

Consolidated Financial Results for the Fiscal Year Ended January 31, 2022 [Japanese GAAP]



March 11, 2022

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 27, 2022
 Scheduled date of commencing dividend payments: —
 Scheduled date of filing annual securities report: April 27, 2022
 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, 2022 (February 1, 2021 to January 31, 2022)

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

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended January 31, 2022	—	—	(6,620)	—	(4,579)	—	(4,677)	—
January 31, 2021	—	—	(5,801)	—	(6,530)	—	(3,385)	—

(Note) Comprehensive income: Fiscal year ended January 31, 2022: ¥(6,430) million [–%]
 Fiscal year ended January 31, 2021: ¥(2,692) million [–%]

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income to total assets	Operating income to operating revenue
	Yen	Yen	%	%	%
Fiscal year ended January 31, 2022	(90.33)	—	(95.1)	(48.6)	—
January 31, 2021	(65.38)	—	(35.7)	(45.1)	—

(Reference) Equity earnings (losses) of affiliates: Fiscal year ended January 31, 2022: ¥ – million
 Fiscal year ended January 31, 2021: ¥ – 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, 2022	5,510	2,035	31.0	32.99
As of January 31, 2021	13,343	8,349	61.0	157.07

(Reference) Equity: As of January 31, 2022: ¥1,708 million
 As of January 31, 2021: ¥8,133 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	Million yen	Million yen	Million yen	Million yen
January 31, 2022	(6,546)	(66)	(1,495)	4,557
January 31, 2021	(5,215)	4,180	(56)	12,480

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	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
January 31, 2021	–	0.00	–	0.00	0.00	–	–	–
January 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending January 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2023 (February 1, 2022 to January 31, 2023)

(% indicates changes from the previous corresponding period.)

	Operating revenue (Note)		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	–	–	(3,067)	–	(3,168)	–	(3,169)	–	(61.19)
Full year	–	–	(5,858)	–	(5,991)	–	(5,997)	–	(115.79)

(Note) As of March 11, 2022, the NHI drug price which will be determined after the manufacture and marketing approval of the Company's regenerative medicine product SB623 for the chronic traumatic brain injury in Japan (hereinafter referred to as the "Approval") is not yet determined. For this reason, operating revenue related to SB623 is not reflected in the above financial results forecast. The Company will consider disclosing operating revenue and other data after the date of the drug price is determined. The financial results forecast figures in this document were estimated on the basis of projections until the Approval. The Company plans to revise these forecast figures to reflect its post-approval business plans once being sure that the Approval will be granted.

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, 2022: 51,793,402 shares
January 31, 2021: 51,785,505 shares
 - 2) Total number of treasury shares at the end of the period:

January 31, 2022: 196 shares
 January 31, 2021: 196 shares

3) Average number of shares during the period

Fiscal year ended January 31, 2022: 51,789,136 shares
 Fiscal year ended January 31, 2021: 51,785,102 shares

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2022 (February 1, 2021 to January 31, 2022)

(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, 2022	—	—	(1,477)	—	932	—	(6,439)	—
January 31, 2021	—	—	(1,579)	—	(1,827)	—	(2,976)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
January 31, 2022	(124.35)	—
January 31, 2021	(57.49)	—

(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, 2022	4,883	2,033	35.0	32.96
As of January 31, 2021	12,718	8,357	64.0	157.22

(Reference) Equity: As of January 31, 2022: ¥1,707 million
 As of January 31, 2021: ¥8,141 million

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

A change in ordinary income from the previous fiscal year is mainly due to the foreign exchange gains resulting from fluctuations in foreign exchange rates. A change in net loss from the previous fiscal year is mainly due to sales of investment securities held in the previous fiscal year.

*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

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, a record number of five products were approved for manufacture and marketing as regenerative medicine products in 2021. In addition, in the US, the Regenerative Medicine Advanced Therapy (RMAT) Designation program was established under the 21st Century Cures Act which was passed in December 2016, which enables expedited approval of regenerative medicine products for the purpose of treatment of serious diseases. In 2021, biologics license applications (BLAs) were approved for three products designated as RMAT, including one that received BLA approval as an RMAT-designated product for the first time. As described above, practical application of regenerative medicine advanced greatly in Japan and the US in 2021.

In this environment, the Group (hereinafter referring to three companies: the Company, SanBio, Inc. of Mountain View, California, US, and SanBio Asia Pte. Ltd. of Singapore) promoted research and development aiming at the commercialization of its unique regenerative cell medicine, SB623, mainly for central nervous system diseases with high unmet medical needs.

For the SB623 development program for treatment of chronic traumatic brain injury, in the Phase 2 global clinical trial including Japan and involving 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 the primary endpoint was met.” In April 2019, the development program for treatment of chronic traumatic brain injury in Japan was chosen as a designated regenerative medical product by the Ministry of Health, Labour and Welfare under the “SAKIGAKE Designation System” (Note 1). Since the designation, under the framework of the SAKIGAKE Designation System, the Company has negotiated with the Pharmaceuticals and Medical Devices Agency (PMDA), completed the SAKIGAKE comprehensive evaluation consultation in January 2022, and submitted the application for approval of manufacture and marketing of regenerative medicine products in Japan (hereinafter referred to as the “application for approval”) in March 2022 for the first time.

For the SB623 development program for treatment of chronic hemorrhagic stroke that began following the positive results of the program for treatment of chronic traumatic brain injury, efforts are being made to begin clinical trials in Japan.

For the SB623 development program for treatment of chronic ischemic stroke, efforts are being made to begin clinical trials in Japan based on the results of an additional analysis (Note 2) on the Phase 2b clinical trial in 163 patients in the US, which failed to meet its primary endpoint.

Under these circumstances, for the fiscal year ended January 31, 2022, the Company recorded ¥4,955 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 ¥6,620 million (operating loss of ¥5,801 million for the previous fiscal year). Ordinary loss was ¥4,579 million (ordinary loss of ¥6,530 million for the previous fiscal year) due to the recording of ¥1,961 million of foreign exchange gains as non-operating income owing to the foreign exchange gains resulting from fluctuations in foreign exchange rates. Furthermore, net loss attributable to owners of parent was ¥4,677 million (net loss attributable to owners of parent of ¥3,385 million for the same period in 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 1: The SAKIGAKE Designation System is a system established under the “Strategy of SAKIGAKE” announced by the “Ministry Project Team to Lead the World in the Practical Application of Innovative Medical Products” at the Ministry of Health, Labor and Welfare in June 2014, which aims to enable early approval through priority review of innovative medical products which are developed in Japan ahead of other countries and the outstanding efficacy of which is expected at early clinical trial phases. The targeted total review period in priority review, from the application for approval to approval, is six months.

Note 2: 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.”

(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 ¥5,351 million, a decrease of ¥7,780 million compared to the end of the previous fiscal year (¥13,131 million), mainly due to a decrease of ¥7,923 million in cash and deposits.

(Non-current assets)

The balance of non-current assets at the end of the fiscal year under review was ¥159 million, a decrease of ¥52 million compared to the end of the previous fiscal year (¥211 million), mainly due to a decrease of ¥83 million in property, plant and equipment.

(Current liabilities)

The balance of current liabilities at the end of the fiscal year under review was ¥1,463 million, a decrease of ¥1,005 million compared to the end of the previous fiscal year (¥2,468 million), mainly due to decreases of ¥500 million in short-term loans payable and ¥462 million in current portion of long-term loans payable.

(Non-current liabilities)

The balance of non-current liabilities at the end of the fiscal year under review was ¥2,012 million, a decrease of ¥512 million compared to the end of the previous fiscal year (¥2,525 million), due to a decrease of ¥512 million in long-term loans payable.

(Net assets)

Total net assets at the end the fiscal year under review were ¥2,035 million, a decrease of ¥6,314 million compared to the end of the previous fiscal year (¥8,349 million), mainly due to the recording of ¥4,677 million in net loss attributable to owners of parent and a decrease of ¥1,752 million in foreign currency translation adjustment.

(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 ¥4,557 million, a decrease of ¥7,923 million compared to the end of the previous fiscal year (¥12,480 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 ¥6,546 million (an outflow of ¥5,215 million for the previous fiscal year). This was primarily due to a loss before income taxes of ¥4,560 million recorded and income taxes paid of ¥187 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥66 million (an inflow of ¥4,180 million for the previous fiscal year). This was primarily due to an outflow of ¥41 million for purchase of property, plant and equipment and an outflow of ¥14 million for purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year under review was ¥1,495 million (an outflow of ¥56 million for the previous fiscal year). This was primarily due to a decrease of ¥500 million in short-term loans payable and an outflow of ¥975 million for repayments of long-term loans payable.

(4) Future Outlook

The Group submitted an application for approval of manufacture and marketing of its regenerative medicine product as part of the SB623 development program for treatment of chronic traumatic brain injury in Japan (hereinafter referred to as the “Approval”) to the Ministry of Health, Labour and Welfare on March 7, 2022. With this, now the Group intends to endeavor to obtain the Approval at the earliest possible time. At the same time, in anticipation of the Approval, the Group will also promote steady establishment of manufacturing, logistics, and sales structure designed for the distribution of SB623 in Japan. Afterwards, the Group will work on efforts to begin 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 ¥5,858 million in total, including expenses related to the manufacture and marketing approval for the SB623 development program for treatment of chronic traumatic brain injury and expenses to establish manufacturing, logistics, and sales structure in Japan following its launch. As a result, the Group forecasts an operating loss of ¥5,858 million, an ordinary loss of ¥5,991 million, and net loss attributable to owners of parent of ¥5,997 million.

As of March 11, 2022, the NHI drug price for the product is not yet determined. For this reason, operating revenue related to SB623 is not reflected in the above financial results forecast. The Company will consider disclosing operating revenue and other data after the date of the drug price is determined. The financial results forecast in this document was estimated on the basis of projections until the Approval. The Company plans to revise the forecast to reflect its post-approval business plans once being sure that the Approval will be granted.

The forecast is based on an exchange rate of ¥115.00 per U.S. dollar.

(5) Basic Policy for Distribution of Profit and Dividends for FY2022.1 and FY2023.1

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, 2022, 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, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	12,480,165	4,557,006
Supplies	444,519	467,846
Advance payments	107,657	182,565
Other	99,583	144,091
Total current assets	13,131,925	5,351,509
Non-current assets		
Property, plant and equipment		
Buildings and structures	202,297	240,412
Tools, furniture and fixtures	209,633	236,546
Accumulated depreciation	(270,146)	(418,210)
Total property, plant and equipment	141,784	58,748
Intangible assets	53,650	66,283
Investments and other assets		
Other	16,464	34,360
Total investments and other assets	16,464	34,360
Total non-current assets	211,900	159,392
Total assets	13,343,826	5,510,901
Liabilities		
Current liabilities		
Short-term loans payable	500,000	—
Current portion of long-term loans payable	975,000	512,500
Accounts payable – other	221,983	340,149
Accrued expenses	555,582	451,898
Income taxes payable	202,685	122,494
Provision for bonuses	6,345	21,658
Other	7,303	14,565
Total current liabilities	2,468,900	1,463,266
Non-current liabilities		
Long-term loans payable	2,525,000	2,012,500
Total non-current liabilities	2,525,000	2,012,500
Total liabilities	4,993,900	3,475,766
Net assets		
Shareholders' equity		
Capital stock	5,561,072	4,075,135
Capital surplus	9,272,515	7,786,578
Retained earnings	(7,356,499)	(9,057,369)
Treasury shares	(853)	(853)
Total shareholders' equity	7,476,235	2,803,491
Accumulated other comprehensive income		
Foreign currency translation adjustment	657,644	(1,094,792)
Total accumulated other comprehensive income	657,644	(1,094,792)
Subscription rights to shares	216,044	326,436
Total net assets	8,349,925	2,035,135
Total liabilities and net assets	13,343,826	5,510,901

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Operating revenue	—	—
Operating expenses		
Research and development expenses	4,071,641	4,955,385
Other selling, general and administrative expenses	1,730,098	1,665,498
Total operating expenses	5,801,740	6,620,884
Operating loss	(5,801,740)	(6,620,884)
Non-operating income		
Interest income	2,470	2,240
Dividend income	6,458	3,172
Foreign exchange gains	—	1,961,737
Gain on forgiveness of debts	—	128,403
Other	237	328
Total non-operating income	9,166	2,095,882
Non-operating expenses		
Interest expenses	47,170	44,606
Foreign exchange losses	634,754	—
Financing expenses	55,918	10,194
Total non-operating expenses	737,844	54,801
Ordinary loss	(6,530,418)	(4,579,802)
Extraordinary income		
Gain on sales of investment securities	3,318,966	—
Gain on reversal of subscription rights to shares	—	29,487
Total extraordinary income	3,318,966	29,487
Extraordinary losses		
Loss on retirement of non-current assets	46	10,107
Total extraordinary losses	46	10,107
Loss before income taxes	(3,211,497)	(4,560,423)
Income taxes - current	174,378	117,433
Total income taxes	174,378	117,433
Net loss	(3,385,875)	(4,677,856)
Net loss attributable to owners of parent	(3,385,875)	(4,677,856)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Net loss	(3,385,875)	(4,677,856)
Other comprehensive income		
Valuation difference on available-for-sale securities	175,453	—
Foreign currency translation adjustment	517,487	(1,752,436)
Total other comprehensive income	692,940	(1,752,436)
Comprehensive income	(2,692,935)	(6,430,293)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(2,692,935)	(6,430,293)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

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)
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)
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

For the fiscal year ended January 31, 2022 (From February 1, 2021 to January 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,561,072	9,272,515	(7,356,499)	(853)	7,476,235
Changes of items during period					
Issuance of new shares	2,556	2,556			5,112
Net loss attributable to owners of parent			(4,677,856)		(4,677,856)
Transfer from share capital to other capital surplus	(1,488,493)	1,488,493			—
Deficit disposition		(2,976,986)	2,976,986		—
Net changes of items other than shareholders' equity					—
Total changes of items during period	(1,485,937)	(1,485,937)	(1,700,870)	—	(4,672,744)
Balance at end of current period	4,075,135	7,786,578	(9,057,369)	(853)	2,803,491

	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	—	657,644	657,644	216,044	8,349,925
Changes of items during period					
Issuance of new shares					5,112
Net loss attributable to owners of parent					(4,677,856)
Transfer from share capital to other capital surplus					—
Deficit disposition					—
Net changes of items other than shareholders' equity	—	(1,752,436)	(1,752,436)	110,391	(1,642,045)
Total changes of items during period	—	(1,752,436)	(1,752,436)	110,391	(6,314,789)
Balance at end of current period	—	(1,094,792)	(1,094,792)	326,436	2,035,135

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Cash flows from operating activities:		
Loss before income taxes	(3,211,497)	(4,560,423)
Depreciation	74,455	132,467
Share based compensation expenses	112,468	141,241
Increase (decrease) in provision for bonuses	(14,069)	14,663
Interest and dividend income	(8,928)	(5,412)
Foreign exchange losses (gains)	634,156	(1,964,023)
Gain on forgiveness of debts	—	(128,403)
Interest expenses	47,170	44,606
Financing expenses	55,918	10,194
Gain on reversal of subscription rights to shares	—	(29,487)
Loss on retirement of non-current assets	46	10,107
Loss (gain) on sales of investment securities	(3,318,966)	—
Decrease (increase) in inventories	13,872	3,487
Decrease (increase) in advance payments	256,844	(61,019)
Increase (decrease) in accounts payable - other	(65,628)	101,261
Increase (decrease) in accrued expenses	253,779	(22,421)
Other	10,547	(5,831)
Subtotal	(5,159,831)	(6,318,993)
Interest and dividends received	8,928	5,412
Interest expenses paid	(49,108)	(45,531)
Income taxes paid	(15,672)	(187,553)
Net cash provided by (used in) operating activities	(5,215,683)	(6,546,664)
Cash flows from investing activities		
Purchase of property, plant and equipment	(96,200)	(41,668)
Purchase of intangible assets	(42,560)	(14,409)
Proceeds from sales of investment securities	4,318,942	—
Payments for asset retirement obligations	—	(10,800)
Payments of leasehold deposits	(100)	(18,036)
Proceeds from refund of leasehold deposits	—	18,652
Net cash provided by (used in) investing activities	4,180,081	(66,261)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	500,000	(500,000)
Proceeds from long-term loans payable	2,300,000	—
Repayments of long-term loans payable	(2,800,000)	(975,000)
Payments of financing expenses	(56,782)	(24,234)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	209	3,749
Net cash provided by (used in) financing activities	(56,572)	(1,495,484)
Effect of exchange rate change on cash and cash equivalents	(73,733)	185,250
Net increase (decrease) in cash and cash equivalents	(1,165,908)	(7,923,159)
Cash and cash equivalents at beginning of period	13,646,073	12,480,165
Cash and cash equivalents at end of period	12,480,165	4,557,006

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

None

(Segment information)

<Segment information>

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.

For the fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

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, 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

Fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

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
39,233	19,514	58,748

3. Information by major customer

None

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

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

None

Fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

None

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

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

None

Fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

None

<Information concerning gain on bargain purchase by reporting segment>

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

None

Fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

None

(Per share information)

(Yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Net assets per share	157.07	32.99
Net (loss) per share	(65.38)	(90.33)

(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, 2021	For the fiscal year ended January 31, 2022
Net (loss) attributable to owners of parent (Thousand yen)	(3,385,875)	(4,677,856)
Amount not attributable to common shareholders (Thousand yen)	—	—
Net (loss) attributable to owners of parent associated with common shares (Thousand yen)	(3,385,875)	(4,677,856)
Average number of shares during the period (Shares)	51,785,102	51,789,136
Outline of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	7th, 10th, 12th, and 14th through 19th Share Acquisition Rights (total number of subscription rights to shares: 216,716)	7th, 8th, 12th, 14th through 21st, 23rd through 25th, and 27th through 31st Share Acquisition Rights (total number of subscription rights to shares: 372,716)

(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 11, 2022, the Company resolved to submit to the Company's 9th annual general meeting of shareholders, to be held on April 27, 2022, 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: ¥3,219,947,938 of ¥4,075,135,751

Capital surplus: ¥3,219,947,938 of ¥4,072,635,735

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

(3) Other capital surplus: ¥6,439,895,876

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 capital surplus: ¥6,439,895,876

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

Retained earnings brought forward: ¥6,439,895,876

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 11, 2022

(2) Date of resolution at annual general meeting of shareholders: April 27, 2022 (planned)

(3) Deadline for submission of objections by creditors: May 30, 2022 (planned)

(4) Effective date: June 6, 2022 (planned)