

Consolidated Financial Results for the Fiscal Year Ended January 31, 2021 [Japanese GAAP]



March 17, 2021

Company name: SanBio Company Limited

Stock exchange listing: Tokyo Stock Exchange

Code number: 4592

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Scheduled date of the Annual General Meeting of Shareholders: April 28, 2021

Scheduled date of commencing dividend payments: —

Scheduled date of filing annual securities report: April 28, 2021

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, 2021 (February 1, 2020 to January 31, 2021)

(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	Million yen %	Million yen %	Million yen %	Million yen %
January 31, 2021	— —	(5,801) —	(6,530) —	(3,385) —
January 31, 2020	447 (39.7)	(5,486) —	(5,146) —	(5,157) —

(Note) Comprehensive income: Fiscal year ended January 31, 2021: ¥(2,692) million [-%]

Fiscal year ended January 31, 2020: ¥(5,167) 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	Yen	Yen	%	%	%
January 31, 2021	(65.38)	—	(35.7)	(45.1)	—
January 31, 2020	(100.91)	—	(52.4)	(34.8)	(1,226.7)

(Reference) Equity earnings (losses) of affiliates: Fiscal year ended January 31, 2021: ¥ – million

Fiscal year ended January 31, 2020: ¥ – 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
	Million yen	Million yen	%	Yen
As of January 31, 2021	13,343	8,349	61.0	157.07
As of January 31, 2020	15,605	10,930	69.4	209.05

(Reference) Equity: As of January 31, 2021: ¥8,133 million

As of January 31, 2020: ¥10,825 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, 2021	Million yen (5,215)	Million yen 4,180	Million yen (56)	Million yen 12,480
January 31, 2020	(5,717)	(114)	7,022	13,646

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, 2020	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00	Million yen —	% —	% —
January 31, 2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending January 31, 2022 (Forecast)	—	0.00	—	0.00	0.00		—	—

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2022 (February 1, 2021 to January 31, 2022)

(% 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 (3,492)	Million yen (3,550)	Million yen (3,551)	Yen (68.57)
Full year	—	(5,786)	(5,876)	(5,877)	(113.49)

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, 2021: 51,785,505 shares
January 31, 2020: 51,785,023 shares
 - 2) Total number of treasury shares at the end of the period:

January 31, 2021: 196 shares
January 31, 2020: 196 shares
 - 3) Average number of shares during the period

Fiscal year ended January 31, 2021: 51,785,102 shares
Fiscal year ended January 31, 2020: 51,114,118 shares

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2021 (February 1, 2020 to January 31, 2021)

(1) Non-Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Operating revenue	Operating income	Ordinary income	Net income
Fiscal year ended January 31, 2021	Million yen —	Million yen (1,579)	Million yen (1,827)	Million yen (2,976)
January 31, 2020	—	(1,484)	—	(1,268)

	Net income per share	Diluted net income per share
Fiscal year ended January 31, 2021	Yen (57.49)	Yen —
January 31, 2020	(98.74)	—

(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
As of January 31, 2021	Million yen 12,718	Million yen 8,357	% 64.0	Yen 157.22
As of January 31, 2020	15,302	11,046	71.5	211.30

(Reference) Equity: As of January 31, 2021: ¥8,141 million
As of January 31, 2020: ¥10,942 million

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

A change in ordinary loss from the previous fiscal year is due to an increase of expenses for the development and manufacturing activities of regenerative cell medicine SB623 and an increase of human resource costs resulting from an increase of the number of employees. A change in net loss from the previous fiscal year is due to sales of investment securities held.

*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.

Table of Contents

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year Under Review	2
(2) Overview of Financial Position for the Fiscal Year Under Review	3
(3) Overview of Cash Flows for the Fiscal Year Under Review	4
(4) Future Outlook	4
(5) Basic Policy for Distribution of Profit and Dividends for FY2020.1 and FY2021.1	4
2. Basic Policy on Selection of Accounting Standards	5
3. Consolidated Financial Statements and Primary Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statements of Income	7
Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Changes in Net Assets	9
(4) Consolidated Statements of Cash Flows	11
(5) Notes to the Consolidated Financial Statements	12
(Notes on going concern assumption)	12
(Segment information)	12
(Per share information)	14
(Significant subsequent events)	15

1. Overview of Operating Results, etc.

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

During the fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021), the Japanese economy remained relatively steady despite the spread of the new coronavirus pandemic, which resulted in the declaration of a state of emergency. Coupled with the start in Japan of vaccination, which had started in Europe and the US ahead of Japan, economic activities are expected to accelerate from now on, following the relaxation of restriction measures concerning public health. Taking a look at the world, including the US, while effective vaccines have become available globally, the economic situation is expected to be unpredictable, as the economic downturn caused by the new coronavirus pandemic is so serious that the real GDP level for 2021 is said to be lower than that in 2019 in most countries.

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. We established SanBio Asia Pte. Ltd., the Group's first subsidiary in Asia outside Japan, in Singapore on February 1, 2021, with a view to expanding sales channels in the Asian region.

In the Phase 2 clinical trial involving the SB623 development program for treatment of chronic traumatic brain injury and conducted 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. Currently, in Japan, we are actively negotiating with the Pharmaceuticals and Medical Devices Agency (PMDA) within the framework of the SAKIGAKE Designation System, aimed at applying for approval for manufacture and sales of SB623 as a regenerative medical product as early as possible. (For the detailed situation so far, please refer to the Company's press release dated December 15, 2020 entitled "Notice regarding the status of domestic approval filing for regenerative cell medicine SB623 for treatment of chronic effects associated with traumatic brain injury.") Also, in parallel with this, we are steadily proceeding with preparations for establishment of a sales system after obtaining approval for domestic manufacture and sales of SB623. We will continue to hold negotiations with the PMDA toward the earliest possible acquisition of approval for domestic manufacture and sales of SB623. In addition, as for the SB623 development program for treatment of chronic motor deficit from ischemic stroke ("development program for treatment of chronic stroke"), the Group conducted a Phase 2b clinical trial (STR-02 trial) in the US with 163 patients demonstrating motor deficits associated with chronic ischemic stroke, and announced in January 2019 that "no statistically significant difference was found in the proportion of patients whose Fugl-Meyer Motor Scale (FMMS) score improved by 10 or more points over the baseline at six months after treatment (the primary endpoint) between the SB623 treatment group and the control group, and thus the trial did not meet the primary endpoint." However, in September 2020, as an additional analysis of STR-02 trial (Note 1), the Group evaluated the efficacy of SB623 in 77 patients whose infarct area was smaller than a certain size (47% of the patients examined in STR-02 trial) at six months after the SB623 treatment by using the composite FMMS endpoint, and obtained a statistically significant result (P-value=0.02), indicating that 49% of the SB623 treatment group consisting of 51 patients showed improvement compared to 19% of the sham surgery group consisting of 26 patients. To maximize the value of SB623 by selection and concentration of our management resources, the Group has decided to give priority to the preparation for the development of the SB623 programs for treatment of ischemic stroke and hemorrhagic stroke in Japan, in parallel with preparing to apply for approval for manufacture and sales of SB623 for treatment of chronic traumatic brain injury in Japan as early as possible. Specific designs of the clinical trials and the contents of the development of both the programs will be announced promptly once they are finalized.

Under these circumstances, for the fiscal year ended January 31, 2021, the Company recorded ¥4,071 million in research and development expenses mainly consisting of manufacturing-related costs incurred in applying for approval with respect to the SB623 development program for treatment of chronic traumatic brain injury. As a result, operating loss was ¥5,801 million (operating loss of ¥5,486 million for the previous fiscal year). Ordinary loss was ¥6,530 million (ordinary loss of ¥5,146 million for the previous fiscal year) due to the recording of ¥634 million of foreign exchange losses as non-operating expenses owing to the foreign exchange losses resulting from fluctuations in foreign exchange rates. Furthermore, net loss attributable to owners of parent was ¥3,385 million (Note 2) (net loss attributable to owners of parent of ¥5,157 million for the previous fiscal year) due to the recording of ¥3,318 million of gain on sales of investment securities resulting from sales of investment securities held.

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 1: For details, please refer to the Company's press release dated September 14, 2020 entitled "SanBio Announces Results of New Analyses on the Phase 2b Clinical Trial in the U.S. Evaluating SB623, a Regenerative Cell Medicine for Treatment of Patients with Chronic Stroke, and Consideration of Commencement of Clinical Trials in Japan for the SB623 Development Programs for Treatment of Ischemic Stroke and Hemorrhagic Stroke based on the Results."

Note 2: For details, please refer to the Company's press release dated November 30, 2020 entitled "Notice regarding the transfer of shares in CareNet following the signing of partnership agreement between Tokio Marine Holdings and CareNet, and the Company's intention to maintain its partnership with CareNet," and that dated February 25, 2021 entitled "Notice Concerning Extraordinary Gains (Gain on Sales of Investment Securities) and Non-Operating Expenses (Foreign Exchange Losses)."

(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 ¥13,131 million, a decrease of ¥1,494 million compared to the end of the previous fiscal year (¥14,626 million), mainly due to decreases of ¥1,165 million in cash and deposits and ¥268 million in advance payments.

(Non-current assets)

The balance of non-current assets at the end of the fiscal year under review was ¥211 million, a decrease of ¥767 million compared to the end of the previous fiscal year (¥979 million), mainly due to a decrease of ¥824 million in investment securities.

(Current liabilities)

The balance of current liabilities at the end of the fiscal year under review was ¥2,468 million, an increase of ¥1,293 million compared to the end of the previous fiscal year (¥1,175 million), mainly due to increases of ¥500 million in short-term loans payable, ¥475 million in current portion of long-term loans payable, ¥236 million in accrued expenses and ¥171 million in income taxes payable.

(Non-current liabilities)

The balance of non-current liabilities at the end of the fiscal year under review was ¥2,525 million, a decrease of ¥975 million compared to the end of the previous fiscal year (¥3,500 million), due to a decrease of ¥975 million in long-term loans payable.

(Net assets)

Total net assets at the end the fiscal year under review were ¥8,349 million, a decrease of ¥2,580 million compared to the end of the previous fiscal year (¥10,930 million), mainly due to an increase of ¥692 million in accumulated other comprehensive income, despite the recording of 3,385 million in net loss attributable to owners of parent.

(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 ¥12,480 million, a decrease of ¥1,165 million compared to the end of the previous fiscal year (¥13,646 million). Cash flows in each area of activity and their respective contributing factors are as follows.

(Cash flows from operating activities)

Net cash used in operating activities for the fiscal year under review was ¥5,215 million (an outflow of ¥5,717 million for the previous fiscal year). This was primarily due to a loss before income taxes of ¥3,211 million recorded, deduction of gain on sales of investment securities of ¥3,318 million, a decrease of ¥256 million in advance payments and an increase of ¥253 million in accrued expenses.

(Cash flows from investing activities)

Net cash provided by investing activities for the fiscal year under review was ¥4,180 million (an outflow of ¥114 million for the previous fiscal year). This was primarily due to an outflow of ¥96 million for purchase of property, plant and equipment, an outflow of ¥42 million for purchase of intangible assets and proceeds from sales of investment securities of ¥4,318 million.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year under review was ¥56 million (an inflow of ¥7,022 million for the previous fiscal year). This was primarily due to an outflow of ¥56 million for payments of financing expenses.

(4) Future Outlook

In the fiscal year ending January 31, 2022, 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. Afterwards, the Group will start to prepare for clinical trials of the SB623 programs for treatment of ischemic stroke and hemorrhagic stroke in Japan.

Based on the above, the Group expects to incur operating expenses of ¥5,786 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 ¥5,786 million, an ordinary loss of ¥5,876 million, and net loss attributable to owners of parent of ¥5,877 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 FY2021.1 and FY2022.1

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, 2021, 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, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	13,646,073	12,480,165
Supplies	469,600	444,519
Advance payments	375,790	107,657
Other	134,585	99,583
Total current assets	<u>14,626,050</u>	<u>13,131,925</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	78,851	202,297
Tools, furniture and fixtures	202,601	209,633
Accumulated depreciation	(213,281)	(270,146)
Construction in progress	55,772	—
Total property, plant and equipment	<u>123,943</u>	<u>141,784</u>
Intangible assets	13,650	53,650
Investments and other assets		
Investment securities	824,522	—
Other	17,248	16,464
Total investments and other assets	<u>841,770</u>	<u>16,464</u>
Total non-current assets	<u>979,364</u>	<u>211,900</u>
Total assets	<u>15,605,414</u>	<u>13,343,826</u>
Liabilities		
Current liabilities		
Short-term loans payable	—	500,000
Current portion of long-term loans payable	500,000	975,000
Accounts payable – other	296,749	221,983
Accrued expenses	319,205	555,582
Income taxes payable	30,860	202,685
Provision for bonuses	20,698	6,345
Other	7,717	7,303
Total current liabilities	<u>1,175,232</u>	<u>2,468,900</u>
Non-current liabilities		
Long-term loans payable	3,500,000	2,525,000
Total non-current liabilities	<u>3,500,000</u>	<u>2,525,000</u>
Total liabilities	<u>4,675,232</u>	<u>4,993,900</u>
Net assets		
Shareholders' equity		
Capital stock	8,083,986	5,561,072
Capital surplus	11,795,428	9,272,515
Retained earnings	(9,017,546)	(7,356,499)
Treasury shares	(853)	(853)
Total shareholders' equity	<u>10,861,014</u>	<u>7,476,235</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(175,453)	—
Foreign currency translation adjustment	140,157	657,644
Total accumulated other comprehensive income	<u>(35,296)</u>	<u>657,644</u>
Subscription rights to shares	104,464	216,044
Total net assets	<u>10,930,182</u>	<u>8,349,925</u>
Total liabilities and net assets	<u>15,605,414</u>	<u>13,343,826</u>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Operating revenue	447,226	—
Operating expenses		
Research and development expenses	4,327,729	4,071,641
Other selling, general and administrative expenses	1,605,566	1,730,098
Total operating expenses	5,933,296	5,801,740
Operating loss	(5,486,070)	(5,801,740)
Non-operating income		
Interest income	9,068	2,470
Dividend income	6,458	6,458
Subsidy income	489,821	—
Other	3,278	237
Total non-operating income	508,626	9,166
Non-operating expenses		
Interest expenses	47,363	47,170
Foreign exchange losses	61,988	634,754
Financing expenses	9,475	55,918
Share issuance expenses	50,273	—
Total non-operating expenses	169,101	737,844
Ordinary loss	(5,146,544)	(6,530,418)
Extraordinary income		
Gain on sales of investment securities	—	3,318,966
Total extraordinary income	—	3,318,966
Extraordinary losses		
Loss on retirement of non-current assets	9,961	46
Total extraordinary losses	9,961	46
Loss before income taxes	(5,156,506)	(3,211,497)
Income taxes - current	1,209	174,378
Total income taxes	1,209	174,378
Net loss	(5,157,716)	(3,385,875)
Net loss attributable to owners of parent	(5,157,716)	(3,385,875)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Net loss	(5,157,716)	(3,385,875)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,305)	175,453
Foreign currency translation adjustment	(5,136)	517,487
Total other comprehensive income	(9,442)	692,940
Comprehensive income	(5,167,158)	(2,692,935)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(5,167,158)	(2,692,935)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

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

For the fiscal year ended January 31, 2021 (From February 1, 2020 to January 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,083,986	11,795,428	(9,017,546)	(853)	10,861,014
Changes of items during period					
Issuance of new shares	548	548			1,097
Net loss attributable to owners of parent			(3,385,875)		(3,385,875)
Purchase of treasury shares					—
Transfer from share capital to other capital surplus	(2,523,461)	2,523,461			—
Deficit disposition		(5,046,923)	5,046,923		—
Net changes of items other than shareholders' equity					—
Total changes of items during period	(2,522,913)	(2,522,913)	1,661,047	—	(3,384,778)
Balance at end of current period	5,561,072	9,272,515	(7,356,499)	(853)	7,476,235

	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	(175,453)	140,157	(35,296)	104,464	10,930,182
Changes of items during period					
Issuance of new shares					1,097
Net loss attributable to owners of parent					(3,385,875)
Purchase of treasury shares					—
Transfer from share capital to other capital surplus					—
Deficit disposition					—
Net changes of items other than shareholders' equity	175,453	517,487	692,940	111,580	804,521
Total changes of items during period	175,453	517,487	692,940	111,580	(2,580,257)
Balance at end of current period	—	657,644	657,644	216,044	8,349,925

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Cash flows from operating activities:		
Loss before income taxes	(5,156,506)	(3,211,497)
Depreciation	39,638	74,455
Share based compensation expenses	70,943	112,468
Increase (decrease) in provision for bonuses	20,700	(14,069)
Interest and dividend income	(15,527)	(8,928)
Foreign exchange losses (gains)	(7,408)	634,156
Subsidy income	(489,821)	—
Interest expenses	47,363	47,170
Share issuance expenses	50,273	—
Financing expenses	9,475	55,918
Loss on retirement of non-current assets	9,961	46
Loss (gain) on sales of investment securities	—	(3,318,966)
Decrease (increase) in inventories	(469,649)	13,872
Decrease (increase) in advance payments	143,721	256,844
Increase (decrease) in accounts payable - other	(21,744)	(65,628)
Increase (decrease) in accrued expenses	163,457	253,779
Decrease (increase) in other current assets	(47,959)	33,050
Increase (decrease) in other current liabilities	(32,542)	61,574
Other	1,298	(84,077)
Subtotal	(5,684,325)	(5,159,831)
Interest and dividends received	15,527	8,928
Interest expenses paid	(47,551)	(49,108)
Income taxes paid	(942)	(15,672)
Net cash provided by (used in) operating activities	(5,717,292)	(5,215,683)
Cash flows from investing activities		
Purchase of property, plant and equipment	(95,681)	(96,200)
Purchase of intangible assets	(11,267)	(42,560)
Proceeds from sales of investment securities	—	4,318,942
Payments of leasehold deposits	(7,735)	(100)
Net cash provided by (used in) investing activities	(114,683)	4,180,081
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	500,000
Proceeds from long-term loans payable	500,000	2,300,000
Repayments of long-term loans payable	(533,380)	(2,800,000)
Payments of financing expenses	(11,535)	(56,782)
Proceeds from issuance of shares	7,047,326	—
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	19,693	209
Other	(15)	—
Net cash provided by (used in) financing activities	7,022,087	(56,572)
Effect of exchange rate change on cash and cash equivalents	2,930	(73,733)
Net increase (decrease) in cash and cash equivalents	1,193,042	(1,165,908)
Cash and cash equivalents at beginning of period	12,453,031	13,646,073
Cash and cash equivalents at end of period	13,646,073	12,480,165

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

None

(Segment information)

<Segment information>

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.

For the fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

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, 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

Fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

1. Information by products and services

None

2. Information by geographical segment

(1) Operating revenue

None

(2) Property, plant and equipment

(Thousand yen)

Japan	US	Total
18,612	123,172	141,784

3. Information by major customer

None

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

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

None

Fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

None

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

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

None

Fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

None

<Information concerning gain on bargain purchase by reporting segment>

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

None

Fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

None

(Per share information)

(Yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Net assets per share	209.05	157.07
Net (loss) per share	(100.91)	(65.38)

(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, 2020	For the fiscal year ended January 31, 2021
Net (loss) attributable to owners of parent (Thousand yen)	(5,157,716)	(3,385,875)
Amount not attributable to common shareholders (Thousand yen)	—	—
Net (loss) attributable to owners of parent associated with common shares (Thousand yen)	(5,157,716)	(3,385,875)
Average number of shares during the period (Shares)	51,114,118	51,785,102
Outline of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	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	7th Share Acquisition Rights (total number of subscription rights to shares: 21,216) 10th Share Acquisition Rights (total number of subscription rights to shares: 20,000) 12th Share Acquisition Rights (total number of subscription rights to shares: 3,000) 14th Share Acquisition Rights (total number of subscription

	<p>to shares: 50,000)</p> <p>18th Share Acquisition Rights (total number of subscription rights to shares: 41,000)</p> <p>19th Share Acquisition Rights (total number of subscription rights to shares: 6,500)</p>	<p>rights to shares: 27,000)</p> <p>15th Share Acquisition Rights (total number of subscription rights to shares: 3,000)</p> <p>16th Share Acquisition Rights (total number of subscription rights to shares: 45,000)</p> <p>17th Share Acquisition Rights (total number of subscription rights to shares: 50,000)</p> <p>18th Share Acquisition Rights (total number of subscription rights to shares: 41,000)</p> <p>19th Share Acquisition Rights (total number of subscription rights to shares: 6,500)</p>
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(Significant subsequent events)

(Reduction in amounts of stated capital and capital reserves and appropriation of capital surplus)

At the meeting of Board of Directors held on March 17, 2021, the Company resolved to submit to the Company's 8th annual general meeting of shareholders, to be held on April 28, 2021, a proposal to reduce the amounts of stated capital and capital reserves and to make an appropriation of capital surplus.

1. Purpose of reduction in amounts of stated capital and capital reserves and appropriation of capital surplus

With the aim of reducing the Company's tax burden through a reduction in its stated capital and capital reserves, achieving a healthier financial platform by covering this deficit, and ensuring agile capital policy, including shareholder returns (dividends and acquisition of treasury shares) for the future, the Company will carry out a reduction in the amounts of its stated capital and its capital reserves and appropriation of capital surplus.

2. Outline of reduction in amounts of stated capital and capital reserves

The Company will reduce the amounts in stated capital and capital reserves in accordance with Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, and then post these to other capital surplus.

(1) Amounts by which stated capital and capital reserves will be reduced:

Stated capital: ¥1,488,493,130 of ¥5,561,072,842

Capital surplus: ¥1,488,493,130 of ¥5,558,572,826

(2) Amount by which other capital surplus will be increased:

Other capital surplus: ¥2,976,986,260

3. Outline of appropriation of other capital surplus

Subject to the reduction in the amounts of stated capital and capital reserves (detailed above) becoming effective, the Company will, in accordance with Article 452 of the Companies Act, post the other capital surplus to retained earnings brought forward so as to cover the deficit. In doing so, the amount of retained earnings brought forward after the posting will be 0 yen.

(1) Amount by which other capital surplus will be reduced:

Other capita surplus: ¥2,976,986,260

(2) Amount by which retained earnings brought forward will be increased:

Retained earnings brought forward: ¥2,976,986,260

4. Schedule of reduction in amounts of stated capital and capital reserves and appropriation of capital surplus

(1) Date of resolution by Board of Directors: March 17, 2021
(2) Date of resolution at annual general meeting of shareholders: April 28, 2021 (planned)
(3) Deadline for submission of objections by creditors: June 1, 2021 (planned)
(4) Effective date: June 9, 2021 (planned)