# Financial Results for the Fiscal Year ended March 31, 2022
# [Japanese GAAP] (non-consolidated)

May 12, 2022

BrightPath Biotherapeutics Co., Ltd. Listed Market Growth, TSE
TSE Code 4594 URL https://www.brightpathbio.com/english/index.html
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Scheduled date of annual meeting of stockholders : June 23, 2022
Scheduled date of dividend payment commencement :—
Scheduled date of submission of securities report : June 24, 2022
Supplementary materials for financial statements : Yes
Briefing of financial results : Yes (for analysts and institutional investors)

(Millions of yen, rounded down to the nearest million)

1. Financial results for fiscal year 2022 (April 1, 2021 – March 31, 2022)

(1) Results of Operation (Percentages represent changes from the same period of previous year)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2022 | 15 | 515.3 | -1,476 | — | -1,481 | — | -1,484 | — |
| Fiscal year ended March 31, 2021 | 2 | -77.8 | -1,732 | — | -1,738 | — | -1,719 | — |

| | Net income per share | Fully diluted net income per share | Return on shareholders' equity | Ratio of ordinary income to total assets | Operating margin |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal year ended March 31, 2022 | -28.55 | — | -49.3 | -45.5 | -9,579.2 |
| Fiscal year ended March 31, 2021 | -36.14 | — | -51.4 | -48.1 | -69,188.5 |

(Reference) Equity in earnings (losses) of affiliated companies:
Year ended March 31, 2022: ¥— million
Year ended March 31, 2021: ¥— million

(Note) 1. Fully diluted net income per share is not stated as net loss was recorded for this period although there are residual shares.

(2) Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2022 | 2,771 | 2,531 | 90.5 | 45.40 |
| As of March 31, 2021 | 3,749 | 3,537 | 93.7 | 69.10 |

(Reference) Shareholders' equity As of March 31, 2022 2,508 million yen
As of March 31, 2021 3,511 million yen

(3) 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 |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended March 31, 2022 | -1,512 | -17 | 569 | 2,305 |
| Fiscal year ended March 31, 2021 | -1,769 | -36 | 2,053 | 3,265 |

2. Dividends

| | Annual dividends per share | | | | | Total dividends paid (annual) | Payout ratio | Ratio of dividends to net assets |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended March 31, 2021 | — | 0.00 | — | 0.00 | 0.00 | — | — | — |
| Fiscal year ended March 31, 2022 | — | 0.00 | — | 0.00 | 0.00 | — | — | — |
| Fiscal year ending March 31, 2023 (Forecast) | — | 0.00 | — | 0.00 | 0.00 | | — | |

3. Projected financial results for fiscal year 2023 (April 1, 2022 – March 31, 2023)

(Percentages represent changes from the same period of previous year)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 5 | -67.6 | -1,635 | — | -1,635 | — | -1,637 | — | -29.63 |

(Note) 1. The Company manages business results on an annual basis, and therefore only the full-year financial forecasts are disclosed.

**[Notes]**

(1) Changes in significant accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc. : Yes
2) Changes in accounting policies due to other reasons than above 1) : None
3) Changes in accounting estimates : None
4) Restatements : None

(Note) For details, please refer to “3. Financial Statements and Primary Notes (5) Notes to Financial Statements (Changes in accounting policies)” on page 15 of the attachment.

(2) Number of shares outstanding (common stock)

| | | | | |
|---|---|---|---|---|
| 1) Number of shares outstanding at the end of the period (including treasury stock) | As of March 31, 2022 | 55,253,100 shares | As of March 31, 2021 | 50,817,500 shares |
| 2) Number of shares of treasury stock at the end of the period | As of March 31, 2022 | — shares | As of March 31, 2021 | — shares |
| 3) Average number of shares during the period | Year ended March 31, 2022 | 51,993,131 shares | Year ended March 31, 2021 | 47,581,918 shares |

* These financial results are outside the scope of audits by a certified public accountant or an audit corporation.

* Explanations regarding appropriate use of forecasts and projections of financial results, and other specific notes
  - All forecasts and projections contained in this document are based on the information available and certain assumptions deemed reasonable by the Company at this time. They are not intended to represent our promise to attain them as a goal. Actual results may differ substantially due to various reasons. For details on the assumptions and conditions for forecasts and projections as well as notes on their use, please refer to “1. Overview of Operating Results, etc., (4) Future Outlook” on page 3 of the attachment.

Contents of the Attachment

1. Overview of Operating Results, etc.

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

During the fiscal year ended March 31, 2022, the Japanese economy as well as the global economies is becoming increasingly uncertain due to the prolonged global outbreak of the coronavirus disease (COVID-19) pandemic as well as geopolitical risks such as the invasion of Ukraine by Russia. On the other hand, vaccination against COVID-19 has progressed and there are signs that restrictions on social activities are gradually easing.

On the other hand, in the site of pharmaceutical research and development, the global trend toward prioritizing treatment of patients with COVID-19 and the prioritized allocation of medical resources by medical institutions to acute care and outpatient infectious diseases caused clinical trials to stagnate in some cases.

Under these circumstances, BrightPath Biotherapeutics Co., Ltd. (the “Company”) has proceeded the development of cancer immunotherapeutics (drugs that treat cancer by utilizing the immune system).

In the business for cell therapy agent, Phase I investigator-initiated clinical trials for induced pluripotent stem cells (iPSC) derived regenerating natural killer T-cell (NKT cell) therapy[*1] (iPS-NKT) created at RIKEN are being conducted at Chiba University Hospital, and made steady progress during the current fiscal year under review. In addition to supporting this clinical trial, we are working to improve the manufacturing process in anticipation of the next phase clinical trial. In addition, HER2 chimeric antigen receptor T cell (CAR-T cell) therapy[*2] (BP2301), which is being co-developed with Shinshu University Hospital, is the second cell therapy program to enter a clinical trial at the Company, and preparations were almost completed during the current fiscal year under review. Phase I investigator-initiated clinical trial is forecast to start at Shinshu University during the first quarter of the fiscal year ending March 31, 2023.

In the business for antibodies, as promising targets after PD-1/PD-L1, we are developing antibodies that inhibit the function of immune check point proteins[*3] regarding the exhaustion and suppression of T cells or antibodies that inhibit the function of immune regulators. We have been progressively presenting pre-clinical data at international conferences in order to achieve early out-licensing of anti-CD73 antibody (BP1200), anti-CD39 antibody (BP1202), anti-TIM-3 antibody (BP1210), and anti-CD39 x anti-TIM-3 bispecificity antibody (BP1212), etc. In particular, in September 2021, our presentation on BP1200 at the 2021 European Society for Medical Oncology Annual Meeting (ESMO 2021) received the Best Poster Award, which is given to outstanding research presentations.

In the business for cancer vaccines, we have achieved proof of concept in the pre-clinical phase of our novel platform BP1209, which delivers a fully personalized neoantigen vaccine[*4] with immune checkpoint antibodies for stronger anti-tumor effects.

On the other hand, the Phase II clinical trial of the cancer peptide vaccine GRN-1201 in combination with the immune checkpoint inhibitory antibody pembrolizumab for non-small cell lung cancer, which has been under development in the US, did not reach the initial target of an interim evaluation within the current fiscal year under review due to stagnant patient enrollment in COVID-19 pandemic.

In addition, the Company received an order for clinical sample measurement in the second half of the current fiscal year, which was not anticipated at the beginning of the fiscal year, resulting in a significant increase in revenue compared to the plan at the beginning of the fiscal year. However, it is sufficiently small compared to the scale of R&D expenses, in terms of the effect of increased profits, it is slightly above the scale of the reduction in R&D expenses due to the carrying-over of R&D activities to the next fiscal year, which was planned at the beginning of the fiscal year.

As a result, for the fiscal year ended March 31, 2022, we recorded 15,408 thousand yen as net sales (net sales of 2,504 thousand yen in the previous fiscal year), 1,476,033 thousand yen as operating loss

(operating loss of 1,732,802 thousand yen in the previous fiscal year), 1,481,945 thousand yen as ordinary loss (ordinary loss of 1,738,636 thousand yen in the previous fiscal year), and net loss of 1,484,192 thousand yen (net loss of 1,719,634 thousand yen in the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year under Review

(i) Current assets

At the end of the fiscal year under review, current assets were 2,696,050 thousand yen, a decrease of 954,942 thousand yen from the end of the previous fiscal year. The main factors for this include a decrease of 960,361 thousand yen due to expenditures related to research and development, etc., despite proceeds from the issuance of shares in cash and deposits.

(ii) Non-current assets

At the end of the fiscal year under review, non-current assets were 75,152 thousand yen, a decrease of 23,283 thousand yen from the end of the previous fiscal year. The main factors for this include a decrease of 23,283 thousand yen in tools, furniture and fixtures due to depreciation of research equipment, etc.

(iii) Current liabilities

At the end of the fiscal year under review, current liabilities were 184,655 thousand yen, an increase of 28,249 thousand yen from the end of the previous fiscal year. The main factors for this include a decrease of 66,763 thousand yen in accounts payable – other due to recording current portion of bonds payable of 87,500 thousand yen due to issuance of bonds, and a decrease in expenditures related to research and development, etc. compared to the end of the previous fiscal year.

(iv) Non-current liabilities

At the end of the fiscal year under review, non-current liabilities were 55,071 thousand yen, a decrease of 308 thousand yen from the end of the previous fiscal year. The main factors for this include the decrease of 399 thousand yen in retirement benefit liability due to the payment of retirement benefits.

(v) Net assets

At the end of the fiscal year under review, net assets were 2,531,475 thousand yen, a decrease of 1,006,167 thousand yen from the end of the previous fiscal year. The main factors for this are the increase of 481,341 thousand yen in the total of capital stock and capital surplus due to issuance of new shares, and the decrease of a net loss of 1,484,192 thousand yen. As a result of the above, equity ratio was 90.5% compared to 93.7% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

At the end of the fiscal year under review, cash and cash equivalents (hereinafter “net cash”) amounted to 2,305,026 thousand yen, a decrease of 960,361 thousand yen from the end of the previous fiscal year. The situation of each cash flow for the fiscal year under review and the underlying factors are as follows:

(Cash flows from operating activities)

Net cash used in operating activities amounted to 1,512,022 thousand yen (1,769,848 thousand yen used in the previous fiscal year). This was mainly due to recording loss before income taxes of 1,481,772 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 17,566 thousand yen (36,211 thousand yen used in the previous fiscal year). This was mainly due to 17,646 thousand yen spent for purchase of property, plant and equipment associated with research and development equipment, etc.

(Cash flows from financing activities)

Net cash provided from financing activities amounted to 569,226 thousand yen (2,053,090 thousand yen provided in the previous fiscal year). This was mainly due to 478,051 thousand yen in proceeds from issuance of shares resulting from exercise of share acquisition rights.

(4) Future Outlook

Our business target is to create novel cancer immunotherapy drugs. Our business model is based on developing drugs that utilize the immune system to kill cancer cells, involving in the early development stage of these drugs, and licensing them out to pharmaceutical companies to mainly monetize them.

The current goal is to advance each development pipeline to a stage of development where there are many licensing transactions flows. In order to advance to that stage, a certain amount of cumulative development investment is required. However, especially from the latter half of 2021, the financing environment, which is critical for biotech companies, is deteriorating not only in Japan but also in the US. and Europe, therefore the Company is required to prioritize and organize our development pipelines.

The pipelines that we have decided to prioritize are as follows, we will proceed with developments as we have previously envisioned.

Cell therapy agents

[iPS-NKT: induced pluripotent stem cells (iPSC) derived natural killer T-cell (NKT cell) therapy]

iPS-NKT is a novel allogeneic cell therapy agent that uses NKT cells induced from iPS cells for cancer treatment. NKT cells, which are thought to have multifaceted anti-tumor effects but are difficult to apply to cell therapy agent because only a few exist in blood, can now be produced in large quantities and homogeneously from the iPS Master Cell Bank derived from the blood of healthy donors using iPS cell technology.

From June 2020, the world's first investigator-initiated clinical trial of iPSC) derived regenerating NKT cell therapy is underway at Chiba University Hospital for head and neck cancer. In 2018, the Company joined this development project promoted by RIKEN and is conducting joint study, and has an option right to in-license an exclusive development, manufacturing and marketing license for iPS-NKT. This clinical trial is progressing, and the Company is supporting this clinical trial as well as improving the manufacturing process to prepare for the next phase of clinical trials.

The company aims the construction of platform for the development of iPS-NKT in a wide range of cancer types and regions, and its three components are the "patent" (registered in Japan, the US, and Europe), which provides broad and exclusive protection for the allogeneic use of iPS-derived NKT cells, the "iPS master cell bank" that is expected to demonstrate clinical safety and certain efficacy through the clinical trial, and the "differentiation method" from the Master Cell Bank to NKT cells for which the Company are currently working to improve the process. By combining this platform with gene modification technologies such as chimeric antigen receptor (CAR) transfection, it will be possible to develop new gene-modified iPS-NKT cell therapy agent.

[BP2301: HER2 CAR-T cell therapy]

BP2301 is a chimeric antigen receptor gene-transfected T cell (CAR-T cell) therapy that targets HER2 that is highly expressed in various solid tumors. The Phase I investigator-initiated clinical trial will begin in the first quarter of the fiscal year ending March 31, 2023 for the treatment of HER2-positive relapsed or advanced sarcomas and gynecological malignancies. Once the clinical safety and efficacy

are demonstrated in the clinical trial that is expected to last several years, the therapy will proceed to Phase II clinical trials.

CAR-T cell therapies targeting hematologic cancers have been approved globally with excellent clinical benefits, with objective response rates of 70 to 90% in some cases. BP2301 targeting HER2 has the potential to expand the application of CAR-T cell therapy to more patients with solid tumors. However, the challenge of expanding the therapy to solid tumors is exhaustion and dysfunction of CAR-T cells in the immune-suppressive tumor microenvironment. To overcome the challenge, BP2301 contains a large number of stem cell-like immune memory phenotype cells that are characterized by excellent replication and long-term viability in the body and are expected to provide exhaustion resistance and sustained anti-tumor effects in the tumor microenvironment. It has been allowed through the joint development of a novel cell culture method with Professor Yozo Nakazawa and Professor Shigeki Yagyu of Shinshu University, based on Professor Nakazawa's non-viral gene transfer method.

Antibody drugs

The Company has been developing anti-CD73 (BP1200), anti-CD39 (BP1202), and anti-TIM-3 (BP1210) antibodies aiming toward acquiring antibodies functionally differentiated from precedent competitor’s development products. The Company now have the lead antibodies that are differentiated from preceding products against multiple targets and have confirmed efficacy in a tumor-bearing mouse model as pre-clinical proof of concept. .

In addition, based on the antibody against one of these target antigens, the Company is planning to create bispecific antibodies with bispecificity against two target antigens for the purpose of demonstrating higher anti-tumor immunity in the immunosuppressive tumor microenvironment, and will envision a value-added development. By combining single-target anti-CD39 (BP1202) and anti-TIM-3 (BP1210) antibodies, which are differentiated from preceding antibodies of other companies in terms of specifications, with the bispecific antibody technology established in the development process of BP1210, the Company has created anti-CD39 x anti-TIM-3 bispecific antibody (BP1212).

Cancer vaccines

[BP1209 (Fully personalized neoantigen vaccine)]

BP1209 is a personalized neoantigen vaccine platform optimized to elicit tumor-specific, highly immunogenic neoantigen-targeted anti-tumor immunity in each individual patient. While BP1101 is a naked peptide, patient-specific neoantigen vaccine, BP1209 is a molecular complex of the peptides and immune checkpoint antibody. Our original linker technology enabes BP1101 to bind to immune checkpoint antibody,  the immune checkpoint antibody directs the vaccine complex to dendritic cells, enhances the cellular uptake of the vaccine and promotes the induction of tumor-specific T cells. The Company has demonstrated that the vaccine elicits cellular immunity targeting tumor antigens much more potently than BP1101 in a tumor-bearing mouse model.

The Company focus on the BP1209 format for neoantigen vaccine development and prepare for clinical application.

On the other hand, some of the Company’s development pipelines have been reviewed as follows:

[GRN-1201: Cancer peptide vaccine]

GRN-1201 is a cancer peptide vaccine consisting of four tumor associated antigen-derived HLA-A2 restricted peptides. HLA-A2 type is common in Europeans and Americans, and GRN-1201 is intended for global deployment including the US and Europe. In the US, Phase II clinical trials have been conducted in combination with pembrolizumab, an immune checkpoint inhibitor antibody, in patients with first-line non-small cell lung cancer in the US. If an interim evaluation with a certain number of

patients exhibited the safety of the combination therapy and preliminary clinical efficacy compared with pembrolizumab monotherapy, the Company intended to proceed directly to out-licensing.

However, the COVID-19 pandemic affected the patient enrollment especially in the latter half of the fiscal year, which made the trial management very challenging. In addition, the evolving standards of care, the combinations of immune checkpoint inhibitor and chemotherapy, are likely impacting the feasibility of completing this study.

On the other hand, the open-label[*5] clinical trial, has allowed us to understand the ORR[*6] (Objective Response Rate) set as a primary endpoint in the current study protocol is not appropriate to evaluate the cancer vaccine and the longer-term indicators such as PFS[*7] (Progression Free Survival) and OS[*8] (Overall Survival) are considered desirable.

[BP1401: TLR9 agonist of LNP formulation]

TLR9 agonist is considered to transform "Cold Tumor" to "Hot Tumor" in which many immune cells infiltrate and promote anti-tumor immunity. There have been several precedent products in a clinical stage. All of them are intratumorally(i.t.) administrated and delivered to TLR9-expressing dendritic cells (pDCs) in the tumor. BP1401, originally developed by Associate Professor Taiki Aoshi of Osaka University, is LNP (lipid nanoparticle) formulated and to be intravenously (i.v.) administrated. The Company has a strategic intent to replace the precedent i.t products with more useful i.v. products albeit a compromise of clinical efficacy compared to i.t. due to the less drug concentration in the tumor. In the collaborative research with Osaka University, the Company has confirmed that the intravenously administrated LNP product is as effective as intratumorally administrated non-LNP product in eradicating tumors of tumor-bearing mice, and has also succeeded in preparing the stable formulation of the LNP.

However, the clinical outcome of the precedent i.t. products announced through 2020 to 2021 were generally not sufficient to proceed to next clinical trials. The druggability of TLR9 agonist needs to be reconsidered and the development plan the Company originally envisioned is no longer viable.

Thus, the Company would have to lower the priority of BP1401 development.

[BP1206: Anti-HLA-DR antibody, BP1211: Anti-PVR antibody]

Due to the complexity of the mechanism of action of BP1206's and BP1211's target molecules, HLA-DR and PVR respectively, it has become apparent over the course of development that blocking those targets by the antibodies affects other immune modulatory pathway and immune cells undesirably, and it's forecast to take time to sort out. Therefore, the Company prioritize the targets of which clinical utility is being elucidated such as CD73 (BP1200), CD39 (BP1202), and TIM-3 (BP1210).

As a result of the above, for the fiscal year ending March 31, 2023, we are expecting net sales of 5 million yen, operating loss of 1,635 million yen, ordinary loss of 1,635 million yen, and net loss of 1,637 million yen. Research and development costs are expected to be 1,267 million yen.

<Glossary>

*1 (NKT cell)

An immune cell that has the ability to directly kill cancer cells and at the same time has an adjuvant action that activates other immune cells. When activated, it produces a variety of cytokines and promote the activation of NK cells belonging to the innate immune system and the maturation of dendritic cells. Mature dendritic cells further proliferate and activate killer T cells belonging to the acquired immune system, thereby synergistically enhancing anti-tumor effects. In addition, by simultaneously activating the innate immune system, dendritic cells have the ability to kill HLA-negative cancer cells that cannot be killed by T cells.

*2 (CAR-T cell therapy)
Chimeric Antigen Receptor T-cell Therapy: Chimeric antigen receptor transgenic T-cell therapy. Chimeric antigen receptors that recognize antigens expressed by cancer cells are gene-transfected into T-cells (a type of lymphocyte with anti-tumor immunity), which are then grown in culture and administered.

*3 (Immune check point proteins)
A group of molecules that suppress the immune response to self as well as suppress excessive immune responses in order to maintain immune homeostasis. In cancer immunity, they are present to prevent the attack on self by over-activation, but in the carcinogenic process, they are used by cancer cells to evade attack from the immune system and to proliferate.

*4 (Fully personalized neoantigen vaccine)
A tailor-made cancer vaccine that searches for neoantigens in cancer cells of individual patients. Clinical trials are being conducted overseas by academia and leading development companies.

*5 (Open-label)
A study method in which the physician, patient, and staff know what treatment the patient is receiving when conducting a clinical trial.

*6 (ORR: Objective Response Rate)
The percentage of patients whose tumors have shrunk or disappeared after a given cancer treatment has been administered to them.

*7 (PFS: Progression Free Survival)
The period during or after treatment when the cancer has not progressed and is stable.

*8 (OS: Overall Survival)
In a lethal disease clinical trial, the period of time from patient enrollment to the last confirmed date of survival prior to death. The period of time during or after treatment that the cancer has not progressed and is stable.

(5) Significant Subsequent Events regarding Going Concern Assumptions
Not applicable

2. Basic Stance on Choice of Accounting Standards
The Company applies accounting principles generally accepted in Japan (Japanese GAAP), and will appropriately consider the adoption of International Financial Reporting Standards (IFRS) in line with various conditions in Japan and overseas in the future.

## 3. Financial Statements and Primary Notes

(1) Balance Sheets

(Thousands of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,265,388 | 2,305,026 |
| Accounts receivable - trade | 283 | 16,586 |
| Other | 385,321 | 374,437 |
| Total current assets | 3,650,992 | 2,696,050 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 0 | 0 |
| Machinery and equipment, net | 0 | 0 |
| Tools, furniture and fixtures, net | 48,201 | 24,918 |
| Total property, plant and equipment | 48,201 | 24,918 |
| Intangible assets | | |
| Software | 0 | 0 |
| Total intangible assets | 0 | 0 |
| Investments and other assets | | |
| Long-term prepaid expenses | 0 | 0 |
| Other | 50,234 | 50,234 |
| Total investments and other assets | 50,234 | 50,234 |
| Total non-current assets | 98,435 | 75,152 |
| Total assets | 3,749,428 | 2,771,202 |

(Thousands of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 468 | 1,912 |
| Current portion of bonds payable | — | 87,500 |
| Accounts payable - other | 112,413 | 45,650 |
| Accrued expenses | 6,662 | 5,436 |
| Income taxes payable | 31,998 | 38,817 |
| Advances received | 8 | — |
| Deposits received | 4,853 | 5,338 |
| Total current liabilities | 156,405 | 184,655 |
| Non-current liabilities | | |
| Deferred tax liabilities | 0 | 0 |
| Provision for retirement benefits | 33,005 | 32,606 |
| Asset retirement obligations | 22,374 | 22,465 |
| Total non-current liabilities | 55,379 | 55,071 |
| Total liabilities | 211,785 | 239,727 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,459,712 | 6,700,382 |
| Capital surplus | | |
| Legal capital surplus | 6,443,296 | 6,683,967 |
| Total capital surpluses | 6,443,296 | 6,683,967 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | -9,391,623 | -10,875,815 |
| Total retained earnings | -9,391,623 | -10,875,815 |
| Total shareholders' equity | 3,511,385 | 2,508,534 |
| Share acquisition rights | 26,257 | 22,940 |
| Total net assets | 3,537,642 | 2,531,475 |
| Total liabilities and net assets | 3,749,428 | 2,771,202 |

(2) Statements of Operations

(Thousands of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Net sales | 2,504 | 15,408 |
| Cost of sales | | |
| Research and development costs | 1,145 | 102 |
| Other cost of sales | — | 3,215 |
| Total cost of sales | 1,145 | 3,317 |
| Gross profit | 1,358 | 12,091 |
| Selling, general and administrative expenses | 1,734,161 | 1,488,124 |
| Operating income | -1,732,802 | -1,476,033 |
| Non-operating income | | |
| Interest income | 35 | 27 |
| Foreign exchange gains | 3,131 | — |
| Other | 98 | 89 |
| Total non-operating income | 3,265 | 117 |
| Non-operating expenses | | |
| Interest on bonds | — | 362 |
| Foreign exchange losses | — | 3,470 |
| Share issuance cost | 9,099 | 2,197 |
| Miscellaneous loss | 0 | — |
| Total non-operating expenses | 9,099 | 6,029 |
| Ordinary income | -1,738,636 | -1,481,945 |
| Extraordinary profit | | |
| Gain on reversal of share acquisition rights | 31,051 | 5,899 |
| Gain on sales of non-current assets | — | 13 |
| Total extraordinary profit | 31,051 | 5,912 |
| Extraordinary losses | | |
| Impairment loss | 9,629 | 5,701 |
| Other | 0 | 37 |
| Total extraordinary losses | 9,629 | 5,738 |
| Income before income taxes | -1,717,214 | -1,481,772 |
| Income taxes - current | 2,420 | 2,420 |
| Total income taxes | 2,420 | 2,420 |
| Net income | -1,719,634 | -1,484,192 |

Manufacturing Statement

1. Manufacturing statement for research and development costs

| | | Fiscal year ended March 31, 2021 | | Fiscal year ended March 31, 2022 | |
|---|---|---|---|---|---|
| Category | Notes | Amount (Thousand yen) | Composition (%) | Amount (Thousand yen) | Composition (%) |
| I Material cost | | — | — | — | — |
| II Labor cost | | — | — | — | — |
| III Expenses | *1 | 1,145 | 100.0 | 102 | 100.0 |
| Research and development expenses for the current period | | 1,145 | 100.0 | 102 | 100.0 |
| Work in progress at the beginning of the period | | — | | — | |
| Total | | 1,145 | | 102 | |
| Research and development costs for the current period | | 1,145 | | 102 | |

(Note) *1 Main breakdown is as follows:

(Thousand yen)

| Item | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Outsourcing expenses | 720 | — |

(Cost accounting method)

The Company adopts the job-order cost system.

2. Manufacturing statement for other costs

| | | Fiscal year ended March 31, 2021 | | Fiscal year ended March 31, 2022 | |
|---|---|---|---|---|---|
| Category | Notes | Amount (Thousand yen) | Composition (%) | Amount (Thousand yen) | Composition (%) |
| I Material cost | | — | — | — | — |
| II Labor cost | | — | — | 1,250 | 38.9 |
| III Expenses | *1 | — | — | 1,965 | 61.1 |
| Other expenses for the current period | | — | — | 3,215 | 100.0 |
| Work in progress at the beginning of the period | | — | | — | |
| Total | | — | | 3,215 | |
| Other costs for the current period | | — | | 3,215 | |

(Note) *1 Main breakdown is as follows:

(Thousand yen)

| Item | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Commission expenses | — | 1,800 |

(Cost accounting method)

The Company adopts the job-order cost system.

## (3) Statement of Changes in Net Assets

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

| | Shareholders' equity | | | | | | Share acquisition rights | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital assets surplus | | Retained earnings | | Total shareholders' equity | | |
| | | Legal capital surplus | Total capital surplus | Other retained earnings: Retained earnings brought forward | Total retained earnings | | | |
| Balance at beginning of current period | 5,433,211 | 5,416,796 | 5,416,796 | -7,671,989 | -7,671,989 | 3,178,018 | 57,219 | 3,235,237 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | 1,026,500 | 1,026,500 | 1,026,500 | | | 2,053,001 | | 2,053,001 |
| Net loss | | | | -1,719,634 | -1,719,634 | -1,719,634 | | -1,719,634 |
| Net changes of items other than shareholders' equity | | | | | | | -30,961 | -30,961 |
| Total changes of items during period | 1,026,500 | 1,026,500 | 1,026,500 | -1,719,634 | -1,719,634 | 333,366 | -30,961 | 302,405 |
| Balance at end of current period | 6,459,712 | 6,443,296 | 6,443,296 | -9,391,623 | -9,391,623 | 3,511,385 | 26,257 | 3,537,642 |

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

| | Shareholders' equity | | | | | | Share acquisition rights | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital assets surplus | | Retained earnings | | Total shareholders' equity | | |
| | | Legal capital surplus | Total capital surplus | Other retained earnings: Retained earnings brought forward | Total retained earnings | | | |
| Balance at beginning of current period | 6,459,712 | 6,443,296 | 6,443,296 | −9,391,623 | −9,391,623 | 3,511,385 | 26,257 | 3,537,642 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | 240,670 | 240,670 | 240,670 | | | 481,341 | | 481,341 |
| Net loss | | | | −1,484,192 | −1,484,192 | −1,484,192 | | −1,484,192 |
| Net changes of items other than shareholders' equity | | | | | | | −3,316 | −3,316 |
| Total changes of items during period | 240,670 | 240,670 | 240,670 | −1,484,192 | −1,484,192 | −1,002,850 | −3,316 | −1,006,167 |
| Balance at end of current period | 6,700,382 | 6,683,967 | 6,683,967 | −10,875,815 | −10,875,815 | 2,508,534 | 22,940 | 2,531,475 |

(4) Statements of Cash Flows

(Thousands of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Loss before income taxes | -1,717,214 | -1,481,772 |
| Depreciation | 66,688 | 35,123 |
| Impairment loss | 9,629 | 5,701 |
| Gain on reversal of share acquisition rights | -31,051 | -5,899 |
| Loss (gain) on sale of property, plant and equipment | — | -13 |
| Increase (decrease) in retirement benefit liability | -11,249 | -399 |
| Interest and dividend income | -35 | -27 |
| Interest on bonds | — | 362 |
| Decrease (increase) in notes and accounts receivable - trade | 376 | -16,302 |
| Increase (decrease) in notes and accounts payable - trade | -346 | 1,444 |
| Increase (decrease) in advances received | -967 | -8 |
| Other, net | -82,980 | -47,618 |
| Subtotal | -1,767,150 | -1,509,410 |
| Interest and dividend income received | 35 | 28 |
| Interest paid | — | -221 |
| Income taxes paid | -2,732 | -2,420 |
| Net cash provided by (used in) operating activities | -1,769,848 | -1,512,022 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | -34,920 | -17,646 |
| Purchase of intangible assets | -354 | — |
| Proceeds from sales of property, plant and equipment | — | 80 |
| Payments for guarantee deposits | -937 | — |
| Net cash provided by (used in) investing activities | -36,211 | -17,566 |
| Cash flows from financing activities | | |
| Proceeds from issuance of shares resulting from exercise of share acquisition rights | 2,052,505 | 478,051 |
| Proceeds from issuance of bonds | — | 300,000 |
| Redemption of bonds | — | -212,500 |
| Proceeds from issuance of share acquisition rights | 585 | 3,675 |
| Net cash provided by (used in) financing activities | 2,053,090 | 569,226 |
| Net increase (decrease) in cash and cash equivalents | 247,031 | -960,361 |
| Cash and cash equivalents at beginning of period | 3,018,356 | 3,265,388 |
| Cash and cash equivalents at end of period | 3,265,388 | 2,305,026 |

(5) Notes to Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the first quarter of the current fiscal year. 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 Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result, the effect on profit or loss for the current fiscal year is minimal. There is no effect on the balance of retained earnings at the beginning of the period.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Standard”) and others from the beginning of the first quarter of the current fiscal year. New accounting policies based on the Fair Value Standard have been applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the financial statements.

(Segment information, etc.)

Segment information is omitted as the Company operates in the single business segment of the pharmaceutical development business and there is no other significant segment information.

(Per share information)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| | Yen | Yen |
| Net assets per share | 69.10 | 45.40 |
| Net loss per share | -36.14 | -28.55 |

(Notes) 1. Fully diluted net income per share is not stated as net loss was recorded although there are residual shares.

2. The basis for calculating net loss per share is as follows:

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Net loss (Thousand yen) | -1,719,634 | −1,484,192 |
| Amount not attributable to common shareholders (Thousand yen) | — | — |
| Net loss for common stock (Thousand yen) | -1,719,634 | −1,484,192 |
| Average number of shares of common stock during the period (Shares) | 47,581,918 | 51,993,131 |
| Overview of residual shares not included in calculation of fully diluted net income per share due to lack of dilutive effect | — | — |

3. The basis for calculating net assets per share is as follows:

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Total net assets (Thousand yen) | 3,537,642 | 2,531,475 |
| Amount deducted from total net assets (Thousand yen) | 26,257 | 22,940 |
| (of which, share acquisition rights) (Thousand yen) | -26,257 | -22,940 |
| Net assets at the end of the period for common stock (Thousand yen) | 3,511,385 | 2,508,534 |
| Number of shares of common stock at the end of the period to calculate net assets per share (Shares) | 50,817,500 | 55,253,100 |

(Significant subsequent events)

(Exercise of the 15th share acquisition rights)

Partial exercise of the 15th share acquisition rights with exercise price amendment clause (third-party allotment) held by Macquarie Bank LIMITED DBU AC during the period from April 1, 2022 to May 10, 2022 has been exercised. Summary of the exercise of the share acquisition rights is as follows:

(1) Class and number of shares issued Common stock 745,000 shares

(2) Total amount of issue price 67,445 thousand yen

As a result, Capital Stock and Legal Capital Surplus increased by 33,852 thousand yen and 33,852 thousand yen, respectively, including 260 thousand yen transferred from share acquisition rights.