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On **February 6, 2020**, SymBio Pharmaceuticals Ltd. announced earnings results for full-year FY12/19.

| Cumulative | FY12/18 | | | | FY12/19 | | | | FY12/19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 888 | 1,928 | 3,032 | 3,836 | 1,611 | 2,005 | 2,008 | 2,838 | 91.8% | 3,092 |
| YoY | 2.1% | 8.0% | 25.5% | 11.4% | 81.4% | 4.0% | -33.8% | -26.0% | | -19.4% |
| Gross profit | 250 | 573 | 924 | 1,173 | 609 | 529 | 563 | 865 | | |
| YoY | 4.4% | 12.4% | 37.0% | 13.7% | 144.0% | -7.7% | -39.1% | -26.3% | | |
| GPM | 28.1% | 29.7% | 30.5% | 30.6% | 37.8% | 26.4% | 28.0% | 30.5% | | |
| SG&A expenses | 964 | 1,898 | 2,832 | 3,829 | 1,205 | 2,545 | 4,099 | 5,166 | | |
| YoY | 26.1% | 8.7% | -32.3% | -23.1% | 25.0% | 34.1% | 44.8% | 34.9% | | |
| SG&A ratio | 108.5% | 98.4% | 93.4% | 99.8% | 74.8% | 126.9% | 204.1% | 182.1% | | |
| Operating profit | -715 | -1,325 | -1,908 | -2,656 | -596 | -2,015 | -3,536 | -4,302 | - | -3,780 |
| YoY | - | - | - | - | - | - | - | - | | - |
| OPM | - | - | - | - | - | - | - | - | | - |
| Recurring profit | -749 | -1,378 | -1,938 | -2,749 | -616 | -2,069 | -3,642 | -4,377 | - | -3,856 |
| YoY | - | - | - | - | - | - | - | - | | - |
| RPM | - | - | - | - | - | - | - | - | | - |
| Net income | -760 | -1,389 | -1,941 | -2,753 | -617 | -2,070 | -3,641 | -4,376 | - | -3,859 |
| YoY | - | - | - | - | - | - | - | - | | - |
| Net margin | - | - | - | - | - | - | - | - | | - |

| Quarterly | FY12/18 | | | | FY12/19 | | | |
|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 888 | 1,040 | 1,104 | 803 | 1,611 | 394 | 3 | 830 |
| YoY | 2.1% | 13.5% | 75.1% | -21.8% | 81.4% | -62.2% | -99.7% | 3.3% |
| Gross profit | 250 | 324 | 351 | 249 | 609 | -79 | 33 | 302 |
| YoY | 4.4% | 19.5% | 113.0% | -30.3% | 144.0% | - | -90.5% | 21.4% |
| GPM | 28.1% | 31.1% | 31.8% | 31.0% | 37.8% | - | - | 36.4% |
| SG&A expenses | 964 | 934 | 934 | 997 | 1,205 | 1,340 | 1,555 | 1,067 |
| YoY | 26.1% | -4.9% | -61.7% | 25.4% | 25.0% | 43.4% | 66.5% | 7.0% |
| SG&A ratio | 108.5% | 89.8% | 84.6% | 124.2% | 74.8% | 340.4% | - | 128.6% |
| Operating profit | -715 | -610 | -583 | -749 | -596 | -1,419 | -1,521 | -765 |
| YoY | - | - | - | - | - | - | - | - |
| OPM | - | - | - | - | - | - | - | - |
| Recurring profit | -749 | -629 | -560 | -811 | -616 | -1,453 | -1,573 | -735 |
| YoY | - | - | - | - | - | - | - | - |
| RPM | - | - | - | - | - | - | - | - |
| Net income | -760 | -629 | -552 | -812 | -617 | -1,453 | -1,571 | -736 |
| YoY | - | - | - | - | - | - | - | - |
| Net margin | - | - | - | - | - | - | - | - |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

### Breakdown of SG&A expenses

| Cumulative | FY12/18 | | | | FY12/19 | | | |
|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| SG&A expenses | 964 | 1,898 | 2,832 | 3,829 | 1,205 | 2,545 | 4,099 | 5,166 |
| YoY | 26.1% | 8.7% | -32.3% | -23.1% | 25.0% | 34.1% | 44.8% | 34.9% |
| R&D expenses | 416 | 839 | 1,293 | 1,833 | 472 | 963 | 1,972 | 2,442 |
| YoY | 5.3% | -0.1% | -52.3% | -39.3% | 13.4% | 14.8% | 52.5% | 33.2% |
| SG&A expenses excl. R&D | 548 | 1,059 | 1,539 | 1,996 | 733 | 1,582 | 2,127 | 2,725 |
| YoY | 48.5% | 16.9% | 4.6% | 1.8% | 33.8% | 49.3% | 38.3% | 36.5% |

| Quarterly | FY12/18 | | | | FY12/19 | | | |
|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| SG&A expenses | 964 | 934 | 934 | 997 | 1,205 | 1,340 | 1,555 | 1,067 |
| YoY | 26.1% | -4.9% | -61.7% | 25.4% | 25.0% | 43.4% | 66.5% | 7.0% |
| R&D expenses | 416 | 423 | 454 | 540 | 472 | 491 | 1,009 | 470 |
| YoY | 5.3% | -4.9% | -75.7% | 76.0% | 13.4% | 16.2% | 122.1% | -13.0% |
| SG&A expenses excl. R&D | 548 | 511 | 479 | 458 | 733 | 849 | 546 | 597 |
| YoY | 48.5% | -4.8% | -15.2% | -6.4% | 33.8% | 66.0% | 13.8% | 30.6% |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

## Full-year FY12/19 results

- Sales: JPY2.8bn (-26.0% YoY)
- Operating loss: JPY4.3bn (loss of JPY2.7bn in FY12/18)
- Recurring loss: JPY4.4bn (loss of JPY2.7bn in FY12/18)
- Net loss: JPY4.4bn (loss of JPY2.8bn in FY12/18)

As the company explained as its reason for earnings forecast revisions announced in August 2019, foreign matter contamination and appearance defects were discovered in lyophilized injection agents imported from Astellas Deutschland GmbH, a subsidiary of Astellas Pharma Inc. The extent of contamination and defects significantly exceeded limits permitted by quality standards stipulated in the supply agreement, and as a result, the shipments of Treakisym® 100mg vials to its domestic distributor Eisai was delayed. Accordingly, sales declined YoY.

SG&A expenses rose 34.9% YoY to JPY5.2bn and R&D expenses increased 33.2% YoY to JPY2.4bn. This included upfront payments for new drug brincidofovir (an antiviral drug for the treatment of infections), and expenses for conducting clinical trials of intravenous and oral formulations of Treakisym® and rigosertib. Excluding R&D expenses, SG&A expenses increased by 36.5% YoY to JPY2.7bn.

As a result, operating loss, recurring loss, and net loss widened YoY.

### Domestic

Preparations for in-house sales organization begin

The business alliance agreement between SymBio and Eisai Co., Ltd. under which Eisai acts as a sales agent expires in December 2020. SymBio started to build an in-house sales organization for Treakisym® in the domestic market in October 2018. Key management priority is to move into the black in FY12/21 and ongoing profit growth thereafter. The company is therefore laying the groundwork for a shift to an internal sales organization to drive future business development.

The company increased Treakisym® sales representatives and conducted training to form the core of its in-house marketing network. Information provision activities were started from July 2019 by the Treakisym® sales representatives dispatched to each region to promote the shift to a nationwide operation with close local ties. The company made progress toward completing the formation of its nationwide sales structure (planned in 1H FY12/20). In Q4 FY12/19 (October to December 2019) it hired additional regional sales managers and Treakisym® managers necessary to complete the sales structure, as well as moving ahead with business alliances with pharmaceutical wholesalers and establishing logistics centers in East and West Japan to provide a distribution and logistics function. It also prepared a new IT system that includes ERP to upgrade its IT infrastructure.

Treakisym® (SyB L-0501[lyophilized injection]/SyB L-1701 [RTD]/SyB L-1702 [RI]/SyB C-0501 [oral]; anticancer agent; generic name: bendamustine hydrochloride)

The company markets the anticancer agent Treakisym® in Japan through its business partner, Eisai Co., Ltd. (TSE1: 4523) for the indications of untreated low-grade non-Hodgkin's lymphoma and mantle cell lymphoma (marketing approval obtained in December 2016), refractory or relapsed low-grade non-Hodgkin's lymphoma and mantle cell lymphoma (October 2010), and chronic lymphocytic leukemia (August 2016).

The combination therapy of Treakisym® and rituximab (BR therapy) was newly included in the Practical Guidelines for Hematological Malignancies 2018 edited and published by Japanese Society of Hematology as a standard treatment option, which applies to all of the approved indications. This has seen Treakisym® establish its position as a standard treatment for lymphatic cancer. By switching to its own sales structure in 1H FY12/20, the company plans to attain a large market share as in markets in Europe and the US.

In addition to the above three approved indications, the company is conducting a phase III clinical trial for the fourth indication of relapsed or refractory diffuse large B-cell lymphoma (r/r DLBCL). The response rate (primary endpoint) in the test results released

in November 2019 was better than expected. As of February 2020, the company is preparing to apply for approval in 1H FY12/20.

SymBio is targeting a transition to Treakisym® liquid formulation (RTD and RI formulations), for which it concluded an exclusive licensing agreement in Japan with Eagle Pharmaceuticals (based in New Jersey, US) in September 2017. The company has already consulted with PMDA and filed for approval of the RTD formulation in September 2019 with an eye towards commercialization by Q1 FY12/21. SymBio launched clinical trials for the RI formulation in November 2018 primarily to confirm safety, and has made steady progress with patient enrollments since enrolling the first patient in April 2019, having enrolled 31 patients as of end January 2020. The company will apply for approval without delay after the end of the clinical trials of the RI formulation and aims to begin sales in 1H FY12/22. Liquid formulations of Treakisym® will offer significant value added (reduced burden) to patients and healthcare professionals, and patent protection in the form of a liquid product license makes it possible to extend the product life of Treakisym® until 2031.

In July 2018, SymBio obtained approval for the partial revision to the marketing authorization of Treakisym®. As a result, Treakisym® can now be used in combination with not only rituximab but new anti-CD20 antibodies as well. This will allow combination therapy with obinutuzumab (launched in August 2018) for the treatment of CD 20-positive follicular lymphoma (FL), the most common histological type of low-grade NHL, enabling the company to provide patients with a new treatment therapy. In March 2019, the company obtained approval for the partial revision to its application concerning the use of Treakisym® as a pretreatment agent in tumor-specific T cell infusion therapy. This will allow Treakisym® to be used as a pretreatment agent for Kymriah® intravenous infusion, which was approved as the first chimeric antigen receptor T-cell (CAR-T) therapy in Japan and listed on the NHI drug price list in May 2019.

The Phase I clinical trial of Treakisym® as a treatment for progressive solid tumors and preclinical study to verify the efficacy of Treakisym® in the treatment of systemic lupus erythematosus (SLE), which were conducted to explore further potential indications of the drug, have been completed. However, the company decided to suspend development despite the initial objectives of the studies being met. Its policy is to prioritize development in Japan and overseas of antiviral drug candidate brincidofovir (for which it has obtained a license) to utilize its management resources most effectively.

Rigosertib Sodium (SyB L-1101 [IV]/SyB C-1101 [oral]; anticancer agent; generic name: Rigosertib Sodium)
Onconova Therapeutics, Inc., the licensor, is currently conducting a global phase III trial and SymBio Pharmaceuticals started the Japan trial in December 2015 (48 patients enrolled as of December 2019). The global phase III trial addresses higher-risk myelodysplastic syndromes (higher-risk MDS), which do not respond to the current standard treatment with hypomethylating agents, which relapse after treatment under the current standard of care, or which are intolerant to hypomethylating agents, and is under way at clinical trial sites in more than 20 countries worldwide. In December 2019, Onconova announced that it had reached over 90% of its target of enrolling 360 patients worldwide as of November 2019. The company plans to report top-line (primary endpoint) results in 1H 2020. Based on these trial results, the company plans to apply for approval in Japan at the same time as in the US and Europe.

Regarding the oral formulation of rigosertib, Onconova completed phase I/II clinical trials for the drug used in combination with azacytidine, whose results suggested the efficacy and safety of the combination therapy.. To verify the tolerability and safety of the oral formulation of rigosertib among Japanese patients, SymBio began phase I clinical trials in Japan in June 2017, enrolled the first patients in October 2017, and completed patient enrollment in June 2019. After completing the phase I trials, the company will consider phase I clinical trials for rigosertib used in combination with azacitidine, participate in global phase III clinical trials of the drug used in combination with azacitidine as first-line treatment for higher-risk MDS currently planned by Onconova, and apply for approval of the oral formulation of the drug in Japan at the same time as in the US and Europe. In December 2019, Onconova announced that it was considering the design of a Phase II/III adaptive trial with untreated higher risk MDS patients based on the data presented at the 61st American Society of Hematology (ASH) Annual Meeting in December 2019.

Antiviral drug for the treatment of infections SyB V-1901 (generic name: Brincidofovir)

In September 2019, SymBio concluded an exclusive global license agreement with Chimerix Inc. (hereafter Chimerix) for brincidofovir (SyB V-1901, hereafter BCV IV and BCV Oral), an antiviral drug for the treatment of infections in intravenous and oral forms). The company acquired exclusive global rights to develop, manufacture, and market BCV for all diseases except smallpox.

The company will initially develop BCV-IV for treatment of viral hemorrhagic cystitis (vHC) occurring after hematopoietic stem cell transplantation, which have high unmet medical demand. It also plans to market BCV IV globally after conducting international joint clinical trials in countries including the US and Europe. As well, the company plans clinical development of BCV IV as an antiviral treatment of infections after kidney transplants, because it is likely to be effective for transplants other than hematopoietic stem cell transplants, including organ transplants. The company looks to expand its business in Europe, the US and Asia (including China), where organ transplant markets are large. It will also consider forming partnerships that take advantage of regional characteristics of these target diseases. The company will explore all options for maximizing business value, including the strategic utilization of wholly-owned subsidiary SymBio Pharma USA, Inc. established in May 2016. The company is working on a development plan (including improvement of the formulation) for BCV Oral. BCV Oral has demonstrated a strong, broad-spectrum antiviral effect in clinical trials in Europe and the US by Chimerix. The company will design a global clinical trial based on these findings.

**SyB P-1501, a post-operative patient-controlled analgesia**

Regarding SyB P-1501 licensed by The Medicines Company (through its wholly owned subsidiary Incline Therapeutics, Inc.) in October 2015, SymBio learned of an event that raised concerns about the continuity of its business, and in the interests of patient welfare, it suspended further patient enrollment in April 2017.

The company initiated an arbitration against The Medicines Company, under the rules of the International Chamber of Commerce, seeking damages of USD82mn (approximately JPY9.0bn) arising from The Medicines Company's repudiation of the license agreement. SymBio argued that The Medicine Company's failure to provide sufficient assurance to the company regarding the performance of obligations under on the license agreement in light of its decision to suspend and withdraw from business activities relating to SyB P-1501in the European and US markets was a material breach of the license agreement. Arbitration proceedings against The Medicines Company are still ongoing. On January 6, 2020, Swiss company Novartis AG announced that it had acquired The Medicines Company.

**Overseas**

The company marketed SyB L-0501 in South Korea, Taiwan, and Singapore, and product sales were in line with the company's plans.

## Full-year company forecasts

| | FY12/19 | | | FY12/20 |
|---|---|---|---|---|
| (JPYmn) | 1H Act. | 2H Est. | FY Est. | FY Est. |
| Sales | 2,005 | 833 | 2,838 | 3,404 |
| Gross profit | 529 | 335 | 865 | 1,146 |
| GPM | 26.4% | 40.3% | 30.5% | 33.7% |
| SG&A expenses | 2,545 | 2,622 | 5,166 | 6,236 |
| SG&A ratio | 126.9% | 314.8% | 182.1% | 183.2% |
| Operating profit | -2,015 | -2,287 | -4,302 | -5,090 |
| OPM | - | - | - | - |
| Recurring profit | -2,069 | -2,307 | -4,377 | -5,134 |
| RPM | - | - | - | - |
| Net income | -2,070 | -2,306 | -4,376 | -4,803 |
| Net margin | - | - | - | - |

Source: Shared Research based on company data.
Note: Figures may differ from company materials due to differences in rounding methods.

## Earnings outlook

▷ Sales: JPY3.4bn (+20.0% YoY)

▷ Operating loss: JPY5.1bn (loss of JPY4.3bn in FY12/19)
▷ Recurring loss: JPY5.1bn (loss of JPY4.4bn in FY12/19)
▷ Net loss: JPY4.8bn (loss of JPY4.4bn in FY12/19)

SymBio expects sales growth primarily on rising domestic product sales for Treakisym®.

It forecasts SG&A expenses of JPY6.2bn (+20.7% YoY) and R&D expenses of JPY2.7bn (+9.7% YoY). SymBio plans to continue developing Treakisym® for relapsed or refractory diffuse large B-cell lymphoma (r/r DLBCL) and liquid formulations of Treakisym® (RTD and RI formulations), oral and intravenous rigosertib products, and new drug brincidofovir, an antiviral drug to treat infections. The company forecasts SG&A expenses excluding R&D at JPY3.6bn (+30.5% YoY).

The main pipeline development plans are as follows.

Treakisym®

▷ For r/r DLBCL, the company plans to continue preparations to apply for drug approval
▷ SymBio is preparing to begin sales of the RTD formulation (which has been approved) in Q1 FY12/21 and progressing with clinical trials of the RI formulation mainly to confirm safety for Treakisym® in-licensed from Eagle Pharmaceuticals

Oral and intravenous rigosertib products

▷ SymBio is continuing to develop intravenous rigosertib formulation, and is enrolling patients in Japan as part of global phase III clinical trials
▷ For oral rigosertib, SymBio is preparing for participation in global phase III trials of rigosertib azacitidine combination therapy that Onconova Therapeutics is planning

On **the same day** ,the company announced a medium-term plan covering FY12/20–FY12/22.

**Medium-term plan targets**

| (JPYmn) | FY12/19 Act. | FY12/20 Est. | FY12/21 MTP | FY12/22 MTP |
|---|---|---|---|---|
| Sales | 2,811 | 3,404 | 9,008 | 10,816 |
| Operating profit (loss) | -4,302 | -5,090 | 1,031 | 1,482 |
| Recurring profit (loss) | -4,377 | -5,134 | 987 | 1,438 |
| Net income (loss) | -4,376 | -4,803 | 1,356 | 1,717 |

Source: Shared Research based on company data

### Targets in medium-term plan (FY12/20–FY12/22)

Sales

SymBio expects product sales of Treakisym® to account for the bulk of sales. Product sales targets reflect the recent pace of market penetration and sales trends, which feed into the company's revised sales growth rates calculated over the medium-term plan period. Currently sales are booked based on product shipment sales to the sales distributor, Eisai. From FY12/21 onward, sales will be booked on product shipment sales to pharmaceutical wholesalers from the company's own in-house sales organization.

In estimating sales in FY12/21 and FY12/22, SymBio disclosed targets assuming increased product sales of Treakisym® as it expects to gain approval of the drug as a treatment for relapsed or refractory diffuse large B-cell lymphoma (DLBCL) in Q2 FY12/21.

### SG&A expenses

The company has broken down SG&A expenses into primarily R&D spending and other SG&A expenses.

- ▷ The company calculated R&D expenses based on the latest development plans for its existing pipeline comprising Treakisym®, rigosertib IV and oral formulations, and brincidofovir, an antiviral drug for the treatment of infections.
- ▷ The company has not factored in upfront payments for in-licensing drug candidates outside its existing pipeline after brincidofovir, an antiviral drug for the treatment of infections, although it will continue to evaluate and investigate them.
- ▷ Other SG&A expenses comprise primarily Treakisym® sales and marketing, production and distribution, business development, and management related costs. SymBio is factoring in costs associated with building and operating its own sales organization from FY12/20 onward ahead of the move to sell Treakisym® in-house from FY12/21. It forecasts an increase primarily in personnel costs due to a higher medical representative headcount and higher costs due to more activities.

### Net income

The company forecasts net income exceeding recurring profit in FY12/21 and FY20/22 to reflect the reduction of loss carried over from the previous fiscal year from FY12/21 (when it is expected to turn profitable) onward on tax effect accounting.

### Personnel plans

SymBio assumes it will complete the formation of its 62-member nationwide sales structure by Q2 FY12/20 and transition to operating its own sales force in FY12/21. It plans to allocate the bare minimum of necessary personnel in other parts of the organization and is budgeting for personnel expenses accordingly. Regarding plans to increase personnel expenses for global expansion of brincidofovir, an antiviral drug to treat infections, the company noted that as of February 2020, it was considering a clinical trial plan and would not need extra personnel during the plan period. Accordingly, it has not booked related personnel expenses.

### Funding plans

In April 2018, the company decided to issue its 45th through 47th stock acquisition rights to secure funds needed to operate.

This note is the most recent addition to the full report.

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