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## Financial Results for the Six Months Ended March 31, 2022 [Japanese GAAP] (Non-consolidated)



May 13, 2022

Company name: Kringle Pharma, Inc.  
Stock exchange listing: Tokyo Stock Exchange  
Code number: 4884  
URL: <https://www.kringle-pharma.com/en/>  
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Scheduled date of filing quarterly securities report: May 13, 2022  
Scheduled date of commencing dividend payments: -  
Availability of supplementary explanatory materials on quarterly financial results: Available  
Schedule of quarterly financial results briefing session: Scheduled

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

### 1. Financial Results for the Six Months Ended March 31, 2022 (October 1, 2021 - March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended March 31, 2022	27	(76.8)	(310)	—	(318)	—	(319)	—
March 31, 2021	117	—	(169)	—	(191)	—	(192)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2022	(70.24)	—
March 31, 2021	(48.33)	—

Note: 1. The changes from the previous corresponding period for the six months ended March 31, 2021 are not presented as the Company did not prepare the quarterly financial statements for the six months ended March 31, 2020.  
2. Although potential shares existed, diluted earnings per share are not shown, as a net loss per share was recorded.

### (2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2022	2,909	2,581	88.7
As of September 30, 2021	2,635	2,506	95.1

Reference: Equity: As of March 31, 2022: ¥2,580 million  
As of September 30, 2021: ¥2,506 million

### 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	—	—	—	0.00	0.00
Fiscal year ending September 30, 2022	—	0.00			

Fiscal year ending September 30, 2022 (Forecast)			—	0.00	0.00
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Note: Revision to the dividend forecast announced most recently: None

### 3. Financial Results Forecast for the Fiscal Year Ending September 30, 2022 (October 1, 2021 - September 30, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	355	22.6	(1,357)	—	(1,295)	—	(1,297)	—	(299.22)

Note: Revision to the financial results forecast announced most recently: None

#### \* Notes:

(1) Accounting methods adopted particularly for the preparation of quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of March 31, 2022: 4,989,400 shares

As of September 30, 2021: 4,334,700 shares

2) Total number of treasury shares at the end of the period:

As of March 31, 2022: 87 shares

As of September 30, 2021: 40 shares

3) Average number of shares during the period:

For the six months ended March 31, 2022: 4,551,932 shares

For the six months ended March 31, 2021: 3,983,431 shares

\* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

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

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable at the time of the release of these materials. Actual results may differ significantly from these forecasts due to various factors.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

The forward-looking statements herein are based on the judgments of Kringle Pharma, Inc. (the “Company”) as of the end of the second quarter under review.

In the Japanese pharmaceutical market during the six months ended March 31, 2022, substitution by generic drugs progressed in response to the increase in medical costs associated with the aging of the population. Drug prices are declining significantly due to the forced NHI price revision by the government that now occurs annually from 2021. Development costs of new drugs are increasing to accommodate the growing scale of clinical trials, which is accelerating alliances and M&As between pharmaceutical companies in Japan and overseas in order to expand their corporate scale. Companies are focusing their R&D efforts on selected therapeutic areas of priority and actively looking for in-licensing opportunities outside the organization.

In the development of new drugs, the target is shifting from so-called “blockbuster drugs,” which have a large number of potential patients and can generate large, stable future profits, to drugs that can provide effective treatment to specific patient groups. Thus, biotech companies now assume a greater role because they usually concentrate their resources on a certain specific field and are swift and agile to make decisions. In response to these trends, the Japanese government, primarily led by central ministries including the Ministry of Health, Labour and Welfare (MHLW) and the Ministry of Economy, Trade and Industry (METI), has launched the Medical Innovation Support Office (MEDISO) and compiled the “Ito Review 2.0: Biomedical Edition” as part of its efforts to proactively support Japan-based biotech companies. The Conditional Early Approval System and the SAKIGAKE Designation System for pioneering drugs have been legislated in order to promote drug discovery in Japan.

On the other hand, although the spread of COVID-19 has increased public interest in the pharmaceutical industry, more pharmaceutical resources are currently directed to development of vaccines and treatments for COVID-19, causing potential delay in clinical development of other drugs.

Amidst the above business environment, the Company continued to focus its managerial resources on the recombinant human hepatocyte growth factor (HGF) protein and developed the business activities outlined below, as the Company believes development of recombinant human HGF protein will lead to therapeutic innovation, creating business opportunities and maximizing the value of the Company.

#### 1. Drug development activities

##### (a) Acute spinal cord injury (SCI)

The Company conducted a Phase I/II clinical trial with Professor Masaya Nakamura of the Department of Orthopaedic Surgery, Keio University School of Medicine as a coordinating investigator and obtained results that confirmed the safety and indicated the efficacy of the drug. The Company designed the Phase III clinical trial to verify the proof of concept (POC; a preliminary evidence of efficacy detected in humans with a new drug candidate under development) obtained in the Phase I/II clinical trial. On June 9, 2020, the Company submitted a clinical trial notification for the Phase III study to the Pharmaceuticals and Medical Devices Agency (PMDA).

In July 2020, the Company started the Phase III study at Spinal Injuries Center, Hokkaido Spinal Cord Injury Center, and Murayama Medical Center. With the addition of Japanese Red Cross Kobe Hospital and Aijinkai Rehabilitation Hospital in March 2021, the phase III clinical trial continued to proceed during the six months ended March 31, 2022, at the five medical facilities where patients are being enrolled.

In order to submit marketing authorization application for the treatment of acute SCI, the Company is also conducting various tests related to the process of manufacturing recombinant human HGF. Trial manufacturing (process validation) is currently underway as planned for the drug substance, which is required for the submission, using the same process as commercial manufacturing. The spread and prolongation of the COVID-19 pandemic has led to a global decline in plant operating rates and a prioritization of supply of raw materials for the production of COVID-19 vaccines, resulting in a decline in volume and delays in the supply of the raw materials required for the Company’s development and manufacturing of HGF. Accordingly, several trials that were scheduled to be completed in the previous fiscal year have been rescheduled for completion in the current fiscal year.

For the purpose of identifying more effective administration methods and timing with recombinant human HGF for SCI, the Company launched a new joint research program with Keio University School of Medicine in February 2021 to investigate possible combination with the transplantation technology for iPS cell-derived neural progenitor cells. In this joint research program, the transplantation of human induced iPS cell-derived neural stem/progenitor cells owned by Keio University, combined with the scaffold-mediated delivery of HGF developed by the Company demonstrated improvement in recovery of motor function in animal model of chronic complete spinal cord injury, and in March 2022, Keio University and the Company jointly filed a new patent application.

In June 2021, the APSS Congress Best Clinical Research Award was given for the presentation on Phase I/II clinical trial for acute SCI at the 13th Combined Meeting of Asia Pacific Spine Society & Asia Pacific Paediatric Orthopaedic Society (APSS-APPOS 2021; held from June 9 to 12, 2021 at Kobe International Conference Center).

In December 2021, the Company's patent was issued in Europe for an "HGF preparation suitable for treatment of nervous diseases". It covers the Company's proprietary drug formulation used in clinical trials for acute spinal cord injury, amyotrophic lateral sclerosis and vocal fold scarring, being the basis of expanding the target indications for HGF treatment. The patent was already granted in the US, Japan, Canada and Korea, and adding Europe further created a favorable intellectual property environment for the Company to develop HGF drug business worldwide.

#### (b) Amyotrophic lateral sclerosis (ALS)

The investigator-initiated Phase II clinical trial started in May 2016 at Tohoku University Hospital and Osaka University Hospital by Professor Masashi Aoki of the Department of Neurology, Tohoku University. In November 2020, the enrollment of patients was completed, and the final follow-up for the last patient was completed in December 2021. As the supplier of the investigational drug, the Company has continued to engage in the trial by supplying the investigational drug, supporting clinical trial operations, and performing the drug stability tests. The Company continued to perform the drug stability tests in the six months ended March 31, 2022.

In addition, during the six months ended March 31, 2022, the Company supported the clinical trial financially mainly covering the cost for contract research organization (CRO), in order to avoid a delay of the study due to the termination of subsidies provided by Japan Agency for Medical Research and Development (AMED), a National Research and Development Agency, in March 2021.

In September 2021, Professor Masashi Aoki gave a presentation on the development of recombinant human HGF protein as a therapeutic agent for ALS at the Pan-Asian Consortium for Treatment and Research in ALS (PACTALS).

#### (c) Vocal fold scarring (VFS)

For VFS, a disorder in which the vocal fold mucosa hardens and degenerates (fibrosis), an investigator-initiated Phase I/II clinical trial confirmed the safety of intracordal administration of the recombinant human HGF. It also detected signals of efficacy showing functional recovery of the vocal cord with some patients (J Tissue Eng Regen Med. 2017; 1-8.). A preliminary consultation meeting with PMDA was subsequently conducted in July 2019, based on which discussion is ongoing with Kyoto Prefectural University of Medicine to design details of the next phase trial (double-blind, placebo-controlled comparative study) aimed at obtaining POC, and the Company has formulated a plan to commence the study in the fiscal year ending September 2022.

In order to raise funds to finance clinical trials, the manufacturing of investigational drugs, and the development of commercial formulations, the Company issued share acquisition rights in November 2021, and the project is also working to utilize public funding, with its proposed research topic being selected for the Cyclic Innovation for Clinical Empowerment (CiCLE) project operated by the Japan Agency for Medical Research and Development (AMED).

#### (d) Supply of drug substance to Claris Biotherapeutics, Inc.

The Company concluded a license and supply agreement with Claris Biotherapeutics, Inc. of the U.S. in April 2020 to supply HGF drug substance for clinical development by Claris Biotherapeutics to treat ophthalmologic diseases in the U.S.

The Company did not supply HGF drug substance to Claris Biotherapeutics during the six months ended March

31, 2022. Meanwhile, Claris Biotherapeutics filed an investigational new drug (IND) application\* in May 2021 to initiate a Phase I/II clinical trial for neurotrophic keratitis utilizing the various preclinical and clinical information related to HGF provided by the Company, and the first patient received treatment in August 2021. With this development, the Company will now receive a fixed annual technology access fee (royalty income).

\* Clinical trial application filed with the U.S. Food and Drug Administration (FDA)

## 2. Business development activities

During the six months ended March 31, 2022, the Company had business development discussion with potential business partners to expand development of acute SCI outside Japan.

In September 2021, “oremepermin alfa” was registered as the International Nonproprietary Name (INN) for recombinant human HGF protein (five amino acid-deleted, glycosylated; development code, KP-100), the main component of our development pipeline.

As a result of these efforts, during the six months ended March 31, 2022, net sales amounted to ¥27,300 thousand (a year-on-year decrease of 76.8%), while the Company recorded an operating loss of ¥310,706 thousand (operating loss during the six months ended March 31, 2021 was ¥169,505 thousand), ordinary loss of ¥318,965 (ordinary loss during the six months ended March 31, 2021 was ¥191,777 thousand) and loss of ¥319,710 thousand (loss during the six months ended March 31, 2021 was ¥192,522 thousand).

Since the Company operates in a single segment of pharmaceutical development business, segment information is omitted.

## (2) Explanation of Financial Position

### 1. Assets, liabilities and net assets as of March 31, 2022

#### Assets

Current assets as of March 31, 2022 increased by ¥273,499 thousand from the end of the previous fiscal year to ¥2,908,094 thousand (an increase of 10.4% from the end of the previous fiscal year). This was mainly due to an increase of ¥236,020 thousand in cash and deposits as a result of an increase in capital due to the exercise of share acquisition rights and a ¥111,333 thousand increase in inventories due to manufacturing and development, despite a decrease in accounts receivable-trade of ¥6,717 thousand due to collection of accounts receivable-trade. Non-current assets increased by ¥833 thousand from the end of the previous fiscal year to ¥1,864 thousand (an increase of 80.8% from the end of the previous fiscal year). This was mainly due to an increase of ¥833 thousand in long-term prepaid expenses.

As a result, total assets increased by ¥274,333 thousand from the end of the previous fiscal year to ¥2,909,958 thousand (an increase of 10.4% from the end of the previous fiscal year).

#### Liabilities

Current liabilities as of March 31, 2022 increased by ¥198,888 thousand from the end of the previous fiscal year to ¥326,085 thousand (an increase of 156.4% from the end of the previous fiscal year). This was mainly due to an increase of ¥184,629 thousand in accounts payable-other. Non-current liabilities remained mostly the same as those at the end of the previous fiscal year, reporting an increase of ¥22 thousand to ¥2,301 thousand (an increase of 1.0% from the end of the previous fiscal year).

As a result, total liabilities increased by ¥198,910 thousand from the end of the previous fiscal year to ¥328,386 thousand (an increase of 153.6% from the end of the previous fiscal year).

#### Net assets

Net assets as of March 31, 2022 increased by ¥75,422 thousand from the end of the previous fiscal year to ¥2,581,572 thousand (an increase of 3.0% from the end of the previous fiscal year) due to increases of ¥197,148 thousand in share capital and ¥197,147 thousand in legal capital surplus as a result of an increase in capital due to the exercise of share acquisition rights, despite a decrease of ¥319,710 thousand in retained earnings due to loss recorded.

## 2. Status of Cash Flows

Cash and cash equivalents (hereafter “cash”) at the end of the six months ended March 31, 2022 were ¥2,119,165 thousand, an decrease of ¥18,354 thousand from the end of the previous fiscal year.

The overview of cash flows for the six months ended March 31, 2022 is as follows:

### (Cash Flows from Operating Activities)

Net cash used in operating activities during the six months ended March 31, 2022 was ¥150,244 thousand (net cash used in operating activities during the six months ended March 31, 2021 was ¥268,903 thousand). This was mainly due to a loss before income taxes of ¥318,965 thousand and an increase in inventories of ¥111,333 thousand, despite an increase in accounts payable-other of ¥184,629 thousand.

### (Cash Flows from Investing Activities)

Net cash flow used in investing activities during the six months ended March 31, 2022 was ¥254,374 thousand (there was no cash flow from investing activities during the six months ended March 31, 2021). This was due to ¥254,374 thousand of payments into time deposits.

### (Cash Flows from Financing Activities)

Net cash provided by financing activities during the six months ended March 31, 2022 was ¥386,264 thousand (net cash provided by financing activities during the six months ended March 31, 2021 was ¥597,026 thousand). This was due to proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥385,224 thousand.

## (3) Explanation of Financial Results Forecast and Other Forward-looking Information

There are no changes to the full-year financial results forecast for the fiscal year ending September 30, 2022, which was announced by the Company on November 12, 2021 in the “Financial Results for the Fiscal Year Ended September 30, 2021.”

## 2. Quarterly Financial Statements and Principal Notes

### (1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	2,137,520	2,373,540
Accounts receivable – trade	6,717	—
Merchandise and finished goods	88,413	88,413
Raw materials and supplies	226,681	338,015
Advance payments to suppliers	77,965	62,339
Consumption taxes receivable	76,684	37,271
Other	20,610	8,514
Total current assets	2,634,594	2,908,094
Non-current assets		
Property, plant and equipment	—	—
Investments and other assets	1,031	1,864
Total non-current assets	1,031	1,864
Total assets	2,635,625	2,909,958
<b>Liabilities</b>		
Current liabilities		
Accounts payable – other	30,968	215,597
Income taxes payable	1,490	745
Advances received	89,200	101,900
Other	5,538	7,842
Total current liabilities	127,196	326,085
Non-current liabilities		
Asset retirement obligations	2,278	2,301
Total non-current liabilities	2,278	2,301
Total liabilities	129,475	328,386
<b>Net assets</b>		
Shareholders' equity		
Share capital	51,820	248,968
Capital surplus	2,755,541	2,952,689
Retained earnings	(301,166)	(620,877)
Treasury shares	(45)	(75)
Total shareholders' equity	2,506,149	2,580,704
Share acquisition rights	—	867
Total net assets	2,506,149	2,581,572
Total liabilities and net assets	2,635,625	2,909,958



(2) Quarterly Statements of Income  
Six Months Ended March 31, 2022

(Thousand yen)

	For the six months ended March 31, 2021	For the six months ended March 31, 2022
Net sales	117,825	27,300
Cost of sales	—	—
Gross profit	117,825	27,300
Selling, general and administrative expenses	287,331	338,006
Operating loss	(169,505)	(310,706)
Non-operating income		
Subsidy income	236	—
Foreign exchange gains	325	—
Interest on tax refund	—	207
Other	56	31
Total non-operating income	618	239
Non-operating expenses		
Listing expenses	16,282	—
Share issuance costs	6,607	—
Share acquisition rights issuance costs	—	8,387
Foreign exchange losses	—	109
Total non-operating expenses	22,890	8,497
Ordinary loss	(191,777)	(318,965)
Loss before income taxes	(191,777)	(318,965)
Income taxes - current	745	745
Total income taxes	745	745
Loss	(192,522)	(319,710)

## (1) Quarterly Cash Flow Statement

Six Months Ended March 31, 2022

(Thousand yen)

	For the six months ended March 31, 2021	For the six months ended March 31, 2022
Cash flows from operating activities		
Loss before income taxes	(191,777)	(318,965)
Interest and dividend income	(0)	(0)
Share issuance costs	6,607	—
Listing expenses	16,282	—
Issuance cost of share acquisition rights	—	8,387
Subsidy income	(236)	—
Decrease (increase) in trade receivables	105,810	6,717
Decrease (increase) in inventories	(174,533)	(111,333)
Decrease (increase) in accounts receivable – other	(20,683)	39,413
Decrease (increase) in advance payments to suppliers	15,082	15,626
Decrease (increase) in prepaid expenses	(8,033)	4,341
Increase (decrease) in accounts payable – other	(24,484)	184,629
Increase (decrease) in advances received	(45,828)	(27,300)
Other, net	7,380	1,973
Subtotal	(314,413)	(196,509)
Interest and dividends received	0	0
Subsidies received	47,000	40,000
Income taxes paid	(1,490)	(1,490)
Income taxes refund	—	7,754
Net cash provided by (used in) operating activities	(268,903)	(150,244)
Cash flows from investing activities		
Payments into time deposits	—	(254,374)
Net cash provided by (used in) investing activities	—	(254,374)
Cash flows from financing activities		
Proceeds from issuance of shares	608,592	—
Payments of listing expenses	(11,565)	—
Proceeds from issuance of share acquisition rights	—	1,070
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	385,224
Other, net	—	(30)
Net cash provided by (used in) financing activities	597,026	386,264
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	328,123	(18,354)
Cash and cash equivalents at beginning of period	2,102,538	2,137,520
Cash and cash equivalents at end of period	2,430,662	2,119,165

### (3) Notes to Quarterly Financial Statements

#### Notes on going concern assumption

Not applicable.

#### Notes in case of significant changes in shareholders' equity

For the six months ended March 31, 2021

Effective December 28, 2020, the Company was listed on the Tokyo Stock Exchange Mothers market. Upon the listing, share capital and legal capital reserves each increased by ¥266,800 thousand through the issuance of 580,000 shares of new shares by way of a public offering (book building method) with the payment date of December 27, 2020.

Additionally, the Company's total number of issued and outstanding shares increased by 87,000 shares and share capital and legal capital surplus each increased by ¥40,020 thousand through the issuance of new shares through third-party allotment in connection with the offering by way of over-allotment with the payment date of January 26, 2021.

As a result, as of March 31, 2021, share capital and capital surplus amounted to ¥607,600 thousand and ¥2,961,602 thousand, respectively.

For the six months ended March 31, 2022

On November 1, 2021, the Company allotted its 10th series of share acquisition rights to Barclays Bank PLC. Due to the exercise of share acquisition rights during the six months ended March 31, 2022, share capital increased by ¥197,148 and capital surplus increased by ¥197,147 thousand.

As a result, as of March 31, 2022, share capital and capital surplus amounted to ¥248,968 thousand and ¥2,952,689 thousand, respectively.

#### Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

Effective the beginning of the first quarter under review, the Company has adopted the "Accounting Standard for Revenue Recognition"(ASBJ Statement No.29, March 31, 2020; "Revenue Recognition Accounting Standard") to recognize revenue at the amount it expects to receive in exchange for the promised goods or services when control of the aforementioned goods or services is transferred to the customer.

Regarding the application of the Revenue Recognition Accounting Standard and other standards, although the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, there is no impact on the opening balance of retained earnings brought forward as of October 1, 2021. In addition, there is no impact on profit and loss during the three months ended December 31, 2021.

In accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not listed information on the breakdown of revenues generated from contracts with customers for the six months ended March 31, 2021.

Application of Accounting Standard for Fair Value Measurement and Other Standards

Effective the beginning of the first quarter under review, the Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Accounting Standard") to apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard and other standards into the future, in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The above accounting treatment has no impact on the Company's quarterly

financial statements.

### Revenue Recognition

Information on disaggregated revenue from contracts with customers

The Company operates in a single segment of pharmaceutical development business. Revenue disaggregated by main goods and services are as follows.

(Thousand yen)

Item	Six Months Ended March 31, 2022
Lump-sum revenue from contracts	—
Milestone revenue	—
Revenue from research collaboration	—
Royalty income	27,300
Revenue from product sales	—
Revenue from contracts with customers	27,300
Other revenue	—
Revenues from external customers	27,300

### Significant subsequent events

Exercise of share acquisition rights

During the period between April 1, 2022 and May 13, 2022, the 10th series of share acquisition rights were exercised. An overview of the exercise of these share acquisition rights is shown below.

1. Number of share acquisition rights exercised	618
2. Type and number of shares issued	61,800 common shares
3. Increase in share capital	¥20,177 thousand
4. Increase in legal capital surplus	¥20,177 thousand