

# Consolidated Financial Results for the Fiscal Year Ended January 31, 2023 [Japanese GAAP]



March 16, 2023

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 26, 2023  
 Scheduled date of commencing dividend payments: —  
 Scheduled date of filing annual securities report: April 26, 2023  
 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, 2023 (February 1, 2022 to January 31, 2023)

(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, 2023	—	—	(7,899)	—	(4,698)	—	(5,559)	—
January 31, 2022	—	—	(6,620)	—	(4,579)	—	(4,677)	—

(Note) Comprehensive income: Fiscal year ended January 31, 2023: ¥(8,832) million [–%]  
 Fiscal year ended January 31, 2022: ¥(6,430) 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, 2023	(95.99)	—	(195.4)	(74.8)	—
January 31, 2022	(90.33)	—	(95.1)	(48.6)	—

(Reference) Equity earnings (losses) of affiliates: Fiscal year ended January 31, 2023: ¥ – million  
 Fiscal year ended January 31, 2022: ¥ – 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, 2023	7,045	4,428	56.5	62.12
As of January 31, 2022	5,510	2,035	31.0	32.99

(Reference) Equity: As of January 31, 2023: ¥3,980 million  
 As of January 31, 2022: ¥1,708 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, 2023	(7,434)	(10)	9,445	6,675
January 31, 2022	(6,546)	(66)	(1,495)	4,557

### 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, 2022	–	0.00	–	0.00	0.00	–	–	–
January 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending January 31, 2024 (Forecast)	–	0.00	–	0.00	0.00		–	

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2024 (February 1, 2023 to January 31, 2024)

(% indicates changes from the previous corresponding period.)

	Operating revenue		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	–	–	(2,398)	–	(2,341)	–	(2,344)	–	(36.85)
Full year	–	–	(4,642)	–	(4,597)	–	(4,598)	–	(72.30)

#### 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: Yes
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Retrospective restatement: No(Note) For details, please refer to “3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in accounting policies)” on page 12.
- (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, 2023: 64,076,202 shares  
January 31, 2022: 51,793,402 shares
  - 2) Total number of treasury shares at the end of the period:  
January 31, 2023: 230 shares

January 31, 2022: 196 shares

3) Average number of shares during the period

Fiscal year ended January 31, 2023: 57,918,166 shares

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

**(Reference) Overview of Non-Consolidated Financial Results**

Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2023 (February 1, 2022 to January 31, 2023)

(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, 2023	—	—	(1,930)	—	1,863	—	(8,871)	—
January 31, 2022	—	—	(1,477)	—	932	—	(6,439)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
January 31, 2023	(153.17)	—
January 31, 2022	(124.35)	—

(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, 2023	6,593	4,388	59.7	61.48
As of January 31, 2022	4,883	2,033	35.0	32.96

(Reference) Equity: As of January 31, 2023: ¥3,939 million

As of January 31, 2022: ¥1,707 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 loss on valuation of shares of subsidiaries and associates.

\*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 FY2023.1 and FY2024.1 .....	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
(Changes in accounting policies) .....	12
(Segment information) .....	12
(Per share information) .....	15
(Significant subsequent events).....	16

## 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, three products were approved for manufacture and marketing as regenerative medicine products in 2022. This brought the number of approved regenerative medicine products to 17. 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. No RMAT-designated items received BLA approval in 2022, but 14 items received new RMAT designation. As described above, practical application of regenerative medicine advanced continuously in Japan and the US in 2022.

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.” 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 in March 2022 for the first time. While the timing for approval is outside of the Company’s control, the Company will continue to work on regulatory review and aims to obtain the approval in the fiscal year ending January 31, 2024. The Company will also continue to build sales infrastructure to ensure quick commercial launch upon approval.

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 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, 2023, the Company recorded ¥6,118 million in research and development expenses consisting of higher expenses attributed to a weakening yen against the US dollar, an increase of manufacturing-related costs incurred to obtain approval with respect to the SB623 development program for treatment of chronic traumatic brain injury, and an increase of expenses attributed to the booking of R&D expenses following the Company’s decision to use supplies initially set aside for use in commercial production in R&D instead. As a result, operating loss was ¥7,899 million (operating loss of ¥6,620 million for the previous fiscal year). Ordinary loss was ¥4,698 million (ordinary loss of ¥4,579 million for the previous fiscal year) due to the recording of ¥3,326 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 ¥5,559 million (net loss attributable to owners of parent of ¥4,677 million for the previous fiscal year).

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

## (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 ¥6,967 million, an increase of ¥1,615 million compared to the end of the previous fiscal year (¥5,351 million), mainly due to an increase of ¥2,175 million in cash and deposits, despite a decrease of ¥467 million yen in supplies.

### (Non-current assets)

The balance of non-current assets at the end of the fiscal year under review was ¥77 million, a decrease of ¥81 million compared to the end of the previous fiscal year (¥159 million), mainly due to a decrease of ¥64 million in intangible assets.

### (Current liabilities)

The balance of current liabilities at the end of the fiscal year under review was ¥1,090 million, a decrease of ¥372 million compared to the end of the previous fiscal year (¥1,463 million), mainly due to decreases of ¥244 million in current portion of long-term loans payable and ¥137 million in accrued expenses.

### (Non-current liabilities)

The balance of non-current liabilities at the end of the fiscal year under review was ¥1,525 million, a decrease of ¥486 million compared to the end of the previous fiscal year (¥2,012 million), due to a decrease of ¥1,347 million in long-term loans payable, despite an increase of ¥860 million in deferred tax liabilities.

### (Net assets)

Total net assets at the end the fiscal year under review were ¥4,428 million, an increase of ¥2,393 million compared to the end of the previous fiscal year (¥2,035 million), mainly due to an increase of ¥5,552 million in capital stock and capital surplus respectively resulting from exercise of subscription rights to shares, despite the recording of ¥5,559 million in net loss attributable to owners of parent and a decrease of ¥3,272 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 ¥6,675 million, an increase of ¥2,118 million compared to the end of the previous fiscal year (¥4,557 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 ¥7,434 million (an outflow of ¥6,546 million for the previous fiscal year). This was primarily due to the recording of a loss before income taxes of ¥4,697 million, foreign exchange gains of ¥3,380 million, and decrease in supplies of ¥510 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥10 million (an outflow of ¥66 million for the previous fiscal year). This was primarily due to an outflow of ¥7 million for purchase of property, plant and equipment and an outflow of ¥3 million for payments of leasehold deposits.

(Cash flows from financing activities)

Net cash provided by financing activities for the fiscal year under review was ¥9,445 million (an outflow of ¥1,495 million for the previous fiscal year). This was primarily due to an outflow of ¥1,592 million for repayments of long-term loans payable and ¥10,956 million in proceeds from issuance of shares resulting from exercise of subscription rights to shares.

### (4) Future Outlook

The Group will continue with the review process to obtain approval of the SB623 development program for treatment of chronic traumatic brain injury in Japan in the fiscal year ending January 31, 2024. At the same time, in anticipation of the approval, the Group will also promote steady establishment of manufacturing, logistics, and sales infrastructure for the distribution of SB623 in Japan. Thereafter, the Group will work on efforts to begin clinical trials of the SB623 programs for treatment of ischemic stroke and hemorrhagic stroke in Japan. At the same time, the Group will diligently control expenses to significantly reduce costs while maintaining the outcome of the activities required for the approval of the SB623 development program for treatment of chronic traumatic brain injury in Japan. All other activities will be scrutinized for opportunities for cost reduction.

Based on the above, the Group forecasts the financial results for the fiscal year ending January 31, 2024 to incur operating expenses of ¥4,642 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 ¥4,642 million, an ordinary loss of ¥4,597 million, and net loss attributable to owners of parent of ¥4,598 million.

The forecast is based on an exchange rate of ¥138.00 per U.S. dollar.

### (5) Basic Policy for Distribution of Profit and Dividends for FY2023.1 and FY2024.1

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, 2023, 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, 2022	As of January 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	4,557,006	6,732,775
Supplies	467,846	—
Advance payments	182,565	46,506
Other	144,091	187,980
Total current assets	5,351,509	6,967,262
Non-current assets		
Property, plant and equipment		
Buildings and structures	240,412	110,911
Tools, furniture and fixtures	236,546	239,067
Accumulated depreciation	(418,210)	(306,748)
Construction in progress	—	4,633
Total property, plant and equipment	58,748	47,863
Intangible assets	66,283	1,292
Investments and other assets		
Other	34,360	28,695
Total investments and other assets	34,360	28,695
Total non-current assets	159,392	77,851
Total assets	5,510,901	7,045,114
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term loans payable	512,500	268,000
Accounts payable - other	340,149	331,073
Accrued expenses	451,898	314,590
Income taxes payable	122,494	605
Provision for bonuses	21,658	60,875
Other	14,565	115,129
Total current liabilities	1,463,266	1,090,274
Non-current liabilities		
Long-term loans payable	2,012,500	665,000
Deferred tax liabilities	—	860,930
Total non-current liabilities	2,012,500	1,525,930
Total liabilities	3,475,766	2,616,205
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,075,135	6,407,189
Capital surplus	7,786,578	10,118,632
Retained earnings	(9,057,369)	(8,177,057)
Treasury shares	(853)	(899)
Total shareholders' equity	2,803,491	8,347,864
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,094,792)	(4,367,549)
Total accumulated other comprehensive income	(1,094,792)	(4,367,549)
Subscription rights to shares	326,436	448,593
Total net assets	2,035,135	4,428,909
Total liabilities and net assets	5,510,901	7,045,114

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

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Operating revenue	—	—
Operating expenses		
Research and development expenses	4,955,385	6,118,125
Other selling, general and administrative expenses	1,665,498	1,781,183
Total operating expenses	6,620,884	7,899,308
Operating loss	(6,620,884)	(7,899,308)
Non-operating income		
Interest income	2,240	4,010
Dividend income	3,172	—
Foreign exchange gains	1,961,737	3,326,951
Gain on forgiveness of debts	128,403	—
Other	328	3,532
Total non-operating income	2,095,882	3,334,494
Non-operating expenses		
Interest expenses	44,606	25,270
Financing expenses	10,194	30,967
Share issuance costs	—	71,981
Other	—	5,834
Total non-operating expenses	54,801	134,053
Ordinary loss	(4,579,802)	(4,698,867)
Extraordinary income		
Gain on sale of non-current assets	—	1,434
Gain on reversal of subscription rights to shares	29,487	—
Total extraordinary income	29,487	1,434
Extraordinary losses		
Loss on retirement of non-current assets	10,107	9
Total extraordinary losses	10,107	9
Loss before income taxes	(4,560,423)	(4,697,443)
Income taxes - current	117,433	1,210
Income taxes - deferred	—	860,930
Total income taxes	117,433	862,141
Net loss	(4,677,856)	(5,559,584)
Net loss attributable to owners of parent	(4,677,856)	(5,559,584)

## Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Net loss	(4,677,856)	(5,559,584)
Other comprehensive income		
Foreign currency translation adjustment	(1,752,436)	(3,272,756)
Total other comprehensive income	(1,752,436)	(3,272,756)
Comprehensive income	(6,430,293)	(8,832,341)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(6,430,293)	(8,832,341)
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated Statements of Changes in Net Assets

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)
Purchase of treasury shares					—
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
	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)
Purchase of treasury shares				—
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

For the fiscal year ended January 31, 2023 (From February 1, 2022 to January 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,075,135	7,786,578	(9,057,369)	(853)	2,803,491
Changes of items during period					
Issuance of new shares	5,552,002	5,552,002			11,104,004
Net loss attributable to owners of parent			(5,559,584)		(5,559,584)
Purchase of treasury shares				(46)	(46)
Transfer from share capital to other capital surplus	(3,219,947)	3,219,947			—
Deficit disposition		(6,439,895)	6,439,895		—
Net changes of items other than shareholders' equity					
Total changes of items during period	2,332,054	2,332,054	880,311	(46)	5,544,373
Balance at end of current period	6,407,189	10,118,632	(8,177,057)	(899)	8,347,864

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(1,094,792)	(1,094,792)	326,436	2,035,135
Changes of items during period				
Issuance of new shares				11,104,004
Net loss attributable to owners of parent				(5,559,584)
Purchase of treasury shares				(46)
Transfer from share capital to other capital surplus				—
Deficit disposition				—
Net changes of items other than shareholders' equity	(3,272,756)	(3,272,756)	122,157	(3,150,599)
Total changes of items during period	(3,272,756)	(3,272,756)	122,157	2,393,773
Balance at end of current period	(4,367,549)	(4,367,549)	448,593	4,428,909

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
<b>Cash flows from operating activities:</b>		
Loss before income taxes	(4,560,423)	(4,697,443)
Depreciation	132,467	24,615
Share based compensation expenses	141,241	102,978
Increase (decrease) in provision for bonuses	14,663	37,720
Interest and dividend income	(5,412)	(4,010)
Foreign exchange losses (gains)	(1,964,023)	(3,380,690)
Gain on forgiveness of debts	(128,403)	—
Interest expenses	44,606	25,270
Financing expenses	10,194	30,967
Share issuance costs	—	71,981
Gain on reversal of subscription rights to shares	(29,487)	—
Loss (gain) on sale of non-current assets	—	(1,434)
Loss on retirement of non-current assets	10,107	9
Decrease (increase) in supplies	3,487	510,107
Decrease (increase) in advance payments	(61,019)	162,585
Increase (decrease) in accounts payable - other	101,261	(52,410)
Increase (decrease) in accrued expenses	(22,421)	(189,169)
Other	(5,831)	35,580
Subtotal	(6,318,993)	(7,323,342)
Interest and dividends received	5,412	4,010
Interest expenses paid	(45,531)	(25,583)
Income taxes paid	(187,553)	(89,232)
Net cash provided by (used in) operating activities	(6,546,664)	(7,434,147)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(41,668)	(7,908)
Proceeds from sale of property, plant and equipment	—	1,434
Purchase of intangible assets	(14,409)	(95)
Payments for asset retirement obligations	(10,800)	—
Payments of leasehold deposits	(18,036)	(3,530)
Proceeds from refund of leasehold deposits	18,652	—
Net cash provided by (used in) investing activities	(66,261)	(10,100)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(500,000)	—
Repayments of long-term loans payable	(975,000)	(1,592,000)
Payments of financing expenses	(24,234)	(17,527)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	3,749	10,956,657
Proceeds from issuance of share acquisition rights	—	98,700
Other	—	(46)
Net cash provided by (used in) financing activities	(1,495,484)	9,445,783
Effect of exchange rate change on cash and cash equivalents	185,250	116,655
Net increase (decrease) in cash and cash equivalents	(7,923,159)	2,118,192
Cash and cash equivalents at beginning of period	12,480,165	4,557,006
Cash and cash equivalents at end of period	4,557,006	6,675,198

## (5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

None

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The application of the Revenue Recognition Accounting Standard has no effect on the consolidated financial statements.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Accounting Standard, etc. in accordance with the transitional treatment provided 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). This has no effect on the consolidated financial statements.

(Segment information)

<Segment information>

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.

For the fiscal year ended January 31, 2023 (from February 1, 2022 to January 31, 2023)

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, 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

Fiscal year ended January 31, 2023 (from February 1, 2022 to January 31, 2023)

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
41,493	6,370	47,863

3. Information by major customer

None



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

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

None

Fiscal year ended January 31, 2023 (from February 1, 2022 to January 31, 2023)

None

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

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

None

Fiscal year ended January 31, 2023 (from February 1, 2022 to January 31, 2023)

None

<Information concerning gain on bargain purchase by reporting segment>

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

None

Fiscal year ended January 31, 2023 (from February 1, 2022 to January 31, 2023)

None

(Per share information)

(Yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Net assets per share	32.99	62.12
Net (loss) per share	(90.33)	(95.99)

(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, 2022	For the fiscal year ended January 31, 2023
Net (loss) attributable to owners of parent (Thousand yen)	(4,677,856)	(5,559,584)
Amount not attributable to common shareholders (Thousand yen)	—	—
Net (loss) attributable to owners of parent associated with common shares (Thousand yen)	(4,677,856)	(5,559,584)
Average number of shares during the period (Shares)	51,789,136	57,918,166
Outline of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	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)	7th, 8th, 9th, 12th, 14th through 21st, 23rd through 25th, and 27th through 31st, 33rd Share Acquisition Rights (total number of subscription rights to shares: 413,759)

(Significant subsequent events)

(Exercise of the 34th share acquisition rights with exercise price amendment clause by third-party allotment)

The 34th share acquisition rights issued by the Company were exercised from February 1, 2023 to February 28, 2023 as follows

Number of exercised share acquisition rights	4,200 (4.67% of total issued)
Number of shares issued	420,000 shares
Total exercise price	292,480 thousand yen
Number of unexercised share acquisition rights	41,100 units
Number of shares to be increased	420,000 shares
Capital increase	147,353 thousand yen
Capital reserves increase	147,353 thousand yen

(Acquisition and cancellation of stock options (share acquisition rights))

At a meeting of the Board of Directors on February 15, 2023, the Company passed a resolution to acquire and cancel a portion of the share acquisition rights already issued by the Company.

1. Reason for acquisition and cancellation of share acquisition rights

Of the share acquisition rights already issued by the Company, with respect to the 7th, 9th, 15th, 16th, 18th through 20th, and 22nd through 26th share acquisition rights, some of the grantees have ceased to be service providers as stipulated in the issuance guidelines for each series of share acquisition rights and have become subject to the reasons for acquisition without compensation in the relevant issuance guidelines. Therefore, the Company has decided to cancel a total of 119,734 share acquisition rights (119,734 shares of common stock being the target of said rights) after acquiring them for no compensation, in accordance with the provisions of the relevant issuance guidelines.

2. Date of acquisition and cancellation of share acquisition rights

March 3, 2023

3. Share acquisition rights subject to acquisition and cancellation

(1) 7th share acquisition rights	5,000 units
(2) 9th share acquisition rights	434 units
(3) 15th share acquisition rights	3,000 units
(4) 16th share acquisition rights	3,000 units
(5) 18th share acquisition rights	20,000 units
(6) 19th share acquisition rights	2,500 units
(7) 20th share acquisition rights	4,000 units
(8) 22nd share acquisition rights	4,900 units
(9) 23rd share acquisition rights	51,000 units
(10) 24th share acquisition rights	12,000 units
(11) 25th share acquisition rights	4,000 units
(12) 26th share acquisition rights	9,900 units

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

At the meeting of Board of Directors held on March 16, 2023, the Company resolved to submit to the Company's 10th annual general meeting of shareholders, to be held on April 26, 2023, 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: ¥4,435,693,788 of ¥6,407,189,913

Capital surplus: ¥4,435,693,788 of ¥6,404,689,897

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

Other capital surplus: ¥8,871,387,576

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: ¥8,871,387,576

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

Retained earnings brought forward: ¥8,871,387,576

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 16, 2023

(2) Date of resolution at annual general meeting of shareholders: April 26, 2023 (planned)

(3) Deadline for submission of objections by creditors: May 30, 2023 (planned)

(4) Effective date: June 6, 2023 (planned)