

Consolidated Financial Results for the Fiscal Year Ended January 31, 2020 [Japanese GAAP]



March 16, 2020

Company name: SanBio Company Limited

Stock exchange listing: Tokyo Stock Exchange

Code number: 4592

URL: <https://www.sanbio.com/>

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Scheduled date of the Annual General Meeting of Shareholders: April 28, 2020

Scheduled date of commencing dividend payments: —

Scheduled date of filing annual securities report: April 28, 2020

Availability of supplementary briefing material on financial results: Yes

Schedule of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended January 31, 2020 (February 1, 2019 to January 31, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent
Fiscal year ended January 31, 2020	Million yen 447 (39.7)	Million yen (5,486) —	Million yen (5,146) —	Million yen (5,157) —
January 31, 2019	741 51.2	(3,733) —	(2,919) —	(2,920) —

(Note) Comprehensive income: Fiscal year ended January 31, 2020: ¥(5,167) million [-%]

Fiscal year ended January 31, 2019: ¥(3,073) million [-%]

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income to total assets	Operating income to operating revenue
Fiscal year ended January 31, 2020	Yen (100.91)	Yen —	% (52.4)	% (34.8)	% (1,226.7)
January 31, 2019	(60.17)	—	(60.2)	(30.5)	(503.5)

(Reference) Equity earnings (losses) of affiliates: Fiscal year ended January 31, 2020: ¥ – million

Fiscal year ended January 31, 2019: ¥ – million

(Note) Diluted net income per share is not stated as net loss per share was recorded although there are potential shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of January 31, 2020	Million yen 15,605	Million yen 10,930	% 69.4	Yen 209.05
As of January 31, 2019	13,975	8,909	63.5	178.42

(Reference) Equity: As of January 31, 2020: ¥10,825 million

As of January 31, 2019: ¥8,873 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended January 31, 2020	Million yen (5,717)	Million yen (114)	Million yen 7,022	Million yen 13,646
January 31, 2019	(3,968)	(1,007)	12,719	12,453

2. Dividends

	Annual dividends					Total dividends (Total)	Payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended January 31, 2019	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00	Million yen —	% —	% —
January 31, 2020	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending January 31, 2021 (Forecast)	—	0.00	—	0.00	0.00			

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2021 (February 1, 2020 to January 31, 2021)

(% indicates changes from the previous corresponding period.)

	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
First half	Million yen —	Million yen (2,710)	Million yen —	Million yen (2,759)	Yen (53.30)
Full year	—	(5,453)	—	(5,543)	(107.06)

Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - January 31, 2020: 51,785,023 shares
 - January 31, 2019: 49,732,868 shares
 - 2) Total number of treasury shares at the end of the period:
 - January 31, 2020: 196 shares
 - January 31, 2019: 190 shares
 - 3) Average number of shares during the period
 - Fiscal year ended January 31, 2020: 51,114,118 shares
 - Fiscal year ended January 31, 2019: 48,537,135 shares

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2020 (February 1, 2019 to January 31, 2020)

(1) Non-Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating revenue	Operating income	Ordinary income	Net income
	Million yen %	Million yen %	Million yen %	Million yen %
Fiscal year ended January 31, 2020	— —	(1,484) —	(1,268) —	(5,046) —
January 31, 2019	— —	(807) —	(712) —	(7,653) —

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended January 31, 2020	(98.74)	—
January 31, 2019	(157.68)	—

(Note) Diluted net income per share is not stated as net loss per share was recorded although there are potential shares with dilutive effect.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2020	15,302	11,046	71.5	211.30
As of January 31, 2019	13,127	8,909	67.6	178.44

(Reference) Equity: As of January 31, 2020: ¥10,942 million

As of January 31, 2019: ¥8,874 million

*Non-Consolidated Operating Results compared to the previous fiscal year

Ordinary loss decreased mainly due to increase of research and development expenses and increase of human resource cost by increase of number of employees aiming building stable supply system of our developing regenerative medicine SB623 after its sales start.

*These financial results are outside the scope of audit procedures by a certified public accountant or an audit corporation.

* Explanation of the proper use of the financial results forecast and other notes

(Note on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and the Company does not assure the achievement of any of these. Furthermore, actual results may vary significantly due to various factors. For the assumptions and notes for earnings forecasts, please refer to “1. Overview of Operating Results, etc., (4) Future Outlook” on page 4 of the attachment.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

During the fiscal year ended January 31, 2020 (from February 1, 2019 to January 31, 2020), both the Japanese and US economies recovered moderately along with the progress of US-China trade talks. However, the economic situation is unpredictable due to the effects of the new coronavirus that spread from China to around the world.

In the Japanese regenerative medicine industry, amid ongoing promotion of the industry by implementation of the Act on the Safety of Regenerative Medicine and the Revised Pharmaceutical Affairs Act of November 2014, the approval for conditional and time-limited sales was granted for the first time in September 2015 under the new program to accelerate the process of drug approval for regenerative medical products developed in Japan. The accelerated delivery of regenerative medical products to the market is rapidly becoming a reality. In addition, the 21st Century Cures Act was passed in the US in December 2016. Under the new legal system, regenerative medical products will be identified as a new category of advanced medical treatment (Regenerative Medicine Advanced Therapy: RMAT) while the establishment of an approval system and approval of new drugs, pertaining to regenerative medicine-related products, are expected to be accelerated.

In this environment, the Group (hereinafter referring to both the Company and its consolidated subsidiary, SanBio, Inc. of Mountain View, California, US) pressed ahead with development and commercialization, both in Japan and the US, of our unique regenerative cell medicine, SB623, as a new drug candidate for central nervous system diseases. A Phase 2 clinical trial for the treatment of chronic motor deficit from traumatic brain injury ("development program for treatment of chronic traumatic brain injury"), has been conducted independently by the Group in the US and Japan, with 61 patients. The Group obtained positive results in November 2018 that the "patients treated with SB623 cells demonstrated a statistically significant improvement in their motor function compared to the control group, and primary endpoint was met." In April 2019, the domestic development program for treatment of chronic traumatic brain injury was chosen as a designated regenerative medical product by the Ministry of Health, Labour and Welfare under the SAKIGAKE Designation System. This designation allows the program to receive prioritized consultation, prior evaluation (SAKIGAKE comprehensive evaluation consultation), and prioritized review for pharmaceutical approval from the Pharmaceuticals and Medical Devices Agency (PMDA). We are currently receiving face-to-face advice from and holding prior interviews with the PMDA regarding the project. The Company plans to complete the SAKIGAKE comprehensive evaluation consultation and apply for approval for manufacture and sales of regenerative medical products during the fiscal year ending January 31, 2021 (from February 2020 to January 2021). The details of what the Group is currently working on for approval will be explained at the financial results briefing session for institutional investors and analysts scheduled on March 18, 2020 (Note). Meanwhile, overseas, SB623 was designated as an Advanced Therapy Medicinal Product (ATMP) by the European Medicines Agency (EMA) in Europe in April 2019. In the US, SB623 for chronic traumatic brain injury was designated as RMAT by the U.S. Food and Drug Administration (FDA) in September 2019. Since RMAT is FDA's system for promoting the practical use of regenerative medicine, the Group will enhance the business strategy so that SB623 will be able to receive early approval in the US in the future. By leveraging these systems, the Group plans to commence Phase 3 clinical trials in the development program for treatment of chronic traumatic brain injury globally including Europe in addition to the US by the end of the fiscal year ending January 31, 2021 (from February 2020 to January 2021). Specific designs of the clinical trials and the contents of the development will be announced promptly upon being finalized. In addition, as for the SB623 for the treatment of chronic motor deficit from ischemic stroke ("development program for treatment of chronic stroke"), which was conducted by the Group jointly with Sumitomo Dainippon Pharma Co., Ltd. in the US, the joint development was discontinued in December 2019. At the same time, the joint development and license agreements with Sumitomo Dainippon Pharma Co., Ltd. were canceled. However, the decision has been made to continue development with the aim of global expansion. The Group will determine the design of the next clinical trials and consider implementing a trial after the fiscal year ending January 31, 2021.

To advance these businesses, in May 2019, the Group raised ¥7,097 million from the issue of new shares through overseas subscription. These funds were raised in expectation of sales demand for SB623 in Japan, the US and Europe. The Group plans to use the funds to diversify its contracted manufacturers and secure inventory of SB623, which will initially be sold for the treatment of chronic traumatic brain injury within Japan, in order that the Group may increase the mass-production capability of SB623 and build its stable supply system.

Under these circumstances, for the fiscal year ended January 31, 2020, operating revenue totaled ¥447

million (operating revenue of ¥741 million for the previous fiscal year), reflecting proceeds from the development support fee, etc. received from the joint development and sales license agreements of SB623 concluded by the Group with Sumitomo Dainippon Pharma Co., Ltd. in North America. Operating loss was ¥5,486 million (operating loss of ¥3,733 million for the previous fiscal year), due to the recording of ¥4,327 million of research and development expenses as clinical trial expenses and other expenses related to the two abovementioned development programs for the treatments of chronic motor deficit from ischemic stroke and chronic motor deficit from traumatic brain injury. Ordinary loss was ¥5,146 million (ordinary loss of ¥2,919 million for the previous fiscal year) mainly due to the recording of ¥489 million of non-operating income as a grant from the California Institute for Regenerative Medicine (CIRM), while net loss attributable to owners of parent was ¥5,157 million (net loss attributable to owners of parent of ¥2,920 million for the previous fiscal year).

The Group consists of a single business segment, regenerative cell therapy using modified allogeneic stem cells. Therefore, description of business performance by segment is omitted.

Note: Materials to be used at the financial results briefing session for institutional investors and analysts scheduled on March 18, 2020 will be posted on the Company's website on the same day.

(2) Overview of Financial Position for the Fiscal Year Under Review

(Current assets)

The balance of current assets at the end of the fiscal year under review was ¥14,626 million, an increase of ¥1,567 million compared to the end of the previous fiscal year (¥13,058 million), mainly due to increases of ¥1,193 million in cash and deposits and ¥469 million in supplies.

(Non-current assets)

The balance of non-current assets at the end of the fiscal year under review was ¥979 million, an increase of ¥62 million compared to the end of the previous fiscal year (¥917 million), mainly due to increases of ¥49 million in property, plant and equipment and ¥11 million in intangible assets.

(Current liabilities)

The balance of current liabilities at the end of the fiscal year under review was ¥1,175 million, an increase of ¥108 million compared to the end of the previous fiscal year (¥1,066 million), mainly due to increases of ¥466 million in current portion of long-term loans payable and ¥161 million in accrued expenses, despite a decrease of ¥489 million in advance received.

(Non-current liabilities)

The balance of non-current liabilities at the end of the fiscal year under review was ¥3,500 million, a decrease of ¥500 million compared to the end of the previous fiscal year (¥4,000 million), due to a decrease of ¥500 million in long-term loans payable.

(Net assets)

Total net assets at the end of the fiscal year under review were ¥10,930 million, an increase of ¥2,021 million compared to the end of the previous fiscal year (¥8,909 million), mainly due to the recording of ¥5,157 million in net loss attributable to owners of the parent, and increases of ¥3,548 million each in capital stock and capital surplus due to the issue of new shares through overseas subscription.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review were ¥13,646 million. Cash flows in each area of activity are as follows.

(Cash flows from operating activities)

Net cash used in operating activities for the fiscal year under review was ¥5,717 million (an outflow of ¥3,968 million for the previous fiscal year). This was primarily due to a loss before income taxes of ¥5,156 million recorded, subsidy income of ¥489 million, and increase in inventories of ¥469 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥114 million (an outflow of ¥1,007 million for the previous fiscal year). This was primarily due to an outflow of ¥95 million for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities for the fiscal year under review was ¥7,022 million (an inflow of ¥12,719 million for the previous fiscal year). This was primarily due to proceeds from issuance of shares of ¥7,047 million.

(4) Future Outlook

In the fiscal year ending January 31, 2021, as for the development program of regenerative cell medicine, SB623, for the treatment of chronic traumatic brain injury, the Group aims to apply for approval for manufacture and sales of regenerative medical products in Japan. At the same time, in anticipation of the manufacture and sales approval, the Group will promote establishment of manufacturing, logistics, and sales systems designed for distribution of SB623 in Japan. Overseas, by leveraging the designation as ATMP in Europe and RMAT in the US, the Group aims to commence Phase 3 clinical trials in the development program for treatment of chronic traumatic brain injury globally. In addition, as for the SB623 development program for the treatment of chronic stroke, the Group will determine the design of the next clinical trials and consider implementing a trial from the fiscal year ending January 31, 2021 onward.

Based on the above, the Group expects to incur operating expenses of ¥5,453 million in total, including expenses to develop the SB623 development program for treatment of chronic traumatic brain injury and expenses to establish manufacturing, logistics, and sales systems in Japan following its launch. As a result, the Group forecasts an operating loss of ¥5,453 million, an ordinary loss of ¥5,543 million, and net loss attributable to owners of parent of ¥5,544 million.

The forecast is based on an exchange rate of ¥110.00 per U.S. dollar.

(5) Basic Policy for Distribution of Profit and Dividends for FY2020.1 and FY2021.1

The Company recognizes that the return of profits to shareholders is one of its most important management policies. We determine dividends after taking into account the buildup of internal reserves in preparation for investments into research and development.

The Company has a basic principle of distributing dividends once a year at the fiscal year-end if dividends from surplus are to be paid. The General Meeting of Shareholders is the decision-making body for the payment.

Additionally, the Company stipulates in its Articles of Incorporation that payment of interim dividends is subject to the resolution of the Board of Directors, with July 31 of each year as the record date.

As to the fiscal year ended January 31, 2020, no dividend will be paid, as there is no distributable amount pursuant to Article 461 of the Companies Act and Article 149 of the Ordinance on Accounting of Companies. For the time being, the Company does not expect to pay dividends, in order to proactively engage in the research and development of medicine, and intends to use its internal reserves from profits for reinvestments.

2. Basic Policy on Selection of Accounting Standards

The Group will prepare its consolidated financial statements based on Japanese GAAP for the time being, given its comparability from period to period and between companies.

The Group plans to appropriately respond to the application of International Financial Reporting Standards (IFRS) upon considering the circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	12,453,031	13,646,073
Supplies	—	469,600
Advance payments	519,009	375,790
Other	86,872	134,585
Total current assets	13,058,913	14,626,050
Non-current assets		
Property, plant and equipment		
Buildings and structures	69,727	78,851
Tools, furniture and fixtures	208,938	202,601
Accumulated depreciation	(211,876)	(213,281)
Construction in progress	7,376	55,772
Total property, plant and equipment	74,165	123,943
Intangible assets	2,601	13,650
Investments and other assets		
Investment securities	828,828	824,522
Other	11,467	17,248
Total investments and other assets	840,295	841,770
Total non-current assets	917,061	979,364
Total assets	13,975,975	15,605,414
Liabilities		
Current liabilities		
Current portion of long-term loans payable	33,380	500,000
Accounts payable - other	315,509	296,749
Accrued expenses	157,902	319,205
Advance received	489,282	—
Provision for bonuses	—	20,698
Other	70,780	38,578
Total current liabilities	1,066,854	1,175,232
Non-current liabilities		
Long-term loans payable	4,000,000	3,500,000
Total non-current liabilities	4,000,000	3,500,000
Total liabilities	5,066,854	4,675,232
Net assets		
Shareholders' equity		
Capital stock	9,431,953	8,083,986
Capital surplus	13,143,396	11,795,428
Retained earnings	(13,675,118)	(9,017,546)
Treasury shares	(837)	(853)
Total shareholders' equity	8,899,393	10,861,014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(171,147)	(175,453)
Foreign currency translation adjustment	145,293	140,157
Total accumulated other comprehensive income	(25,854)	(35,296)
Subscription rights to shares	35,580	104,464
Total net assets	8,909,120	10,930,182
Total liabilities and net assets	13,975,975	15,605,414

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2019	For the fiscal year ended January 31, 2020
Operating revenue	741,614	447,226
Operating expenses		
Research and development expenses	3,721,042	4,327,729
Other selling, general and administrative expenses	754,492	1,605,566
Total operating expenses	4,475,534	5,933,296
Operating loss	(3,733,919)	(5,486,070)
Non-operating income		
Interest income	13,063	9,068
Dividend income	—	6,458
Subsidy income	927,159	489,821
Other	23,709	3,278
Total non-operating income	963,932	508,626
Non-operating expenses		
Interest expenses	33,836	47,363
Foreign exchange losses	—	61,988
Financing expenses	59,447	9,475
Share issuance expenses	56,652	50,273
Total non-operating expenses	149,936	169,101
Ordinary loss	(2,919,923)	(5,146,544)
Extraordinary income		
Gain on reversal of subscription rights to shares	570	—
Total extraordinary income	570	—
Extraordinary losses		
Loss on retirement of non-current assets	—	9,961
Total extraordinary losses	—	9,961
Loss before income taxes	(2,919,353)	(5,156,506)
Income taxes - current	1,210	1,209
Total income taxes	1,210	1,209
Net loss	(2,920,563)	(5,157,716)
Net loss attributable to owners of parent	(2,920,563)	(5,157,716)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2019	For the fiscal year ended January 31, 2020
Net loss	(2,920,563)	(5,157,716)
Other comprehensive income		
Valuation difference on available-for-sale securities	(171,147)	(4,305)
Foreign currency translation adjustment	18,357	(5,136)
Total other comprehensive income	(152,790)	(9,442)
Comprehensive income	(3,073,353)	(5,167,158)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(3,073,353)	(5,167,158)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended January 31, 2019 (From February 1, 2018 to January 31, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,875,072	7,586,514	(10,754,555)	(180)	706,851
Changes of items during period					
Issuance of new shares	5,556,881	5,556,881			11,113,762
Net loss attributable to owners of parent			(2,920,563)		(2,920,563)
Purchase of treasury shares				(657)	(657)
Transfer from share capital to other capital surplus					
Deficit disposition					
Net changes of items other than shareholders' equity					
Total changes of items during period	5,556,881	5,556,881	(2,920,563)	(657)	8,192,542
Balance at end of current period	9,431,953	13,143,396	(13,675,118)	(837)	8,899,393

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	—	126,936	126,936	19,463	853,251
Changes of items during period					
Issuance of new shares					11,113,762
Net loss attributable to owners of parent					(2,920,563)
Purchase of treasury shares					(657)
Transfer from share capital to other capital surplus					
Deficit disposition					
Net changes of items other than shareholders' equity	(171,147)	18,357	(152,790)	16,117	(136,673)
Total changes of items during period	(171,147)	18,357	(152,790)	16,117	8,055,869
Balance at end of current period	(171,147)	145,293	(25,854)	35,580	8,909,120

For the fiscal year ended January 31, 2020 (From February 1, 2019 to January 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,431,953	13,143,396	(13,675,118)	(837)	8,899,393
Changes of items during period					
Issuance of new shares	3,559,676	3,559,676			7,119,352
Net loss attributable to owners of parent			(5,157,716)		(5,157,716)
Purchase of treasury shares				(15)	(15)
Transfer from share capital to other capital surplus	(4,907,644)	4,907,644			—
Deficit disposition		(9,815,288)	9,815,288		—
Net changes of items other than shareholders' equity					
Total changes of items during period	(1,347,967)	(1,347,967)	4,657,571	(15)	1,961,620
Balance at end of current period	8,083,986	11,795,428	(9,017,546)	(853)	10,861,014

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(171,147)	145,293	(25,854)	35,580	8,909,120
Changes of items during period					
Issuance of new shares					7,119,352
Net loss attributable to owners of parent					(5,157,716)
Purchase of treasury shares					(15)
Transfer from share capital to other capital surplus					—
Deficit disposition					—
Net changes of items other than shareholders' equity	(4,305)	(5,136)	(9,442)	68,883	59,441
Total changes of items during period	(4,305)	(5,136)	(9,442)	68,883	2,021,062
Balance at end of current period	(175,453)	140,157	(35,296)	104,464	10,930,182

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2019	For the fiscal year ended January 31, 2020
Cash flows from operating activities:		
Loss before income taxes	(2,919,353)	(5,156,506)
Depreciation	36,861	39,638
Share based compensation expenses	27,922	70,943
Increase (decrease) in provision for bonuses	—	20,700
Interest and dividend income	(13,063)	(15,527)
Foreign exchange losses (gains)	(21,079)	(7,408)
Subsidy income	(927,159)	(489,821)
Interest expenses	33,836	47,363
Share issuance expenses	56,652	50,273
Financing expenses	59,447	9,475
Gain on reversal of subscription rights to shares	(570)	—
Loss on retirement of non-current assets	—	9,961
Decrease (increase) in inventories	—	(469,649)
Decrease (increase) in advance payments	(147,275)	143,721
Increase (decrease) in accounts payable - other	(210,662)	(21,744)
Increase (decrease) in accrued expenses	(47,123)	163,457
Decrease (increase) in other current assets	(42,243)	(47,959)
Increase (decrease) in other current liabilities	50,202	(32,542)
Other	(724)	1,298
Subtotal	(4,064,334)	(5,684,325)
Interest and dividends received	16,264	15,527
Interest expenses paid	(32,702)	(47,551)
Subsidy income received	112,475	—
Income taxes paid	(45)	(942)
Net cash provided by (used in) operating activities	(3,968,342)	(5,717,292)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,359)	(95,681)
Purchase of intangible assets	—	(11,267)
Purchase of investment securities	(999,975)	—
Payments of leasehold deposits	(757)	(7,735)
Net cash provided by (used in) investing activities	(1,007,092)	(114,683)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,800,000	500,000
Repayments of long-term loans payable	(66,640)	(533,380)
Payments of financing expenses	(59,004)	(11,535)
Proceeds from issuance of shares	—	7,047,326
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	10,945,876	19,693
Proceeds from issuance of subscription rights to shares	100,000	—
Other	(657)	(15)
Net cash provided by (used in) financing activities	12,719,575	7,022,087
Effect of exchange rate change on cash and cash equivalents	54,071	2,930
Net increase (decrease) in cash and cash equivalents	7,798,211	1,193,042
Cash and cash equivalents at beginning of period	4,654,820	12,453,031
Cash and cash equivalents at end of period	12,453,031	13,646,073

(5) Notes to the Consolidated Financial Statements
(Notes on going concern assumption)

None

(Segment information)

<Segment information>

For the fiscal year ended January 31, 2019 (from February 1, 2018 to January 31, 2019)

Segment information is omitted as the Group consists of a single business segment, regenerative cell therapy using modified allogeneic stem cells.

For the fiscal year ended January 31, 2020 (from February 1, 2019 to January 31, 2020)

Segment information is omitted as the Group consists of a single business segment, regenerative cell therapy using modified allogeneic stem cells.

<Related information>

Fiscal year ended January 31, 2019 (from February 1, 2018 to January 31, 2019)

1. Information by products and services

This information is omitted because operating revenue from external customers from a single product and service category accounted for more than 90% of the operating revenue recorded in the consolidated statements of income.

2. Information by geographical segment

(1) Operating revenue

This information is omitted because operating revenue from external customers in Japan accounted for more than 90% of operating revenue recorded in the consolidated statements of income.

(2) Property, plant and equipment

(Thousand yen)

Japan	US	Total
—	74,165	74,165

3. Information by major customer

(Thousand yen)

Name of customer	Operating revenue	Name of related segment
Sumitomo Dainippon Pharma Co., Ltd.	741,614	Regenerative cell therapy using allogeneic stem cells

Fiscal year ended January 31, 2020 (from February 1, 2019 to January 31, 2020)

1. Information by products and services

This information is omitted because operating revenue from external customers from a single product and service category accounted for more than 90% of the operating revenue recorded in the consolidated statements of income.

2. Information by geographical segment

(1) Operating revenue

This information is omitted because operating revenue from external customers in Japan accounted for more than 90% of operating revenue recorded in the consolidated statements of income.

(2) Property, plant and equipment

(Thousand yen)

Japan	US	Total
16,088	107,854	123,943

3. Information by major customer

(Thousand yen)

Name of customer	Operating revenue	Name of related segment
Sumitomo Dainippon Pharma Co., Ltd.	447,226	Regenerative cell therapy using allogeneic stem cells

<Information concerning impairment loss on non-current assets by reporting segment>

Fiscal year ended January 31, 2019 (from February 1, 2018 to January 31, 2019)

None

Fiscal year ended January 31, 2020 (from February 1, 2019 to January 31, 2020)

None

<Information concerning amortization and unamortized balance of goodwill by reporting segment>

Fiscal year ended January 31, 2019 (from February 1, 2018 to January 31, 2019)

None

Fiscal year ended January 31, 2020 (from February 1, 2019 to January 31, 2020)

None

<Information concerning gain on bargain purchase by reporting segment>

Fiscal year ended January 31, 2019 (from February 1, 2018 to January 31, 2019)

None

Fiscal year ended January 31, 2020 (from February 1, 2019 to January 31, 2020)

None

(Per share information)

(Yen)

	For the fiscal year ended January 31, 2019	For the fiscal year ended January 31, 2020
Net assets per share	178.42	209.05
Net (loss) per share	(60.17)	(100.91)

(Notes) 1. Diluted net income per share is not stated, despite the existence of potential shares, due to the posting of net loss per share.

2. The basis for calculating net loss per share is as follows.

	For the fiscal year ended January 31, 2019	For the fiscal year ended January 31, 2020
Net (loss) attributable to owners of parent (Thousand yen)	(2,920,563)	(5,157,716)
Amount not attributable to common shareholders (Thousand yen)	—	—
Net (loss) attributable to owners of parent associated with common shares (Thousand yen)	(2,920,563)	(5,157,716)
Average number of shares during the period (Shares)	48,537,135	51,114,118
Outline of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	None	14th Share Acquisition Rights (total number of subscription rights to shares: 27,000) 15th Share Acquisition Rights (total number of subscription rights to shares: 3,000) 16th Share Acquisition Rights (total number of subscription rights to shares: 45,000) 17th Share Acquisition Rights (total number of subscription

		rights to shares: 50,000) 18th Share Acquisition Rights (total number of subscription rights to shares: 41,000) 19th Share Acquisition Rights (total number of subscription rights to shares: 6,500)
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(Significant subsequent events)

None