

Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 [Japanese GAAP]



March 18, 2024

Company name: SanBio Company Limited
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4592
 URL: <https://www.sanbio.com/>
 Representative: Keita Mori, Representative Director and President
 Contact: Yoshihiro Kakutani, Corporate Officer of Management Administration
 Phone: +81-3-6264-3481
 Scheduled date of the Annual General Meeting of Shareholders: April 24, 2024
 Scheduled date of commencing dividend payments: —
 Scheduled date of filing annual securities report: April 24, 2024
 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, 2024 (February 1, 2023 to January 31, 2024)

(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, 2024	—	—	(4,539)	—	(2,824)	—	(2,644)	—
January 31, 2023	—	—	(7,899)	—	(4,698)	—	(5,559)	—

(Note) Comprehensive income: Fiscal year ended January 31, 2024: ¥(4,083) million [-%]
 Fiscal year ended January 31, 2023: ¥(8,832) million [-%]

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income to total assets	Operating income to operating revenue
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2024	(40.48)	—	(80.5)	(46.7)	—
January 31, 2023	(95.99)	—	(195.4)	(74.8)	—

(Reference) Equity earnings (losses) of affiliates: Fiscal year ended January 31, 2024: ¥ – million
 Fiscal year ended January 31, 2023: ¥ – 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, 2024	5,047	2,792	51.3	38.08
As of January 31, 2023	7,045	4,428	56.5	62.12

(Reference) Equity: As of January 31, 2024: ¥2,586 million
 As of January 31, 2023: ¥3,980 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, 2024	(4,765)	(19)	2,370	4,389
January 31, 2023	(7,434)	(10)	9,445	6,675

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, 2023	–	0.00	–	0.00	0.00	–	–	–
January 31, 2024	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending January 31, 2025 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2025 (February 1, 2024 to January 31, 2025)

(% 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	–	–	(1,414)	–	(1,425)	–	(1,425)	–	(20.98)
Full year	–	–	(3,339)	–	(3,359)	–	(3,359)	–	(49.45)

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, 2024: 67,929,202 shares
January 31, 2023: 64,076,202 shares
 - 2) Total number of treasury shares at the end of the period:
January 31, 2024: 278 shares
January 31, 2023: 230 shares

- 3) Average number of shares during the period
 Fiscal year ended January 31, 2024: 65,322,652 shares
 Fiscal year ended January 31, 2023: 57,918,166 shares

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (February 1, 2023 to January 31, 2024)

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

Fiscal year ended	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2024	–	–	(1,621)	–	416	(77.6)	(4,133)	–
January 31, 2023	–	–	(1,930)	–	1,863	100.0	(8,871)	–

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
January 31, 2024	(63.29)	–
January 31, 2023	(153.17)	–

(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, 2024	4,623	2,701	54.0	36.74
As of January 31, 2023	6,593	4,388	59.7	61.48

(Reference) Equity: As of January 31, 2024: ¥2,495 million
 As of January 31, 2023: ¥3,939 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 a decrease in the recorded amount of foreign exchange gains resulting from fluctuations in foreign exchange rates. A change in net loss from the previous fiscal year is mainly due to a decrease in provision of allowance for doubtful accounts for subsidiaries and associates and 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.

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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, 20 products were approved for manufacture and marketing as regenerative medicine products by the end of 2023. 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. In 2023, BLAs were approved for four items designated as RMAT, and 17 items received new RMTA designation. As described above, practical application of regenerative medicine advanced continuously in Japan and the US in 2023.

In this environment, the Group (hereinafter referring to two companies: the Company and SanBio, Inc. of Oakland, California, US) 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 (hereinafter the “Application”) in March 2022 for the first time. Today, the Ministry of Health, Labour and Welfare announced that the Pharmaceutical Affairs and Food Sanitation Council’s Subcommittee on Regenerative Medicine Products (the “Subcommittee”) will hold a meeting on March 25, and we learned that SB623, our development regenerative medicine product “AKUUGO suspension for intracranial implantation,” is included in the agenda for the meeting. When the approval of a product is deliberated in the Subcommittee, the agenda usually includes the phrase “regarding the approval or disapproval of the manufacturing and marketing authorization.” However, this phrase is not included in the current agenda. Moreover, the outcome of the deliberations will not be known until after the Subcommittee meeting on March 25. Therefore, the Company requests your cautious handling of today's announcement. The Company will respond to the process toward obtaining approval and proceed with preparations for post marketing period following the outcome of the Subcommittee.

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, the Company is swiftly proceeding with efforts to begin domestic clinical trials following the approval of the SB623 development program for treatment of chronic traumatic brain injury in Japan.

For the SB623 development program for treatment of chronic ischemic stroke, efforts are being made to swiftly begin domestic clinical trials following the approval of the SB623 development program for treatment of chronic traumatic brain injury 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, 2024, the Company recorded ¥2,849 million in research and development expenses mainly consisting of manufacturing-related costs incurred to obtain approval with respect to the SB623 development program for treatment of chronic traumatic brain injury. As a result, operating loss was ¥4,539 million (operating loss of ¥7,899 million for the previous fiscal year). On the other hand, the Company recorded ¥1,746 million in foreign exchange gains as non-operating income, owing to the foreign exchange gains resulting from fluctuations in foreign exchange rates. Furthermore, ordinary loss was ¥2,824 million (ordinary loss of ¥4,698 million for the previous fiscal year), and net loss attributable to owners of parent was ¥2,644 million (net loss attributable to owners of parent of ¥5,559 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 ¥4,937 million, a decrease of ¥2,029 million compared to the end of the previous fiscal year (¥6,967 million), mainly due to a decrease of ¥2,278 million in cash and deposits.

(Non-current assets)

The balance of non-current assets at the end of the fiscal year under review was ¥109 million, an increase of ¥32 million compared to the end of the previous fiscal year (¥77 million), mainly due to an increase of ¥42 million in intangible assets.

(Current liabilities)

The balance of current liabilities at the end of the fiscal year under review was ¥905 million, a decrease of ¥184 million compared to the end of the previous fiscal year (¥1,090 million), mainly due to a decrease of ¥215 million in accounts payable - other, despite an increase of ¥171 million in accrued expenses.

(Non-current liabilities)

The balance of non-current liabilities at the end of the fiscal year under review was ¥1,349 million, a decrease of ¥176 million compared to the end of the previous fiscal year (¥1,525 million), due to a decrease of ¥268 million in long-term loans payable, despite an increase of ¥91 million in deferred tax liabilities.

(Net assets)

Total net assets at the end the fiscal year under review were ¥2,792 million, a decrease of ¥1,636 million compared to the end of the previous fiscal year (¥4,428 million), mainly due to the recording of ¥2,644 million in net loss attributable to owners of parent and decreases of ¥1,439 million in foreign currency translation adjustment and ¥243 million in subscription rights to shares, despite an increase of ¥1,345 million in capital stock and capital surplus, respectively, resulting from exercise of subscription rights to shares.

(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 ¥4,389 million, a decrease of ¥2,285 million compared to the end of the previous fiscal year (¥6,675 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 ¥4,765 million (an outflow of ¥7,434 million for the previous fiscal year). This was primarily due to the recording of a loss before income taxes of ¥2,542 million, foreign exchange gains of ¥1,651 million, an increase of ¥294 million in advance payments, and a decrease of ¥231 million in accounts payable - other.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥19 million (an outflow of ¥10 million for the previous fiscal year). This was due to an outflow of ¥11 million for purchase of property, plant and equipment, ¥35 million in proceeds from sale of property, plant and equipment, and an outflow of ¥43 million for purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities for the fiscal year under review was ¥2,370 million (an inflow of ¥9,445 million for the previous fiscal year). This was primarily due to an outflow of ¥268 million for repayments of long-term loans payable and ¥2,651 million in proceeds from issuance of shares resulting from exercise of subscription rights to shares.

(4) Future Outlook

Toward obtaining approval of the SB623 development program for treatment of chronic traumatic brain injury in Japan, the Group is steadily proceeding with preparations for its manufacturing, logistics, and sales infrastructure. Efforts are being made to begin clinical trials of the SB623 development program for treatment of chronic ischemic stroke in Japan following the approval. At the same time, the Group endeavors to improve its productivity and proceed with preparations for expanding its business globally.

Based on the above, the Group forecasts the financial results for the fiscal year ending January 31, 2025 to incur operating expenses of ¥3,339 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 ¥3,339 million, an ordinary loss of ¥3,359 million, and net loss attributable to owners of parent of ¥3,359 million.

The forecast is based on an exchange rate of ¥148.00 per U.S. dollar.

(5) Basic Policy for Distribution of Profit and Dividends for FY2024.1 and FY2025.1

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, 2024, 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, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	6,732,775	4,454,716
Advance payments	46,506	358,924
Other	187,980	123,729
Total current assets	6,967,262	4,937,370
Non-current assets		
Property, plant and equipment		
Buildings and structures	110,911	22,943
Machinery, equipment and vehicles	—	4,570
Tools, furniture and fixtures	239,067	53,072
Accumulated depreciation	(306,748)	(45,026)
Construction in progress	4,633	8,761
Total property, plant and equipment	47,863	44,320
Intangible assets	1,292	43,891
Investments and other assets		
Other	28,695	21,708
Total investments and other assets	28,695	21,708
Total non-current assets	77,851	109,920
Total assets	7,045,114	5,047,291
Liabilities		
Current liabilities		
Current portion of long-term loans payable	268,000	268,000
Accounts payable - other	331,073	115,347
Accrued expenses	314,590	486,534
Income taxes payable	605	18,510
Provision for bonuses	60,875	8,313
Other	115,129	8,933
Total current liabilities	1,090,274	905,639
Non-current liabilities		
Long-term loans payable	665,000	397,000
Deferred tax liabilities	860,930	952,253
Total non-current liabilities	1,525,930	1,349,253
Total liabilities	2,616,205	2,254,892
Net assets		
Shareholders' equity		
Capital stock	6,407,189	3,316,504
Capital surplus	10,118,632	7,027,946
Retained earnings	(8,177,057)	(1,950,003)
Treasury shares	(899)	(933)
Total shareholders' equity	8,347,864	8,393,514
Accumulated other comprehensive income		
Foreign currency translation adjustment	(4,367,549)	(5,806,567)
Total accumulated other comprehensive income	(4,367,549)	(5,806,567)
Subscription rights to shares	448,593	205,451
Total net assets	4,428,909	2,792,398
Total liabilities and net assets	7,045,114	5,047,291

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

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Operating revenue	—	—
Operating expenses		
Research and development expenses	6,118,125	2,849,590
Other selling, general and administrative expenses	1,781,183	1,690,139
Total operating expenses	7,899,308	4,539,730
Operating loss	(7,899,308)	(4,539,730)
Non-operating income		
Interest income	4,010	2,465
Foreign exchange gains	3,326,951	1,746,375
Other	3,532	3,741
Total non-operating income	3,334,494	1,752,582
Non-operating expenses		
Interest expenses	25,270	10,548
Financing expenses	30,967	15,265
Share issuance costs	71,981	9,499
Other	5,834	2,424
Total non-operating expenses	134,053	37,737
Ordinary loss	(4,698,867)	(2,824,886)
Extraordinary income		
Gain on sale of non-current assets	1,434	33,551
Gain on reversal of subscription rights to shares	—	252,328
Total extraordinary income	1,434	285,879
Extraordinary losses		
Loss on retirement of non-current assets	9	3,129
Total extraordinary losses	9	3,129
Loss before income taxes	(4,697,443)	(2,542,135)
Income taxes - current	1,210	10,874
Income taxes - deferred	860,930	91,322
Total income taxes	862,141	102,196
Net loss	(5,559,584)	(2,644,332)
Net loss attributable to owners of parent	(5,559,584)	(2,644,332)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Net loss	(5,559,584)	(2,644,332)
Other comprehensive income		
Foreign currency translation adjustment	(3,272,756)	(1,439,017)
Total other comprehensive income	(3,272,756)	(1,439,017)
Comprehensive income	(8,832,341)	(4,083,350)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(8,832,341)	(4,083,350)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

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

For the fiscal year ended January 31, 2024 (From February 1, 2023 to January 31, 2024)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,407,189	10,118,632	(8,177,057)	(899)	8,347,864
Changes of items during period					
Issuance of new shares	1,345,008	1,345,008			2,690,016
Net loss attributable to owners of parent			(2,644,332)		(2,644,332)
Purchase of treasury shares				(34)	(34)
Transfer from share capital to other capital surplus	(4,435,693)	4,435,693			—
Deficit disposition		(8,871,387)	8,871,387		—
Net changes of items other than shareholders' equity					
Total changes of items during period	(3,090,685)	(3,090,685)	6,227,054	(34)	45,649
Balance at end of current period	3,316,504	7,027,946	(1,950,003)	(933)	8,393,514

	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	(4,367,549)	(4,367,549)	448,593	4,428,909
Changes of items during period				
Issuance of new shares				2,690,016
Net loss attributable to owners of parent				(2,644,332)
Purchase of treasury shares				(34)
Transfer from share capital to other capital surplus				—
Deficit disposition				—
Net changes of items other than shareholders' equity	(1,439,017)	(1,439,017)	(243,141)	(1,682,159)
Total changes of items during period	(1,439,017)	(1,439,017)	(243,141)	(1,636,510)
Balance at end of current period	(5,806,567)	(5,806,567)	205,451	2,792,398

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Cash flows from operating activities		
Loss before income taxes	(4,697,443)	(2,542,135)
Depreciation	24,615	14,504
Share based compensation expenses	102,978	34,180
Increase (decrease) in provision for bonuses	37,720	(57,175)
Interest and dividend income	(4,010)	(2,465)
Foreign exchange losses (gains)	(3,380,690)	(1,651,512)
Interest expenses	25,270	10,548
Financing expenses	30,967	15,265
Share issuance costs	71,981	9,499
Gain on reversal of subscription rights to shares	—	(252,328)
Loss (gain) on sale of non-current assets	(1,434)	(33,551)
Loss on retirement of non-current assets	9	3,129
Decrease (increase) in supplies	510,107	—
Decrease (increase) in advance payments	162,585	(294,621)
Increase (decrease) in accounts payable - other	(52,410)	(231,310)
Increase (decrease) in accrued expenses	(189,169)	137,988
Other	35,580	83,206
Subtotal	(7,323,342)	(4,756,778)
Interest and dividends received	4,010	2,465
Interest expenses paid	(25,583)	(10,557)
Income taxes paid	(89,232)	(783)
Net cash provided by (used in) operating activities	(7,434,147)	(4,765,654)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,908)	(11,078)
Proceeds from sale of property, plant and equipment	1,434	35,941
Purchase of intangible assets	(95)	(43,891)
Payments of leasehold deposits	(3,530)	—
Net cash provided by (used in) investing activities	(10,100)	(19,028)
Cash flows from financing activities		
Repayments of long-term loans payable	(1,592,000)	(268,000)
Payments of financing expenses	(17,527)	(12,799)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	10,956,657	2,651,366
Proceeds from issuance of share acquisition rights	98,700	—
Other	(46)	(34)
Net cash provided by (used in) financing activities	9,445,783	2,370,532
Effect of exchange rate change on cash and cash equivalents	116,655	128,472
Net increase (decrease) in cash and cash equivalents	2,118,192	(2,285,678)
Cash and cash equivalents at beginning of period	4,557,006	6,675,198
Cash and cash equivalents at end of period	6,675,198	4,389,520

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

None

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has no effect on the consolidated financial statements.

(Segment information, etc.)

<Segment information>

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.

For the fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

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, 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

Fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

1. Information by products and services

None

2. Information by geographical segment

(1) Operating revenue

None

(2) Property, plant and equipment

Information is omitted as the value of property, plant and equipment located in Japan exceeds 90% of that of the property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

None

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

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

None

Fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

None

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

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

None

Fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

None

<Information concerning gain on bargain purchase by reporting segment>

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

None

Fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

None

(Per share information)

(Yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Net assets per share	62.12	38.08
Net (loss) per share	(95.99)	(40.48)

(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, 2023	For the fiscal year ended January 31, 2024
Net (loss) attributable to owners of parent (Thousand yen)	(5,559,584)	(2,644,332)
Amount not attributable to common shareholders (Thousand yen)	—	—
Net (loss) attributable to owners of parent associated with common shares (Thousand yen)	(5,559,584)	(2,644,332)
Average number of shares during the period (Shares)	57,918,166	65,322,652
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, 9th, 12th, 14th through 21st, 23rd through 25th, 27th through 31st, and 33rd Share Acquisition Rights (total number of subscription rights to shares: 413,759)	7th, 8th, 9th, 12th, 14th, 17th, 18th, 20th, 24th, 25th, 28th through 31st, and 33rd Share Acquisition Rights (total number of subscription rights to shares: 185,825)

(Significant subsequent events)

(Completion of 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 fully exercised on February 26, 2024, with the issuance of 9,000,000 new shares and fund procurement of ¥6,436 million in total. The rights were exercised from February 1, 2024 to February 26, 2024 as follows:

Number of exercised share acquisition rights	7,000 (7.78% of total issued)
Number of shares issued	700,000 shares
Total exercise price	485,800 thousand yen
Number of unexercised share acquisition rights	0 units
Number of shares to be increased	700,000 shares
Capital increase	244,755 thousand yen
Capital reserves increase	244,755 thousand yen

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

At the meeting of Board of Directors held on March 18, 2024, the Company resolved to submit to the Company's 11th annual general meeting of shareholders, to be held on April 24, 2024, 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: ¥2,066,993,463 of ¥3,316,504,225

Capital surplus: ¥2,066,993,462 of ¥3,314,004,209

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

Other capital surplus: ¥4,133,986,925

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: ¥4,133,986,925

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

Retained earnings brought forward: ¥4,133,986,925

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 18, 2024

(2) Date of resolution at annual general meeting of shareholders: April 24, 2024 (planned)

(3) Deadline for submission of objections by creditors: May 30, 2024 (planned)

(4) Effective date: June 6, 2024 (planned)