconduct of Tenant or any Tenant Related Parties. In addition, Landlord, by notice to Tenant within 90 days after the date of the Casualty, shall have the right to terminate this Lease if: (1) the Premises have been materially damaged and there is less than 1 year of the Term remaining on the date of the Casualty; (2) any Mortgagee requires that the insurance proceeds be applied to the payment of the mortgage debt; or (3) a material uninsured loss to the Building occurs.

16.02 If this Lease is not terminated, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, restore the Premises and Common Areas. Such restoration shall be to substantially the same condition that existed prior to the Casualty, except for modifications required by Law or any other modifications to the Common Areas deemed desirable by Landlord. Upon notice from Landlord, Tenant shall assign to Landlord (or to any party designated by Landlord) all property insurance proceeds payable to Tenant under Tenant's Insurance with respect to any Leasehold Improvements performed by or for the benefit of Tenant; provided if the estimated cost to repair such Leasehold Improvements exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, the excess cost of such repairs shall be paid by Tenant to Landlord prior to Landlord's commencement of repairs. Within 15 days of demand, Tenant shall also pay Landlord for any additional excess costs that are determined during the performance of the repairs, Landlord shall not be liable for any inconvenience to Tenant, or injury to Tenant's business resulting in any way from the Casualty or the repair thereof. Provided that Tenant is not in Default, during any period of time that all or a material portion of the Premises is rendered untenantable as a result of a Casualty, the Rent shall abate for the portion of the Premises that is untenantable and not used by Tenant.

16.03 The provisions of this Lease, including this Section 16, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises or the Property, and any Laws, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any similar or successor Laws now or hereinafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises or the Property.

17. Condemnation.

Either party may terminate this Lease if any material part of the Premises is taken or condemned for any public or quasi-public use under Law, by eminent domain or private purchase in lieu thereof (a **"Taking"**). Landlord shall also have the right to terminate this Lease if there is a Taking of any portion of the Building or Property which would have a material adverse effect on Landlord's ability to profitably operate the remainder of the Building. The terminating party shall provide written notice of termination to the other party within 45 days after it first receives notice of the Taking. The termination shall be effective on the date the physical taking occurs. If this Lease is not terminated, Base Rent and Tenant's Pro Rata Share shall be appropriately adjusted to account for any reduction in the square footage of the Building or Premises. All compensation awarded for a Taking shall be the property of Landlord. The right to receive compensation or proceeds are expressly waived by Tenant, however, Tenant may file a separate claim for Tenant's Property and Tenant's reasonable relocation expenses, provided the filing of the claim does not diminish the amount of Landlord's award. If only a part of the Premises is subject to a Taking and this Lease is not terminated, Landlord, with reasonable diligence, will restore the remaining portion of the Premises as nearly as practicable to the condition immediately prior to the Taking, Tenant

hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure, or any similar or successor Laws.

18. Events of Default.

Each of the following occurrences shall be a **"Default"**: (a) Tenant's failure to pay any portion of Rent when due, if the failure continues for 5 days after written notice to Tenant (**"Monetary Default");** (b) Tenant's failure (other than a Monetary Default) to comply with any term, provision, condition or covenant of this Lease, if the failure is not cured within 20 days after written notice to Tenant provided, however, if Tenant's failure to comply cannot reasonably be cured within 20 days, Tenant shall be allowed additional time (not to exceed 75 days) as is reasonably necessary to cure the failure so long as Tenant begins the cure within 20 days and diligently pursues the cure to completion; (c) Tenant or any Guarantor becomes insolvent, makes a transfer in fraud of creditors, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts when due or forfeits or loses its right to conduct business; (d) the leasehold estate is taken by process or operation of Law; (e) in the case of any ground floor or retail Tenant, Tenant does not take possession of or abandons or vacates all or any portion of the Premises; or (f) Tenant is in default beyond any notice and cure period under any other lease or agreement with Landlord at the Building or Property. If Landlord provides Tenant with notice of Tenant's failure to comply with any material specific provision of this Lease on 3 separate occasions during any 12 month period, Tenant's subsequent violation of such provision shall, at Landlord's option, be an incurable Default by Tenant, All notices sent under this Section shall be in satisfaction of, and not in addition to, notice required by Law.

19. Remedies.

19.01 Upon the occurrence of any Default under this Lease, Landlord shall have the option to pursue any one or more of the following remedies without any notice (except as expressly prescribed herein) or demand whatsoever (and without limiting the generality of the foregoing, Tenant hereby specifically waives notice and demand for payment of Rent or other obligations, except for those notices specifically required pursuant to the terms of Section 18 or this Section 19, and waives any and all other notices or demand requirements imposed by applicable law):

(a) Terminate this Lease and Tenant's right to possession of the Premises and recover from Tenant an award of damages equal to the sum of the following:

(i) The Worth at the Time of Award of the unpaid Rent which had been earned at the time of termination;

(ii) The Worth at the Time of Award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant affirmatively proves could have been reasonably avoided;

(iii) The Worth at the Time of Award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant affirmatively proves could be reasonably avoided;

(iv) Any other amount necessary to compensate Landlord for all the detriment either proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(v) All such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law.

The **"Worth at the Time of Award"** of the amounts referred to in parts (i) and (ii) above, shall be computed by allowing interest at the lesser of a per annum rate equal to: (A) the greatest per annum rate of interest permitted from time to time under applicable law, or (B) the Prime Rate plus 5%. For purposes hereof, the **"Prime Rate"** shall be the per annum interest rate publicly announced as its prime or base rate by a federally insured bank selected by Landlord in the State of California. The **"Worth at the Time of Award"** of the amount referred to in part (iii), above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1 %;

(b) Employ the remedy described in California Civil Code § 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations); or

(c) Notwithstanding Landlord's exercise of the remedy described in California Civil Code § 1951.4 in respect of an event or events of default, at such time thereafter as Landlord may elect in writing, to terminate this Lease and Tenant's right to possession of the Premises and recover an award of damages as provided above in Paragraph 19.01(a).

19.02 The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No waiver by Landlord of any breach hereof shall be effective unless such waiver is in writing and signed by Landlord.

19.03 TENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174 (c) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE LEASE TERM PROVIDING THAT TENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THIS LEASE FOLLOWING ITS TERMINATION BY REASON OF TENANT'S BREACH. TENANT ALSO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS LEASE.

19.04 No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing by agreement, applicable law or in equity. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default.

19.05 If Tenant is in Default of any of its non-monetary obligations under the Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative charge equal to 10% of the cost of the work performed by Landlord.

19.06 This Section 19 shall be enforceable to the maximum extent such enforcement is not prohibited by applicable law, and the unenforceability of any portion thereof shall not thereby render unenforceable any other portion.

20. Limitation of Liability.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, THE LIABILITY OF LANDLORD (AND OF ANY SUCCESSOR LANDLORD) SHALL BE LIMITED TO THE LESSER OF (A) THE INTEREST OF LANDLORD IN THE PROPERTY, OR (B) THE EQUITY INTEREST LANDLORD WOULD HAVE IN THE PROPERTY IF THE PROPERTY WERE ENCUMBERED BY THIRD PARTY DEBT IN AN AMOUNT EQUAL TO 70% OF THE VALUE OF THE PROPERTY. TENANT SHALL LOOK SOLELY TO LANDLORD'S INTEREST IN THE PROPERTY FOR THE RECOVERY OF ANY JUDGMENT OR AWARD AGAINST LANDLORD OR ANY LANDLORD RELATED PARTY. NEITHER LANDLORD NOR ANY LANDLORD RELATED PARTY SHALL BE PERSONALLY LIABLE FOR ANY JUDGMENT OR DEFICIENCY, AND IN NO EVENT SHALL LANDLORD OR ANY LANDLORD RELATED PARTY BE LIABLE TO TENANT FOR ANY LOST PROFIT, DAMAGE TO OR LOSS OF BUSINESS OR ANY FORM OF SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGE. BEFORE FILING SUIT FOR AN ALLEGED DEFAULT BY LANDLORD, TENANT SHALL GIVE LANDLORD AND THE MORTGAGEE(S) WHOM TENANT HAS BEEN NOTIFIED HOLD MORTGAGES (DEFINED IN SECTION 23 BELOW), NOTICE AND REASONABLE TIME TO CURE THE ALLEGED DEFAULT.

21. Relocation.

Landlord, at its expense, at any time before or during the Term, may relocate Tenant from the Premises to space of reasonably comparable size and utility (**"Relocation Space"**) within the Building or adjacent buildings within the same project upon 60 days' prior written notice to Tenant. The Relocation Space must contain similar finishes (subject to availability of finishes) and approximately the same Rentable Square Footage as the Premises and the same number of work stations, offices, breakrooms and reception areas as are contained in the Premises as of the date Tenant receives Landlord's notice of relocation. From and after the date of the relocation, the Base Rent and Tenant's Pro Rata Share shall be adjusted based on the rentable square footage of the Relocation Space. Landlord shall pay Tenant's reasonable costs of relocation, including all costs for moving Tenant's furniture, equipment, supplies and other personal property, as well as the cost of printing and distributing change of address notices to Tenant's customers and one month's supply of stationery showing the new address. Landlord shall also

reimburse Tenant for the reasonable cost to install and connect telecommunication and data cabling in the Relocation Space in the manner and to the extent such cabling existed in the Premises prior to the relocation.

22. Holding Over.

If Tenant fails to surrender all or any part of the Premises at the termination of this Lease, occupancy of the Premises after termination shall be that of a tenancy at sufferance. Tenant's occupancy shall be subject to all the terms and provisions of this Lease, and Tenant shall pay an amount (on a per month basis without reduction for partial months during the holdover) equal to 150% of the sum of the Base Rent and Additional Rent due for the period immediately preceding the holdover. No holdover by Tenant or payment by Tenant after the termination of this Lease shall be construed to extend the Term or prevent Landlord from immediate recovery of possession of the Premises by summary proceedings or otherwise, If Landlord is unable to deliver possession of the Premises to a new tenant or to perform improvements for a new tenant as a result of Tenant's holdover and Tenant fails to vacate the Premises within 15 days after notice from Landlord, Tenant shall be liable for all damages that Landlord suffers from the holdover.

23. Subordination to Mortgages; Estoppel Certificate.

Tenant accepts this Lease subject and subordinate to any mortgage(s), deed(s) of trust, ground lease(s) or other lien(s) now or subsequently arising upon the Premises, the Building or the Property, and to renewals, modifications, refinancings and extensions thereof (collectively referred to as a **"Mortgage"**). The party having the benefit of a Mortgage shall be referred to as a **"Mortgagee"**. This clause shall be self-operative, but upon request from a Mortgagee, Tenant shall execute a commercially reasonable subordination agreement in favor of the Mortgagee. As an alternative, a Mortgagee shall have the right at any time to subordinate its Mortgage to this Lease. Upon request, Tenant, without charge, shall attorn to any successor to Landlord's interest in this Lease. Landlord and Tenant shall each, within 10 days after receipt of a written request from the other, execute and deliver a commercially reasonable estoppel certificate to those parties as are reasonably requested by the other (including a Mortgagee or prospective purchaser). Without limitation, such estoppel certificate may include a certification as to the status of this Lease, the existence of any defaults and the amount of Rent that is due and payable. Landlord hereby warrants to Tenant that no Mortgage encumbers the Building as of the date hereof.

24. Notice.

All demands, approvals, consents or notices (collectively referred to as a **"notice"**) shall be in writing and delivered by hand or sent by registered or certified mail with return receipt requested or sent by overnight or same day courier service at the party's respective Notice Address(es) set forth in Section 1. Each notice shall be deemed to have been received on the earlier to occur of actual delivery or the date on which delivery is refused, or, if Tenant has vacated the Premises or any other Notice Address of Tenant without providing a new Notice Address, 3 days after notice is deposited in the U.S. mail or with a courier service in the manner described above. Either party may, at any time, change its Notice Address (other than to a post office box address) by giving the other party written notice of the new address.

25. Surrender of Premises.

At the termination of this Lease or Tenant's right of possession, Tenant shall remove Tenant's Property from the Premises, and quit and surrender the Premises to Landlord, broom clean, and in good order, condition and repair, ordinary wear and tear and damage which Landlord is obligated to repair hereunder excepted. If Tenant fails to remove any of Tenant's Property within 2 days after termination of this Lease or Tenant's right to possession, Landlord, at Tenant's sole cost and expense, shall be entitled (but not obligated) to remove and store Tenant's Property. Landlord shall not be responsible for the value, preservation or safekeeping of Tenant's Property. Tenant shall pay Landlord, upon demand, the expenses and storage charges incurred. If Tenant fails to remove Tenant's Property from the Premises or storage, within 30 days after notice. Landlord may deem all or any part of Tenant's Property to be abandoned and title to Tenant's Property shall vest in Landlord.

26. Miscellaneous.

26.01 This Lease shall be interpreted and enforced in accordance with the Laws of the State of California and Landlord and Tenant hereby irrevocably consent to the jurisdiction and proper venue of such state or commonwealth. If any term or provision of this Lease shall to any extent be void or unenforceable, the remainder of this Lease shall not be affected. If there is more than one Tenant or if Tenant is comprised of more than one party or entity, the obligations imposed upon Tenant shall be joint and several obligations of all the parties and entities, and requests or demands from any one person or entity comprising Tenant shall be deemed to have been made by all such persons or entities. Notices to

any one person or entity shall be deemed to have been given to all persons and entities. Tenant represents and warrants to Landlord that each individual executing this Lease on behalf of Tenant is authorized to do so on behalf of Tenant and that Tenant is not, and the entities or individuals constituting Tenant or which may own or control Tenant or which may be owned or controlled by Tenant are not, among the individuals or entities identified on any list compiled pursuant to Executive Order 13224 for the purpose of Identifying suspected terrorists.

26.02 If either party institutes a suit against the other for violation of or to enforce any covenant, term or condition of this Lease, the prevailing party shall be entitled to all of its costs and expenses, including, without limitation, reasonable attorneys' fees. Landlord and Tenant hereby waive any right to trial by jury in any proceeding based upon a breach of this Lease. Either party's failure to declare a default immediately upon its occurrence, or delay in taking action for a default, shall not constitute a waiver of the default, nor shall it constitute an estoppel.

26.03 Whenever a period of time is prescribed for the taking of an action by Landlord or Tenant (other than the payment of the Security Deposit or Rent), the period of time for the performance of such action shall be extended by the number of days that the performance is actually delayed due to strikes, acts of God, shortages of labor or materials, war, terrorist acts, civil disturbances and other causes beyond the reasonable control of the performing party (**"Force Majeure"**).

26.04 Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations under this Lease and in the Building and Property. Upon transfer Landlord shall be released from any further obligations hereunder and Tenant agrees to look solely to the successor in interest of Landlord for the performance of such obligations, provided that, any successor pursuant to a voluntary, third party transfer (but not as part of an Involuntary transfer resulting from a foreclosure or deed in lieu thereof) shall have assumed Landlord's obligations under this Lease.

26.05 Landlord has delivered a copy of this Lease to Tenant for Tenant's review only and the delivery of it does not constitute an offer to Tenant or an option. Tenant represents that it has dealt directly with and only with the Broker as a broker in connection with this Lease. Tenant shall indemnify and hold Landlord and the Landlord Related Parties harmless from all claims of any other brokers claiming to have represented Tenant in connection with this Lease. Landlord shall indemnify and hold Tenant and the Tenant Related Parties harmless from all claims of any brokers claiming to have represented Landlord in connection with this Lease. Equity Office Properties Management Corp. (**"EOPMC"**) is an affiliate of Landlord and represents only the Landlord in this transaction. Any assistance rendered by any agent or employee of EOPMC in connection with this Lease or any subsequent amendment or modification hereto has been or will be made as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

26.06 Time is of the essence with respect to Tenant's exercise of any expansion, renewal or extension rights granted to Tenant. The expiration of the Term, whether by lapse of time, termination or otherwise, shall not relieve either party of any obligations which accrued prior to or which may continue to accrue after the expiration or termination of this Lease.

26.07 Tenant may peacefully have, hold and enjoy the Premises, subject to the terms of this Lease, provided Tenant pays the Rent and fully performs all of its covenants and agreements. This covenant shall be binding upon Landlord and its successors only during its or their respective periods of ownership of the Building.

26.08 This Lease does not grant any rights to light or air over or about the Building. Landlord excepts and reserves exclusively to itself any and all rights not specifically granted to Tenant under this Lease. This Lease constitutes the entire agreement between the parties and supersedes all prior agreements and understandings related to the Premises, including all lease proposals, letters of intent and other documents. Neither party is relying upon any warranty, statement or representation not contained in this Lease. This Lease may be modified only by a written agreement signed by an authorized representative of Landlord and Tenant.

26.09 **Standard of Reasonableness.** Except with regard to requests for consent or approval that require Landlord to make a determination of the aesthetics of certain signage, alterations or other things that would be visible from outside the Premises or Building or to assume certain risks, including, without limitation, the risk that a certain alteration, addition and/or improvement could adversely affect the mechanical systems or structure of the Building or require excess removal costs, Landlord and Tenant agree to act reasonably in granting approval or disapproval of any requests by the other for consent or approval.

Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership

By: EOM GP, L.L.C., a Delaware limited liability company, its general partner

By: Equity Office Management, L.L.C., a Delaware limited liability company, its non- member manager

By: /s/ Illegible

Name: Illegible

Title: Senior Vice President

TENANT:

MEDICINOVA, INC., a Delaware corporation

By: /s/ Takashi Kiyoizumi

Name: Dr. Takashi Kiyoizumi

Title: President & CEO

33-0927979

Tenant's Tax ID Number (SSN or FEIN)

EXHIBIT A

OUTLINE AND LOCATION OF PREMISES

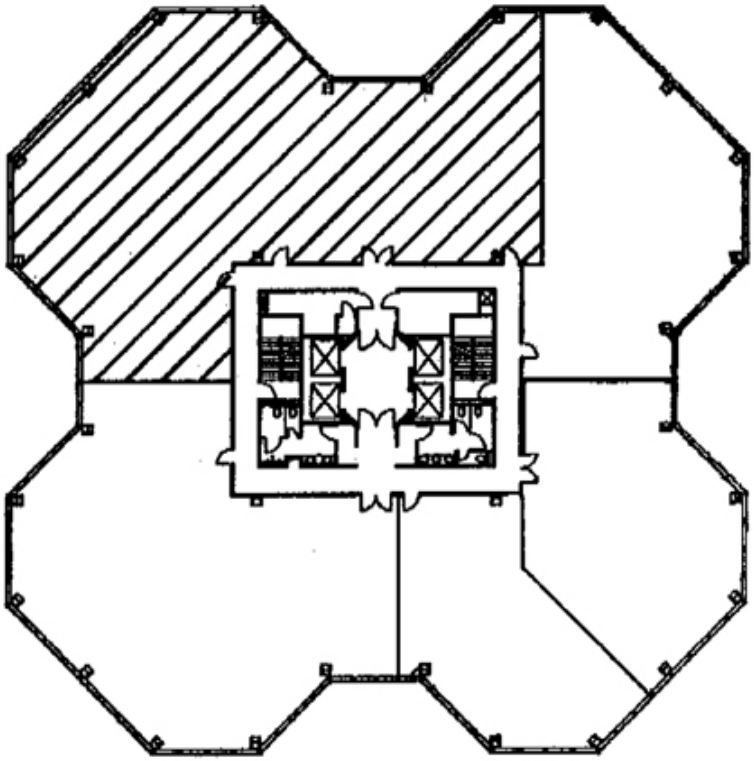

EXHIBIT B

EXPENSES AND TAXES

This Exhibit is attached to and made a part of the Lease by and between **CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership** (**"Landlord"**) and **MEDICINOVA, INC., a Delaware corporation** (**"Tenant"**) for space in the Building located at 4350 La Jolla Village Drive, San Diego, California.

1. **Payments.**

1.01 Tenant shall pay Tenant's Pro Rata Share of the amount, if any, by which Expenses (defined below) for each calendar year during the Term exceed Expenses for the Base Year (the **"Expense Excess"**) and also the amount, if any, by which Taxes (defined below) for each calendar year during the Term exceed Taxes for the Base Year (the **"Tax Excess"),** If Expenses or Taxes in any calendar year are equal to or decrease below the amount of Expenses or Taxes for the Base Year, Tenant's Pro Rata Share of Expenses or Taxes, as the case may be, for that calendar year shall be $0. Landlord shall provide Tenant with a good faith estimate of the Expense Excess and of the Tax Excess for each calendar year during the Term. On or before the first day of each month, Tenant shall pay to Landlord a monthly installment equal to one-twelfth of Tenant's Pro Rata Share of Landlord's estimate of both the Expense Excess and Tax Excess. After its receipt of the revised estimate, Tenant's monthly payments shall be based upon the revised estimate. If Landlord does not provide Tenant with an estimate of the Expense Excess or the Tax Excess by January 1 of a calendar year, Tenant shall continue to pay monthly installments based on the previous year's estimate(s) until Landlord provides Tenant with the new estimate.

1.02 As soon as is practical following the end of each calendar year, Landlord shall furnish Tenant with a statement of the actual Expenses and Expense Excess and the actual Taxes and Tax Excess for the prior calendar year. If the estimated Expense Excess or estimated Tax Excess for the prior calendar year is more than the actual Expense Excess or actual Tax Excess, as the case may be, for the prior calendar year, Landlord shall either provide Tenant with a refund or apply any overpayment by Tenant against Additional Rent due or next becoming due, provided if the Term expires before the determination of the overpayment, Landlord shall refund any overpayment to Tenant after first deducting the amount of Rent due. If the estimated Expense Excess or estimated Tax Excess for the prior calendar year is less than the actual Expense Excess or actual Tax Excess, as the case may be, for such prior year, Tenant shall pay Landlord, within 30 days after its receipt of the statement of Expenses or Taxes, any underpayment for the prior calendar year.

2. **Expenses.**

2.01 **"Expenses"** means all costs and expenses incurred in each calendar year in connection with operating, maintaining, repairing, and managing the Building and the Property. Expenses include, without limitation: (a) all labor and labor related costs, including wages, salaries, bonuses, taxes, insurance, uniforms, training, retirement plans, pension plans and other employee benefits; (b) management fees (not to exceed 5%); (c) the cost of equipping, staffing and operating an on-site and/or off-site management office for the Building, provided if the management office services one or more other buildings or properties, the shared costs and expenses of equipping, staffing and operating such management office(s) shall be equitably prorated and apportioned between the Building and the other buildings or properties; (d) accounting costs; (e) the cost of services; (f) rental and purchase cost of parts, supplies, tools and equipment; (g) insurance premiums and deductibles; (h) electricity, gas and other utility costs; and (i) the amortized cost of capital improvements (as distinguished from replacement parts or components installed in the ordinary course of business) made subsequent to the Base Year which are: (1) performed primarily to reduce current or future operating expense costs, upgrade Building security or otherwise improve the operating efficiency of the Property; or (2) required to comply with any Laws that are enacted, or first interpreted to apply to the Property, after the date of this Lease. The cost of capital improvements shall be amortized by Landlord over the lesser of the Payback Period (defined below) or the useful life of the capital improvement as reasonably determined by Landlord. The amortized cost of capital improvements may, at Landlord's option, include actual or imputed interest at the rate that Landlord would reasonably be required to pay to finance the cost of the capital improvement. **"Payback Period"** means the reasonably estimated period of time that it takes for the cost savings resulting from a capital improvement to equal the total cost of the capital improvement. Landlord, by itself or through an affiliate, shall have the right to directly perform, provide and be compensated for any services under this Lease. If Landlord incurs Expenses for the Building or Property together with one or more other buildings or properties, whether pursuant to a reciprocal easement agreement, common area agreement or otherwise, the shared costs and expenses shall be equitably prorated and apportioned between the Building and Property and the other buildings or properties.

2.02 Expenses shall not include: the cost of capital improvements (except as set forth above); depreciation; principal payments of mortgage and other non-operating debts of Landlord; the cost of repairs or other work to the extent Landlord is reimbursed by insurance or condemnation proceeds; costs in connection with leasing space in the Building, including brokerage commissions; lease concessions, rental abatements and construction allowances granted to specific tenants; costs incurred in connection with the sale, financing or refinancing of the Building; fines, interest and penalties incurred due to the late payment of Taxes or Expenses; organizational expenses associated with the creation and operation of the entity which constitutes Landlord; or any penalties or damages that Landlord pays to Tenant under this Lease or to other tenants in the Building under their respective leases.

2.03 If at any time during a calendar year the Building is not at least 95% occupied or Landlord is not supplying services to at least 95% of the total Rentable Square Footage of the Building, Expenses shall, at Landlord's option, be determined as if the Building had been 95% occupied and Landlord had been supplying services to 95% of the Rentable Square Footage of the Building, If Expenses for a calendar year are determined as provided in the prior sentence, Expenses for the Base Year shall also be determined in such manner. Notwithstanding the foregoing, Landlord may calculate the extrapolation of Expenses under this Section based on 100% occupancy and service so long as such percentage is used consistently for each year of the Term. The extrapolation of Expenses under this Section shall be performed in accordance with the methodology specified by the Building Owners and Managers Association.

3. **"Taxes"** shall mean: (a) all real property taxes and other assessments on the Building and/or Property, including, but not limited to, gross receipts taxes, assessments for special improvement districts and building improvement districts, governmental charges, fees and assessments for police, fire, traffic mitigation or other governmental service of purported benefit to the Property, taxes and assessments levied in substitution or supplementation in whole or in part of any such taxes and assessments and the Property's share of any real estate taxes and assessments under any reciprocal easement agreement, common area agreement or similar agreement as to the Property; (b) all personal property taxes for property that is owned by Landlord and used in connection with the operation, maintenance and repair of the Property; and (c) all costs and fees incurred in connection with seeking reductions in any tax liabilities described in (a) and (b), including, without limitation, any costs incurred by Landlord for compliance, review and appeal of tax liabilities. Without limitation, Taxes shall not include any income, capital levy, transfer, capital stock, gift, estate or inheritance tax. If a change in Taxes is obtained for any year of the Term during which Tenant paid Tenant's Pro Rata Share of any Tax Excess, then Taxes for that year will be retroactively adjusted and Landlord shall provide Tenant with a credit, if any, based on the adjustment. Likewise, if a change is obtained for Taxes for the Base Year, Taxes for the Base Year shall be restated and the Tax Excess for all subsequent years shall be recomputed. Tenant shall pay Landlord the amount of Tenant's Pro Rata Share of any such increase in the Tax Excess within 30 days after Tenant's receipt of a statement from Landlord.

4. **Audit Rights.** Tenant, within 365 days after receiving Landlord's statement of Expenses, may give Landlord written notice **("Review Notice")** that Tenant intends to review Landlord's records of the Expenses for the calendar year to which the statement applies. Within a reasonable time after receipt of the Review Notice. Landlord shall make all pertinent records available for inspection that are reasonably necessary for Tenant to conduct its review. If any records are maintained at a location other than the management office for the Building, Tenant may either inspect the records at such other location or pay for the reasonable cost of copying and shipping the records. If Tenant retains an agent to review Landlord's records, the agent must be with a CPA firm licensed to do business in the state or commonwealth where the Property is located. Tenant shall be solely responsible for all costs, expenses and fees incurred for the audit. However, notwithstanding the foregoing, if Landlord and Tenant determine that Expenses and Taxes for the Building for the year in question were less than stated by more than 5%, Landlord, within 30 days after its receipt of paid invoices therefor from Tenant, shall reimburse Tenant for the reasonable amounts paid by Tenant to third parties in connection with such review by Tenant. Within 90 days after the records are made available to Tenant, Tenant shall have the right to give Landlord written notice (an **"Objection Notice"**) stating in reasonable detail any objection to Landlord's statement of Expenses for that year. If Tenant fails to give Landlord an Objection Notice within the 90 day period or falls to provide Landlord with a Review Notice within the 365 day period described above. Tenant shall be deemed to have approved Landlord's statement of Expenses and shall be barred from raising any claims regarding the Expenses for that year. The records obtained by Tenant shall be treated as confidential. In no event shall Tenant be permitted to examine Landlord's records or to dispute any statement of Expenses unless Tenant has paid and continues to pay all Rent when due. The disbursement (if any) of any overpayment or underpayment as determined by this provision, shall be governed by section 1.02 of Exhibit B.

EXHIBIT C

WORK LETTER

This Exhibit is attached to and made a part of the Lease by and between **CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership** (**"Landlord"**) and **MEDICINOVA, INC., a Delaware corporation** (**"Tenant"**) for space in the Building located at 4350 La Jolla Village Drive, San Diego, California.

As used in this Workletter, the "Premises" shall be deemed to mean the Premises, as initially defined in the attached Lease.

1. Landlord, at its sole cost and expense (subject to the terms and provisions of Section 2 below) shall perform improvements to the Premises in accordance with the following work list (the **"Worklist"**) using Building standard methods, materials and finishes. The improvements to be performed in accordance with the Worklist are hereinafter referred to as the **"Landlord Work"**. Landlord shall enter into a direct contract for the Landlord Work with a general contractor selected by Landlord. In addition, Landlord shall have the right to select and/or approve of any subcontractors used in connection with the Landlord Work.

WORK LIST

a) Landlord, shall touch up existing painted areas using Building standard materials.

b) Landlord shall have all carpeted areas within the Premises professionally steam cleaned.

2. All other work and upgrades, subject to Landlord's approval, shall be at Tenant's sole cost and expense, plus any applicable state sales or use tax thereon, payable upon demand as Additional Rent. Tenant shall be responsible for any Tenant Delay in completion of the Premises resulting from any such other work and upgrades requested or performed by Tenant.

3. Landlord's supervision or performance of any work for or on behalf of Tenant shall not be deemed to be a representation by Landlord that such work complies with applicable insurance requirements, building codes, ordinances, laws or regulations or that the improvements constructed will be adequate for Tenant's use.

4. This Exhibit shall not be deemed applicable to any additional space added to the Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the original Term of the Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease.

EXHIBIT D
COMMENCEMENT LETTER

Intentionally Omitted

EXHIBIT E

BUILDING RULES AND REGULATIONS

The following rules and regulations shall apply, where applicable, to the Premises, the Building, the parking facilities (if any), the Property and the appurtenances. In the event of a conflict between the following rules and regulations and the remainder of the terms of the Lease, the remainder of the terms of the Lease shall control. Capitalized terms have the same meaning as defined in the Lease.

1. Sidewalks, doorways, vestibules, halls, stairways and other similar areas shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress and egress to and from the Premises. No rubbish, litter, trash, or material shall be placed, emptied, or thrown in those areas. At no time shall Tenant permit Tenant's employees to loiter in Common Areas or elsewhere about the Building or Property.
2. Plumbing fixtures and appliances shall be used only for the purposes for which designed and no sweepings, rubbish, rags or other unsuitable material shall be thrown or placed in the fixtures or appliances. Damage resulting to fixtures or appliances by Tenant, its agents, employees or invitees shall be paid for by Tenant and Landlord shall not be responsible for the damage.
3. No signs, advertisements or notices shall be painted or affixed to windows, doors or other parts of the Building, except those of such color, size, style and in such places as are first approved in writing by Landlord. All tenant identification and suite numbers at the entrance to the Premises shall be installed by Landlord, at Landlord's cost and expense, using the standard graphics for the Building. Except in connection with the hanging of lightweight pictures and wall decorations, no nails, hooks or screws shall be inserted into any part of the Premises or Building except by the Building maintenance personnel without Landlord's prior approval, which approval shall not be unreasonably withheld.
4. Landlord may provide and maintain in the first floor (main lobby) of the Building an alphabetical directory board or other directory device listing tenants and no other directory shall be permitted unless previously consented to by Landlord in writing.
5. Tenant shall not place any lock(s) on any door in the Premises or Building without Landlord's prior written consent, which consent shall not be unreasonably withheld, and Landlord shall have the right at all times to retain and use keys or other access codes or devices to all locks within and into the Premises. A reasonable number of keys to the locks on the entry doors in the Premises shall be furnished by Landlord to Tenant at Tenant's cost and Tenant shall not make any duplicate keys. All keys shall be returned to Landlord at the expiration or early termination of the Lease.
6. All contractors, contractor's representatives and installation technicians performing work in the Building shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld, and shall be required to comply with Landlord's standard rules, regulations, policies and procedures, which may be revised from time to time.
7. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by Tenant of merchandise or materials requiring the use of elevators, stairways, lobby areas or loading dock areas, shall be restricted to hours reasonably designated by Landlord. Tenant shall obtain Landlord's prior approval by providing a detailed listing of the activity, which approval shall not be unreasonably withheld. If approved by Landlord, the activity shall be under the supervision of Landlord and performed in the manner required by Landlord. Tenant shall assume all risk for damage to articles moved and injury to any persons resulting from the activity. If equipment, property, or personnel of Landlord or of any other party is damaged or injured as a result of or in connection with the activity. Tenant shall be solely liable for any resulting damage, loss or injury.
8. Landlord shall have the right to approve the weight, size, or location of heavy equipment or articles in and about the Premises, which approval shall not be unreasonably withheld. Damage to the Building by the installation, maintenance, operation, existence or removal of Tenant's Property shall be repaired at Tenant's sole expense.
9. Corridor doors, when not in use, shall be kept closed.
10. Tenant shall not: (1) make or permit any improper, objectionable or unpleasant noises or odors in the Building, or otherwise interfere in any way with other tenants or persons having business with them; (2) solicit business or distribute or cause to be distributed, in any portion of the Building, handbills, promotional materials or other advertising; or (3) conduct or permit other activities in the Building that might, in Landlord's sole opinion, constitute a nuisance.

11. No animals, except those assisting handicapped persons, shall be brought into the Building or kept in or about the Premises.

12. No inflammable, explosive or dangerous fluids or substances shall be used or kept by Tenant in the Premises, Building or about the Property, except for those substances as are typically found in similar premises used for general office purposes and are being used by Tenant in a safe manner and in accordance with all applicable Laws. Tenant shall not, without Landlord's prior written consent, use, store, install, spill, remove, release or dispose of, within or about the Premises or any other portion of the Property, any asbestos-containing materials or any solid, liquid or gaseous material now or subsequently considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq. or any other applicable environmental Law which may now or later be in effect. Tenant shall comply with all Laws pertaining to and governing the use of these materials by Tenant and shall remain solely liable for the costs of abatement and removal.

13. Tenant shall not use or occupy the Premises in any manner or for any purpose which might Injure the reputation or impair the present or future value of the Premises or the Building. Tenant shall not use, or permit any part of the Premises to be used for lodging, sleeping or for any illegal purpose.

14. Tenant shall not take any action which would violate Landlord's labor contracts or which would cause a work stoppage, picketing, labor disruption or dispute or interfere with Landlord's or any other tenant's or occupant's business or with the rights and privileges of any person lawfully in the Building (**"Labor Disruption"**). Tenant shall take the actions necessary to resolve the Labor Disruption, and shall have pickets removed and, at the request of Landlord, immediately terminate any work in the Premises that gave rise to the Labor Disruption, until Landlord gives its written consent for the work to resume. Tenant shall have no claim for damages against Landlord or any of the Landlord Related Parties nor shall the Commencement Date of the Term be extended as a result of the above actions.

15. Tenant shall not install, operate or maintain in the Premises or in any other area of the Building. electrical equipment that would overload the electrical system beyond its capacity for proper, efficient and safe operation as determined solely by Landlord. Tenant shall not furnish cooling or heating to the Premises, including, without limitation, the use of electric or gas heating devices, without Landlord's prior written consent. Tenant shall not use more than its proportionate share of telephone lines and other telecommunication facilities available to service the Building.

16. Tenant shall not operate or permit to be operated a coin or token operated vending machine or similar device (including, without limitation, telephones, lockers, toilets, scales, amusement devices and machines for sale of beverages, foods, candy, cigarettes and other goods), except for machines for the exclusive use of Tenant's employees and invitees.

17. Bicycles and other vehicles are not permitted inside the Building or on the walkways outside the Building, except in areas designated by Landlord.

18. Landlord may from time to time adopt systems and procedures for the security and safety of the Building and the Property, its occupants, entry, use and contents. Tenant, its agents, employees, contractors, guests and invitees shall comply with Landlord's systems and procedures.

19. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity by Tenant that in Landlord's sole opinion may impair the reputation of the Building or its desirability. Upon written notice from Landlord, Tenant shall refrain from and discontinue such publicity immediately.

20. Neither Tenant nor its agents, employees, contractors, guests or invitees shall smoke or permit smoking in the Common Areas, unless a portion of the Common Areas have been declared a designated smoking area by Landlord, nor shall the above parties allow smoke from the Premises to emanate into the Common Areas or any other part of the Building. Landlord shall have the right to designate the Building (including the Premises) as a non-smoking building.

21. Landlord shall have the right to designate and approve standard window coverings for the Premises and to establish rules to assure that the Building presents a uniform exterior appearance. Tenant shall ensure, to the extent reasonably practicable, that window coverings are closed on windows in the Premises while they are exposed to the direct rays of the sun.

22. Deliveries to and from the Premises shall be made only at the times in the areas and through the entrances and exits reasonably designated by Landlord. Tenant shall not make deliveries to or from the Premises in a manner that might interfere with the use by any other tenant of its

premises or of the Common Areas, any pedestrian use, or any use which is inconsistent with good business practice.

23. The work of cleaning personnel shall not be hindered by Tenant after 5:30 P.M., and cleaning work may be done at any time when the offices are vacant. Windows, doors and fixtures may be cleaned at any time. Tenant shall provide adequate waste and rubbish receptacles to prevent unreasonable hardship to the cleaning service.

EXHIBIT F

ADDITIONAL PROVISIONS

This Exhibit is attached to and made a part of the Lease by and between **CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership** (**"Landlord"**) and **MEDICINOVA, INC., a Delaware corporation** (**"Tenant"**) for space in the Building located at 4350 La Jolla Village Drive, San Diego, California.

I. RENEWAL OPTION.

A. Grant of Option; Conditions. Tenant shall have the right to extend the Term (the **"Renewal Option"**) for one additional period of 3 years commencing on the day following the Termination Date of the initial Term and ending on the 3rd anniversary of the Termination Date (the **"Renewal Term"**), if:

1. Landlord receives notice of exercise (**"Initial Renewal Notice"**) not less than 7 full calendar months prior to the expiration of the initial Term and not more than 10 full calendar months prior to the expiration of the initial Term; and
2. Tenant is not in default under the Lease beyond any applicable cure periods at the time that Tenant delivers its Initial Renewal Notice or at the time Tenant delivers its Binding Notice (as defined below); and
3. No part of the Premises is sublet (other than pursuant to a Permitted Transfer, as defined in Section 11 of the Lease) at the time that Tenant delivers its Initial Renewal Notice or at the time Tenant delivers its Binding Notice; and
4. The Lease has not been assigned (other than pursuant to a Permitted Transfer, as defined in Section 11 of the Lease) prior to the date that Tenant delivers its Initial Renewal Notice or prior to the date Tenant delivers its Binding Notice.

B. Terms Applicable to Premises During Renewal Term.

1. The initial Base Rent rate per rentable square foot for the Premises during the Renewal Term shall equal the Prevailing Market (hereinafter defined) rate per rentable square foot for the Premises. Base Rent during the Renewal Term shall increase, if at all, in accordance with the established annual increases assumed in the determination of Prevailing Market rate. Base Rent attributable to the Premises shall be payable in monthly installments in accordance with the terms and conditions of Section 4 of the Lease.
2. Tenant shall pay Additional Rent (i.e. Taxes and Expenses) for the Premises during the Renewal Term in accordance with Section 4 of the Lease, and the manner and method in which Tenant reimburses Landlord for Tenant's Pro Rata Share of Taxes and Expenses and the Base Year applicable thereto, shall be some of the factors considered in determining the Prevailing Market rate for the Renewal Term.

C. Initial Procedure for Determining Prevailing Market. Within 30 days after receipt of Tenant's Initial Renewal Notice, Landlord shall advise Tenant of the applicable Base Rent rate for the Premises for the Renewal Term. Tenant, within 15 days after the date on which Landlord advises Tenant of the applicable Base Rent rate for the Renewal Term, shall either (i) give Landlord final binding written notice (**"Binding Notice"**) of Tenant's exercise of its Renewal Option, or (ii) if Tenant disagrees with Landlord's determination, provide Landlord with written notice of rejection (the **"Rejection Notice"**). If Tenant fails to provide Landlord with either a Binding Notice or Rejection Notice within such 15 day period, Tenant's Renewal Option shall be null and void and of no further force and effect. If Tenant provides Landlord with a Binding Notice. Landlord and Tenant shall enter into the Renewal Amendment (as defined below) upon the terms and conditions set forth herein. If Tenant provides Landlord with a Rejection Notice, Landlord and Tenant shall work together in good faith to agree upon the Prevailing Market rate for the Premises during the Renewal Term. When Landlord and Tenant have agreed upon the Prevailing Market rate for the Premises, such agreement shall be reflected in a written agreement between Landlord and Tenant, whether in a letter or otherwise, and Landlord and Tenant shall enter into the Renewal Amendment in accordance with the terms and conditions hereof. Notwithstanding the foregoing, if Landlord and Tenant are unable to agree upon the Prevailing Market rate for the Premises within 30 days after the date Tenant provides

Landlord with the Rejection Notice, Tenant, by written notice to Landlord (the **"Arbitration Notice"**) within 5 days after the expiration of such 30 day period, shall have the right to have the Prevailing Market rate determined in accordance with the arbitration procedures described in Section D below. If Landlord and Tenant are unable to agree upon the Prevailing Market rate for the Premises within the 30 day period described and Tenant falls to timely exercise its right to arbitrate, Tenant's Renewal Option shall be deemed to be null and void and of no further force and effect.

D. Arbitration Procedure.

1. If Tenant provides Landlord with an Arbitration Notice, Landlord and Tenant, within 5 days after the date of the Arbitration Notice, shall each simultaneously submit to the other, in a sealed envelope, its good faith estimate of the Prevailing Market rate for the Premises during the Renewal Term (collectively referred to as the **"Estimates"**). If the higher of such Estimates is not more than 105% of the lower of such Estimates, then Prevailing Market rate shall be the average of the two Estimates. If the Prevailing Market rate is not resolved by the exchange of Estimates, then, within 7 days after the exchange of Estimates, Landlord and Tenant shall each select an appraiser to determine which of the two Estimates most closely reflects the Prevailing Market rate for the Premises during the Renewal Term. Each appraiser so selected shall be certified as an MAI appraiser or as an ASA appraiser and shall have had at least 5 years experience within the previous 10 years as a real estate appraiser working in University Towne Centre, with working knowledge of current rental rates and practices. For purposes hereof, an "MAI" appraiser means an individual who holds an MAI designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization, or in the event there is no successor organization, the organization and designation most similar), and an "ASA" appraiser means an individual who holds the Senior Member designation conferred by, and is an independent member of, the American Society of Appraisers (or its successor organization, or, in the event there is no successor organization, the organization and designation most similar).

2. Upon selection, Landlord's and Tenant's appraisers shall work together in good faith to agree upon which of the two Estimates most closely reflects the Prevailing Market rate for the Premises. The Estimate chosen by such appraisers shall be binding on both Landlord and Tenant as the Base Rent rate for the Premises during the Renewal Term. If either Landlord or Tenant fails to appoint an appraiser within the 7 day period referred to above, the appraiser appointed by the other party shall be the sole appraiser for the purposes hereof. If the two appraisers cannot agree upon which of the two Estimates most closely reflects the Prevailing Market within 20 days after their appointment, then, within 10 days after the expiration of such 20 day period, the two appraisers shall select a third appraiser meeting the aforementioned criteria. Once the third appraiser (i.e. arbitrator) has been selected as provided for above, then, as soon thereafter as practicable but in any case within 14 days, the arbitrator shall make his determination of which of the two Estimates most closely reflects the Prevailing Market rate and such Estimate shall be binding on both Landlord and Tenant as the Base Rent rate for the Premises. If the arbitrator believes that expert advice would materially assist him, he may retain one or more qualified persons to provide such expert advice. The parties shall share equally in the costs of the arbitrator and of any experts retained by the arbitrator. Any fees of any appraiser, counsel or experts engaged directly by Landlord or Tenant, however, shall be borne by the party retaining such appraiser, counsel or expert.

3. If the Prevailing Market rate has not been determined by the commencement date of the Renewal Term, Tenant shall pay Base Rent upon the terms and conditions in effect during the last month of the initial Term for the Premises until such time as the Prevailing Market rate has been determined. Upon such determination, the Base Rent for the Premises shall be retroactively adjusted to the commencement of the Renewal Term for the Premises. If such adjustment results in an underpayment of Base Rent by Tenant, Tenant shall pay Landlord the amount of such underpayment within 30 days after the determination thereof. If such adjustment results in an overpayment of Base Rent by Tenant, Landlord shall credit such overpayment against the next installment of Base Rent due under the Lease and, to the extent necessary, any subsequent installments, until the entire amount of such overpayment has been credited against Base Rent.

E. Renewal Amendment. If Tenant is entitled to and properly exercises its Renewal Option, Landlord shall prepare an amendment (the "Renewal Amendment") to reflect changes in the Base Rent, Term, Termination Date and other appropriate terms. The Renewal Amendment shall be sent to Tenant within a reasonable time after Landlord's receipt of the Binding Notice or other written agreement by Landlord and Tenant regarding the Prevailing Market rate, and Tenant shall execute and return the Renewal Amendment to Landlord within 15 days after Tenant's receipt of same, but, upon final determination of the Prevailing Market rate applicable during the Renewal Term as described herein, an otherwise valid exercise of the Renewal Option shall be fully effective whether or not the Renewal Amendment is executed.

F. Definition of Prevailing Market. For purposes of this Renewal Option, "Prevailing Market" shall mean the arms length fair market annual rental rate per rentable square foot under renewal leases and amendments entered into on or about the date on which the Prevailing Market is being determined hereunder for space comparable to the Premises in the Building. The determination of Prevailing Market shall take into account any material economic differences between the terms of this Lease and any comparison lease or amendment, such as rent abatements, construction costs and other concessions and the manner, if any, in which the landlord under any such lease is reimbursed for operating expenses and taxes. The determination of Prevailing Market shall also take into consideration any reasonably anticipated changes in the Prevailing Market rate from the time such Prevailing Market rate is being determined and the time such Prevailing Market rate will become effective under this Lease.

G. Subordination. Notwithstanding anything herein to the contrary, Tenant's Renewal Option is subject and subordinate to the expansion rights (whether such rights are designated as a right of first offer, right of first refusal, expansion option or otherwise) of Heller Ehrman or its successors or assignees.

EXHIBIT G

PARKING AGREEMENT

This Exhibit (the **"Parking Agreement"**) is attached to and made a part of the Lease by and between **CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership** (**"Landlord"**) and **MEDICINOVA, INC., a Delaware corporation** (**"Tenant"**) for space in the Building located at 4350 La Jolla Village Drive, San Diego, California.

1. The capitalized terms used in this Parking Agreement shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Parking Agreement. In the event of any conflict between the Lease and this Parking Agreement, the latter shall control.

2. During the initial Term, Tenant shall have the right to lease from Landlord and Landlord agrees to lease to Tenant a total of up to 22 non-reserved parking spaces in the parking facility servicing the Building (**"Parking Facility"**). During the initial Term, Tenant shall pay in advance, concurrent with Tenant's payment of monthly Base Rent, the prevailing monthly charges established from time to time for parking in the Parking Facility. Such charges shall be payable to Landlord or such other entity as designated by Landlord, and shall be sent to the address Landlord designates from time to time. The initial charge for such parking spaces is **$50.00** per non-reserved parking space, per month. No deductions from the monthly charge shall be made for days on which the Parking Facility is not used by Tenant. As of the Commencement Date, Tenant shall Lease a minimum of 10 non-reserved parking spaces which Tenant shall use during the Term, but in no event in excess of the maximum number of non-reserved parking spaces set forth in this Section 2. Tenant may increase the number of non-reserved parking spaces to be used by Tenant pursuant to this Section 2 upon a minimum of 10 days prior written notice to Landlord. Thereafter, Tenant may, from time to time request additional parking spaces, and if Landlord shall provide the same, such parking spaces shall be provided and used on a month-to-month basis, and otherwise on the foregoing terms and provisions, and at such prevailing monthly parking charges as shall be established from time to time.

3. Tenant shall at all times comply with all applicable ordinances, rules, regulations, codes, laws, statutes and requirements of all federal, state, county and municipal governmental bodies or their subdivisions respecting the use of the Parking Facility. Landlord reserves the right to adopt, modify and enforce reasonable rules (**"Rules"**) governing the use of the Parking Facility from time to time including any key-card, sticker or other identification or entrance system and hours of operation. The Rules set forth herein are currently in effect. Landlord may refuse to permit any person who violates such Rules to park in the Parking Facility, and any violation of the Rules shall subject the car to removal from the Parking Facility.

4. Unless specified to the contrary above, the parking spaces hereunder shall be provided on a non-designated "first-come, first-served" basis. Tenant acknowledges that Landlord has no liability for claims arising through acts or omissions of any independent operator of the Parking Facility, Landlord shall have no liability whatsoever for any damage to items located in the Parking Facility, nor for any personal injuries or death arising out of any matter relating to the Parking Facility, and in all events, Tenant agrees to look first to its insurance carrier and to require that Tenant's employees look first to their respective insurance carriers for payment of any losses sustained in connection with any use of the Parking Facility. Tenant hereby waives on behalf of its insurance carriers all rights of subrogation against Landlord or Landlord's agents. Landlord reserves the right to assign specific parking spaces, and to reserve parking spaces for visitors, small cars, handicapped persons and for other tenants, guests of tenants or other parties, which assignment and reservation or spaces may be relocated as determined by Landlord from time to time, and Tenant and persons designated by Tenant hereunder shall not park in any location designated for such assigned or reserved parking spaces. Tenant acknowledges that the Parking Facility may be closed entirely or in part in order to make repairs or perform maintenance services, or to alter, modify, re-stripe or renovate the Parking Facility, or if required by casualty, strike, condemnation, act of God, governmental law or requirement or other reason beyond the operator's reasonable control. In such event, Landlord shall refund any prepaid parking fee hereunder, prorated on a per diem basis.

5. If Tenant shall default under this Parking Agreement, the operator shall have the right to remove from the Parking Facility any vehicles hereunder which shall have been involved or shall have been owned or driven by parties involved in causing such default, without liability therefor whatsoever. In addition, if Tenant shall default under this Parking Agreement, Landlord shall have the right to cancel this Parking Agreement on 10 days' written notice, unless within such 10 day period. Tenant cures such default. If Tenant defaults with respect to the same term or condition under this Parking Agreement more than 3 times during any 12 month period, and Landlord notifies Tenant thereof promptly after each such default, the next default of such term or condition during the succeeding

12 month period, shall, at Landlord's election, constitute an incurable default. Such cancellation right shall be cumulative and in addition to any other rights or remedies available to Landlord at law or equity, or provided under the Lease (all of which rights and remedies under the Lease are hereby incorporated herein, as though fully set forth). Any default by Tenant under the Lease shall be a default under this Parking Agreement, and any default under this Parking Agreement shall be a default under the Lease.

RULES

(i) Landlord reserves the right to establish and change Parking Facility hours from time to time, although, as of the date of this Lease, Tenant shall have access to the Parking Facility on a 24-hour basis, 7 days a week, subject to the other terms of this Parking Agreement. Tenant shall not store or permit its employees to store any automobiles in the Parking Facility without the prior written consent of the operator. Except for emergency repairs, Tenant and its employees shall not perform any work on any automobiles while located in the Parking Facility, or on the Property. If it is necessary for Tenant or its employees to leave an automobile in the Parking Facility overnight, Tenant shall provide the operator with prior notice thereof designating the license plate number and model of such automobile.

(ii) Cars must be parked entirely within the stall lines painted on the floor, and only small cars may be parked in areas reserved for small cars.

(iii) All directional signs and arrows must be observed.

(iv) The speed limit shall be 5 miles per hour.

(v) Parking spaces reserved for handicapped persons must be used only by vehicles properly designated.

(vi) Parking is prohibited in all areas not expressly designated for parking, including without limitation:

(a) Areas not striped for parking

(b) aisles

(c) where "no parking" signs are posted

(d) ramps

(e) loading zones

(vii) Parking stickers, key cards or any other devices or forms of identification or entry supplied by the operator shall remain the property of the operator. Such device must be displayed as requested and may not be mutilated in any manner. The serial number of the parking identification device may not be obliterated. Parking passes and devices are not transferable and any pass or device in the possession of an unauthorized holder will be void.

(viii) Monthly fees shall be payable in advance prior to the first day of each month. Failure to do so will automatically cancel parking privileges and a charge at the prevailing daily parking rate will be due. No deductions or allowances from the monthly rate will be made for days on which the Parking Facility is not used by Tenant or its designees.

(ix) Parking Facility managers or attendants are not authorized to make or allow any exceptions to these Rules.

(x) Every parker is required to park and lock his/her own car.

(xi) Loss or theft of parking pass, identification, key cards or other such devices must be reported to Landlord and to the Parking Facility manager immediately. Any parking devices reported lost or stolen found on any authorized car will be confiscated and the illegal holder will be subject to prosecution. Lost or stolen passes and devices found by Tenant or its employees must be reported to the office of the Parking Facility immediately.

(xii) Washing, waxing, cleaning or servicing of any vehicle by the customer and/or his agents is prohibited. Parking spaces may be used only for parking automobiles.

(xiii) Tenant agrees to acquaint all persons to whom Tenant assigns a parking space with these Rules.

6. TENANT ACKNOWLEDGES AND AGREES THAT, TO THE FULLEST EXTENT PERMITTED BY LAW, LANDLORD SHALL NOT BE RESPONSIBLE FOR ANY LOSS OR DAMAGE TO TENANT

OR TENANTS PROPERTY (INCLUDING, WITHOUT LIMITATIONS, ANY LOSS OR DAMAGE TO TENANT'S AUTOMOBILE OR THE CONTENTS THEREOF DUE TO THEFT, VANDALISM OR ACCIDENT) ARISING FROM OR RELATED TO TENANT'S USE OF THE PARKING FACILITY OR EXERCISE OF ANY RIGHTS UNDER THIS PARKING AGREEMENT, WHETHER OR NOT SUCH LOSS OR DAMAGE RESULTS FROM LANDLORD'S ACTIVE NEGLIGENCE OR NEGLIGENT OMISSION. THE LIMITATION ON LANDLORD'S LIABILITY UNDER THE PRECEDING SENTENCE SHALL NOT APPLY HOWEVER TO LOSS OR DAMAGE ARISING DIRECTLY FROM LANDLORD'S WILLFUL MISCONDUCT.

7. Without limiting the provisions of Paragraph 6 above, Tenant hereby voluntarily releases, discharges, waives and relinquishes any and all actions or causes of action for personal injury or property damage occurring to Tenant arising as a result of parking in the Parking Facility, or any activities incidental thereto, wherever or however the same may occur, and further agrees that Tenant will not prosecute any claim for personal injury or property damage against Landlord or any of its officers, agents, servants or employees for any said causes of action. It is the intention of Tenant by this instrument, to exempt and relieve Landlord from liability for personal injury or property damage caused by negligence.

8. The provisions of Section 20 of the Lease are hereby incorporated by reference as if fully recited.

Tenant acknowledges that Tenant has read the provisions of this Parking Agreement, has been fully and completely advised of the potential dangers incidental to parking in the Parking Facility and is fully aware of the legal consequences of agreeing to this instrument.

FIRST AMENDMENT

THIS FIRST AMENDMENT (the **"Amendment"**) is made and entered into as of Aug 10, 2004, by and between **CA-LA JOLLA II LIMITED PARTNERSHIP**, a Delaware limited partnership ("**Landlord**") and **MEDICINOVA, INC., a Delaware corporation** (**"Tenant"**).

RECITALS

A. Landlord and Tenant are parties to that certain lease dated January 28, 2004 (the **"Lease"**). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately **6,642** rentable square feet (the **"Original Premises"**) described as Suite No. 950 on the 9th floor of the building commonly known as Smith Barney Tower located at 4350, La Jolla Village Drive, San Diego, California (the **"Building"**).

B. Tenant has requested that additional space containing approximately **4,725** rentable square feet described as Suite No. 900 on the 9th floor of the Building shown on **Exhibit A** hereto (the **"Suite 900 Expansion Space"**) be added to the Premises and that the Lease be appropriately amended and Landlord is willing to do the same on the following terms and conditions.

C. The Lease by its terms shall expire on February 7, 2006 (**"Prior Termination Date"**), and the parties desire to extend the Term of the Lease, ail on the following terms and conditions.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Expansion.**

1.01 Effective as of the later to occur of (i) the date that Landlord completes the Landlord Work, as defined in Exhibit B attached hereto, or (ii) September 1, 2004 (the **"Suite 900 Expansion Effective Date"**), the Premises, as defined in the Lease, is increased from 6,642 rentable square feet on the 9th floor to **11,367** rentable square feet on the 9th floor by the addition of the Suite 900 Expansion Space, and from and after the Suite 900 Expansion Effective Date, the Original Premises and the Suite 900 Expansion Space, collectively, shall be deemed the Premises, as defined in the Lease. The Term for the Suite 900 Expansion Space shall commence on the Suite 900 Expansion Effective Date and end on the Extended Termination Date (as hereinafter defined). The Suite 900 Expansion Space is subject to all the terms and conditions of the Lease except as expressly : modified herein and except that Tenant shall not be entitled to receive any allowances, abatements or other financial concessions granted with respect to the Original Premises unless such concessions are expressly provided for herein with respect to the Suite 900 Expansion Space.

2. **Extension.** The Term of the Lease is hereby extended for a period of 24 months and 22 days and shall expire on February 29, 2008 (**"Extended Termination Date"**), unless sooner terminated in accordance with the terms of the Lease. That portion of the Term commencing the day immediately following the Prior Termination Date (**"Extension Date"**) and ending on the Extended Termination Date shall be referred to herein as the **"Extended Term"**.

3. **Base Rent.**

3.01. **Original Premises Through Prior Termination Date.** the Base Rent, Additional Rent and all other charges under the Lease shall be payable as provided therein with respect to the Original Premises through and Including the Prior Termination Date.

3.02. **Original Premises From and After Extension Date.** As of the Extension Date, the schedule of Base Rent payable with respect to the Original Premises during the Extended Term, is the following:

Period	Annual Rate Per Square Foot	Monthly Base Rent
February 8, 2006 – February 7, 2007	$38.40	$21,254.40
February 8, 2007 – February 7, 2008	$39.60	$21,918.60
February 8, 2008 – February 29, 2008	$39.60	$16,627.82 ($755.81 per diem x 22 days)

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

3.03. **Suits 900 Expansion Space From Suite 900 Expansion Effective Date Through Extended Termination Date.** As of the Suite 900 Expansion Effective Date, the schedule of Base Rent payable with respect to the Suite 900 Expansion Space for the balance of the original Term and the Extended Term is the following:

Period	Annual Rate Per Square Foot	Monthly Base Rent
9/1/04 – 1/31/05	$36.00	$14,175.00
2/1/05 – 2/07/05	$36.00	$3,543.75 ($506.25 per diem x 7 days)
2/8/05 – 2/7/06	$37.20	$14,647.50
2/8/06 – 2/7/07	$38.40	$15,120.00
2/8/07 – 2/7/08	$39.60	$15,592.50
2/8/08 – 2/29/08	$39.60	$11,828.74 ($537.67 per diem x 22 days)

Notwithstanding anything in this Section of the Lease to the contrary, so long as Tenant is not in Default under the Lease, Tenant shall be entitled to an abatement of Base Rent with respect to the Premises in the amount of $6,350.00 per month for 7 consecutive full calendar months of the Term, beginning on the Suite 900 Expansion Effective Date and ending on the date that is seven (7) months thereafter (the **"Base Rent Abatement Period"**). The total amount of Base Rent abated during the Base Rent Abatement Period shall equal $44,450.00 (the **"Abated Base Rent"**). If the Suite 900 Expansion Effective Date occurs on a date other than September 1, 2004, the payment schedule above shall be adjusted accordingly, if Tenant Defaults at any time during the remainder of the Term or the Extended Term and falls to cure such Default within any applicable cure period under the Lease, all Abated Base Rent shall immediately become due and payable. The payment by Tenant of the Abated Base Rent in the event of a Default shall not limit or affect any of Landlord's other rights, pursuant to this Amendment or the Lease or at law or in equity. During the Base Rent Abatement Period, only Base Rent shall be abated, and all Additional Rent and other costs and charges specified in this Amendment and the Lease shall remain as due and payable pursuant to the provisions of the Lease and this Amendment.

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

4. **Additional Security Deposit.** Upon Tenant's execution hereof, Tenant shall pay Landlord the sum of $31,185.00 which is added to and becomes part of the Security Deposit held by Landlord as provided under Section 1.08 of the Lease as security for payment of Rent and the performance of the other terms and conditions of the Lease by Tenant. Accordingly, simultaneous with the execution hereof, the Security Deposit is increased from $41,180.40 to $72,365.40.

5. **Tenant's Pro Rata Share.** For the period commencing with the Suite 900 Expansion Effective Date and ending on the Extended Termination Date, Tenant's Pro Rata Share for the Suite 900 Expansion Space is 2.5133%.

6. **Expenses and Taxes.**

6.01. **Original Premises for the Extended Term.** For the period commencing with the Extension Date and ending on the Extended Termination Date, Tenant shall pay for Tenant's Pro Rata Share of Expenses and Taxes applicable to the Original Premises in accordance with the terms of the Lease.

6.02. **Suite 900 Expansion Space From Suite 900 Expansion Effective Date Through Extended Termination Date.** For the period commencing with the Suite 900 Expansion Effective Date and ending on the Extended Termination Date, Tenant shall pay for Tenant's Pro Rata Share of Expenses and Taxes applicable to the Suite 900 Expansion Space in accordance with the terms of the Lease, provided, however, during such period, the Base Year for the computation of Tenant's, Pro Rata Share of Expenses and Taxes applicable to the Suite 900 Expansion Space is 2004.

7. **Improvements to the Premises Including Suite 900 Expansion Space.**

7.01. **Condition of the Premises including Suite 900 Expansion Space.** Tenant is in possession of the Original Premises and agrees to accept the same in "as is" condition without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements. Tenant has inspected the Suite 900 Expansion Space and agrees to accept the same "as is" without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements.

7.02. **Responsibility for Improvements to Premises including Suite 900 Expansion Space.** Notwithstanding contrary provisions in Section 7.01 above, Landlord agrees to perform the Landlord Work, as defined in Exhibit B attached hereto, to the Premises including the Suite 900 Expansion Space in accordance with the Work Letter attached hereto as **Exhibit B.**

8. **Early Access to Suite 900 Expansion Space.** If Tenant is permitted to take possession of the Suite 900 Expansion Space before the Suite 900 Expansion Effective Date, such possession shall be subject to the terms and conditions of the Lease and this Amendment and Tenant shall pay Base Rent and Additional Rent applicable to the Suite 900 Expansion Space to Landlord for each day of possession prior to the Suite 900 Expansion Effective Date. However, except for the cost of services requested by Tenant (e.g. freight elevator usage), Tenant shall not be required to pay Rent for the Suite 900 Expansion Space for any days of possession before the Suite 900 Expansion Effective Date during which Tenant, with the approval of Landlord, is in possession of the Suite 900 Expansion Space for the sole purpose of performing improvements or installing furniture, equipment or other personal property.

9. **Other Pertinent Provisions.** Landlord and Tenant agree that, effective as of the date of this Amendment (unless different effective date(s) is/are specifically referenced in this Section), the Lease shall be amended in the following additional respects:

9.01. **Parking.** For the period commencing with the Suite 900 Expansion Effective Date and ending on the Extended Termination Date and pursuant to the terms and conditions set forth in Exhibit G, "Parking Agreement" of the Lease, Landlord hereby grants to Tenant the right to lease 16 additional unreserved parking spaces in the Parking Facility. Tenant shall pay Landlord the monthly charges for parking in the Parking Facility, payable in advance, with Tenant's payment of monthly Base Rent. The charge for such parking spaces is $00.00 per non-reserved parking space, per month, which charge shall be in effect until April 30, 2005, thereafter the charge for such parking spaces shall be $50.00 per non-reserved parking space per month. No deductions from the monthly charge shall be made for days on which the Parking Facility is not used by Tenant.

9.02. **Renewal Option.** Effective as of the Suite 900 Expansion Effective Date, the Renewal Option as set forth in Exhibit F of the Lease shall also be applicable to the Suite 900 Expansion Space.

10. Miscellaneous.

10.01. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any Rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment. Tenant agrees that neither Tenant nor its agents or any other parties acting on behalf of Tenant shall disclose any matters set forth in this Amendment or disseminate or distribute any information concerning the terms, details or conditions hereof to any person, firm or entity without obtaining the express written consent of Landlord.

10.02. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

10.03. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

10.04. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

10.05. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.

10.06. Tenant hereby represents to Landlord that Tenant has dealt with no broker other than Staubach Company in connection with this Amendment. Tenant agrees to indemnify and hold Landlord, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents (collectively, the **"Landlord Related Parties"**) harmless from all claims of any brokers claiming to have represented Tenant in connection with this Amendment. Landlord hereby represents to Tenant that Landlord has dealt with no broker other than Staubach Company in connection with this Amendment. Landlord agrees to indemnify and hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents (collectively, the **"Tenant Related Parties"**) harmless from all claims of any brokers claiming to have represented Landlord in connection with this Amendment.

10.07. Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.

10.08. Equity Office Properties Management Corp. (**"EOPMC"**) is an affiliate of Landlord and represents only the Landlord in this transaction. Any assistance rendered by any agent or employee of EOPMC in connection with this Lease or any subsequent amendment or modification hereto has been or will be made as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

[SIGNATURES ARE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

CA-LA JOLLA II LIMITED PARTNERSHIP,
a Delaware limited partnership

By: EOM GP, L.L.C., a Delaware limited liability company, its general partner

By: Equity Office Management, L.L.C., a Delaware limited liability company, its non-member manager

By: /s/ Frank R. Campbell
Name: Frank R. Campbell
Title: Vice President

TENANT:

MEDICINOVA, INC., a Delaware corporation

By: /s/ Takashi Kiyoizumi
Name: Takashi Kiyoizumi
Title: President & CEO

EXHIBIT A

OUTLINE AND LOCATION OF SUITE 900 EXPANSION SPACE

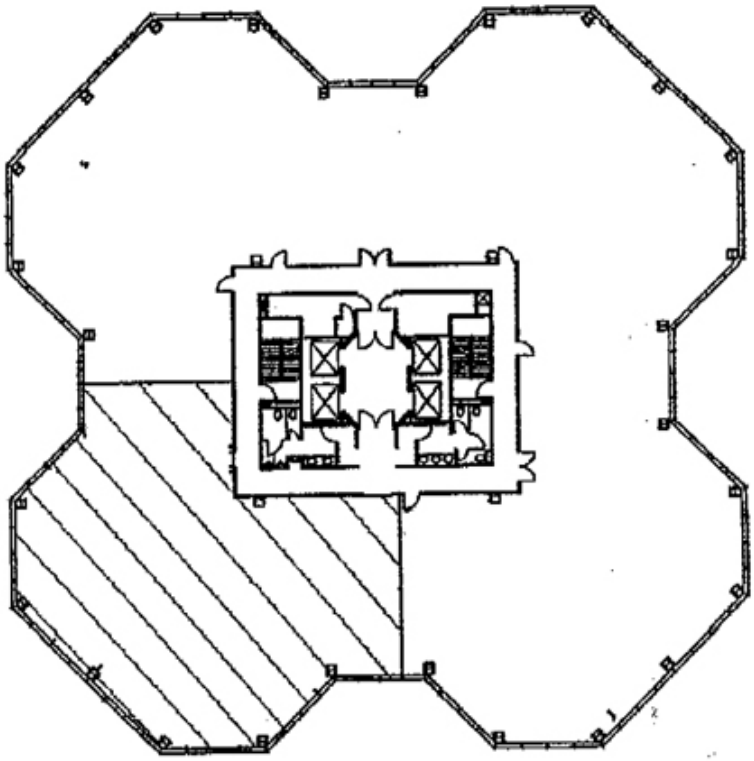

EXHIBIT B

WORK LETTER

This Work Letter is attached to and made a part of the First Amendment by and between **CA-LA JOLLA II LIMITED PARTNERSHIP, a Delaware limited partnership** ("Landlord") and **MEDICINOVA, INC., a Delaware corporation** ("Tenant") for space in the Building commonly known as Smith Barney Tower located at 4350 La Jolla Village Drive, San Diego, California.

As used in this Work Letter, the "Premises" shall be deemed to mean the Original Premises and Suite 900 Expansion Space, as initially defined in the attached Amendment.

1. Landlord, at its sole cost and expense (subject to the terms and provisions of Section 2 below) shall perform improvements to the Premises in accordance with the following work list (the **"Worklist"**) using Building standard methods, materials and finishes. The improvements to be performed in accordance with the Worklist are hereinafter referred to as the **"Landlord Work"**. Landlord shall enter into a direct contract for the Landlord Work with a general contractor selected by Landlord. In addition, Landlord shall have the right to select and/or approve of any subcontractors used in connection with the Landlord Work.

WORK LIST

- Remove 3 interior walls separating Suite 900 and Suite 950 using Building standard materials, methods and finishes. In the area specifically affected by the removal of the 3 interior walls, as necessary, Landlord shall perform the following: install ceiling headers and/or patch the ceiling tile and grid, rebalance the HVAC, modify the lighting, patch the existing carpet and touch up paint the painted walls in the area that was affected by the demolition of the 3 walls.
- Perform exiting modifications to Suite 900 and/or Suite 950 that may be required once the three interior walls are removed and the suites are combined.

2. All other work and upgrades, subject to Landlord's approval, shall be at Tenant's sole cost and expense, plus any applicable state sales or use tax thereon, payable upon demand as Additional Rent. Tenant shall be responsible for any delay in completion of the Premises resulting from any such other work and upgrades requested or performed by Tenant.

3. Landlord's supervision or performance of any work for or on behalf of Tenant shall not be deemed to be a representation by Landlord that such work complies with applicable insurance requirements, building codes, ordinances, laws or regulations or that the improvements constructed will be adequate for Tenant's use.

4. Tenant acknowledges that the Landlord Work may be performed by Landlord in the Premises during Building Service Hours. Landlord and Tenant agree to cooperate with each other in order to enable the Landlord Work to be performed in a timely manner and with as little inconvenience to the operation of Tenant's business as is reasonably possible. Notwithstanding anything herein to the contrary, any delay in the completion of the Landlord Work or inconvenience suffered by Tenant during the performance of the Landlord Work shall not subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of Rent or other sums payable under the Lease, except as otherwise described in this Amendment and except to the extent that such loss, damage or delay is the result of Landlord's gross negligence or willful misconduct.

5. This Exhibit shall not be deemed applicable to any additional space added to the Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the original Term of the Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease.

EXHIBIT 10.20

CONSULTING AGREEMENT

This AGREEMENT dated as of November 22, 2004 (the "**Effective Date**"), is by and between MediciNova, Inc., a Delaware corporation having an office at 4350 La Jolla Village Drive, Suite 950, San Diego CA 92122 (the "**Company**") and Yuichi Iwaki, M.D., Ph.D. (the "**Consultant**").

W I T N E S S E T H:

WHEREAS, the Company retained the services of the Consultant pursuant to approval by the Company's board of directors (the "**Board**") on September 4, 2001 to provide consulting services in connection with, among other things, the Company's financing and business development activities (the "**Services**");

WHEREAS, the Company and the Consultant subsequently entered into that certain Amendment dated November 26, 2003, whereby the monthly fee paid to the Consultant in connection with the Services was increased; and

WHEREAS, the Company and the Consultant mutually desire to reduce their on-going business relationship to a writing under the terms hereof.

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the parties hereto do hereby agree as follows:

1. TERM

The Company hereby retains the Consultant commencing on the Effective Date and expiring upon termination pursuant to Paragraph 6 hereof (the "**Term**").

2. DUTIES

Subject at all times to the consultation with the President and the Board or their designated representatives, the Consultant shall be retained as a consultant to assist and advise the Company in connection with the Company's financing and business development activities.

3. CONFIDENTIAL INFORMATION

Any information, including, but not limited to, information relating to the business, marketing plans and policies of the Company or its affiliates, supplied to the Consultant by the Company (either directly or indirectly, and in whatever form) shall be deemed to be confidential and proprietary and the property of the Company with the exception of information which (a) is at the time of disclosure, or thereafter becomes, a part of public knowledge or literature through no act or omission by the Consultant, (b) was already known to the Consultant at the time received by the Consultant from the Company (either directly or indirectly), provided the Consultant is able on request of the Company to deliver conclusive written evidence of such prior knowledge to the Company within thirty (30) days after such request or (c) is hereafter disclosed to the Consultant by

a third party who did not acquire the information either directly or indirectly from the Company, and who has the lawful right so to disclose such information to the Consultant.

Moreover, all concepts, techniques, processes, programming, technology, deliverables, or other materials in any format, including (but not limited to), code, reports, drawings, diagrams, screens, and other documentation or records, that are developed or created by the Consultant under this Agreement whether completed or in the process of creation ("**Work Product**") shall be deemed a work made for hire under the United States Copyright Laws, for the sole benefit of and belonging exclusively to the Company, who shall have all rights incident to ownership regardless of whether the Company uses the Work Product. All Work Product and all copies thereof in whatever medium, shall become owned exclusively by the Company immediately upon their creation in a tangible medium of expression, and the Consultant shall be deemed to have expressly disclaimed any and all interest therein. The Company shall have the exclusive right to obtain and hold in its own name, the copyrights, patents, registrations and all other appropriate registrations and protections and other intellectual property rights with respect to such Work Product and the Consultant shall give the Company, its successors and assigns, all reasonable assistance required to perfect any such rights to the Work Product. In the event and to the extent that any Work Product, or any part or element thereof, is deemed by a court of competent jurisdiction not to be a work made for hire under the United States Copyright Laws, this Agreement shall operate as an irrevocable assignment from the Consultant to the Company of all rights of authorship to such Work Product (or part or element thereof) under the Copyright Laws of the United States.

The Consultant assigns to the Company his entire right, title, and interest in and to all inventions conceived, devised, developed or created hereunder ("**Inventions**") and all applications for patents thereon that may be filed. The assignment of the Consultant's entire right title and interest in and to all Inventions hereunder shall be deemed effective upon conception. The Consultant agrees that, whenever the Company shall request it, the Consultant shall, without further consideration, apply for patents for any or all of such Inventions in all countries desired by the Company, at the Company's expense, and will sign any and all papers, take lawful oaths and do all lawful acts required in or concerning such application, and/or divisions, continuations or renewals thereof and any application for the reissuance of patents granted thereon or on such divisions, continuations, or renewals of such applications and will, at the Company's expense, assist the Company in all proper ways, as by giving testimony on the conduct of any interference proceeding or litigation in which the priority or originality of Inventions respecting any of said Inventions or the validity or the scope of patents granted thereon shall be involved or concerned.

The Consultant shall assist the Company to register, and from time to time to enforce, all patents, copyrights and other rights and protections relating to the Work Product and Inventions in any and all countries. To that end, the Consultant shall execute and deliver all documents requested by the Company in connection therewith and irrevocably designates and appoints the Company his agent and attorney-in-fact to act for and in his behalf and stead to execute, register and file any such documentation, and to do all other lawfully permitted acts to further the registration, prosecution and issuance of

patents, copyrights or similar protections with the same legal force and effect as if executed by the Consultant.

Notwithstanding the other provisions of this section, all information, inventions, designs, source code and other written materials owned by the Consultant prior to September 4, 2001, shall (as between the Consultant and the Company) continue to belong exclusively to the Consultant whether or not they were specifically adapted by the Consultant for use in performing hereunder.

4. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

During and after the Term and any renewals thereof, the Consultant agrees not to use the confidential and proprietary information (including Work Product and Inventions) described in Paragraph 3 hereof for any purpose other than in furtherance of the Services and not to disclose such information to any third party without the prior written consent of the Company. The Consultant agrees to return all such confidential and proprietary information to the Company, including, but not limited to, records, memoranda and reports, together with all photographic copies, handwritten notes, excerpts or other copies thereof promptly after request by the Company, or, in any event, promptly upon termination of this Agreement, with the exception of one copy to be held in escrow by the Consultant's attorney.

The Consultant agrees that during the Term, any renewals thereof and for a period of six (6) months after the termination thereof, the Consultant shall not knowingly, directly or indirectly, either as an employee, employer, agent, principal, partner, consultant, officer, director or other capacity engage in or participate in any competing activities that would directly compete against this or any other confidential and proprietary information (including Work Product and Inventions) produced by the Consultant for the Company or with any actual or anticipated business activities of the Company of which the Consultant becomes or is made aware of during the Term and any renewals thereof, without the written consent of the Company, except with respect to such activities in which the Consultant was already involved as of September 4, 2001, and which has been disclosed to the Company in writing on or prior to that date.

5. COMPENSATION

The Company shall pay to the Consultant for the Services compensation as follows:

(a) a fee of $20,000 per month, during the Term, plus other cash or stock compensation as the Board deems appropriate; and

(b) reimbursement of all ordinary and necessary out-of-pocket expenses related to the Services will be reimbursed to the Consultant upon submission of the invoices and/or receipts therefor sufficient for Federal Income Tax purposes.

6. TERMINATION

This agreement may be terminated by either party immediately upon written notice. In the event of such termination, and notwithstanding any other provision in this Agreement, fees will be paid by the Company only for work or services performed prior to the termination date.

Further, this Agreement may be terminated by either party with immediate effect upon written notice to the other in the event of the other party's breach of any of the terms of this Agreement which shall not have been remedied within fourteen (14) days of written notice with request to do so.

7. RELATIONSHIP OF PARTIES

(a) It is hereby agreed between the parties that the Consultant is an independent contractor, and, although the Consultant is a member of the Company's Board, he is not an officer, affiliate or employee of the Company, or a broker or dealer, for any purpose whatsoever. The Company acknowledges that the Consultant is in the business of providing consulting services to others and nothing contained herein shall be construed to limit or restrict the Consultant from conducting such business.

(b) None of the benefits provided by the Company to its employees, including but not limited to medical, life, accident, or disability insurance, pension or profit sharing plans, unemployment or Worker's Compensation, are available to the Consultant. No withholding of Federal or state income taxes, social security or related contributions shall be made from payments made to the Consultant, and the Consultant shall be solely responsible for payment of any such taxes or contributions due on account of payments received under this Agreement.

8. NOTICES

Any notice or other communication under this Agreement shall be in writing and shall be deemed to have been given when delivered personally against receipt therefor or when mailed via registered or certified mail as follows:

(a) To the Company:

MediciNova, Inc.
4350 La Jolla Village Drive, Suite 950
San Diego CA 92122
Attn: Takashi Kiyoizumi, M.D., Ph.D.
President and CEO

(b) To the Consultant:

Yuichi Iwaki, M.D., Ph. D.
613 Via Horquilla
Palos Verdes Estates, CA 90274

or to such other address as either party shall have given by notice hereunder to the other.

9. ENTIRE AGREEMENT; MODIFICATION

This Agreement contains the entire agreement of the parties relating to the subject matter hereof and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement, which are not set forth herein. No modification of this Agreement shall be valid unless made in writing and signed by the parties hereto.

10. BINDING EFFECT

The Company represents and warrants to the Consultant that the retention of the Consultant under this Agreement and the execution, delivery and performance by the Company of this Agreement has been duly authorized by the Company and that this Agreement constitutes the valid, legally binding obligation of the Company. The rights, benefits, duties and obligations under this Agreement shall inure to, and be binding upon, the Company, and its respective successors and assigns and upon the Consultant and his representatives, heirs, and legatees. The Consultant may not assign his obligations hereunder. No assignment of this Agreement by the Company shall relieve the Company of its obligations hereunder without the prior written consent of the Consultant.

11. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the State of California and in the event of a dispute, the Parties hereby agree to submit to the personal jurisdiction of the state and federal courts of the State of California.

12. HEADINGS

The headings of the paragraphs herein are inserted for convenience and shall not affect any interpretation of this Agreement.

13. INDEMNIFICATION

The Company shall indemnify and hold the Consultant harmless against any losses, claims, damages, liabilities or expenses to which the Consultant or any of his affiliates may become subject in connection with any matter referred to herein or services performed pursuant to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above mentioned.

MediciNova, Inc.

By: /s/ Takashi Kiyoizumi
Takashi Kiyoizumi, M.D., Ph.D.
President and CEO

Consultant

/s/ Yuichi Iwaki
Yuichi Iwaki, M.D., Ph.D.

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP,
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated September 10, 2004 in Amendment No. 1 to the Registration Statement (Form S-1 No. 333-119433) and related Prospectus of MediciNova, Inc. for the registration of its common shares to be filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

San Diego, California
November 22, 2004

Exhibit 24.2

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the individual whose signature appears below constitutes and appoints Takashi Kiyoizumi, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to MediciNova, Inc.'s registration statement on Form S-1, and any registration statement relating to the offering covered by MediciNova Inc.'s registration statement on Form S-1 and filed pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same with all exhibits thereto, and all documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This power of attorney may be executed in counterparts.

Date: November 23, 2004

/s/ JOHN K. A. PRENDERGAST, PH.D.

John K. A. Prendergast, Ph.D.
Director

PILLSBURY WINTHROP LLP

1540 BROADWAY NEW YORK, NY 10036-4039 212.858.1000 F:212.858.1500

November 23, 2004

Babak Yaghmaie
Phone: 212.858.1228
byaghmaie@pillsburywinthrop.com

CORRESPONDENCE

VIA EDGAR AND FEDERAL EXPRESS
Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Mail Stop 03-09
Washington, D.C. 20549
Attention: Song Brandon

Re: MediciNova, Inc.
Amendment No. 1 to Registrations Statement on Form S-1
File Number 333-119433

Dear Ms. Brandon:

At the request of MediciNova, Inc. (the "**Registrant**"), we are submitting the following responses to the comments in your letter dated October 27, 2004 to Takashi Kiyoizumi, Chief Executive Officer of the Registrant (the "**Comment Letter**"). Courtesy copies of Amendment No. 1 to the Registration Statement on Form S-1 (the "**Registration Statement**"), marked to show changes from the Registration Statement as filed on September 30, 2004, are enclosed for the convenience of the staff (the "**Staff**") of the U.S. Securities and Exchange Commission (the "**Commission**"). Please note that the numbered items below correspond to the number of the corresponding comment set forth in the Comment Letter and references herein to page numbers are to page numbers of the marked copies of the Registration Statement unless the context suggests otherwise. Factual information contained herein is provided by the Registrant or the Underwriters, as applicable.

In accordance with 17 C.F.R. Section 200.83 (2003), we have provided a letter to the Staff and the Office of Freedom of Information and Privacy Act Operations requesting confidential treatment for certain portions of the Registrant's responses set forth in this response letter (the "**Specified Information**"). Specifically, the portion of this response letter for which confidential treatment is requested is the Registrant's response to comment #73 set forth herein. The Registrant has redacted the Specified Information from the letter filed via EDGAR and has included such information solely in paper copies of the letter submitted to the staff.

In addition to marked copies of Amendment No. 1 to the Registration Statement, we have sent to your attention three courtesy copies of the following: (i) this letter containing the Specified Information set forth in brackets and bold typeface; and (ii) this letter as filed via EDGAR with the Specified Information redacted.

Form S-1

Comments Applicable to the Entire Prospectus

1. *We note your statement in the exhibit list that you intend to apply for confidential treatment for certain of your exhibits. Please note that comments related to your request for confidential treatment will be delivered under separate cover. Please be advised that we will not be in a position to consider a request for acceleration of effectiveness of the registration statement until we resolve all issues concerning the confidential treatment request.*

Response: The Registrant hereby acknowledges the Staff's comment.

2. *Please note that when you file a pre-effective amendment containing pricing-related information, we may have additional comments.*

Response: The Registrant hereby acknowledges the Staff's comment.

3. *Please note that when you file a pre-effective amendment that includes your price range, it must be bona fide. We interpret this to mean that your range may not exceed $2 if you price below $20 and 10% if you price above $20.*

Response: The Registrant acknowledges the Staff's position with respect to inclusion of a bona fide price range.

4. *Please provide us proofs of all graphic, visual or photographic information you will provide in the printed prospectus prior to its use, for example in a preliminary prospectus. Please note we may have comments regarding this material.*

Response: The Registrant hereby submits with the hard copy of this response to the Comment Letter a paper copy and a diskette containing proofs of the Registrant's logo. The Registrant's logo is the only graphic, visual or photographic information that will be included in the form of prospectus included in the Registration Statement. The Registrant respectfully submits that, in keeping with local practice, it may use other graphic or visual information in its Japanese-language prospectus in connection with the distribution in the Japanese market.

5. *Please note that where we provide examples to illustrate what we mean by our comments, they are examples and not complete lists. If our comments are applicable to portions of the filing*

that we have not cited as examples, please make the appropriate changes in accordance with our comments.

Response: The Registrant hereby acknowledges the Staff's comment. If the Staff's comments are applicable to portions of the Registration Statement not cited as examples, the Registrant has made the appropriate changes in accordance with such comments.

Table of Contents, page i

6. *You should retain only the Table of Contents on this page. All other information should be disclosed after the Risk Factors section.*

Response: The Registrant has revised page i of the Registration Statement to include only the Table of Contents. The previously included additional information is now disclosed on the back cover of the prospectus.

Prospectus Summary, page 1

7. *As you have chosen to include a summary of your strategy, please revise to include a discussion of the risks and obstacles you must address in implementing this strategy.*

Response: The Registrant has revised the discussion in the summary section of the Registration Statement on pages 2 and 3 to include a summary of the risks and obstacles attendant to the Registrant's strategy. The Registrant has also revised the section in which such discussion is contained from "Risks Affecting Our Business" to "Risks Affecting Our Business and Strategy."

Risks Affecting Our Business, page 2

8. *Please revise this discussion so that it is in a bullet-point format.*

Response: The Registrant has revised the referenced discussion on pages 2 and 3 to reflect the Staff's comment.

Risk Factors, pages 7-22

9. *Your risk factor section is 16 pages long and contains a lot of duplicative information. Please reduce it to eliminate overlapping or duplicative information. For example, please note the following:*

- *It appears that the risks discussed in the 3rd, the 6th, the 7th, and the 11th risk factors overlap relating to your ability to develop and commercialize a therapeutic drug successfully. Please consider combining these risk factors to reduce the redundancy*

Response: The Registrant has revised the disclosure in these risk factors on pages 8, 9, 10 and 11 to eliminate duplicative information.

- *It appears the risks discussed in the 18th and 19th risk factors discuss similar issues related to your reliance on third parties to manufacture your products. Please consider combining these risk factors to reduce the redundancy.*

  Response: The Registrant respectfully submits that the risk factors discussed in these two sections are sufficiently distinct to merit separate discussion. As you will note, the former risk factor is focused on risks emanating from the Registrant's reliance on third parties for its manufacturing needs. The latter risk factor is focused on the risks attendant to larger-scale, commercial manufacture of the Registrant's product candidates. Therefore, the Registrant believes that disclosing these risks separately will enhance the investors' ability to appreciate the distinct risks attendant to the Registrant's manufacturing needs.

- *It appears that the risks discussed in the 22nd, 23rd and 24th risk factors discuss similar issues and risks related to protecting your proprietary risks. Please consider combining these risk factors to reduce the redundancy.*

  Response: The Registrant has revised the disclosure in these risk factors on pages 16 and 17 to eliminate duplicative information.

- *It appears the risks discussed in the 23rd and the 27th risk factors discuss similar risks related to your ability to obtain and maintain your patent protection and other proprietary [rights]. Please consider combining these risk factors to reduce the redundancy.*

  Response: The Registrant has revised the disclosure in these risk factors on page 16 to eliminate duplicative information.

- *It appears the risks discussed in the 25th and 26th risk factors discuss similar risks related to litigation involving [the Registrant's] proprietary [rights] or the proprietary rights of others. Please consider combining these risk factors to reduce the redundancy.*

  Response: The Registrant has revised the disclosure in these risk factors on page 17 to eliminate any duplicative information.

"Unless we are able to generate sufficient product revenue, we will continue. . . .," page 7

10. *We note your disclosure that you received revenue from the performance of "development management services." Please describe what development management services you performed.*

Response: The Registrant has revised the disclosure that revenues have been received from the performance of "development management services" to more thoroughly describe such services. The revision is reflected on page 8.

11. *In addition, please identify to whom you provided these services to, and whether you expect to continue to provide such management services.*

Response: The Registrant has revised the risk factor regarding development management services to identify the parties to whom the Registrant provides such services and to disclose that the Registrant expects to continue to provide such management services. The revision is reflected on page 8.

"If we fail to develop and commercialize a therapeutic drug successfully, we . . . .," page 7

12. *Please revise your risk factor heading to disclose that you have no products available for commercial sale.*

Response: In response to the Staff's comment no. 9, this particular risk factor has been eliminated. However, the Registrant has revised its disclosure on page 9 as suggested by the Staff.

"The loss of any rights to develop and market any of our product candidates . . . .," page 7

13. *Please identify the parties that you currently maintain any material license agreements with as well as the product candidates that you have licensed.*

Response: The Registrant has revised the risk factor to identify the parties with whom the Registrant currently maintains material license agreements and has identified the product candidate licensed under each such agreement. The revision is reflected on page 8.

"If we fail to identify and license or acquire product candidates, we will not be .. . .," page 8

14. *Please revise your risk factor to disclose that you may not have the necessary funds or resources to complete acquisitions, and that if you are able to do acquisitions that you may not successfully integrate the acquired company or technology with your own. You should also highlight your lack of experience in identifying and completing acquisitions.*

Response: The Registrant has revised the risk factor to disclose that the Registrant may not have the requisite capital resources to consummate product candidate acquisitions and that any product acquisitions that the Registrant does complete may involve difficulties in integrating such acquisitions into its operations, as well as several other attendant risks. In addition, the Registrant has revised the risk factor to disclose that the Registrant has a limited history identifying, negotiating and implementing product candidate acquisitions or licenses. The revision is reflected on page 10.

"If we fail to obtain the capital necessary to fund our operations, we will be . . . .," page 9

15. *Please divide this risk factor into two risk factors: one addressing the consequences of not obtaining sufficient capital and the other addressing the negative consequences of obtaining*

capital, such as dilution. It may be appropriate to combine the second risk factor with "If we raise additional capital in the future, your ownership in us could be diluted" on page 19.

Response: The Registrant has divided the risk factor into two risk factors, one to address the consequences of not obtaining sufficient capital and the other addressing the negative consequences of obtaining capital. The Registrant has combined risk factors as appropriate. The revision is reflected on page 11.

16. *If you do not raise the anticipated offering amount, please indicate how long you could continue to run your operations. We note you have provided for this disclosure in your Liquidity and Capital Resources discussion.*

Response: The Registrant has revised the Registration Statement to disclose that the Registrant believes that its existing cash and investments, excluding the proceeds from this offering, will be sufficient to meet its projected operating requirements through at least December 31, 2005. The revision is reflected on page 11.

"We will depend on strategic collaborations with third parties to develop and . .," page 10

17. *Based on our reading of this risk factor and your Business section, it is unclear whether you have entered into any strategic collaboration with third parties to develop and commercialize any of your product candidates. Please revise your disclosure to clarify whether you have or have not. If you have not, please also indicate when you anticipate you would enter into such arrangements.*

Response: The Registrant has revised the Registration Statement to clarify that, to date, it has not entered into any collaborative arrangements with any third-party partners and does not intend to do so until the completion of further clinical trials. The revision is reflected on page 11.

"We rely on third parties to conduct our clinical trials and perform data . . . .," page 10

18. *Please identify the third parties you rely on to conduct your clinical trials and perform data collection and analysis. Please also describe the material terms of any agreements you have with such entities in the Business section of your document. You should also file the agreements as exhibits.*

Response: The Registrant has revised the risk factor to identify the third parties upon which it relies to conduct its clinical trials and perform data collection and analysis. The revision is reflected on page 12. The Registrant respectfully submits that it believes that its agreements with third parties relating to the conduct of its clinical trials are not "material contracts" under Item 601(b)(10) of Regulation S-K. These agreements are entered into in the ordinary course of business and the Registrant does not believe that its business is substantially dependent on them. The Registrant believes that the services performed under these agreements by these third parties are readily available and can be

obtained from numerous other organizations. The Registrant is aware of its obligations under Item 601(b)(10) of Regulation S-K to file all material agreements as exhibits to the Registration Statement and does not believe that these agreements constitute material agreements within the definition of Item 601(b)(10) of Regulation S-K.

19. *Please indicate if any of the factors you have described in this risk factor have delayed, suspended or terminated any of your clinical trials. If so, please briefly describe the specific circumstances and how they impacted the [Registrant].*

Response: The Registrant, to date, has not experienced any delays, suspensions or terminations due to the factors enumerated in this risk factor. Accordingly, the Registrant respectfully submits that no further disclosure in this regard is necessary.

"If we are unable to attract, retain and motivate key management and scientific. . . .," page 11

20. *Since most companies rely on their key personnel, clearly explain how this specific risk factor applies to your company. For example, identify the key personnel upon whom you are dependent and how you would be adversely affected if one or more of them left.*

Response: The Registrant has revised the risk factor to explain specifically how the Registrant is dependent upon the continued services of certain key personnel and how the Registrant would be adversely affected if one or more such key personnel were to leave the Registrant. The revision is reflected on page 13.

21. *To the extent that you have experienced problems attracting and retaining key personnel in the recent past, please revise to describe these problems. Additionally, if any key employee has plans to retire or leave your company in the near future, please revise the discussion to disclose this information.*

Response: The Registrant respectfully submits that it has not experienced any such problems to date and since it is not aware of any pending employee departures, no further revision of its disclosure is necessary.

22. *In addition, please discuss any aspects of your business that make you less attractive than other companies to potential employees.*

Response: The Registrant has revised the risk factor to disclose some of the risks that could impair its ability to attract and retain quality personnel. The revision is reflected on page 13.

"We may not be able to continue to exploit the services of outside scientific . . . .," page 12

23. *Describe briefly the rights that your outside and clinical advisors have to publish data and information.*

Response: The Registrant has revised its disclosure on page 14 as suggested by the Staff.

“We will need to increase the size of our organization, and we may encounter . . . .” page 12

24. *To the extent you can, please quantify the extent of your growth and expansion and the time period to which you refer in this risk factor.*

Response: The Registrant has revised its disclosure on page 14 as suggested by the Staff to discuss in greater specificity the areas in which the Registrant intends to hire additional personnel and grow. The Registrant respectfully submits that the scope and timing of these hires is highly uncertain and is entirely dependent on the success of its product development programs and, therefore, the Registrant is not in a position to quantify its growth plan.

“Relying on third party manufacturers may result in delays in our clinical trials . . . .,” page 13

25. *Please indicate if these parties currently meet your manufacturing requirements.*

Response: The Registrant has revised the risk factor to state that its manufacturers are meeting the Registrant’s current manufacturing requirements. The revision is reflected on page 15.

“Materials necessary to manufacture our products may not be available on . . . .,” page 13

26. *Please identify the suppliers that you or your manufactures substantially rely on for the production of the compounds you need for preclinical and clinical purposes. To the extent you have any formal agreements with them, please provide the material terms of the agreements and file the agreements as exhibits to your document. If you do not have any long term agreements, please disclose this information and disclose when any short-term supply agreements expire.*

Response: The Registrant has revised its disclosure on page 15 to address the Staff’s comment.

27. *If difficulties in obtaining needed supplies has ever caused a material delay or disruption to your business, please discuss.*

Response: The Registrant respectfully submits that it has not experienced any material delays or disruption in obtaining materials for its product candidates and, therefore, believes that no further disclosure in this regard is necessary.

“Our success depends upon our ability to protect our intellectual property . . . .,” page 14

28. *Please describe your patents for any key products and the expiration date of such patents. In your Business section, provide an expanded discussion to include the number of*

patentsyou have, the number of patent applications you have filed as well as the number of patents licensed to you.

Response: The Registrant has revised its disclosure on pages 16 and 50 through 52 as suggested by the Staff.

29. *In addition, with respect to patents you obtained from third parties, please disclose who has the obligations to take necessary actions to protect patents under your license agreements. If you do not have the obligation to take action, do you have the right to take necessary actions if the other party does not?*

Response: The Registrant has revised the risk factor to disclose who has the obligation and/or right to take action to protect the patents under the Registrant's license agreements. The revision is reflected on page 16.

"Confidentiality agreements with employees and others may not adequately . . . .," page 15

30. *If your business has been materially and adversely affected by the disclosure of proprietary information, please discuss the situation and its consequences.*

Response: The Registrant respectfully submits that it has not experienced any such issues to date and, therefore, no further revision to its disclosure is necessary.

"If our competitors develop and market products that are more effective than . . . .," page 17

31. *If you are aware of any specific competition, products in development or new products that your competitors provide or will soon provide, disclose these competitive threats and the potential impact of these products or product introductions on your business. Also, you should consider naming your most relevant competitors whose business activities could have a material adverse effect on your prospects or business going forward. If there are too many competitors to name, please disclose the approximate number of competitors in your target markets.*

Response: The Registrant has revised its disclosure on page 18 of the Risk Factors section and page 56 of the Business section to address the Staff's comment.

"Rapid technological change could make our products obsolete," page 17
"Health care reform measures could adversely affect our business," page 18
"We will incur increased costs as a result of recently enacted and proposed . . . ," page 20

32. *As currently written, these risk factors could apply to any issuer or offering. See Item 503(c) of Regulation S-K. While we understand that the risks you describe in this subsection are risks the company encounters because it is in the drug development business, you should state how this risk relates specifically to your company.*

Response: The Registrant has revised its disclosure on pages 18, 19, 21 and 22 as suggested by the Staff.

"Consumers may sue us for product liability, which could result in substantial . . . .," page 17

33. *Please disclose the amount of your insurance coverage, or in the alternative, please indicate if you believe such coverage amount is reasonably adequate to insulate you from potential product liability claims.*

Response: The Registrant has revised its disclosure on page 18 as suggested by the Staff.

"If our stockholders sell substantial amounts of our common stock after this . . . .," page 20

34. *Please disclose the number of shares that are subject to lock-up agreements.*

Response: The Registrant has revised the risk factor to disclose the number of shares subject to lock-up agreements. The revision is reflected on page 21.

35. *In addition, please revise to include information about the registration rights agreement described on page 64 pursuant to which additional shares of common stock could be registered for resale by shareholders.*

Response: The Registrant has revised the risk factor to disclose that such registration rights agreement includes: (i) demand rights, which obligate the Registrant to use its best efforts to file a registration statement with the Commission; (ii) rights to require the Registrant to register shares on Form S-3; and (iii) "piggy back" rights on all other registrations of the Registrant's. The revision is reflected on page 21.

"As a new investor, you will experience immediate and substantial dilution in . . . .," page 20

36. *Please revise this risk factor to explain that investors who purchase shares will:*

- *Pay a price per share that substantially exceeds the value of your assets after subtracting its liabilities; and*
- *Contribute % of the total amount to fund the company but will own only % of the outstanding share capital and % of the voting rights.*

Response: The Registrant has revised the risk factor to disclose that investors will pay a price per share that substantially exceeds the net tangible book value per share of the investors' shares. The Registrant has also revised the risk factor to disclose, subject to the finalization of the offering information to be provided, the percentage of contribution

versus percentages of ownership of share capital and voting rights. The revision is reflected on page 21.

“We have never paid dividends on our capital stock, and we do not . . . .,” page 22

37. *Please be advised that so far as the risk to investors is concerned, this risk states that you will not pay dividends, which is not a risk by itself to investors. Clearly state that readers should not rely on an investment in your company if they require dividend income and an income to them would only come from any rise in the market price of your stock, which is uncertain and unpredictable.*

Response: The Registrant has revised the risk factor to clearly state that readers should not invest in the Registrant if they require dividend income. The risk factor currently states that capital appreciation, if any, of the Registrant’s common stock will be the sole source of gain for the foreseeable future. The revision is reflected on page 23.

Information Regarding Forward-Looking Statements, page 23

38. *We note your statement that [with respect to] the information derived from third party sources, [you] “do not guarantee the accuracy or completeness of the information” and that you have “not verified independently the data and make no representation as to the accuracy of the data.” It is not appropriate to disclaim liability for statements included in your registration statement. Please revise to delete this language.*

Response: The Registrant has revised the Registration Statement to delete the language disclaiming liability for information derived from third parties included in the Registration Statement.

Use of Proceeds, page 24

39. *Please disclose the approximate amount and timing of the proceeds you plan to use for the purposes you list in this section, including how much you anticipate spending of each of your leading product candidates. Please also indicate where in the drug development process you expect to be after the expenditure of these proceeds.*

Response: The Registrant has revised its disclosure on page 25 as suggested by the Staff.

40. *Please disclose more specific information as to the use of working capital. For example, will you acquire new product candidates, or expand your facilities?*

Response: The Registrant has revised its disclosure on page 25 as suggested by the Staff.

Management's Discussion and Analysis of Financial Condition, Page 28

Research and Development Expense, page 28

41. *Please refer to the Division of Corporation Finance "Current Issues and Rulemaking Projects Quarterly Update" under section VIII – Industry Specific Issues – Accounting and Disclosure by Companies Engaged in Research and Development Activities. You can find it at the following website address: http://www.sec.gov/divisions/corpfin/cfcrq032001.htm.*

Please disclose the following information for each of your major research and development projects:

- *The costs incurred during each period presented and to date on the project;*
- *The nature, timing and estimated costs of the efforts necessary to complete the project;*
- *The anticipated completion dates;*
- *The risks and uncertainties associated with completing development on schedule, and the consequences to operations, financial position and liquidity if the project is not completed timely; and finally*
- *The period in which material net cash inflows from significant projects are expected to commence.*

To the extent that information requested above is not known or estimable, disclose that fact and the reason why it is not known.

Response: The Registrant has revised its disclosure on pages 30 and 31 as suggested by the Staff.

42. W*e note your disclosure that the only revenues you have generated to date have been from a development management contract. Please identify the party with whom you have this contract, and disclose whether you expect this revenue source to continue for the next 12-18 months, and your reason for this expectation.*

Response: The Registrant has revised its disclosure on page 30 as suggested by the Staff.

Critical Accounting Policies and Estimates

43. *It appears accruals for external services and contract research organization costs provided by others on your behalf would require significant estimates/judgments. Refer to Note 1 (Research and Development expenses) on page F-9. Please consider revising your critical accounting estimate and consider the following factors in your discussion:*

- *How the company arrived at the estimate*
- *How accurate the estimate/assumption has been in the past*

- *How much the estimate/assumption is reasonably likely to change in the future*

Response: The Registrant has revised its disclosure on pages 31 and 32 as suggested by the Staff.

Results of Operations, pages 30-31

Comparison of the Six Months Ended June 30, 2004 and 2003

44. *When more than one reason is responsible for a fluctuation, you should quantify each of the factors causing the change. In this regard, you note several reasons for your increase in research and development expenses from 2003 to 2004 (i.e. external costs related to licensing, increased Phase I clinical study costs and increased pre-clinical development costs, etc.) and several reasons for your increase in general and administrative expenses (i.e. legal, other professional fees and personnel costs, etc.) Please quantify the effects of each factor on the increases and decreases in a line item being discussed. Revise throughout Management's Discussion and Analysis for all periods presented.*

Response: The Registrant has revised its disclosure on page 33 and elsewhere as suggested by the Staff.

Liquidity and Capital Resources

45. *In accordance with SEC Release No. 33-818[2], please provide a table of contractual obligations. The table should disclose the amounts of payments due under specified contractual obligations, aggregated by category of contractual obligation, for specified time periods. Please consider all contractual obligations, including upfront and milestone payments and royalties discussed in Note 5 on page F-14.*

Response: The Registrant has revised its disclosure on pages 35 and 36 as suggested by the Staff.

Comparison of the Years Ended December 31, 2003, 2002 and 2001, page 31
Research and Development, page 31

46. *Please explain what your store-operated calcium channel program is. In addition, please explain why you reduced the scope of the store-operated calcium channel program in 2003? Please also indicate if you intend to further reduce your activities in this program, and the reasons for your decision.*

Response: The Registrant has revised its disclosure on pages 30 and 33 as suggested by the Staff.

Business, page 33

47. *Throughout this section, you reference several industry sources and various statistics and other figures. Please provide us with any copies of all sources cited. Please note that copies delivered should be marked to highlight the relevant information.*

Response: The Registrant has included as Schedule A to the hard copy of this response letter a supplemental copy of industry sources cited throughout the Business section and has marked such sources to highlight the relevant information.

48. *To the extent applicable, please include information about compliance with environmental laws, as required by Item 101(c)(1)(xii) of Regulation S-K. Additionally, if you are subject to any environmental laws, please consider adding a risk factor discussing the risks and consequences of activities dealing with any environmentally hazardous materials. If you are not subject to any environmental laws, please briefly explain to us why you are not subject to such laws.*

Response: The Registrant respectfully submits that, due to its business strategy of engaging third parties to manufacture its drug candidates, provide clinical testing of such candidates and, when approved for commercial sale, to commercially manufacture, package and deliver such approved drugs, the Registrant does not have any direct responsibility for the discharge of materials into the environment or otherwise relating to the protection of the environment in a way that effects the Registrant's capital expenditures, earnings or competitive position.

Strategic Core Programs, page 36
MN-221 for Premature Labor, page 36

49. *We note your disclosure that "[p]re-clinical pharmacology studies conduct by Kissei Pharmaceutical have shown that MN-221 effectively suppresses spontaneous or drug induced uterine contractions." Please revise to state whether these results are statistically significant and also state that further testing may fail to confirm the results of the studies. In addition, please make similar revisions for your other products when you provide similar pre-clinical testing results.*

Response: The Registrant hereby supplementally confirms that the results of the pre-clinical studies referenced were statistically significant. The Registrant, however, respectfully submits that, although the inclusion of such disclosure in the Registration Statement would be accurate, the Registrant would prefer not to do so because the Registrant believes that such disclosure with respect to pre-clinical studies may cause investors to place undue significance upon such disclosure and incorrectly infer that a study characterized as statistically significant may evidence or otherwise indicate safety or efficacy in clinical trials involving the use of the product candidates in humans.

MN-001, page 37

50. *In the first paragraph of this section, you make several claims relating to the efficacy of your MN-001 and MN-002 products. Please briefly describe the studies on which these statements are based. If the studies did not involve human subjects, state what the subjects were. We may have further comments.*

Response: The Registrant has revised its disclosure on page 42 as suggested by the Staff.

MN-029, page 37

51. *In this section, you make several claims relating to your MN-029 product. Please briefly describe the studies on which these statements are based. If the studies did not involve human subjects, state what the subjects were. We may have further comments.*

Response: The Registrant has revised its disclosure on page 42 as suggested by the Staff.

MN-001, page 38

52. *In the first paragraph of this section, you make several claims relating to the efficacy of your MN-001 product. Please briefly describe the studies on which these statements are based.*

Response: The Registrant has revised its disclosure on pages 43 and 44 as suggested by the Staff.

MN-305, page 39

53. *Please disclose, if true, that you did not perform any study on the reduction of anxiety symptoms that were not treated with your MN-305.*

Response: The Registrant has revised its disclosure on pages 44 and 45 as suggested by the Staff.

Store-Operated Calcium Channel Antagonist Discovery Program, page 39

54. *Please identify the "recent studies" that support the idea that SOCCs may be responsible for the calcium influx during T-cell activation as well as the "recent studies" that suggests a blockade of SOCCs can slow the proliferation of cancer cells. In addition, please provide us with copies of these sources marked to show where the statements supporting your claims are provided for.*

Response: The Registrant has revised the Registration Statement to reference the recent studies relating to SOCCs and has supplementally included with the hard copy of this response letter copies of such sources, marked to highlight the relevant information. The revision is reflected on page 46.

License and Master Services Agreements, page 40

55. *Please disclose the term of each of the agreements discussed in this section. In addition, please disclose when the licensed patent for each of your licensing agreements expires.*

Response: The Registrant has revised its disclosure on pages 46 through 50 as suggested by the Staff.

56. *In addition, for each of the license agreements, please also disclose any payments received/made to date; additional aggregate potential payments; and any revenue sharing arrangements. Please note that aggregate licensing and aggregate milestone payments should also be disclosed and quantified.*

Response: The Registrant respectfully submits that it has filed a Confidential Treatment Request with the Commission with respect to these items.

Manufacturing, page 42

57. *Please tell us what your arrangement is with each of the manufacturers discussed in this section, including the rights and responsibilities of each party. In addition, you should disclose the term of the agreement and any purchase commitments, if applicable. In the alternative, please give us a detailed explanation of the reasons you do not believe any of your arrangements with your current manufacturers are material to you.*

Response: The Registrant respectfully submits that it believes that its agreements with the third-party manufacturers relating to the manufacture of bulk compounds are not "material contracts" under Item 601(b)(10) of Regulation S-K. These agreements are entered into in the ordinary course of business and the Registrant does not believe that its business is substantially dependent on them. The Registrant believes that the services performed under these agreements by these third parties are readily available and can be obtained from numerous other organizations. The Registrant is aware of its obligations under Item 601(b)(10) of Regulation S-K to file all material agreements as exhibits to the Registration Statement and does not believe that these agreements constitute material agreements within the definition of Item 601(b)(10) of Regulation S-K.

Competition, page 47

58. *Please expand the discussion to include the development of emerging technologies or products that may compete with you and the current state of development of these technologies or products.*

Response: The Registrant has revised its disclosure on page 56 as suggested by the Staff.

Employees, Page 48

59. *Please disclose the number of part-time employees you have, if any.*

Response: The Registrant has revised the Registration Statement to disclose that, as of September 30, 2004, the Registrant had four part-time employees. This revision is reflected on page 57.

Facilities, page 48

60. *Please disclose the amount of your annual lease payments and when the lease agreement expires. You should also file the lease agreement as an exhibit to your registration statement.*

Response: The Registrant has revised the Registration Statement to disclose the amount of the annual lease payments and the expirations of the lease. In addition, the lease agreement has been added as an exhibit to the Registration Statement. This revision is reflected on page 57.

Management, page 49

61. *Please note that Item 401 of Regulation S-K requires a brief description of the business experience of your officers and directors during each of the last five years. Please revise this section to include the applicable dates for Richard E. Gammans, Mark Lotz, and Daniel Vapnek.*

Response: Pursuant to Item 401 of Regulation S-K, the Registrant has revised the Registration Statement to more thoroughly describe the business experience of each of Dr. Gammans, Mr. Lotz and Dr. Vapnek during the last five years. This revision is reflected on pages 58 through 60.

Employment Agreements and Change in Control Arrangements, page 56

62.*Please revise your disclosure to include the following to the extent applicable:*

- *Does Dr. Kiyoizumi's employment agreement have a renewable term beyond the initial period?*

Response: The Registrant has revised the Registration Statement to disclose that Dr. Kiyoizumi's employment agreement may be extended for an additional three-year term upon written agreement between Dr. Kiyoizumi and the Registrant. This revision is reflected on page 66.

- *Are the annual salaries of each of the executive officers described in this section determined annually by the board?*

Response: The Registrant has revised the Registration Statement to disclose the salary review process for each of the executive officers described therein. This revision is reflected on pages 66 through 69.

- *Briefly describe any restrictive covenants including the non-disclosure and non-competition obligations contained in each of the employment agreements described in this section.*

Response: The Registrant has revised the Registration Statement to disclose any restrictive covenants contained in each of the employment agreements described therein. This revision is reflected on pages 67 through 69.

Related-Party Transactions, page 59

63. *Please state whether each transaction described in this section was on terms as favorable as could have been obtained through unrelated parties.*

Response: The Registrant has revised its disclosure on page 70 as suggested by the Staff.

64. *Please revise your Management section to provide the material terms of the consulting agreement you have with Dr. Iwaki. In addition, you should file the agreement as an exhibit to your registration statement.*

Response: The Registrant has revised its disclosure on page 70 as suggested by the Staff and has filed the referenced agreement as an exhibit to its Registration Statement.

Principal Stockholders, Page 61

65. *Please provide the full name(s) of the natural persons having voting, dispositive or investment powers over the shares held by each of your stockholders owning more than 5% of your common stock.*

Response: The Registrant has revised the Registration Statement to provide the names of the natural persons having voting and investment power over the shares held by each stockholder owning more than 5% of the Registrant's common stock. The revision is reflected on page 73.

Description of Capital Stock, page 63

Common Stock, page 63

66. *Please state the expiration date of the options, and state whether the expiration date may be extended and, if so, how long.*

Response: The Registrant has revised its disclosure on pages 75 as suggested by the Staff.

Warrants, page 64

67. *Please state the expiration date of the warrants, and state whether the expiration date may be extended and, if so, how. Please also clarify whether the warrants are callable and, if so, how and when you could call the warrants.*

Response: The Registrant has revised its disclosure on page 76 as suggested by the Staff.

Underwriting, page 75

68. *Please indicate if your underwriters have arrangements with a third party to host or access your preliminary prospectus on the Internet. If so, identify the party and provide the address of the website. Please also describe the material terms of the agreement and provide us with a copy of any written agreement. You should also provide us with copies of all information concerning your company or the offering that appears on the third party web site. We may have further comments.*

Response: The Registrant expects Daiwa Securities SMBC to act as managing underwriter and to conduct an initial distribution of the registered shares in the Japanese market. Daiwa Securities SMBC has advised the Registrant that no part of the initial distribution will be made in the United States, no U.S. broker-dealer will be part of the underwriting syndicate and, accordingly, no review of the underwriting arrangements by the U.S. National Association of Securities Dealers, Inc. will be sought. The Registrant is filing a registration statement with the Kanto Local Finance Bureau in Japan and expects the initial distribution to be conducted using the Japanese-language prospectus included in such registration statement. Daiwa Securities SMBC has informed the Registrant that it does not expect to appoint a third party to provide Internet hosting of the Japanese prospectus. There will be no third party hosting of the form of English preliminary prospectus included in the Registrant's registration statement on Form S-1.

69. *If the lead underwriters or other members of the syndicate may deliver a prospectus electronically or otherwise offer and/or sell securities electronically, please tell us the procedures they will use and how they intend to comply with the requirements of Section 5 of the Securities Act of 1933, particularly with regard to how offers and final confirmations will be made and how and when purchasers will fund their purchases. Provide us copies of all electronic communications including the proposed web pages.*

Response: As described in our response to Comment No. 68, the initial distribution will be conducted in the Japanese market. Daiwa Securities SMBC has informed the Registrant that it and other prospective members of the Japanese underwriting syndicate may utilize electronic delivery of the Japanese-language prospectus in keeping with local

practice. Generally, this means that electronic delivery will only be made to potential investors that have consented to the use of such methods. No electronic delivery of a form of English-language preliminary prospectus is planned.

70. *Also tell us and briefly disclose in the prospectus whether you intend to use any forms of prospectus other than print, such as CD-ROMs, videos, etc. and provide all such prospectuses for our examination. Please refer to SEC Releases No. 33-7233 and No. 33-7289. We may have additional comments.*

Response: As described in our response to Comment No. 68, there will be no initial distribution in the United States. The Registrant is not preparing any forms of English prospectus other than the form of prospectus included in the registration statement on Form S-1. In Japan, the Registrant will only prepare the prospectus included in the Japanese registration statement.

71. *If you intend to do a directed share offering, please provide us with any material you intend to sell to potential purchasers such as a "friends and family" letter. Tell us when you intend to send them to these potential purchasers. Tell us whether the sale will be handled by you directly or by the underwriting syndicate. Tell us the procedures you or the underwriter will employ in making the offering and how you will assure that this offer will meet the requirements of Section 5 of the Securities Act and Rule 134. We may have further comments.*

Response: The Registrant respectfully informs the Staff that no directed share offering will be made.

Financial Statements and Related Footnotes

72. *Please note that in your first form 10-K the auditors' report should cover the period from inception through the most recent fiscal year completed. Refer to SFAS 7.*

Response: The Registrant's auditors have acknowledged that their report on the Registrant's financial statements to be included in the Registrant's first annual report on Form 10-K will cover the period from inception through the most recent fiscal year completed.

73. Please provide an analysis of how you determined the fair value of your stock compensation in 2004 and how you determined the amount to record for your deemed dividend to be recorded in the third quarter of 2004.

Response:

CONFIDENTIAL TREATMENT REQUEST BY MEDICINOVA, INC.

MEDI 001 & MEDI 002

74. Please revise the face of the Statements of Operations to specifically state what line items "Stock-based compensation related to founders' warrants" relate (i.e. research and development, general and administrative, etc.). Also, revise the related disclosures throughout the document.

Response: The Registrant has revised the face of the Statements of Operations to specifically state that founders' warrants relate solely to general and administrative expenses. Since the warrant issuances related only to the president of the Registrant and the chairman of the Registrant's board of directors, the Registrant has classified these issuances as general and administrative expenses. The Registrant has combined the line items titled "Amortization of employee stock-based compensation: General and administrative" and "Stock-based compensation related to founders' warrants" since both were accounted for under APB 25 and both relate to general and administrative expenses. In addition, the Registrant had revised the related disclosures throughout the document.

Note 1. The Company, Basis of Presentation and Summary of Significant Accounting Policies

75. *Please disclose the [Registrant's] revenue recognition policy.*

Response: The Registrant has revised the Registration Statement to disclose its revenue recognition policy. The revision is reflected on page F-9.

Note 6. Stockholders' Equity, page F-15

Founders' Common Stock and Warrants

76. *Please disclose what event(s) triggered the anti-dilution provision adjustment of the common stock warrants up to 3,650,000 shares of common stock. Also, please disclose what factors were considered when determining the fair value of the underlying shares of common stock.*

Response: The Registrant has revised the Registration Statement to disclose the events which triggered the anti-dilution adjustments to the founders' warrants. In addition, the Registrant believes it has already disclosed the factors that were considered when determining the fair value of the underlying shares of common stock in the last sentence of the first paragraph on page F-17, which reads as follows: "Based on the [Registrant's] early stage of development, its limited resources, and the preferences of the preferred stock, the [Registrant] believes that the fair value of the underlying shares of common stock did not exceed the exercise price of the warrants at December 31, 2003," and also in the second sentence in the second paragraph on page F-17, which reads as follows: "Based on subsequent financing activities and the initial public offering price contemplated by this prospectus, the [Registrant] believes that the estimated fair value of the 7,323,000 shares exceeds the $0.10 exercise price of the warrants and, as a result,

recorded stock-based compensation in general and administrative expense in the amount of $19,405,950."

Other Warrants

77. *Please disclose to whom the other warrants were issued to as compensation for fundraising efforts. Also, please clarify if any compensation was recorded and if not, supplementally tell us why management felt it was appropriate not to recognize any compensation expense related to the warrants.*

Response: The Registrant has revised the Registration Statement to disclose to whom warrants were issued as compensation for fundraising efforts. In addition, The Registrant has added disclosure to clarify the valuation and accounting treatment of such warrant issuance. The revision is reflected on page F-17.

Item 15. Recent Sales of Unregistered Securities, page II-2

78. *Please revise to identify all of the investors in the unregistered offering you describe in paragraph one of this section.*

Response: Pursuant to Item 701(b) of Regulation S-K, the Registrant has revised Item 15 of Part II of the Registration Statement to identify the class of persons to whom securities were sold in each of the unregistered offerings described in paragraph one of Item 15. The revision is reflected on page II-2.

Exhibits

79. *Please file your remaining exhibits, including the legal opinion with your next amendment or as soon as it becomes available as we will review it prior to granting effectiveness of the registration statement.*

Response: The Registrant has filed additional exhibits to the Registration Statement, as indicated on page II-3. The legal opinion of the Registrant's counsel will be filed as soon as it becomes available.

80. *Please revise the footnote about your confidential treatment request to state that portions of the exhibits have been omitted pursuant to a confidential treatment request and that this information has been filed separately with the Commission.*

Response: The Registrant has revised the exhibit footnote regarding its confidential treatment request to state that portions of the applicable exhibits have been omitted pursuant to a Confidential Treatment Request and that the omitted information has been filed separately with the Commission.

If you have any questions, please do not hesitate to call me at (212) 858-1228.

Very truly yours,

/s/ Babak Yaghmaie

Babak Yaghmaie

cc: Takashi Kiyoizumi, M.D., Ph.D.
David R. Snyder, Esq.
James E. Basta, Esq.
Alan G. Cannon, Esq.