Consolidated Financial Results for the Fiscal Year Ended January 31, 2018 [Japanese GAAP]

March 13, 2018

Company name: SanBio Company Limited
Stock exchange listing: Tokyo Stock Exchange
Code number: 4592
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Scheduled date of the Annual General Meeting of Shareholders: April 27, 2018
Scheduled date of commencing dividend payments: —
Scheduled date of filing annual securities report: April 27, 2018
Availability of supplementary briefing material on financial results: No
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, 2018 (February 1, 2017 to January 31, 2018)

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

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2018	490	(48.3)	(4,378)	–	(3,947)	–	(3,940)	–
January 31, 2017	949	(19.2)	(1,932)	–	(2,166)	–	(1,835)	–

(Note) Comprehensive income: Fiscal year ended January 31, 2018: ¥(3,791) million [–%]
Fiscal year ended January 31, 2017: ¥(1,876) 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, 2018	(86.85)	–	(145.6)	(68.7)	(892.6)
January 31, 2017	(40.88)	–	(33.5)	(29.7)	(203.5)

(Reference) Equity earnings (losses) of affiliates: Fiscal year ended January 31, 2018: ¥ – million
Fiscal year ended January 31, 2017: ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2018	5,193	853	16.1	18.33
As of January 31, 2017	6,292	4,594	72.8	101.52

(Reference) Equity: As of January 31, 2018: ¥833 million
As of January 31, 2017: ¥4,579 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, 2018	(1,906)	658	982	4,654
January 31, 2017	(1,796)	79	159	4,876

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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended January 31, 2017	–	0.00	–	0.00	0.00	–	–	–
January 31, 2018	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending January 31, 2019 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2019 (February 1, 2018 to January 31, 2019)

(% 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	317	27.0	(2,305)	–	(2,034)	–	(2,052)	–	(45.00)
Full year	1,025	109.0	(3,540)	–	(2,529)	–	(2,564)	–	(56.00)

Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
January 31, 2018: 45,492,281 shares
January 31, 2017: 45,109,032 shares

2) Total number of treasury shares at the end of the period:
January 31, 2018: 115 shares
January 31, 2017: 84 shares

3) Average number of shares during the period:
Fiscal year ended January 31, 2018: 45,370,570 shares
Fiscal year ended January 31, 2017: 44,890,374 shares

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2018 (February 1, 2017 to January 31, 2018)

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

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2018	–	(100.0)	(567)	–	(679)	–	(672)	–
January 31, 2017	56	–	(570)	–	(744)	–	(745)	–

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
January 31, 2018	(14.82)	–
January 31, 2017	(16.60)	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2018	7,978	5,604	70.0	122.78
As of January 31, 2017	7,586	6,227	81.9	137.70

(Reference) Equity: As of January 31, 2018: ¥5,585 million
As of January 31, 2017: ¥6,211 million

* These financial results are outside the scope of audit procedures.

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

The consolidated earnings forecasts of the Group for the fiscal year ending January 31, 2019 herein are based on judgments derived from information available at the time of publication of this document and certain assumptions, and actual results may vary due to various factors. For the assumptions and notes for earnings forecasts, please refer to “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

The Japanese economy during the fiscal year ended January 31, 2018 (from February 1, 2017 to January 31, 2018) maintained a recovery path due to moderate improvements in personal consumption, as corporate earnings and the employment environment remained robust. The US economy continued to recover, backed by improvements in the employment and income environments, amid growing recovery trend of corporate earnings.

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, the approval for conditional and time-limited sales was granted for the first time in September 2015 under the new program to accelerate the process of drug approval for regenerative medicines developed in Japan. The accelerated delivery of regenerative medical products to the market is rapidly becoming a reality. In addition, the 21st Century Cures Act was passed in the US in December 2016. Under the new legal system, regenerative medicine will be identified as a new category of advanced medical treatment (RMAT: Regenerative Medicine Advanced Therapy) while the establishment of an approval system and approval of new drugs, pertaining to regenerative medicine-related products, are expected to be accelerated.

In this environment, the Group (hereinafter referring to both the Company and its consolidated subsidiary, SanBio, Inc. of Mountain View, California, US) pressed ahead with development and commercialization, both in Japan and the US, of our unique regenerative cell medicine, SB623, as a new drug candidate for central nervous system diseases.

Enrollment of patients (with an objective of 156 participants; double-blind trial) has progressed smoothly in a Phase 2b clinical trial of SB623, which has been conducted in the US, for the treatment of chronic motor deficit from ischemic stroke (“development program for treatment of chronic stroke”) during the fiscal year ended January 31, 2018, and patient recruitment ended as of December 22, 2017 with a total enrollment of 163 participants. After the completion of the enrollment, the top-line results are scheduled to be announced in 2019 subsequent to a follow-up period of 12 months. Regarding this trial, the Group passed the screening in relation to continuation of the trial by an outside Data and Safety Monitoring Board (See Note) when 50%, 75% and 100% of the enrollment were completed.

As to the development of SB623 program in Japan, the Group entered into an exclusive licensing agreement concerning development and sales with Teijin Ltd. in 2009, however, the both companies agreed to terminate the agreement as of February 14, 2018. As a result, the rights relating to this program in Japan were reverted to the Group, and going forward, the Group will promote the development for the treatment of chronic stroke as an indication in Japan.

Regarding a Phase 2 clinical trial of SB623, which has been conducted in the US and Japan, for the treatment of chronic motor deficit from traumatic brain injury (“development program for treatment of chronic traumatic brain injury”), the first patient (with an objective of 52 participants; double-blind trial) was enrolled in the US in July 2016, and in Japan in October 2016. And as of March 13, 2018, 52 targeted patients have been enrolled (100% enrollment versus plan). Upon enrolling several more pre-registered patients, the Phase 2 clinical trial enrollment will be completed. Regarding this program, the Group received approval from the US Food and Drug Administration (FDA) and the Pharmaceuticals and Medical Devices Agency (PMDA) to initiate Phase 2 clinical trials without conducting Phase 1 clinical trials, in view of results of the previous Phase 1/2a clinical trials for chronic stroke, which was conducted in the US. Regarding this trial, the Group again passed the screening in relation to continuation of the trial by an outside Data and Safety Monitoring Board (See Note) when 50% of the enrollment was completed. As for this program, after the completion of the Phase 2 clinical trial, the Group aims to utilize the conditional and time-limited authorization system (early approval system) for regenerative medical products in Japan, which started under the Revised Pharmaceutical Affairs Act, and strives for the delivery of a product to the market in Japan earlier than in any other region in the world.

Along with the progress of these two clinical trials, in June 2016, interim 12-month Phase 1/2a clinical trial results for SB623 in patients with chronic motor deficit from ischemic stroke were published in *Stroke*, a

leading professional journal published by the American Heart Association. This article received the third-place prize of the 2016 Innovation Award from the Association in February 2017, garnering the attention of many medical professionals and the media. In June 2017, the Group obtained a grant of US$20 million in total from the California Institute for Regenerative Medicine (CIRM) for Phase 2b clinical trial of SB623 in patients with chronic motor deficit from ischemic stroke. The Institute is a public institution established aimed at promoting research and development of regenerative medicine, particularly stem cell treatment, through a highly competitive grant program. The acquisition of the grant by the Group not only significantly contributes to financial soundness of the Group, but also suggests that the potentials of SB623 were highly evaluated by the screening conducted by an expert team of the Institute. This grant is scheduled to be received in installments based on preset development milestones. Out of US$20 million, the Group has received a total of US$18 million so far, of which US$4.5 million was for the conclusion of a contract with CIRM pertaining to the grant, US$4.9 million was for 65% achievement of the enrollment of patients, US$4.1 million was for 85% achievement of the enrollment, and US$4.5 million was for the completion of the enrollment of all the patients. US$6 million was recorded as ¥679 million in non-operating income out of US$18 million received for the fiscal year under review.

Under these circumstances, for the fiscal year ended January 31, 2018, operating revenue totaled ¥490 million (operating revenue of ¥949 million for the previous fiscal year), reflecting proceeds from the development support fee, etc. received from the joint development and sales license agreements of SB623 concluded by the Group with Sumitomo Dainippon Pharma Co., Ltd. in North America. Operating loss was ¥4,378 million (operating loss of ¥1,932 million for the previous fiscal year), due to the recording of ¥4,156 million of research and development expenses as clinical trial expenses and other expenses related to the two abovementioned development programs for the treatments of chronic motor deficit from ischemic stroke and chronic motor deficit from traumatic brain injury. Ordinary loss was ¥3,947 million (ordinary loss of ¥2,166 million for the previous fiscal year) mainly due to the recording of ¥679 million of non-operating income as a grant from the CIRM and ¥180 million of foreign exchange losses. Net loss attributable to owners of parent was ¥3,940 million (net loss attributable to owners of parent of ¥1,835 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.

(Note) Data and Safety Monitoring Board is an organization to be established to monitor adverse events, modification and termination of trials, and information which may affect the participant's willingness to continue trials, evaluate progress of clinical trials and safety data as well as recommend continuation, modification or termination of trials.

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

(Current assets)

The balance of current assets at the end of the fiscal year under review was ¥5,076 million, a decrease of ¥1,047 million compared to the end of the previous fiscal year (¥6,124 million), mainly due to a decrease of ¥906 million in cash and deposits.

(Non-current assets)

The balance of non-current assets at the end of the fiscal year under review was ¥116 million, a decrease of ¥51 million compared to the end of the previous fiscal year (¥167 million), mainly due to a decrease of ¥47 million in property, plant and equipment.

(Current liabilities)

The balance of current liabilities at the end of the fiscal year under review was ¥2,106 million, an increase of ¥1,559 million compared to the end of the previous fiscal year (¥547 million), mainly due to an increase of ¥1,292 million in advance received.

(Non-current liabilities)

The balance of non-current liabilities at the end of the fiscal year under review was ¥2,233 million, an increase of ¥1,083 million compared to the end of the previous fiscal year (¥1,150 million), due to an increase of ¥1,083 million in long-term loans payable.

(Net assets)

Total net assets at the end of the fiscal year under review were ¥853 million, a decrease of ¥3,741 million compared to the end of the previous fiscal year (¥4,594 million), mainly due to the recording of ¥3,940 million in net loss attributable to owners of parent.

(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 ¥4,654 million. Cash flows in each area of activity are as follows.

(Cash flows from operating activities)

Net cash used in operating activities for the fiscal year under review was ¥1,906 million (outflow of ¥1,796 million for the previous fiscal year). This was primarily due to a loss before income taxes of ¥3,939 million recorded and a grant received of ¥2,007 million.

(Cash flows from investing activities)

Net cash provided by investing activities for the fiscal year under review was ¥658 million (inflow of ¥79 million for the previous fiscal year). This was primarily due to proceeds from withdrawal of time deposits of ¥3,216 million and payments into time deposits of ¥2,519 million.

(Cash flows from financing activities)

Net cash provided by financing activities for the fiscal year under review was ¥982 million (inflow of ¥159 million for the previous fiscal year). This was primarily due to proceeds from long-term loans payable of ¥1,650 million and repayments of long-term loans payable of ¥549 million.

(4) Future Outlook

Enrollment of patients was completed in the Phase 2b clinical trial of SB623 development program for the treatment of chronic stroke conducted in the US, and the patients will have entered a follow-up period of 12 months during the fiscal year ending January 31, 2019. The results of the clinical trial are scheduled to be announced by July 2019. As to the SB623 development program in Japan, development and sales rights were reverted from Teijin Ltd., which was a licensee, to the Group in February 2018. Thus, the Group will promote development aiming at obtaining an early marketing approval in order to deliver a product for the treatment of chronic stroke to the market in Japan earlier than in any other region in the world.

In regard to the SB623 development program for the treatment of chronic traumatic brain injury, the Group will continue enrolling the remaining patients until its completion, and announce the results after a follow-up period of 6 months. As for this program, after completion of the Phase 2 clinical trial, the Group aims to utilize the conditional and time-limited authorization system (early approval system) in Japan, and is striving for the delivery of a product to the market faster than any other SB623 development programs. Specifically, the Group aims to announce the results during the fiscal year ending January 31, 2019 and apply for approval in the fiscal year ending January 31, 2020.

In addition to promoting the above development, the Group will promote the establishment of a marketing system at the same time after obtaining approval of SB623.

Based on the above, in regard to the earnings forecast for the fiscal year ending January 31, 2019, the

Group expects operating revenue of ¥1,025 million due to the recording of proceeds from the development support fee related to SB623 development program for the treatment of chronic stroke, based on the joint development and marketing license agreements concluded on SB623 with Sumitomo Dainippon Pharma Co., Ltd. in North America.

In terms of expenses, with regard to SB623 development program for the treatment of chronic stroke, the Group is conducting the Phase 2b clinical trial in the U.S. and preparing for development in Japan. As for the development program for the treatment of chronic traumatic brain injury, clinical development costs for the Phase 2 clinical trial in the U.S. and Japan, and expenses for establishing systems after product launch are expected. Due to these expenses, the Group expects to incur operating expenses of ¥4,566 million in total. As a result, the Group forecasts an operating loss of ¥3,540 million. The Group expects an ordinary loss of ¥2,529 million based on the expectation that ¥1,060 million will be recorded as non-operating income related to the grant of US$20 million in total from the CIRM for Phase 2b clinical trial of SB623 for the treatment of chronic stroke. The Group forecasts a net loss of ¥2,564 million.

The forecast is based on an exchange rate of ¥110.00 per U.S. dollar.

(5) Basic Policy for Distribution of Profit and Dividends for FY2018.1 and FY2019.1

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, 2018, 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, 2017	As of January 31, 2018
Assets		
Current assets		
Cash and deposits	5,561,424	4,654,820
Accounts receivable - trade	17,350	–
Advance payments	495,531	372,901
Other	50,257	49,103
Total current assets	6,124,564	5,076,825
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,465	68,312
Tools, furniture and fixtures	215,533	204,102
Accumulated depreciation	(147,538)	(178,284)
Construction in progress	8,912	6,775
Total property, plant and equipment	148,371	100,906
Intangible assets	7,701	5,351
Investments and other assets		
Other	11,776	10,470
Total investments and other assets	11,776	10,470
Total non-current assets	167,849	116,728
Total assets	6,292,414	5,193,554
Liabilities		
Current liabilities		
Short-term loans payable	100,000	–
Current portion of long-term loans payable	49,980	66,640
Accounts payable - other	158,019	522,308
Accrued expenses	202,014	202,462
Provision for bonuses	13,327	–
Advance received	–	1,292,269
Other	24,053	23,243
Total current liabilities	547,395	2,106,923
Non-current liabilities		
Long-term loans payable	1,150,020	2,233,380
Total non-current liabilities	1,150,020	2,233,380
Total liabilities	1,697,415	4,340,303
Net assets		
Shareholders' equity		
Capital stock	3,852,012	3,875,072
Capital surplus	7,563,454	7,586,514
Retained earnings	(6,814,228)	(10,754,555)
Treasury shares	(146)	(180)
Total shareholders' equity	4,601,091	706,851
Accumulated other comprehensive income		
Foreign currency translation adjustment	(21,642)	126,936
Total accumulated other comprehensive income	(21,642)	126,936
Subscription rights to shares	15,548	19,463
Total net assets	4,594,998	853,251
Total liabilities and net assets	6,292,414	5,193,554

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2017	For the fiscal year ended January 31, 2018
Operating revenue	949,543	490,509
Operating expenses		
Cost of revenue	17,168	–
Research and development expenses	2,058,346	4,156,101
Other selling, general and administrative expenses	806,257	712,790
Total operating expenses	2,881,772	4,868,891
Operating loss	(1,932,229)	(4,378,381)
Non-operating income		
Interest income	8,606	24,766
Grant income	–	679,150
Other	203	851
Total non-operating income	8,810	704,769
Non-operating expenses		
Interest expenses	12,549	26,143
Foreign exchange losses	199,650	180,955
Financing expenses	30,599	67,128
Total non-operating expenses	242,799	274,228
Ordinary loss	(2,166,218)	(3,947,840)
Extraordinary income		
Gain on reversal of subscription rights to shares	–	8,723
Total extraordinary income	–	8,723
Loss before income taxes	(2,166,218)	(3,939,117)
Income taxes - current	1,210	1,210
Income taxes - deferred	(332,132)	–
Total income taxes	(330,922)	1,210
Net loss	(1,835,296)	(3,940,327)
Net loss attributable to owners of parent	(1,835,296)	(3,940,327)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2017	For the fiscal year ended January 31, 2018
Net loss	(1,835,296)	(3,940,327)
Other comprehensive income		
Foreign currency translation adjustment	(41,004)	148,578
Total other comprehensive income	(41,004)	148,578
Comprehensive income	(1,876,300)	(3,791,748)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(1,876,300)	(3,791,748)
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended January 31, 2017 (From February 1, 2016 to January 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,806,973	7,518,415	(4,978,932)	(28)	6,346,428
Changes of items during period					
Issuance of new shares	45,039	45,039			90,078
Net loss attributable to owners of parent			(1,835,296)		(1,835,296)
Purchase of treasury shares				(118)	(118)
Net changes of items other than shareholders' equity					
Total changes of items during period	45,039	45,039	(1,835,296)	(118)	(1,745,336)
Balance at end of current period	3,852,012	7,563,454	(6,814,228)	(146)	4,601,091

	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	19,362	19,362	718	6,366,509
Changes of items during period				
Issuance of new shares				90,078
Net loss attributable to owners of parent				(1,835,296)
Purchase of treasury shares				(118)
Net changes of items other than shareholders' equity	(41,004)	(41,004)	14,829	(26,174)
Total changes of items during period	(41,004)	(41,004)	14,829	(1,771,510)
Balance at end of current period	(21,642)	(21,642)	15,548	4,594,998

For the fiscal year ended January 31, 2018 (From February 1, 2017 to January 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,852,012	7,563,454	(6,814,228)	(146)	4,601,091
Changes of items during period					
Issuance of new shares	23,059	23,059			46,119
Net loss attributable to owners of parent			(3,940,327)		(3,940,327)
Purchase of treasury shares				(33)	(33)
Net changes of items other than shareholders' equity					
Total changes of items during period	23,059	23,059	(3,940,327)	(33)	(3,894,240)
Balance at end of current period	3,875,072	7,586,514	(10,754,555)	(180)	706,851

	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	(21,642)	(21,642)	15,548	4,594,998
Changes of items during period				
Issuance of new shares				46,119
Net loss attributable to owners of parent				(3,940,327)
Purchase of treasury shares				(33)
Net changes of items other than shareholders' equity	148,578	148,578	3,914	152,493
Total changes of items during period	148,578	148,578	3,914	(3,741,747)
Balance at end of current period	126,936	126,936	19,463	853,251

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2017	For the fiscal year ended January 31, 2018
Cash flows from operating activities:		
Loss before income taxes	(2,166,218)	(3,939,117)
Depreciation	26,758	53,665
Share-based compensation expenses	15,053	12,648
Increase (decrease) in provision for bonuses	(6,462)	(13,099)
Interest income	(8,606)	(24,766)
Foreign exchange losses (gains)	366,347	48,390
Subsidy income	–	(679,150)
Interest expenses	12,549	26,143
Financing expenses	30,599	67,128
Gain on reversal of subscription rights to shares	–	(8,723)
Decrease (increase) in inventories	1,264	–
Decrease (increase) in notes and accounts receivable - trade	(17,350)	17,350
Decrease (increase) in advance payments	(73,628)	103,657
Increase (decrease) in accounts payable - other	(106,086)	403,104
Increase (decrease) in accrued expenses	178,120	4,057
Increase (decrease) in advances received	(11,966)	–
Decrease (increase) in other current assets	(31,738)	4,059
Increase (decrease) in other current liabilities	(912)	6,474
Other	654	8,191
Subtotal	(1,791,622)	(3,909,985)
Interest income received	7,874	23,004
Interest expenses paid	(10,436)	(24,643)
Grant received	–	2,007,886
Income taxes paid	(1,990)	(3,031)
Net cash provided by (used in) operating activities	(1,796,175)	(1,906,769)
Cash flows from investing activities		
Payments into time deposits	(308,480)	(2,519,100)
Proceeds from withdrawal of time deposits	483,480	3,216,529
Purchase of property, plant and equipment	(97,363)	(32,497)
Proceeds from sales of property, plant and equipment	2,882	–
Other	(1,345)	(6,655)
Net cash provided by (used in) investing activities	79,172	656,757
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(100,000)
Proceeds from long-term loans payable	900,000	1,650,000
Repayments of long-term loans payable	(800,000)	(549,980)
Payments of financing expenses	(30,453)	(63,680)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	89,855	46,110
Other	(118)	(33)
Net cash provided by (used in) financing activities	159,283	982,416
Effect of exchange rate change on cash and cash equivalents	(453,508)	44,322
Net increase (decrease) in cash and cash equivalents	(2,011,228)	(221,753)
Cash and cash equivalents at beginning of period	6,887,802	4,876,574
Cash and cash equivalents at end of period	4,876,574	4,654,820

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

None

(Additional information)

(Adoption of the implementation guidance on recoverability of deferred tax assets)

Effective from the fiscal year under review, the Company has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, March 28, 2016).

(Segment information)

<Segment information>

I. For the fiscal year ended January 31, 2017 (from February 1, 2016 to January 31, 2017)

Segment information is omitted as the Group consists of a single business segment, regenerative cell therapy using modified allogeneic stem cells.

II. For the fiscal year ended January 31, 2018 (from February 1, 2017 to January 31, 2018)

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, 2017 (from February 1, 2016 to January 31, 2017)

1. Information by products and services

This information is omitted because operating revenue to external customers from a single product and service category accounted for more than 90% of the operating revenue recorded in the consolidated statements of income.

2. Information by geographical segment

(1) Operating revenue

This information is omitted because operating revenue to external customers in Japan accounted for more than 90% of operating revenue recorded in the consolidated statements of income.

(2) Property, plant and equipment

(Thousand yen)

Japan	US	Total
—	148,371	148,371

3. Information by major customer

(Thousand yen)

Name of customer	Operating revenue	Name of related segment
Sumitomo Dainippon Pharma Co., Ltd.	893,178	Regenerative cell therapy using allogeneic stem cells

Fiscal year ended January 31, 2018 (from February 1, 2017 to January 31, 2018)

1. Information by products and services

This information is omitted because operating revenue to external customers from a single product and service category accounted for more than 90% of the operating revenue recorded in the consolidated statements of income.

2. Information by geographical segment

(1) Operating revenue

This information is omitted because operating revenue to external customers in Japan accounted for more than 90% of operating revenue recorded in the consolidated statements of income.

(2) Property, plant and equipment

(Thousand yen)

Japan	US	Total
—	100,906	100,906

3. Information by major customer

(Thousand yen)

Name of customer	Operating revenue	Name of related segment
Sumitomo Dainippon Pharma Co., Ltd.	490,509	Regenerative cell therapy using allogeneic stem cells

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

Fiscal year ended January 31, 2017 (from February 1, 2016 to January 31, 2017)

None

Fiscal year ended January 31, 2018 (from February 1, 2017 to January 31, 2018)

None

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

Fiscal year ended January 31, 2017 (from February 1, 2016 to January 31, 2017)

None

Fiscal year ended January 31, 2018 (from February 1, 2017 to January 31, 2018)

None

<Information concerning gain on bargain purchase by reporting segment>

Fiscal year ended January 31, 2017 (from February 1, 2016 to January 31, 2017)

None

Fiscal year ended January 31, 2018 (from February 1, 2017 to January 31, 2018)

None

(Per share information)

(Yen)

	For the fiscal year ended January 31, 2017	For the fiscal year ended January 31, 2018
Net assets per share	101.52	18.33
Net (loss) per share	(40.88)	(86.85)

(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, 2017	For the fiscal year ended January 31, 2018
Net (loss) attributable to owners of parent (Thousand yen)	(1,835,296)	(3,940,327)
Amount not attributable to common shareholders (Thousand yen)	—	—
Net (loss) attributable to owners of parent associated with common shares (Thousand yen)	(1,835,296)	(3,940,327)
Average number of shares during the period (Shares)	44,890,374	45,370,570
Outline of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	2 series of subscription rights to shares (total number of subscription rights to shares: 112,800)	None

(Significant subsequent events)
None