

English translation

(Securities code 4582)

March 9, 2022

To Our Shareholders

2-2 Toranomom 3-chome, Minato-ku, Tokyo

SymBio Pharmaceuticals Limited

Representative Director, Fuminori Yoshida
President and CEO

Notice of Convocation of the 17th Ordinary General Meeting of Shareholders

Notice is hereby given that the 17th Ordinary General Meeting of Shareholders will be held as set forth below. If you will not be attending the meeting, you may exercise your voting rights in writing or via the internet. Please review the Reference Documents for the Ordinary General Meeting of Shareholders accompanying this letter, and exercise your voting rights by no later than 5:30 p.m. on Monday, March 28, 2022 (JST), following the instructions below.

[Exercise of voting rights by mail]

Please review the Reference Documents for the Ordinary General Meeting of Shareholders accompanying this letter, and indicate your approval or disapproval of the proposals in the enclosed voting form to exercise your voting rights, and return this form to us so that it arrives prior to the deadline indicated above.

[Exercise of voting rights via the Internet]

Please review the instructions under the “Procedures for the exercise of voting rights” to exercise your voting rights prior to the deadline indicated above.

In the event that a voting right is exercised both by returning a voting form by mail and via the Internet, only voting via the Internet will be deemed valid and supersede the mailed voting form.

In the event that a voting right is exercised via the Internet more than once, the most recent exercise will supersede and be considered valid.

1. Date/Time: Tuesday, March 29, 2022 at 10:00 a.m. (Doors open at 9:30 a.m.)
2. Place: Sapia Tower 5th Floor, 7-12 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Station Conference Tokyo, Room 501
(Please see the attached map)
3. Objectives:
Reports
 1. Business report for the 17th Term (January 1, 2021 to December 31, 2021)
 2. Financial report for the 17th Term (January 1, 2021 to December 31, 2021)

Items for resolution:

- Proposal 1: Partial amendments to the Articles of Incorporation
- Proposal 2: Election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members)
- Proposal 3: Election of three (3) Directors serving as Audit & Supervisory Committee Members
- Proposal 4: Election of one (1) Director serving as Substitute Audit & Supervisory Committee Member
- Proposal 5: Determination of the amount of compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members)
- Proposal 6: Determination of the amount of compensation for Directors serving as Audit & Supervisory Committee Members
- Proposal 7: Terms and conditions of stock options issued as Directors' compensation

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1. If attending the Ordinary General Meeting of Shareholders in person, in order to exercise your voting rights, please submit the enclosed voting form at the reception desk upon arrival at the venue on the day of the meeting.
 2. Please also bring this Notice of Convocation to the meeting with you to save on resources.
 3. If you are unable to attend the Ordinary General Meeting of Shareholders, you can exercise your voting rights by sending another shareholder with voting rights to the meeting as your proxy. Please note, however, that it is necessary to submit a document evidencing the authority of the proxy.
 4. Please be advised that should any modification to the attachment of the Notice of Convocation or the Reference Documents for the Ordinary General Meeting of Shareholders be required, the modified Notice or Reference Documents will be posted on our website (https://www.symbiopharma.com/index_e.html).

Measures to Prevent the Spread of COVID-19

SymBio Pharmaceuticals Limited has adopted measures as described below to prevent the spread of COVID-19 at our 17th Ordinary General Meeting of Shareholders scheduled for Tuesday, March 29, 2022. We sincerely appreciate your understanding and cooperation in this regard.

We request that our shareholders monitor their health and consider exercising their voting rights in advance either by mail or online. For details on how to vote by mail or online, please review the instructions under the “Procedures for the exercise of voting rights” section of this notification to exercise your voting rights by mail or online.

For individual who may be at higher risks, such as senior citizens, those with underlying conditions, or expectant mothers, we strongly recommend avoiding attendance in person.

If, upon careful consideration of the state of the spread of the virus on the day of the meeting as well as your health status, you decide to attend in person, we request that you wear a mask and as well as take other measures to prevent infection. We also request that you use hand sanitizer stations available at the venue, and permit us to measure your temperature upon entry. If you seem unwell or are running a fever, we may request that you refrain from entering the venue.

Meeting staff and members of SymBio management will in principle be wearing masks at the meeting.

We have taken extra precautions to ensure that the meeting is conducted in a safe and smooth manner. Chairs will be set apart from each other to allow for social distancing, and we have prepared a simplified agenda so as to minimize the amount of time spent at the meeting venue.

In the event that any substantial alterations to meeting plans may be necessary due to circumstances, such notification will be published via our website (https://www.symbiopharma.com/index_e.html).

Proposals and reference matters

Proposal 1: Partial amendments to the Articles of Incorporation

1. Reasons for the proposal

- (1) The Company would like to shift from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee to further enhance corporate governance by strengthening the supervisory function of the Board of Directors and further enhancing its monitoring system through having the Audit & Supervisory Committee Members, who are responsible for auditing the execution of duties by Directors, concurrently serve as members of the Board of Directors. For the transition to a Company with an Audit & Supervisory Committee, the Company would like to newly establish provisions concerning Directors serving as Audit & Supervisory Committee Members and the Audit & Supervisory Committee, as well as delete provisions concerning Audit & Supervisory Board Members and the Audit & Supervisory Board. In addition, the Company would like to make necessary revisions, such as the correction of words and phrases, in accordance with these changes.
- (2) The revised provisions set forth in the proviso of Article 1 of the Supplementary Provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will come into effect on September 1, 2022. To prepare for the introduction of the system to provide materials for the General Meeting of Shareholders in electronic format, the Company would like to newly establish the following provisions with respect to information contained in reference documents for the General Meeting of Shareholders, etc.: provisions to take measures to provide information in electronic format, and provisions to limit the scope of matters to be stated in documents to be delivered to shareholders who have requested for delivery of documents. At the same time, the Company would like to make changes to delete the provisions regarding online disclosure and deemed provision of reference documents for General Meeting of Shareholders, etc., and establish supplementary provisions regarding the effective date, etc.

2. Details of the change

The details of the change are as follows.

The amendments to the Articles of Incorporation in relation to this proposal shall come into effect at the conclusion of the General Meeting of Shareholders. The amendments to the Articles of Incorporation in connection with the introduction of the system to provide materials for the General Meeting of Shareholders in electronic format, as described in 1. (2) above, shall come into effect in accordance with the provisions of the supplementary provisions regarding the effective date, etc.

(The changes are underlined.)

Current Articles of Incorporation	Proposed Change
<p>Chapter 1 General Provisions</p> <p>Articles 1–3 (Text omitted)</p> <p>Article 4 (Corporate bodies)</p> <p>The Company shall have the following corporate bodies in addition to the General Meeting of Shareholders and Directors.</p> <p>(1) Board of Directors</p> <p>(2) <u>Audit & Supervisory Board Members</u></p> <p>(3) <u>Audit & Supervisory Board</u></p> <p>(4) <u>Accounting Auditor</u></p> <p>Article 5 (Text omitted)</p>	<p>Chapter 1 General Provisions</p> <p>Articles 1–3 (Same as current)</p> <p>Article 4 (Corporate bodies)</p> <p>The Company shall have the following corporate bodies in addition to the General Meeting of Shareholders and Directors.</p> <p>(1) Board of Directors</p> <p>(2) <u>Audit & Supervisory Committee</u></p> <p>(Deleted)</p> <p>(3) Accounting Auditor</p> <p>Article 5 (Same as current)</p>
<p>Chapter 2 Shares</p> <p>Articles 6–12 (Text omitted)</p>	<p>Chapter 2 Shares</p> <p>Articles 6–12 (Same as current)</p>
<p>Chapter 3 General Meeting of Shareholders</p> <p>Articles 13–14 (Text omitted)</p> <p>Article 15 (Convener and chairperson of General Meeting of Shareholders)</p> <p>1. Unless otherwise provided for in laws and regulations, the <u>President and Representative Director</u> shall convene the General Meeting of Shareholders and serve as the chairperson.</p> <p>2. In the absence of the <u>President and Representative Director</u> due to an accident, another Director shall convene the General Meeting of Shareholders and serve as the chairperson, in accordance with the order of succession previously determined by the Board of</p>	<p>Chapter 3 General Meeting of Shareholders</p> <p>Articles 13–14 (Same as current)</p> <p>Article 15 (Convener and chairperson of General Meeting of Shareholders)</p> <p>1. Unless otherwise provided for in laws and regulations, the <u>Chairman or President</u> shall convene the General Meeting of Shareholders and serve as the chairperson.</p> <p>2. In the absence of the <u>Chairman and President</u> due to an accident, another Director shall convene the General Meeting of Shareholders and serve as the chairperson, in accordance with the order of succession previously determined by the Board of Directors..</p>

Current Articles of Incorporation	Proposed Change
<p>Directors.</p> <p>Article 16 (Online disclosure and deemed provision of reference documents for General Meeting of Shareholders, etc.)</p> <p><u>The Company deems that information related to matters to be stated or indicated in reference documents for the General Meeting of Shareholders, business reports, financial statements, and consolidated financial statements, which are provided when convening the General Meeting of Shareholders, to have been provided to shareholders by disclosing the information online in accordance with the provisions of laws and regulations.</u></p> <p>Articles 17–18 (Text omitted)</p>	<p>Article 16 (Measures to provide information in electronic format, etc.)</p> <p><u>1. The Company shall take measures to provide information contained in reference documents, etc. for the General Meeting of Shareholders in electronic format when convening the General Meetings of Shareholders.</u></p> <p><u>2. The Company may choose not to include all or part of the information to be provided in electronic format specified in the Ordinance of the Ministry of Justice in the documents to be delivered to shareholders who have requested the delivery of documents by the record date for voting rights.</u></p> <p>Articles 17–18 (Same as current)</p>
<p>Chapter 4 Directors and Board of Directors</p> <p>Article 19 (Number of Directors)</p> <p>The Company shall have no more than ten (10) Directors.</p> <p>Article 20 (Election of Directors)</p> <p>1. Directors shall be elected at the General Meeting of Shareholders.</p> <p>2–3 (Text omitted)</p> <p>Article 21 (Text omitted)</p> <p>Article 22 (Term of office of Directors)</p> <p>The term of office of Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders in the final fiscal year ending within one (1) year after their election.</p> <p>Article 23 (Representative Director and Executive Directors)</p> <p>1. The Board of Directors shall, by its resolution, select the Representative Director.</p> <p>2. The Board of Directors may, by its resolution, appoint one (1) President and Representative Director and a few Executive Vice Presidents, Senior Managing Directors, and Managing Directors.</p> <p>Article 24 (Convener and chairperson of Board of Directors meetings)</p> <p>1. Unless otherwise provided for in laws and regulations, the <u>President and Representative Director</u> shall convene the meetings of Board of Directors and serve as the chairperson.</p> <p>2. In the absence of the <u>President and Representative Director</u> due to an accident, another Director shall convene the meetings of Board of Directors and serve as the chairperson, in accordance with the order of</p>	<p>Chapter 4 Directors and Board of Directors</p> <p>Article 19 (Number of Directors)</p> <p>1. The Company shall have no more than ten (10) Directors <u>(excluding Directors serving as Audit & Supervisory Committee Members).</u></p> <p>2. The Company shall have no more than four (4) Directors <u>serving as Audit & Supervisory Committee Members.</u></p> <p>Article 20 (Election of Directors)</p> <p>1. Directors shall be elected at the General Meeting of Shareholders, <u>distinguishing between Directors serving as Audit & Supervisory Committee Members and other Directors.</u></p> <p>2–3 (Same as current)</p> <p>Article 21 (Same as current)</p> <p>Article 22 (Term of office of Directors)</p> <p>1. The term of office of Directors <u>(excluding Directors serving as Audit & Supervisory Committee Members)</u> shall expire at the conclusion of the Ordinary General Meeting of Shareholders in the final fiscal year ending within one (1) year after their election.</p> <p>2. The term of office of Directors serving as <u>Audit & Supervisory Committee Members</u> shall expire at the conclusion of the Ordinary General Meeting of Shareholders in the final fiscal year ending within (2) years after their election.</p> <p>3. The term of office of a Director serving as <u>Audit & Supervisory Committee Member</u> elected as a substitute for a Director serving as <u>Audit & Supervisory Committee Member</u> who will retire before the expiration of their term of office shall expire at the time of expiration of the term of office of the <u>retired Director.</u></p> <p>Article 23 (Representative Director and Executive Directors)</p> <p>1. The Board of Directors shall, by its resolution, select a Representative Director from <u>among the Directors (excluding Directors serving as Audit & Supervisory Committee Members).</u></p> <p>2. The Board of Directors may, by its resolution, appoint <u>one (1) person each as Chairman of the Board and President from among the Directors (excluding Directors serving as Audit & Supervisory Committee Members)</u> and a few Executive Vice Presidents, Senior Managing Directors, and Managing Directors.</p> <p>Article 24 (Convener and chairperson of Board of Directors meetings)</p> <p>1. Unless otherwise provided for in laws and regulations, the <u>Chairman or President</u> shall convene the meetings of Board of Directors and serve as the chairperson.</p> <p>2. In the absence of the <u>Chairman and President</u> due to an accident, another Director shall convene the meetings of the Board of Directors and serve as the chairperson, in accordance with the order of succession previously determined by the Board of Directors.</p>

Current Articles of Incorporation	Proposed Change
<p>succession previously determined by the Board of Directors.</p> <p>Article 25 (Notice of convocation of meetings of the Board of Directors)</p> <ol style="list-style-type: none"> 1. Notice of convocation of meetings of the Board of Directors shall be issued to each Director <u>and Audit & Supervisory Board Member</u> at least three (3) days prior to the date of the meeting. However, the period may be shortened <u>in case of emergency</u>. 2. A meeting of the Board of Directors may be held without following the procedures for convening a meeting if the consent of all Directors <u>and Audit & Supervisory Board Members</u> is received. <p style="text-align: center;">(Newly established)</p> <p>Article <u>26</u> (Method of resolution of the Board of Directors)</p> <ol style="list-style-type: none"> 1. (Text omitted) 2. The Company shall deem that the Board of Directors has decided to the effect of passing the resolution when all Directors have consented to the matters to be resolved at the meeting of the Board of Directors in writing or by electromagnetic record. <u>However, this shall not apply if any of the Audit & Supervisory Board Members raises an objection.</u> <p>Article 27 (Text omitted)</p> <p>Article 28 (Compensation)</p> <p>Salaries, bonuses, and other property benefits Directors receive from the Company as consideration for the execution of duties (hereinafter referred to as "Compensation") shall be determined by a resolution of the General Meeting of Shareholders.</p> <p>Articles <u>29</u> (Text omitted)</p>	<p>Article 25 (Notice of convocation of meetings of the Board of Directors)</p> <ol style="list-style-type: none"> 1. Notice of convocation of meetings of the Board of the Directors shall be issued to each Director at least three (3) days prior to the date of the meeting. However, the period may be shortened <u>if there is an urgent need</u>. 2. A meeting of the Board of Directors may be held without following the procedures for convening a meeting if the consent of all Directors is received. <p><u>Article 26 (Delegation of decision on the execution of important business)</u></p> <p><u>Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may, by resolution of the Board of Directors, delegate all or part of the decisions on the execution of important business (excluding the matters listed in each item of Paragraph 5 of the same Article) to the Directors.</u></p> <p>Article <u>27</u> (Method of resolution by the Board of Directors)</p> <ol style="list-style-type: none"> 1. (Same as current) 2. The Company shall deem that the Board of Directors has decided to the effect of passing the resolution when all Directors have consented to the matters to be resolved at the meeting of the Board of Directors in writing or by electromagnetic record. <p>Article 28 (Same as current)</p> <p>Article 29 (Compensation)</p> <p>Salaries, bonuses, and other property benefits Directors receive from the Company as consideration for the execution of duties (hereinafter referred to as "Compensation") shall be determined by a resolution of the General Meeting of Shareholders, <u>distinguishing between Directors serving as Audit & Supervisory Committee Members and other Directors.</u></p> <p>Articles <u>30</u> (Same as current)</p>
<p><u>Chapter 5: Audit & Supervisory Board Members and Audit & Supervisory Board</u></p> <p>Article 30 (Number of Audit & Supervisory Board Members)</p> <p><u>The Company shall have no more than four (4) Audit & Supervisory Board Members.</u></p> <p>Article 31 (Election of Audit & Supervisory Board Members)</p> <ol style="list-style-type: none"> 1. <u>Audit & Supervisory Board Members shall be elected at the General Meeting of Shareholders.</u> 2. <u>Resolutions to elect Audit & Supervisory Board Members shall be made by a majority vote of shareholders present at the meeting, whereby shareholders holding one-third or more of the voting rights of shareholders entitled to exercise voting rights shall be present.</u> <p>Article 32 (Term of office of Audit & Supervisory Board Members)</p> <ol style="list-style-type: none"> 1. <u>The term of office of Audit & Supervisory Board Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders in the final fiscal year ending within four (4) years after their election.</u> 2. <u>The term of office of an Audit & Supervisory Board Member who is appointed as an substitute for a Audit & Supervisory Board Member who retires before the expiration of their term of office shall expire at the time of expiration of the term of office of the retired Audit & Supervisory Board Member.</u> <p>Article 33 (Full-time Audit & Supervisory Board Member)</p>	<p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Change
<p>The Audit & Supervisory Board shall, by its resolution, <u>select a full-time Audit & Supervisory Board Member.</u></p> <p><u>Article 34 (Notice of convocation of a meeting of the Audit & Supervisory Board)</u></p> <p><u>1. Notice of convocation of a meeting of the Audit & Supervisory Board shall be issued to each member of the Audit & Supervisory Board at least three (3) days prior to the date of the meeting. However, the period may be shortened if there is an urgent need.</u></p> <p><u>2. A meeting of the Audit & Supervisory Board may be held without following the procedures for convening a meeting if the consent of all Audit & Supervisory Board Members is received.</u></p> <p><u>Article 35 (Regulations of the Audit & Supervisory Board)</u></p> <p><u>Matters relating to the Audit & Supervisory Board shall be governed by the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board in addition to laws and regulations and these Articles of Incorporation.</u></p> <p><u>Article 36 (Compensation)</u></p> <p><u>The compensation of Audit & Supervisory Board Members shall be determined by a resolution of the General Meeting of Shareholders.</u></p> <p><u>Article 37 (Exemption from liability of Audit & Supervisory Board Members)</u></p> <p><u>1. The Company may, by a resolution of the Board of Directors, exempt any Audit & Supervisory Board Members (including those who served as Audit & Supervisory Board Members in the past) from the liability under Article 423, Paragraph 1 of the Companies Act to the extent of the limit set forth in laws and regulations, insofar as the Audit & Supervisory Board Members has performed their duties in good faith and without gross negligence.</u></p> <p><u>2. The Company may enter into an agreement with an Audit & Supervisory Board Member to assume responsibility for the liability of the Audit & Supervisory Board Member under Article 423, Paragraph 1 of the Companies Act, up to the higher of a predetermined amount of 1,000,000 yen or more or an amount stipulated by law, insofar as the Audit & Supervisory Board Member has performed their duties in good faith and without gross negligence.</u></p>	<p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p>
<p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p><u>Chapter 5 Audit & Supervisory Committee</u></p> <p><u>Article 31 (Full-time Audit & Supervisory Committee Member)</u></p> <p><u>The Audit & Supervisory Committee may, by its resolution, select a full-time Audit & Supervisory Committee Member.</u></p> <p><u>Article 32 (Notice of convocation of Audit & Supervisory Board Meetings)</u></p> <p><u>1. Notice of convocation of meetings of the Audit & Supervisory Committee shall be issued to each Audit & Supervisory Committee Member at least three (3) days prior to the date of the meeting. However, the period may be shortened if there is an urgent need.</u></p> <p><u>2. A meeting of the Audit & Supervisory Committee may be held without following the procedures for convening a meeting if the consent of all Audit & Supervisory Committee Members is received.</u></p> <p><u>Article 33 (Method of resolution of the Audit & Supervisory Committee)</u></p> <p><u>Resolutions of the Audit & Supervisory Committee shall be adopted by a majority of the Directors serving as Audit & Supervisory Committee Members present at the meeting, where a majority of the Directors serving as Audit & Supervisory Committee Members and who are entitled to participate in the voting are present.</u></p>

Current Articles of Incorporation	Proposed Change
	<p><u>Article 34 (Regulations of the Audit & Supervisory Committee)</u> <u>Matters relating to the Audit & Supervisory Committee shall be governed by the Regulations of the Audit & Supervisory Committee established by the Audit & Supervisory Committee in addition to laws and regulations and these Articles of Incorporation.</u></p>
<p>Chapter 6 Accounting Auditor Articles 38-39 (Text omitted) Article <u>40</u> (Compensation) The compensation of the Accounting Auditor shall be determined by the Representative Director with the consent of the <u>Audit & Supervisory Board</u>.</p>	<p>Chapter 6 Accounting Auditor Articles <u>35-36</u> (Same as current) Article <u>37</u> (Compensation) The compensation of the Accounting Auditor shall be determined by the Representative Director with the consent of the <u>Audit & Supervisory Committee</u>.</p>
<p>Chapter 7 Calculation Articles 41-44 (Text omitted)</p>	<p>Chapter 7 Calculation Articles <u>38-41</u> (Same as current)</p>
<p>Supplementary Provisions Article 1 (Text omitted) (Newly established)</p> <p>(Newly established)</p>	<p>Supplementary Provisions Article 1 (Same as current) <u>Article 2 (Exemption from liability of Audit & Supervisory Committee Members)</u> <u>1. The Company may, by a resolution of the Board of Directors, exempt any Audit & Supervisory Committee Members (including those who served as Audit & Supervisory Committee Members in the past) from the liability under Article 423, Paragraph 1 of the Companies Act for acts committed prior to the conclusion of the 17th Ordinary General Meeting of Shareholders, to the extent of the limit set forth in laws and regulations, insofar as the Audit & Supervisory Committee Members perform their duties in good faith and without gross negligence.</u> <u>Article 3 (Transitional measures concerning measures to provide information in electronic format, etc.)</u> <u>1. The deletion of Article 16 (Online disclosure and deemed provision of reference documents for General Meeting of Shareholders, etc.) of the Articles of Incorporation before amendment by resolution of the 17th Ordinary General Meeting of Shareholder and the establishment of Article 16 (Measures to provide information in electronic format, etc.) of the proposed amendments to the Articles of Incorporation after deletion and amendment shall come into effect on September 1, 2022.</u> <u>2. Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation before amendment by resolution of the 17th Ordinary General Meeting of Shareholders shall remain in effect with respect to the General Meeting of Shareholders to be held on or before the last day of February 2023.</u> <u>3. The provisions of this Article shall be deleted after March 1, 2023 or after three (3) months have elapsed from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 2: Election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members)

If Proposal 1, “Partial amendments to the Articles of Incorporation,” is approved as proposed, the Company will shift to a Company with Audit & Supervisory Committee, and all four (4) Directors will retire from office upon expiration of their terms of office when the amendments to the Articles of Incorporation take effect regarding the transition to a Company with Audit & Supervisory Committee. Accordingly, the Company proposes the election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members; the same shall apply hereinafter in this proposal) after the transition to a Company with Audit & Supervisory Committee to strengthen the management structure. Please note that Shigeo Kimura has resigned from the position of Director as of June 30, 2021.

This proposal shall come into effect on the condition that the amendments to the Articles of Incorporation regarding the transition to a Company with Audit & Supervisory Committee set forth in Proposal 1, “Partial amendments to the Articles of Incorporation,” become effective.

Profiles of the candidates for Directors are as follows:

#	Name (Date of birth)	Career summary, status/responsibility at the Company and significant concurrent positions	Number of Company shares owned
1	Fuminori Yoshida (January 19, 1949)	<p>January 1980 Representative Director and President, Nippon Bio-Rad Laboratories Co., Ltd.</p> <p>July 1991 Representative Director and President, Nippon Syntex K.K.</p> <p>May 1993 Representative Director and President, Amgen K.K. Corporate Vice-President, Amgen Inc. (U.S.)</p> <p>March 2005 Established the Company; Representative Director, President and CEO of the Company (current)</p>	1,074,700 shares
2*	Hiroataka Ito (December 10, 1968)	<p>April 1994 Research Scientist, Discovery Research Institute, Chugai Pharmaceutical Co., Ltd.</p> <p>January 2002 Researcher, Research Center for Advanced Science and Technology, University of Tokyo</p> <p>April 2005 Researcher, Forerunner Pharma Research Co., Ltd.</p> <p>October 2006 Molecular Imaging Marketing Leader, GE Yokogawa Medical Systems, Inc.</p> <p>March 2008 Head of Marketing Planning Department, GE Healthcare Japan Corporation</p> <p>October 2012 Director of Strategic Marketing, GE Healthcare Asia Pacific</p> <p>October 2014 Special Lecturer, Graduate School of Medical Engineering, Kyoto University</p> <p>January 2016 Head of Headquarters Sales, GE Healthcare Japan Corporation</p> <p>April 2017 Visiting Associate Professor, Graduate School of Management, GLOBIS University</p> <p>October 2017 President and Representative Director, Tecan Japan Co., Ltd.</p> <p>June 2018 Outside Director, Adways Inc. (current)</p> <p>April 2021 Professor, Graduate School of Management, GLOBIS University (current)</p> <p>February 2022 Executive Vice President, Corporate Officer and COO of the Company (current)</p>	None

#	Name (Date of birth)	Career summary, status/responsibility at the Company and significant concurrent positions		Number of Company shares owned
3	Shigetoshi Matsumoto (August 12, 1949) Outside Director term of office: four years	April 1972 April 2002 March 2007 April 2011 October 2011 June 2015 October 2015 March 2017 March 2018	Joined Chugai Pharmaceutical Co., Ltd. General Manager of the Audit Office, Chugai Pharmaceutical Co., Ltd. Full-time Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. Senior Advisor, Chugai Pharmaceutical Co., Ltd. Advisor, APO PLUS STATION Co., Ltd. Senior Advisor, Protiviti LLC (current) Audit Practice Counselor, Japan Audit & Supervisory Board Members Association (current) Outside member of the Audit & Supervisory of the Company Outside Director of the Company (current)	None
4	Bruce David Cheson (April 6, 1946) Outside Director term of office: three years	July 1971 July 1973 July 1974 July 1977 October 1984 June 2001 July 2002 March 2013 August 2016 December 2018 March 2019 May 2021	Internship of Internal Medicine, University of Virginia Hospital Senior Assistant Resident of Internal Medicine, University of Virginia Hospital Clinical and Research Fellow of Hematology, New England Medical Center Hospital Assistant Professor of Medicine, Hematology/Oncology of University of Utah School, University of Utah Hospital Senior Investigator and Head of Medicine Section, National Cancer Institute, Cancer Therapy Evaluation Program Scientific Advisory Board, Lymphoma Research Foundation (current) Deputy Chief, Hematology-Oncology, Head of Hematology, Georgetown University Hospital, Lombardi Comprehensive Cancer Center Hematology-Oncology Fellowship Program Director GUH Outside Director, Morphosys Frank M. Ewing Foundation Chair in Hematology-Oncology Outside Director of the Company (current) Doctor, The Center for Cancer and Blood Disorders (current)	None
5	Eiji Ebinuma (July 3, 1957) Outside Director term of office: one year	April 1980 April 2002 April 2003 December 2008 January 2013 June 2014 June 2016 March 2019 June 2019 March 2021	Joined the Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.) Deputy Head of HR Planning Team, Mizuho Bank, Ltd. Head of President Office and Planning Department, Olympic Group Corporation Registered as an Attorney-At-Law Attorney-At-Law, Toranomon Sougoh Law Firm Attorney-At-Law, Partner, Tanabe & Partners Law Firm (current) Outside Director, MIRAIT Holdings Corporation Outside Director, Rakuten Bank, Ltd. (current) Outside member of the Audit & Supervisory Board of the Company (current) Audit & Supervisory Board Member, Toko Electrical Construction Co., Ltd. (current) Outside Director of the Company (current)	None

- (Notes) 1. Candidate numbers with * next to them represent candidates for newly appointed Directors .
2. There are no special interests between any of the above candidates and the Company.
3. Shigetoshi Matsumoto, Bruce David Cheson, and Eiji Ebinuma are proposed as candidates for the position of Outside Director.
4. Candidates Shigetoshi Matsumoto and Eiji Ebinuma have been designated as independent officers in accordance with the provisions of the Tokyo Stock Exchange (TSE) and are registered as such with the TSE.
5. The reasons for election of the candidates for Outside Director and a summary of their expected roles are as follows:
- (1) The Company proposes to elect Shigetoshi Matsumoto as Outside Director to seek his advice and opinion on the Company's management, having an objective perspective independent from the Company's management engaged in business operations, leveraging his extensive knowledge and years of experience in business practice and audit at companies in the same industry.
 - (2) The Company proposes to elect Bruce David Cheson as Outside Director to seek his advice and opinion on the Company's management, having an objective perspective independent from the Company's management engaged

in business operations, leveraging his knowledge and experience as a physician. We note that, although Dr. Cheson has never been involved in the management of corporation other than in the capacity of an outside director or auditor, we nevertheless conclude that, for the aforementioned reasons, he is capable of properly conducting the duties of Outside Director of the Company.

- (3) The Company proposes to elect Eiji Ebinuma as Outside Director to seek his advice and opinion on the Company's management, having an objective perspective independent from the Company's management engaged in business operations, leveraging his abundant knowledge and experience as an attorney. We note that, although Mr. Ebinuma has never been involved in the management of corporation other than in the capacity of an outside director or auditor, we nevertheless conclude that, for the aforementioned reasons, he is capable of properly conducting the duties of Outside Director of the Company..
6. The Articles of Incorporation of the Company stipulate that the Company may enter into an agreement with Directors (excluding those who engage in business execution) to limit their liability for damages due to negligence of their duties. If the election of the above-mentioned candidates for Outside Director is approved, the Company will continue the current liability limitation agreement or enter into a new liability limitation agreement with each candidate.
A summary of the contents of the liability limitation agreement is as follows:
 - In the event that a Director is deemed to be liable for damages stipulated in Article 423, Paragraph 1 of the Companies Act, liability will be limited to the higher of 1,000,000 yen or the maximum liability amount set forth in laws and regulations, provided that the Director has performed his/her duties in good faith and without gross negligence.
7. The Company has obtained the indemnification contract covering each current Director and Audit & Supervisory Board Member. In addition to expenses related to shareholder lawsuits that arise due to misconduct, the indemnification contract will cover a wide range of expenses that may be incurred by individual executives and the Company, such as the costs of dealing with criminal proceedings and public investigations that may be incurred by individual officers outside Japan. An indemnification contract was also concluded for Director Shigeo Kimura, who resigned on June 30, 2021. If Proposal 2 is approved as proposed, the Company plans to conclude an indemnification contract for Candidate No. 2, Hiroataka Ito.
8. The Company has obtained Directors and Officers Liability Insurance Policies covering each current Director and Audit & Supervisory Board Member. If a candidate for Director is elected, the contract will renew automatically with the same contents with each candidate as the insured.
The said contract covers the loss incurred by the insured due to damages arising from improper acts based on the position of Director.
Costs of premiums paid on the aforementioned insurance are borne entirely by the Company.

Proposal 3: Election of three (3) Directors serving as Audit & Supervisory Committee Members

If Proposal 1, “Partial amendments to the Articles of Incorporation,” is approved as proposed, the Company will shift to a Company with an Audit & Supervisory Committee and proposes the election of three (3) Directors serving as Audit & Supervisory Committee Members. The Company has obtained the consent of the Audit & Supervisory Board with respect to the submission of this proposal.

This proposal will come into effect on the condition of the amendments to the Articles of Incorporation regarding the transition to a Company with Audit & Supervisory Committee set forth in Proposal 1, “Partial amendments to the Articles of Incorporation” becoming effective.

Profiles of the candidates for Directors serving as Audit & Supervisory Committee Members are as follows:

#	Name (Date of birth)	Career summary, status/responsibility at the Company and significant concurrent positions	Number of Company shares owned
1*	Kiyoshi Watanabe (May 16, 1951)	<p>April 1974 Joined The Industrial Bank of Japan (currently Mizuho Bank, Ltd.)</p> <p>June 1998 Chief of the Americas Corporate Credit Office (stationed in New York), The Industrial Bank of Japan</p> <p>June 2003 General Manager, Corporate Planning Office, Kyowa Hakko Kogyo Co., Ltd.</p> <p>April 2005 General Manager, Medicine Planning Department, Kyowa Hakko Kogyo Co., Ltd.</p> <p>October 2008 General Manager, Medicine Planning Department, Kyowa Hakko Bio Co., Ltd.</p> <p>February 2011 Full-time Audit & Supervisory Board Member, Kawaguchi Chemical Industry Co., Ltd.</p> <p>June 2015 Audit & Supervisory Board Member, Toho Acetylene Co., Ltd.</p> <p>March 2017 Outside member (full-time) of the Audit & Supervisory Board of the Company (current)</p>	None
2*	Kesao Endo (November 28, 1951)	<p>September 1983 Received certification as a Certified Public Accountant</p> <p>March 1984 Joined Price Waterhouse Consultant</p> <p>March 1986 Joined Deloitte and Touche and was stationed at the Los Angeles and New York offices</p> <p>February 1991 Earned a USCPA (United States Certified Public Accountant) certification</p> <p>April 2000 Representative Partner, Kasumigaseki Audit Corp. (currently Grant Thornton Taiyo LLC)</p> <p>June 2006 Outside member of the Audit & Supervisory Board, Akebono Brake Industry Co., Ltd.</p> <p>July 2012 Representative Partner, BDO Sanyu & Co.</p> <p>October 2015 Representative, Endo CPA Firm (current)</p> <p>May 2016 Outside Director, Careerlink Co., Ltd. (current)</p> <p>May 2016 Representative Partner, ABS Audit Corporation (current)</p> <p>March 2018 Outside member of the Audit & Supervisory Board of the Company (current)</p>	None
3*	Yasuhiro Tamo (December 15, 1975)	<p>April 2000 Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2002 Transferred to Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>November 2006 Joined The Legal Research and Training Institute of Japan</p> <p>December 2007 Joined Yanagida & Nomura Law Firm</p> <p>August 2009 Joined Nomura & Partners Law Firm</p> <p>January 2019 Partner, Nomura & Partners Law Firm (current)</p> <p>March 2021 Outside member of the Audit & Supervisory Board of the Company (current)</p>	None

- (Notes)
- Candidate numbers with * next to them represent candidates for newly appointed Directors.
 - Each candidate is a candidate for Outside Director and there are no special interests with the Company.
 - Each candidate is a candidate for the position of Director serving as Audit & Supervisory Committee Member.
 - Candidates Kiyoshi Watanabe and Kesao Endo continue to be designated as independent officers in accordance with the provision of the Tokyo Stock Exchange (TSE) and are scheduled to be registered as such with the TSE.
 - The reasons for the appointment of each candidate and a summary of their expected roles are as follows.
 - The Company proposes to elect Kiyoshi Watanabe as an Outside Director to receive advice and opinions from an objective and fair standpoint regarding the performance of management oversight functions and the realization of highly effective audits, based on this extensive experience and knowledge as an Audit & Supervisory Board Member of listed companies.
 - The Company proposes to elect Kesao Endo, who is a certified public accountant and has considerable knowledge of finance and accounting, as an Outside Director to obtain advice and opinions, based on his experience as an

Audit & Supervisory Board Member of listed companies.

- (3) The Company proposes to elect Yasuhiro Tamo as an Outside Director to receive advice and opinions, drawing on his extensive experience and professional insight as an attorney at law. We note that, although Mr. Tamo has never been involved in the management of corporation other than in the capacity of an outside director or auditor, we nevertheless conclude that, for the aforementioned reasons, he is capable of properly conducting the duties of Outside Director of the Company.
6. The Articles of Incorporation of the Company stipulate that the Company may enter into an agreement with Directors (excluding those who engage in business execution) to limit their liability for damages due to negligence of their duties. If the election of the above-mentioned candidates for Director serving as Audit & Supervisory Committee Member is approved, the Company plans to enter into the said liability limitation agreement with each candidate.
A summary of the contents of the liability limitation agreement is as follows:
 - In the event that a member of the Audit & Supervisory Committee is deemed to be liable for damages stipulated in Article 423, Paragraph 1 of the Companies Act, liability will be limited to the higher of 1,000,000 yen or the maximum liability amount set forth in laws and regulations, provided that the member has performed his/her duties in good faith and without gross negligence.
7. The Company has obtained the indemnification contract covering each current Director and Audit & Supervisory Board Member. In addition to expenses related to shareholder lawsuits that arise due to misconduct, the indemnification contract will cover a wide range of expenses that may be incurred by individual executives and the Company, such as the costs of dealing with criminal proceedings and public investigations that may be incurred by individual officers outside Japan. If Proposal 3 is approved as proposed, the Company plans to conclude an indemnification contract for each candidate.
8. The Company has obtained Directors and Officers Liability Insurance Policies covering each current Director and Audit & Supervisory Board Member. If a candidate for Director serving as Audit & Supervisory Committee Member is elected, the contract will renew automatically with the same contents with each candidate as the insured.
The said contract covers the loss incurred by the insured due to damages arising from improper acts based on the position of Director serving as Audit & Supervisory Committee Member.
Costs of premiums paid on the aforementioned insurance are borne entirely by the Company.

Proposal 4: Election of one (1) Director serving as Substitute Audit & Supervisory Committee Member

If Proposal 1, “Partial amendments to the Articles of Incorporation,” is approved as proposed, the Company will shift to a Company with Audit & Supervisory Committee. Accordingly, the Company requests the election of one (1) Director serving as Substitute Audit & Supervisory Committee Member in advance, in case of falling short of the number of Audit & Supervisory Committee Members stipulated in laws and regulations. With regard to the appointment of the Director serving as Substitute Audit & Supervisory Committee Member coming into effect, the appointment may be revoked by a resolution of the Board of Directors with the consent of the Audit & Supervisory Committee, but only prior to taking office. The Company has obtained the consent of the Audit & Supervisory Board to submit this proposal.

This proposal will come into effect on the condition of the amendments to the Articles of Incorporation regarding the transition to a Company with Audit & Supervisory Committee set forth in Proposal 1, “Partial amendments to the Articles of Incorporation” becoming effective.

Profile of the candidate for Director serving as Substitute Audit & Supervisory Committee Member is as follows:

Name (Date of birth)	Career summary, status/responsibility at the Company and significant concurrent positions	Number of Company shares owned
Takashi Watanabe (March 2, 1947)	April 1970 Joined the Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)	None
	May 1996 Manager of the Paris branch office, the Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)	
	March 2008 Outside member of the Audit & Supervisory Board (full-time), Kawaguchi Chemical Industry Co., Ltd.	
	June 2010 Outside member of the Audit & Supervisory Board, SMS CO., LTD.	
	March 2011 Outside member of the Audit & Supervisory Board (full-time), SMS CO., LTD.	
	June 2014 Outside member of the Audit & Supervisory Board, SMS CO., LTD.	

- (Notes) 1. There is no special interest between the above candidate and the Company.
2. Takashi Watanabe is proposed as a candidate for the position of Director serving as Substitute Audit & Supervisory Committee Member (outside member).
3. The reasons for election and a summary of the expected roles of the candidate for Substitute Audit & Supervisory Committee Member is as follows:
We request the election of Takashi Watanabe as an Outside Director serving as Substitute Audit & Supervisory Board Member to receive advice and opinions concerning the audit of the Company’s Directors in the execution of their official duties from an objective and fair perspective, leveraging his extensive experience and knowledge he gained as an Audit & Supervisory Board Member at listed companies. If he is appointed, the Company intends to register him as an independent officer in accordance with the provision of the Tokyo Stock Exchange.
4. The Articles of Incorporation of the Company stipulate that the Company may enter into an agreement with Directors (excluding those who engage in business execution) to limit their liability for damages due to negligence of their duties. If the above candidate is appointed as Director serving as Substitute Audit & Supervisory Committee Member, the Company will enter into a liability limitation agreement with him.
A summary of the contents of the liability limitation agreement is as follows:
- In the event that a member of the Audit & Supervisory Committee is deemed to be liable for damages stipulated in Article 423, Paragraph 1 of the Companies Act, liability will be limited to the higher of 1,000,000 yen or the maximum liability amount set forth in laws and regulations, provided that the member has performed his/her duties in good faith and without gross negligence.
5. The Company has obtained Directors and Officers Liability Insurance Policies covering each current Director and Audit & Supervisory Board Member. If a candidate for Director serving as Audit & Supervisory Committee Member is elected, each candidate will automatically be insured under the contract.
The contract covers losses incurred by the insured due to damages arising from improper acts based on the position of Director serving as Audit & Supervisory Committee Member.
Costs of premiums paid on the aforementioned insurance are borne entirely by the Company.

Proposal 5: Determination of the amount of compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members)

The maximum amount of compensation for Directors was resolved as an annual amount of 130 million yen (21 million yen for Outside Directors) at the Extraordinary General Meeting of Shareholders held on August 3, 2005.

If Proposal 1, "Partial amendments to the Articles of Incorporation," is approved as proposed, the Company will shift to a Company with Audit & Supervisory Committee. Accordingly, the Company requests approval for the following matters with respect to the amount of compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members; the same shall apply hereinafter in this proposal) after the transition to a Company with Audit & Supervisory Committee, taking into consideration the recent economic situation and various other circumstances: the maximum amount shall remain unchanged at 130 million yen per year, while the maximum amount for Outside Directors shall be changed to 40 million yen per year; and the specific amount and timing of payment to each Director shall be determined by resolution of the Board of Directors. The Company's basic policy is to set the compensation for Directors after the transition to a Company with Audit & Supervisory Committee at an appropriate level in consideration of their responsibilities. The amount of compensation related to this proposal shall be paid as a fixed compensation based on this policy and is deemed to be appropriate.

The amount of compensation for Directors shall not include the share of salary as an employee for Directors who are concurrently serving as employees.

The current number of Directors of the Company prior to the transition to a Company with Audit & Supervisory Committee is four (4) (including three (3) Outside Directors). However, if Proposal 1, "Partial amendments to the Articles of Incorporation" and Proposal 2, "Election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members)" are approved as proposed, the number of Directors after the transition to a Company with Audit & Supervisory Committee will be five (5) (including three (3) Outside Directors).

This proposal shall come into effect on the condition of the amendments to the Articles of Incorporation regarding the transition to a Company with Audit & Supervisory Committee set forth in Proposal 1, "Partial amendments to the Articles of Incorporation" becoming effective.

Proposal 6: Determination of the amount of compensation for Directors serving as Audit & Supervisory Committee Members

If Proposal 1, “Partial amendments to the Articles of Incorporation,” is approved as proposed, the Company will shift to a Company with Audit & Supervisory Committee. Accordingly, the Company requests approval for the following matters with respect to the amount of compensation for Directors serving as Audit & Supervisory Committee Members after the transition to a Company with Audit & Supervisory Committee, taking into consideration the recent economic situation and other various circumstances: the maximum amount of compensation shall be 30 million yen per year, and the specific amount and timing of payment to each Director serving as Audit & Supervisory Committee Member shall be determined through consultation among Directors serving as Audit & Supervisory Committee Members. The amount of compensation related to this proposal is deemed to be appropriate considering the responsibilities of Directors serving as Audit & Supervisory Committee Members.

If Proposal 1, “Partial amendments to the Articles of Incorporation” and Proposal 3, “Election of three (3) Directors serving as Audit & Supervisory Committee Members” are approved as proposed, the number of Directors serving as Audit & Supervisory Committee Members after the transition to a Company with Audit & Supervisory Committee will be three (3).

This proposal shall come into effect on the condition of the amendments to the Articles of Incorporation regarding the transition to a Company with Audit & Supervisory Committee set forth in Proposal 1, “Partial amendments to the Articles of Incorporation” becoming effective.

Proposal 7: Terms and conditions of stock options issued as Directors' compensation

As described in Proposal 5, "Determination of the amount of compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members)," the maximum amount of compensation for Directors was resolved as an annual amount of 130 million yen (21 million yen for Outside Directors) at the Extraordinary General Meeting of Shareholders held on August 3, 2005. In addition, it was resolved that compensation for Directors in the form of stock acquisition rights as stock options be granted up to a maximum annual amount of 80 million yen (22 million yen for Outside Directors) at the 8th Ordinary General Meeting of Shareholders held on March 28, 2013. Furthermore, changes to stock acquisition rights as per the same conditions as (1), (3)-(7), (9) of "Contents of stock acquisition rights as stock compensation-type stock options to Directors" below were approved at the 9th Ordinary General Meeting of Shareholders held on March 27, 2014. In addition, given the increasingly important roles played by Outside Directors in enhancing management supervision function, it was resolved at the 11th Ordinary General Meeting of Shareholders held on March 30, 2016 that the annual maximum amount of compensation for Outside Directors in the form of stock acquisition rights as stock options be increased to 30 million yen, with such annual maximum amount for Directors as a whole remaining at 80 million yen.

At the 16th Ordinary General Meeting of Shareholders held on March 24, 2021, the following changes were approved in accordance with the revision of the Companies Act: the maximum number of stock acquisition rights to be issued within one (1) year from the date of the Company's Ordinary General Meeting of Shareholders for each fiscal year shall be 3,200; and, in the event that a specific proposal is approved, the condition that the Company may acquire the stock acquisition rights without consideration (as per the same conditions as (8) of "Contents of stock acquisition rights as stock compensation-type stock options to Directors" below) shall be added to the terms and conditions for the issuance of stock acquisition rights.

If Proposal 1, "Partial amendments to the Articles of Incorporation," is approved as proposed, the Company will shift to a Company with Audit & Supervisory Committee. Accordingly, the Company requests approval for the application of the following stock option compensation for Directors (excluding Directors serving as Audit & Supervisory Board Members; the same shall apply hereinafter in this proposal), separately from Proposal 5, "Determination of the amount of compensation for Directors (excluding Directors serving as Audit & Supervisory Board Members)": the maximum amount of stock acquisition rights to be granted as stock options shall be increased to 90 million yen per year, while the maximum amount for Outside Directors shall remain at 30 million yen per year; the maximum number of stock acquisition rights to be issued within one (1) year from the date of the Company's Ordinary General Meeting of Shareholder for each fiscal year shall remain at 3,200 units; and other conditions shall remain the same as before. The Company's basic policy is to establish a compensation system for Directors after the transition to a Company with Audit & Supervisory Committee that is linked to shareholders' interests so that it will fully function as an incentive for the sustainable enhancement of corporate value, and to determine the compensation of individual Directors at an appropriate level in consideration of their responsibilities. The amount of compensation in relation to this proposal shall be paid based on the above policy, and is believed to be appropriate.

The amount of compensation as stock options for Directors shall not include the employee salary for Directors who concurrently serve as employees.

The current number of Directors of the Company prior to the transition to a Company with Audit & Supervisory Committee is four (4) (including three (3) Outside Directors). However, if Proposal 1, "Partial amendments to the Articles of Incorporation" and Proposal 2, "Election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members)" are approved as proposed, the number of Directors after the transition to a Company with Audit & Supervisory Committee will be five (5) (including three (3) Outside Directors).

This proposal shall come into effect on the condition of the amendments to the Articles of Incorporation regarding the transition to a Company with Audit & Supervisory Board set forth in Proposal 1, "Partial amendments to the Articles of Incorporation" becoming effective.

<Contents of stock acquisition rights as stock compensation-type stock options to Directors>

(1) Class and number of shares to be granted upon exercise of stock acquisition rights

The number of shares to be granted upon exercise of one unit of stock acquisition right shall be 25 shares of the Company's common stock.

However, in the event that adjustments are made to the number of shares as set forth below, adjustments shall be made likewise.

In the event that the Company undertakes the stock split or stock consolidation, the number of shares subject to unexercised stock acquisition rights shall be adjusted using the formula set forth below, and any fractions resulting in less than one share shall be rounded down.

$$(\text{Number of shares after adjustment}) = (\text{Number of shares before adjustment}) \times (\text{Ratio of split or consolidation})$$

In addition to aforementioned cases, in the event it is necessary to adjust the number of shares subject to unexercised stock acquisition rights, the Company may make reasonable adjustments.

(2) Total number of stock acquisition rights

Total number of stock acquisition rights issued within one (1) year from the date of the Ordinary General Meeting of Shareholders for each business year shall not exceed the aforementioned annual amount of 80

- million yen (30 million yen for Outside Directors) and no more than 3,200 units of shares shall be issued.
- (3) Amount to be paid for stock acquisition rights
The amount to be paid shall be the fair value of stock acquisition rights on the allotment date of stock acquisition rights as calculated using the Black-Scholes Model. The person who receives the allotment of stock acquisition rights shall set off his/her claims for compensation against the Company in lieu of payment of monies for the stock acquisition rights allotted.
- (4) Value of property to be contributed upon exercise of stock acquisition rights and its calculation method
The value of property to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the exercise price per share to be granted, set as 1 yen, by the number of shares granted.
- (5) Period for exercising stock acquisition rights
The period for exercising stock acquisition rights shall be determined at the meeting of Board of Directors, sometime between the next day of allotment of stock acquisition rights and the day on which ten (10) years have passed after such allotment.
- (6) Conditions for exercising stock acquisition rights
- (i) The holder of the stock acquisition rights (the "Holder") must be the Company's Director at the time of exercise. However, if the person retires due to expiry of her/his term or other such legitimate reason, such requirement may be waived.
 - (ii) Fraction less than one unit of a stock acquisition right shall be un-exercisable.
 - (iii) The Holder may exercise the rights starting from the date of resolution by the below mentioned General Meeting of Shareholders or the Board of Directors meeting until one day before the effective date of the Organizational Restructuring as followed, regardless the conditions set out in (5) above of exercise period originally stipulated, when the Organizational Restructuring is approved by the resolution of the Company's General Meeting of Shareholders (including the case where resolution of General Meeting of Shareholders is deemed to exist pursuant to the provision of Article 319 of the Companies Act, hereinafter the same shall apply.) or the Board of Directors meeting (limited to the case where no resolution of General Meeting of Shareholders is required for the said Organizational Restructuring) before the exercise period of the stock acquisition rights comes into effect: an absorption-type merger or an incorporation-type merger where the Company becomes a dissolving company, an absorption-type company split or an incorporation-type company split where the Company becomes a split company or a share exchange or a share transfer where the Company becomes a wholly-owned subsidiary (collectively, "Organizational Restructuring" as mentioned above).
 - (iv) In the event where the Holder passes away, in accordance with the contract for allotment of stock acquisition right between the Company and the Holder, the inheritor assumes the rights of the Holder and may exercise such rights.
 - (v) Other conditions relating to exercise shall be determined at the Board of Directors meetings.
- (7) Limitations on obtaining the stock acquisition rights by transfer
The approval from the Company's Board of Directors shall be required to obtain stock acquisition rights by transfer.
- (8) Provisions concerning the acquisition of stock acquisition rights
If any one of the proposals (1) through (5) below is approved at an ordinary general meeting of shareholders of the Company (or resolved by the Board of Directors of the Company if a resolution at an ordinary general meeting of shareholders is not required), the Company may acquire offered subscription rights to shares without consideration on a day separately determined by the Board of Directors:
- (1) a proposal for approval of a merger agreement, under which the Company is to be dissolved;
 - (2) a proposal for approval of a company split agreement or an incorporation-type company split plan, under which the Company is to be a split company;
 - (3) a proposal for approval of a share exchange agreement or a share transfer plan, under which the Company will become a wholly-owned subsidiary;
 - (4) a proposal for approval of an amendment to the Articles of Incorporation of the Company to add an article to the effect that, as a feature of all shares the Company issues, an approval of the Company for acquisition of such shares through transfer is required;
 - (5) a proposal for approval of an amendment to the Articles of Incorporation of the Company to add an article to the effect that, as a feature of shares to be issued upon exercise of offered subscription rights to shares, an approval of the Company for acquisition of such shares through transfer is required, or the Company shall acquire all of such class shares by resolution at an ordinary general meeting of shareholders
- (9) Other matters regarding stock acquisition rights
The Bylaws set out in (1) to (8) above and other matters relating to stock acquisition rights shall be determined at the Company's Board of Directors meeting where decisions regarding offering of stock acquisition rights are to be discussed.

1. Business Performance of SymBio Pharmaceuticals Limited

(1) Business conditions and operating results

Progress in the Company's business for the fiscal year under review is as follows.

(i) Domestic business

[Transition to the Company's own sales infrastructure and business expansion]

With the expiration of the business partnership agreement with Eisai Co., Ltd. in December 2020, the Company began selling TREAKISYM[®] (generic name: bendamustine hydrochloride) through its own sales organization. As a result, the Company attained profitability in FY 2021, which was its top priority for the fiscal year, and solidified the foundation for future business growth. The Company aims to achieve sustainable growth going forward.

With the shift to in-house sales, the Company began providing information tailored to the needs of each target market and worked to cultivate demand. It also offered detailed information on its products and held seminars. Through these efforts, the Company was able to further improve the productivity of its salesforce. In addition to sales representatives, the Company assigned hematology experts with more in-depth knowledge of the field to each region of its operation. Moreover, to build a nationwide distribution network, we have entered into agreements with Suzuken Co., Ltd. and Toho Pharmaceutical Co., Ltd., making both companies exclusive wholesalers of our products. We have also begun working with S.D. Collabo Co., Ltd. to build a nationwide logistics system and set up two logistics centers—one in Eastern Japan and the other in Western Japan.

During the fiscal year under review, the Company commenced sales of the ready-to-dilute (RTD) intravenous formulation of TREAKISYM[®] in January 2021, having obtained marketing approval in September 2020, and promoted the shift from the existing freeze-dried (FD) formulation to the newly approved formulation. In March 2021, the Company obtained approval for a partial change to the marketing authorization of the FD formulation of TREAKISYM[®], allowing the product to be used in the bendamustine-rituximab (BR) therapy as well as in the genetically engineered polatuzumab vedotin plus bendamustine-rituximab (P+BR) therapy to treat recurrent/refractory diffuse large B-cell lymphoma (r/r DLBCL). After the approval was granted, the FD formulation of TREAKISYM[®] immediately became available for use in the BR therapy, and the Company further promoted the switch from the conventional multidrug therapy.

In April 2021, the Company obtained approval for a partial change to the marketing approval of the RTD formulation of TREAKISYM[®] for its use in the BR and P+BR therapy for the treatment of r/r DLBCL. In May 2021, genetically engineered polatuzumab vedotin was listed in the NHI drug price list, allowing TREAKISYM[®] to be used in the P+BR therapy.

[Stable product supply]

The Company commenced sales of the RTD formulation of TREAKISYM[®] in January 2021, and has steadily worked to promote the switch from the FD formulation to the RTD formulation.

The Company currently imports the FD formulation of TREAKISYM[®] from Astellas Deutschland GmbH, a subsidiary of Astellas Pharma Inc., and it imports the RTD formulation of TREAKISYM[®] from Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.).

The Company conducts secondary packaging and quality screening on imported batches of both the FD and RTD formulations of TREAKISYM[®] in Japan and works to maintain stable quality.

In terms of supply, we diligently worked to replace the FD formulation of TREAKISYM[®] with the RTD formulation. Due to slower than anticipated conversion, the risk of the FD formulation going out of stock arose and controls were implemented on shipments of the FD product from September 2021. Owing to the understanding and collaboration of healthcare providers, the conversion from the FD to RTD formulation has made rapid progress. The Company has secured sufficient inventory of RTD formulation to ensure stable supply.

[Anticancer agents: SyB L-0501 (FD formulation), SyB L-1701 (ready-to-dilute ("RTD") formulation), SyB L-1702 (rapid infusion ("RI") injection) (generic name: bendamustine hydrochloride or bendamustine hydrochloride hydrate, trade name: TREAKISYM[®])]

SymBio obtained marketing approval for TREAKISYM[®] for the indication as first-line treatment of low-grade non-Hodgkin's lymphoma (low-grade NHL) ^(Note 1) and mantle cell lymphoma (MCL) in December 2016, and for the indications of recurrent/refractory low-grade NHL and MCL in October 2010 and chronic lymphocytic leukemia (CLL) in August 2016. TREAKISYM[®] is thus being used to treat a wide array of malignant lymphoma. Further, bendamustine-rituximab (BR) therapy was added to the Guidelines for Tumors of Hematopoietic and Lymphoid Tissues published by the Japanese Society of Hematology in July 2018, and recommended as a standard treatment for all previously approved indications. With this development, TREAKISYM[®] has established its foothold as the standard treatment for malignant lymphoma.

In July 2018, the Company obtained approval for a partial change to the marketing authorization of TREAKISYM[®], allowing the product to be used in combination with not only rituximab but also other new anti-CD20 antibodies for the treatment of CD-20 positive follicular lymphoma (FL), a typical histologic type of

low-grade NHL. Having obtained approval for the partial change, TREAKISYM[®] is available to patients as a new treatment option in combination with obinutuzumab (Note 2). In March 2019, the Company obtained approval for a partial change to the marketing authorization, allowing the use of TREAKISYM[®] as a pretreatment agent for tumor-specific T-cell infusion therapy (Note 3). This allowed TREAKISYM[®] to be used as a pretreatment agent for Kymriah[®] intravenous infusion (Note 4), the first chimeric antigen receptor T-cell (CAR-T) therapy (Note 5) to be approved in Japan. Owing to the spread of its use as a pretreatment agent for regenerative medicine and other pharmaceutical products, the status of TREAKISYM[®] as the standard treatment for malignant lymphoma has further solidified.

In addition to the already-approved indications, SymBio conducted a Phase III clinical trial of BR therapy targeting r/r DLBCL, and in May 2020 it applied for a partial change to the marketing authorization to include this additional indication. The approval was granted in March 2021. In April 2021, the Company obtained approval for a partial change to the marketing approval of the RTD formulation of TREAKISYM[®] for its use in BR and P+BR therapies for the treatment of r/r DLBCL. Further, the Company conducted a follow-up study with overall survival as the primary endpoint, since survival data (e.g., overall survival and progression-free survival) for BR therapy is crucial in establishing TREAKISYM[®] as a DLBCL treatment. The Company presented the results of the study at the annual meeting of the Japanese Society of Hematology and other academic conferences, and is currently preparing to publish the results in academic journals. In June 2020, Chugai Pharmaceutical Co., Ltd. filed for marketing approval of genetically engineered polatuzumab vedotin (Note 6) used in combination with BR therapy in treating r/r DLBCL. In response, in July 2020 the Company applied for a partial change to the marketing authorization of TREAKISYM[®] used in combination with genetically engineered polatuzumab vedotin and rituximab and obtained approval in March 2021. In May 2021, genetically engineered polatuzumab vedotin was included in the NHI drug price list, allowing TREAKISYM[®] to be used in the combination therapy of genetically engineered polatuzumab vedotin and BR therapy (P+BR). Because there existed no effective treatment for r/r DLBCL, combination therapies comprising multiple anticancer drugs had been used as rescue chemotherapy, and the development of highly effective and safe drugs was in dire need. BR therapy is already used to treat patients with r/r DLBCL in Europe and the U.S. In Japan, patient organizations and relevant academic societies have requested to the Ministry of Health, Labour and Welfare to make BR therapy available as soon as possible. Going forward, the Company expects TREAKISYM[®] to be widely available as a treatment option for many patients by promoting the shift from the conventional multidrug therapies.

In September 2017, SymBio concluded an exclusive license agreement with Eagle Pharmaceuticals for the RTD formulation and rapid infusion (RI; enabling shorter administration time) injection (Note 7) of TREAKISYM[®] in Japan. The Company obtained marketing approval for the RTD formulation in September 2020, and launched the product in January 2021. For the RI injection, the Company concluded clinical trials aimed at confirming the drug's safety, and in May 2021, submitted a partial change application. Further, in November 2021, the Company was granted approval for its partial change application to extend the shelf life of the RTD formulation to 30 months based on the results of long-term stability studies.

Unlike the current FD formulation, RTD formulation of TREAKISYM[®] does not require the cumbersome manual work of dissolving the drug (i.e., drug reconstitution), shortening preparation time and reducing burdens on healthcare providers.

Further, the RI injection significantly reduces the infusion time from the one hour required by the conventional FD and RTD formulations, providing great benefit and value to both patients and healthcare providers.

- (Note 1) Non-Hodgkin's lymphoma (NHL) refers to malignant lymphoma other than Hodgkin's lymphoma. Malignant lymphoma is a cancer of the lymphatic system in which lymphocytes develop malignant growths. The majority of Japanese malignant lymphoma patients are suffering from NHL.
- (Note 2) Obinutuzumab (Gazyva[®], marketed by Chugai Pharmaceutical Co., Ltd.): Like rituximab recommended by treatment guidelines for non-Hodgkin's lymphoma in Japan and overseas, obinutuzumab is a glycoengineered type II anti-CD20 monoclonal antibody that directly binds to CD20 (a protein expressed on B-cells other than stem cells or plasma cells) on target B-cells to attack and destroy them along with the body's immune system.
- (Note 3) Tumor-specific T-cell infusion therapy is a treatment method in which tumor-specific T-cells (T-cells that specifically recognize cancer cells) taken from cancer patients are artificially bestowed with cancer specificity extracorporeally, amplified and then administered to the patient.
- (Note 4) Kymriah[®] intravenous infusion (generic name: tisagenlecleucel, marketed by Novartis Pharma K.K.): Kymriah[®] intravenous infusion is the first chimeric antigen receptor T-cell (CAR-T) therapy approved within Japan. Novartis Pharma received manufacturing and marketing approval for Kymriah[®] for use in the treatment of CD19 positive recurrent/refractory B-cell acute lymphoblastic leukemia (B-ALL) and CD19 positive DLBCL in March 2019. Kymriah[®] intravenous infusion was included in NHI price listings in May 2019.
- (Note 5) Chimeric antigen receptor T-cell (CAR-T) therapy is a type of tumor-specific T-cell infusion therapy that introduces genes that code chimeric antigen receptors (CARs) into T-cells, amplifies these cells and then infuses

them. These chimeric antigen receptors are produced by combining the intracellular domains of T-cell receptors with the antigen binding sites of antibodies capable of recognizing membrane antigens attached to tumor cells. In clinical trials using CARs to target CD19 that expresses on B-cells, CD19-targeting CARs were introduced into T-cells that were later administered to patients with B-cell tumors. These modified cells produced clear clinical effects.

- (Note 6) Developed by Roche using Seattle Genetics' antibody-drug conjugate (ADC) technology, genetically engineered polatuzumab vedotin is a first-in-class anti-CD79b ADC (targeting CD79b) built by conjugating humanized monoclonal antibody targeting CD79b to a tubulin polymerization inhibitor. CD79b protein is specifically expressed on the surface of many B-cells, and is expected to be a promising target in new drug development. Genetically engineered polatuzumab vedotin selectively binds to CD79b while minimally affecting normal cells, and destroys B-cells with the chemotherapeutic agent it contains.
- (Note 7) Ready-to-dilute (RTD) and rapid infusion (RI) are pre-dissolved liquid formulations that differ from the conventional freeze-dried (FD) formulation. The RTD formulation significantly reduces the preparation time and labor cost for healthcare providers, and the RI injection substantially reduces infusion duration from the current one hour, providing significant benefit and value to both patients and healthcare providers.

[Anticancer agents: SyB L-1101 (intravenous formulation) and SyB C-1101 (oral formulation) (generic name: rigosertib sodium)]

U.S. licensor Onconova Therapeutics, Inc. (head office: Pennsylvania, U.S.) has conducted global Phase III clinical trials (with trial sites in more than 20 countries; INSPIRE study) of the intravenous formulation of rigosertib for higher-risk myelodysplastic syndromes (HR-MDS) which failed to respond to the current standard treatment with hypomethylating agents, relapsed after treatment under the current standard of care, or were intolerant to hypomethylating agents; the primary endpoint of the study is overall survival. In August 2020, Onconova announced that the primary endpoint—improved survival compared to physician's choice of treatment—was not met. The Company is responsible for clinical development in Japan, and is reviewing ways to use the findings from the additional analysis of the INSPIRE study in the future development of rigosertib (intravenous formulation).

As for the oral formulation of rigosertib, Onconova completed a Phase I/II clinical trial of the investigational drug (in combination with azacitidine^(Note 8)) in the U.S. in first-line HR-MDS patients, and the results suggested that the oral formulation of rigosertib used in combination with azacitidine was safe and effective. In June 2017, the Company initiated a Phase I clinical trial in Japan to confirm the safety and tolerability of high-dose monotherapy and tolerance in Japanese patients, and completed patient enrollment in June 2019.

With the aim of maximizing the business value of rigosertib and TREAKISYM[®], the Company will conduct joint research with the University of Tokyo and Gunma University to investigate the efficacy of the drugs used in combination with each other as well as in combination with other existing drugs, and to look for new indications.

- (Note 8) Azacitidine (Vidaza[®], marketed by Nippon Shinyaku Co., Ltd.): This hypomethylating agent (for injection) was approved in 2011 upon successful confirmation of extended overall survival for the first time in the Phase III clinical trial for the indication of MDS, and is currently used as a first-line drug for MDS patients who have difficulties in hematopoietic stem cell transplantation. MDS is a preleukemic state, and decrease in tumor suppressor gene due to excessive methylation of DNA is thought to be related to the disease. Hypomethylating agents such as azacitidine are thought to suppress progress to leukemia by restoring tumor suppressor gene with a deterrent effect against methylation of DNA.

[Antiviral drug: SyB V-1901 (generic name: brincidofovir)]

In September 2019, the Company concluded an exclusive global licensing agreement for intravenous and oral formulation of antiviral drug brincidofovir^(Note 9) (SyB V-1901; "BCV IV" and "BCV Oral," respectively) with Chimerix Inc. (head office: North Carolina, U.S.). Under this agreement, the Company acquired exclusive rights for the worldwide development, marketing, and manufacture of BCV for all human indications, excluding orthopox viruses.

The Company decided to prioritize the global development of BCV IV, primarily in Japan, the U.S. and Europe, targeting adenovirus (AdV) infections occurring after hematopoietic stem cell transplantation, an area with high unmet medical needs as there currently exists no effective treatment. In March 2021, the Company submitted an Investigational New Drug (IND) application to the U.S. Food and Drug Administration (FDA) to initiate a Phase II clinical trial targeting AdV infections primarily in pediatric patients (also including adult patients). In April 2021, the FDA granted the development program a fast-track designation. In August 2021, the investigational drug was administered to the first patient enrolled (first patient in or FPI) in the clinical trial. Further, in January 2022, the Company successfully filed a Clinical Trial Application (CTA) to the Medicines and Healthcare products Regulatory Agency (MHRA) of the U.K.

Based on the efficacy and safety findings from clinical trials targeting AdV infections, the Company plans to investigate the efficacy of BCV against a range of dsDNA^(Note 10) viral infections and expand target indications to include multiple viral infections occurring after hematopoietic stem cell transplantation. It also intends to

pursue the possibility of expanding target indications to viral infections after kidney or other organ transplantation. Through these efforts, the Company aims to expand the market for BCV and maximize its business value. BCV Oral demonstrated highly active antiviral effects in earlier clinical trials conducted in Europe and the U.S. These trials also confirmed that BCV Oral had broad-spectrum antiviral effects. Based on these extensive antiviral effects of BCV Oral against various dsDNA viruses, the Company expects BCV IV to be also effective and safe in the treatment and prevention of various viral infections occurring after hematopoietic stem cell transplantation.

In addition to strong antiviral effects, BCV is also expected to have antitumor effects. Through joint research with the National Cancer Centre Singapore and University of California San Francisco (UCSF) Brain Tumor Center, Symbio is investigating new indications for BCV in oncology, including rare brain tumors and Epstein-Barr (EB) virus-positive lymphoma.

In December 2020, Chimerix announced that the FDA accepted its New Drug Application (NDA) for BCV Oral as a medical countermeasure against smallpox; Chimerix obtained FDA approval in June 2021.

(Note 9) Brincidofovir is a lipid conjugate of cidofovir (CDV). CDV is an antiviral drug already approved and marketed in the United States and the European Union, but unapproved in Japan. It is quickly absorbed into the lipid bilayer membrane and efficiently transferred into cells, and the bound lipid chain is metabolized and separated from the structure by intracellular phospholipases. This process generates an activator (CDV-PP; CDV diphosphate) that is retained in the cells for a long period of time, significantly raising the compound's antiviral activity. Furthermore, BCV avoids nephrotoxicity, a fundamental issue plaguing CDV, as the lipid conjugation prevents the accumulation of the compound in renal tubular epithelial cells through organic anion transporter 1 (OAT1) and CDV is released at low levels in the bloodstream.

(Note 10) Double-stranded DNA (dsDNA) viruses include herpesviridae, adenoviridae, polyomaviridae, papillomaviridae, poxviridae families of viruses, such as cytomegalovirus (CMV), adenovirus (AdV), human herpesvirus 6 (HHV-6), herpes simplex virus type 1 or 2 (HSV-1/2), BK virus (BKV), varicella zoster virus (VZV), human papillomavirus (HPV), JC virus, and smallpox virus.

(ii) Business outside Japan

The Company's U.S.-based wholly-owned subsidiary Symbio Pharma USA, Inc. (President: Fuminori Yoshida) appointed Dr. Carolyn Yanavich as its Vice President and Head of Project Management and Clinical Operations in October 2021, and launched full-scale operations aimed at accelerating global development of antiviral drug brincidofovir toward commercialization.

(iii) Licensing of new drug candidates

Symbio is moving ahead with global development of brincidofovir, an antiviral drug in-licensed in September 2019. At the same time, the Company continues to evaluate new drug candidates for potential in-licensing. Through these efforts, it aims to create medium- to long-term business value as a profitable biopharmaceutical company with growth potential.

(iv) Business results

As a result of the above, sales in FY 2021 grew substantially to 8,256,924 thousand yen (+176.4% year-on-year), driven by the transition to in-house sales of TREAKISYM[®]. The contributions from the sales transition more than offset the negative impacts of residual inventories of TREAKISYM[®] FD formulation in the market sold by Eisai before the transition and the resurgence of COVID-19 cases, which resulted in postponed medical treatments as well as constrained sales activities due to tighter restrictions on visits to facilities. From the third quarter of FY 2021 in particular, postponed medical treatments resumed as COVID-19 vaccination of the elderly patients made progress. Sales of TREAKISYM[®] for r/r DLBCL also began to increase from the third quarter owing to approval of BR and P-BR therapies for the additional indication of r/r DLBCL granted in March 2021, and the inclusion of Chugai Pharmaceutical's genetically engineered polatuzumab vedotin in the NHI drug price list in May 2021. As a result, net sales in the second half of FY 2021 increased substantially year-on-year from 1,626,402 thousand yen a year ago to 5,110,316 thousand yen.

Gross profit rose substantially to 5,800,110 thousand yen (+569.1% year-on-year) on the back of sales growth and improved gross profit margin resulting from the rapid progress in the switch from the freeze-dried (FD) formulation of TREAKISYM[®] to ready-to-dilute (RTD) formulation. On the other hand, an inventory loss of 331,866 thousand yen of the FD formulation of TREAKISYM[®] was recorded primarily as a result of the switch from the FD to RTD formulation.

Selling, general and administrative expenses totaled 4,784,109 thousand yen (-11.0% year-on-year), including research and development expenses of 1,736,126 thousand yen (-23.4% year-on-year) primarily due to expenses associated with clinical trials for TREAKISYM[®], rigosertib, and brincidofovir, as well as other selling, general and administrative expenses of 3,047,982 thousand yen (-1.8% year-on-year), including higher selling expenses due to the transition to in-house sales.

As a result, the Company recorded operating profit of 1,016,001 thousand yen in FY 2021 (versus an operating loss of 4,506,220 thousand yen in FY 2020). Although the Company recorded non-operating income

of 17,462 thousand yen, consisting mainly of 14,757 thousand yen in commission income, it also recorded non-operating expenses of 32,330 thousand yen, primarily comprising foreign exchange losses of 20,186 thousand yen and commission expenses of 9,499 thousand yen. As a result, ordinary profit totaled 1,001,133 thousand yen (versus an ordinary loss of 4,615,903 thousand yen in FY 2020). Bottom-line profit totaled 2,032,203 thousand yen (versus a loss of 4,090,216 thousand yen in FY 2020) due mainly to the recording of 1,275,759 thousand yen in deferred tax assets as a result of a careful assessment of the recoverability of deferred tax assets in light of business results for FY 2021.

Segment information has been omitted since the Company operates within a single segment, which includes the research and development, manufacturing, and marketing of pharmaceutical drugs and other related activities.

(v) Capital investment

The total amount of capital expenditures during the fiscal year under review was 63,837 thousand yen, mainly consisting of office investments and the purchase of appliances, network devices, and business software.

(2) Status of assets and profit and loss

(Unit: thousands of yen)

Fiscal year	FY 2018 The 14th Term	FY 2019 The 15th Term	FY 2020 The 16th Term	FY 2021 The 17th Term (current)
Net sales	3835,530	2,837,753	2,987,051	8,256,924
Operating profit (loss)	(2,656,072)	(4,301,615)	(4,506,220)	1,016,001
Ordinary profit (loss)	(2,748,730)	(4,376,655)	(4,615,903)	1,001,133
Profit (loss)	(2,752,533)	(4,376,258)	(4,090,216)	2,032,203
Profit (Loss) per share (yen)	(165.54)	(189.03)	(124.13)	53.04
Total assets	6,239,423	5,273,955	6,274,707	8,452,997
Net assets	4,901,799	4,400,116	4,657,318	6,745,672
Net assets per share (yen)	212.23	143.07	105.76	162.26

(Note) The Company conducted a 1-for-4 consolidation of common shares on July 1, 2019. Profit (loss) per share and net assets per share have been calculated based on the assumption that this consolidation was conducted at the beginning of FY 2018.

(3) Issues to be addressed by the Company

The Company is committed to focusing on the following key management objectives.

(i) Further expansion of the pipeline

In order to enhance the enterprise value as a specialty pharmaceutical company, we need to expand the pipeline through ongoing in-licensing of new drug candidates for development.

The Company is conducting or planning development of the following anticancer agents: SyB L-0501, SyB L-1101, SyB C-1101, SyB L-1701, SyB L-1702, and antiviral drug SyB V-1901. Currently we are in discussion with counterparties regarding the in-licensing of several new drug candidates, and will continue with active efforts to in-license new drug candidates for development in order to further expand our pipeline.

(ii) Life cycle management of products in the existing pipeline

In order to enhance the business value, both in-licensing new drug candidates and promoting product life cycle management are important. Therefore, it is critical to maximize returns from each drug under development through indication expansion after the in-licensed drugs' initial approval.

TREAKISYM[®] is approved for manufacturing and marketing in Japan for the indications of recurrent/refractory low-grade non-Hodgkin's lymphoma and mantle cell lymphoma, chronic lymphocytic leukemia, and first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma. TREAKISYM[®] was also granted approval for recurrent/refractory diffuse large B-cell lymphoma (r/r DLBCL) in March 2021. In addition, the Company in-licensed the RTD formulation and RI injection of TREAKISYM[®] from Eagle Pharmaceuticals in order to maximize the business value of TREAKISYM[®] by promoting the life cycle management of the product. For the RTD formulation, the Company obtained manufacturing and marketing approval in September 2020, and launched the product in January 2021. For the RI injection, the Company filed a partial change application in May 2021.

With respect to rigosertib, U.S. licensor Onconova had been conducting a global Phase III study (INSPIRE study) of the drug in patients with myelodysplastic syndromes (MDS), but in August 2020, it announced that the primary endpoint of the study—improved overall survival compared to physician's choice of treatment—had not been met. The Company is in charge of clinical development in Japan and is reviewing ways to utilize findings from the additional analysis of the INSPIRE study in future development of rigosertib.

With the aim of maximizing the business value of rigosertib and TREAKISYM[®], the Company intends to conduct joint research with the University of Tokyo and Gunma University, to investigate the efficacy of the

drugs used in combination as well as used in combination with other existing drugs and look for new indications.

The Company has proceeded with the global development of antiviral drug brincidofovir targeting adenovirus infections occurring after hematopoietic stem cell transplantation, an area with a high unmet medical need, ahead of any other indications. It has also begun to explore the potential of the drug in treating viral infections associated with organ transplants and virus-induced cancers. We aim to maximize earnings through managing the lifecycle of our products as we transform into a specialty pharmaceutical company with the capacity to expand into global markets.

(iii) The establishment of the Company's own salesforce

With the business partnership agreement with its sales agent Eisai Co., Ltd. (Eisai) expired in December 2020, the Company began preparing to establish its own sales organization for the domestic sales of TREAKISYM® in October 2018 and completed the process in FY 2020. Following the expiration of its business partnership agreement with Eisai, the Company transitioned the sale of TREAKISYM® to its own sales system in December 2020. Providing specialized technical information will enable the Company to more accurately understand the needs of the market and respond more swiftly, allowing it to contribute to the benefit of patients while aiming to maximize the business value of TREAKISYM®.

(iv) Global expansion for further growth

In addition to Japan, the Company identifies China, South Korea, Taiwan, and Singapore as strategic countries in Asia and has moved forward with business development in Asia. However, with expanding medical expenditures due to the aging population in Japan, and the advent of the "era of generic drugs comprising 80% of all drugs dispensed" as a governmental policy of Japan, the business environment for innovative drug developers is expected to remain challenging. Such a policy may also be implemented by other Asian countries.

Under these circumstances, the Company will promote global expansion aiming for further growth. Utilizing its experience fostered through its business in Asia, the Company will search, evaluate, and negotiate concerning new drug candidates that can follow antiviral drug brincidofovir in order to acquire their rights on a global scale.

(v) Securing personnel

The Company places the highest priority on personnel as the Company's principal management resource. Without talent, we cannot make superior achievements in terms of exploring, developing, and providing information concerning new drugs; nor can we roll out these new drugs on a global scale. We have been continually recruiting talented people; especially after being listed, we have recruited the best and brightest people in order to strengthen the management organization. Going forward, we plan to continue to further strengthen our human resources by providing on-the-job training and employee development programs.

(vi) Financial issue

It is necessary for the Company to raise funds required for business activities such as R&D expenditures as pipeline development and global business expansion progress and as drug candidates increase in number.

Therefore, we make every effort to further strengthen the financial base by continually diversifying the method of fund raising and curtailing costs through tight budget control.

(4) Major business activities (as of December 31, 2021)

The Company regards underserved therapeutic areas that lack the development of new drugs, despite significant unmet medical needs, as business opportunities. We develop new drugs with a primary focus on the treatment of rare diseases, mainly in the areas of oncology, hematology, and multiple viral infections, and conduct integrated business activities that encompass search for new drug candidates, development, manufacturing, and sales.

(5) Main office and employees

(i) Main office (as of December 31, 2021)

Name	Location
Main office	Minato-ku, Tokyo

(ii) Employees (as of December 31, 2021)

Classification	Number of employees	Increase or decrease from previous fiscal year end	Average age (years)	Average number of years of service
Male	105	10 (increase)	51.3	3.5

Female	36	4 (increase)	46.4	4.5
Total or average	141	14 (increase)	50.1	3.8

(Notes) 1. Number of employees refers to full time employees.
2. The above number of employees does not include 45 temporary staff.

(6) Status of parent company and significant subsidiaries

Not applicable.

(7) Status of main lenders (as of December 31, 2021)

Not applicable.

2. Matters Related to Stock (as of December 31, 2021)

(1) Total number of authorized shares

Common stock: 41,750,000 shares

(2) Total number of shares outstanding

Common stock: 38,374,588 shares (excluding 82,618 shares of treasury stock)

(3) Number of shareholders

38,073

(4) Major shareholders (10 largest)

Name of shareholder	Number of shares held	Shareholding ratio
Rakuten Securities, Inc.	1,345,100	3.5%
Fuminori Yoshida	1,074,700	2.8%
Matsui Securities Co., Ltd.	738,500	1.9%
SMBC Nikko Securities Inc.	727,300	1.9%
Nomura Securities Co., Ltd. self-deposit account	550,000	1.4%
SBI Securities Co Ltd.	403,608	1.1%
Nomura PB Nominees Limited Omnibus-Margin	303,650	0.8%
Sukenori Ito	302,000	0.8%
Hitoshi Imamura	225,700	0.6%
Nomura Securities Co., Ltd.	207,731	0.5%

(Notes) Shareholding ratio (%) indicates the percentage of shares outstanding held. Shares outstanding is equal to the number of shares issued minus treasury shares.

3. Matters Related to Share Acquisition Rights

(1) Share acquisition rights held by the Company's Officers that were issued as compensation for services (as of December 31, 2021)

	The 26th warrant by resolution of the Board of Directors meeting on April 17, 2012	The 30th warrant by resolution of the Board of Directors meeting on May 14, 2013	The 43rd warrant by resolution of the Board of Directors meeting on March 29, 2018
Number of share acquisition rights	3,625 units	1,160 units	3,050 units
Number of shares to be issued upon the exercise of share acquisition rights ^(Note 4)	90,625 shares	29,000 shares	76,250 shares
Amount paid for share acquisition rights	None	None	19,800 yen per unit
Value of property to be contributed upon the exercise of each share acquisition right ^(Note 1)	2,220 yen per share	3,196 yen per share	1 yen per share
Period in which exercise of share acquisition rights is possible	From: April 18, 2014 To: April 17, 2022	From: May 15, 2015 To: May 14, 2023	From: March 30, 2021 To: March 29, 2028
Status of possession by Directors (excluding Outside Directors) ^(Note 4)	2,600 units (1 holder) 65,000 shares	645 units (1 holder) 16,125 shares	—
Status of possession by Outside Directors	—	—	250 units (1 holder) 6,250 shares

	The 48th warrant by resolution of the Board of Directors meeting on March 28, 2019	The 52nd warrant by resolution of the Board of Directors meeting on March 26, 2020	The 54th warrant by resolution of the Board of Directors meeting on March 24, 2021
Number of share acquisition rights	3,150 units	4,600 units	1,630 units
Number of shares to be issued upon the exercise of share acquisition rights ^(Note 4)	78,750 shares	115,000 shares	40,750 shares
Amount paid for share acquisition rights ^{(Note 2) (Note 4)}	19,400 yen per unit	8,100 yen per unit	29,225 yen per unit
Value of property to be contributed upon the exercise of each share acquisition right ^(Note 1)	1 yen per share	1 yen per share	1 yen per share
Period in which exercise of share acquisition rights is possible	From: March 30, 2022 To: March 29, 2029	From: March 27, 2023 To: March 26, 2030	From: March 25, 2024 To: March 24, 2031
Status of possession by Directors (excluding Outside Directors) ^(Note 4)	1,400 units (1 holder) 35,000 shares	2,800 units (1 holder) 70,000 shares	1,000 units (1 holder) 25,000 shares
Status of possession by Outside Directors ^(Note 4)	500 units (2 holders) 12,500 shares	800 units (2 holders) 20,000 shares	450 units (3 holders) 11,250 shares

- (Notes) 1. New shares were issued through the public offering on December 4, 2013, and third-party allotment on December 25, 2013, at the paid-in amount less than the value of property to be contributed upon the exercise of each share acquisition right. Therefore, the stated value of property to be contributed upon the exercise of each share acquisition right excluding those issued for the 32nd warrant and thereafter is adjusted in accordance with the adjustment provision.
2. The person who receives the allotment of share acquisition rights shall offset the amount to be paid for the relevant share acquisition rights against cash compensation equivalent to the amount.
3. There are no share acquisition rights held by Audit & Supervisory Board Members.
4. The Company conducted a 1-for-4 consolidation of common shares on July 1, 2019. Number of shares to be issued upon the exercise of share acquisition rights and exercise price have been adjusted accordingly.

(2) Share acquisition rights distributed to the Company's employees as compensation for services during the fiscal year under review (as of December 31, 2021)

	The 55th warrant by resolution of the Board of Directors meeting on March 24, 2021
Number of share acquisition rights	4,565 units
Number of shares to be issued upon the exercise of share acquisition rights	114,125 shares
Amount paid for share acquisition rights ^(Note 2)	29,225 yen per unit
Value of property to be contributed upon the exercise of each share acquisition right	1 yen per share
Period in which exercise of share acquisition rights is possible	From: March 25, 2024 To: March 24, 2031
Status of allotment to the Company's employees ^(Note 1)	4,375 units (127 holders) 109,375 shares

- (Notes) 1. Of the share acquisition rights mentioned above, 190 units (4,750 shares) have been forfeited due to the retirement or resignation of employees.
2. The person who receives the allotment of share acquisition rights shall offset the amount to be paid for the relevant share acquisition rights against cash compensation equivalent to the amount.

(3) Other important matters concerning share acquisition rights

Not applicable.

4. The Company's Officers (as of December 31, 2021)

(1) Names of Directors and Audit & Supervisory Board Members

Company position	Name	Responsibility and significant concurrent position
Representative Director	Fuminori Yoshida	Chief Executive Officer
Director	Shigetoshi Matsumoto	Senior Advisor, Protiviti LLC Audit Practice Counselor, Japan Audit & Supervisory Board Members Association
Director	Bruce David Cheson	Scientific Advisory Board, Lymphoma Research Foundation Doctor, Cancer and Blood Disorders Center
Director	Eiji Ebinuma	Partner, Tanabe & Partners Outside Director, Rakuten Bank, Ltd. Audit & Supervisory Board Member, Toko Electrical Construction Co.
Full-time Audit & Supervisory Board Member	Kiyoshi Watanabe	
Audit & Supervisory Board Member	Kesao Endo	Representative, Endo C.P.A Firm Outside Director, Careerlink Co., Ltd. Representative Partner, ABS Audit Corp.
Audit & Supervisory Board Member	Yasuhiro Tamo	Partner, Nomura & Partners

- (Notes) 1. Of the Directors, Shigetoshi Matsumoto, Bruce David Cheson, and Eiji Ebinuma are Outside Directors.
2. Kiyoshi Watanabe, Kesao Endo, and Yasuhiro Tamo are outside member of the Audit & Supervisory Board.
3. Shigetoshi Matsumoto, Eiji Ebinuma, and Kesao Endo have been designated as independent officers pursuant to the provisions of the Tokyo Stock Exchange (TSE) and registered as such with the TSE.
4. Kesao Endo possesses deep insight in finance and accounting, which he gained through his profession as a certified public accountant.
5. Changes in Directors and Audit & Supervisory Board Members during the fiscal year under review are as follows:
- Eiji Ebinuma was newly elected and assumed the office of Director at the 16th Ordinary General Meeting of Shareholders held on March 24, 2021. He retired by resignation from the position of outside member of the Audit & Supervisory Board at the conclusion of the 16th Ordinary General Meeting of Shareholders.
- Yasuhiro Tamo was newly elected and assumed the office of Audit & Supervisory Board Member at the 16th Ordinary General Meeting of Shareholders held on March 24, 2021.
- Director Shigeo Kimura resigned on June 30, 2021. At the time of his resignation, he was Director, Senior Managing Corporate Officer and Head of Japan Business Unit.
6. The Company has adopted the Corporate Officer System. The Corporate Officers who do not hold concurrent positions as Directors are as follows:
Corporate Officer Takaaki Fukushima
Corporate Officer Kozo Yoshida
Corporate Officer Masayuki Aboshi
Corporate Officer Yoshiharu Torikai

(2) Summary of the contents of the liability limitation agreement

The Company has executed an agreement with each Director (excluding those who engage in business execution) and each member of the Audit & Supervisory Board with respect to the liability in Article 423, Paragraph 1 of the Companies Act, setting forth that director liability will be limited to the higher of 1,000,000 yen or the maximum liability amount set forth in laws and regulations in cases where the Director or member of the Audit & Supervisory Board has performed their duties in good faith and without gross negligence.

(3) Summary of the contents of the indemnification contract

In addition to expenses related to shareholder lawsuits that arise due to misconduct, the indemnification contract with Directors and Audit & Supervisory Board Members listed in "4. (1) Names of Directors and Audit & Supervisory Board Members" will cover a wide range of expenses that may be incurred by individual executives and the Company, such as the costs of dealing with criminal proceedings and public investigations that may be incurred by individual officers outside Japan. An indemnification contract was also concluded for Director Shigeo Kimura, who resigned on June 30, 2021. If Proposal 2 is approved as proposed, the Company plans to conclude an indemnification contract for Candidate No. 2, Hirotaka Ito.

(4) Directors and Officers Liability Insurance Policies

The Company has obtained Directors and Officers Liability Insurance Policies covering the Directors and Audit & Supervisory Board Members of the Company and its subsidiaries.

The aforementioned insurance is payable as indemnification for losses suffered by the insureds as a result of a legal action brought for alleged wrongful acts in their capacity as Directors and Audit & Supervisory Board Members.

Costs of premiums paid on the aforementioned insurance are borne entirely by the Company.

(5) Compensation of members of the Board of Directors and the Audit & Supervisory Board

(i) Matters related to the policy for determining the details of individual compensation for Directors

The maximum amount of compensation for Directors was resolved as an annual amount of 130 million yen at the Extraordinary General Meeting of Shareholders held on August 3, 2005. In addition, it was resolved that compensation for Directors in the form of share acquisition rights as stock options be granted up to a maximum annual amount of 80 million yen at the 9th Ordinary General Meeting of Shareholders held on March 27, 2014. (Of 80 million yen, 30 million yen was approved for Outside Directors, which was resolved at the 11th Ordinary General Meeting of Shareholders held on March 30, 2016.)

The Audit & Supervisory Committee has the authority to make decisions on the policy concerning the determination of the amount of compensation, or the calculation method thereof, for Directors serving as Audit & Supervisory Committee Members. The contents of such authority and the scope of discretion shall be determined by the Audit & Supervisory Committee with the consent of all of its members, within the limit of the total amount determined at the General Meeting of Shareholders.

1. Basic policy

The compensation system for Directors shall be linked to shareholders' profit to function sufficiently as an incentive for the sustainable enhancement of corporate value. Furthermore, the compensation of individual Directors shall be determined at an appropriate level based on the responsibilities of each position, and compensation shall consist of basic compensation as fixed compensation and stock-based compensation.

2. Policy on determination of the amount of basic compensation (monetary compensation) by individual (including policies on determining the timing or conditions for granting compensation)

The basic compensation for Directors of the Company shall be a monthly fixed compensation, and shall be determined based on a comprehensive consideration of the role, responsibilities, years of service taking into account the level of compensation at other companies, the Company's business performance, and the level of employee salaries. In making the decision, the Company confirms that the decision is in line with the above policy, based on the report of the Nomination and Compensation Committee, which is composed of a majority of Outside Directors, with an Outside Director serving as the chairperson. The decision is then delegated to the Representative Director by a resolution of the Board of Directors. In addition, the Company ensures reasonableness by delegating the decision to the Representative Director within the scope of the report that has been appropriately reviewed by the Nomination and Compensation Committee.

3. Policy on determining the ratio of performance-linked compensation and other compensation

Performance-linked compensation may be linked to the Medium-Term Management Plan to raise awareness of the need to improve business performance, and compensation may be paid in a way that links business performance to compensation, or stock options may be granted. The ratio of performance-linked compensation to other compensation shall be considered by the Nomination and Compensation Committee. The Board of Directors shall delegate the President and Representative Director to respect the content of the report of the Nomination and Compensation Committee and to determine the content of compensation for each individual. The ratio of compensation for Directors who engage in business execution is considered based on the level of compensation benchmarked to companies of a similar scale as the Company or companies in related industries and business categories.

4. Matters concerning the determination of the content of individual compensation of Directors

The amount of compensation and stock options for each individual shall be reviewed by the Nomination and Compensation Committee. The Board of Directors shall delegate the Representative Director to make decisions while respecting the content of the report of the Nomination and Compensation Committee. Based on the delegation by the resolution of the Board of Directors, Fuminori Yoshida, Representative Director, decides the amount, timing, and method of payment of compensation to each Director for the current fiscal year. The above authority was delegated to the President and Representative Director, as the Company deems it appropriate for the Representative Director to make decisions on the contents of compensation in order to make decisions that take into account the evaluation of each Director's business performance while taking a comprehensive view of the Company's performance.

(ii) Reasons for the Board of Directors' determination that the contents of the compensation of Directors for the fiscal year under review is in line with the said policy

In determining the compensation for each individual Director, the Board of Directors has determined that the contents of the decision is in line with the above policy, given that the Representative Director makes the decision in line with the said policy.

(iii) Matters concerning the resolution of the General Meeting of Shareholders regarding compensation

At the Extraordinary General Meeting of Shareholders held on August 3, 2005, it was resolved that the maximum annual amount of compensation for Directors shall be 130 million yen (21 million yen for Outside Directors). The number of Directors at the conclusion of the said General Meeting of Shareholders was three (3) (including zero (0) Outside Directors). In addition, it was resolved that compensation for Directors in the form of share acquisition rights as stock options be granted up to a maximum annual amount of 80 million yen at the 9th Ordinary General Meeting of Shareholders held on March 27, 2014. (Of 80 million yen, 30 million yen was approved for Outside Directors, which was resolved at the 11th Ordinary General Meeting of Shareholders held on March 30, 2016.) The number of Directors at the conclusion of the said General Meeting of Shareholders was seven (7) (including five (5) Outside Directors).

The Company proposes in this Ordinary General Meeting of Shareholders, as set forth in Proposal 5, that the maximum annual amount for Directors will remain unchanged at 130 million yen, of which the maximum annual amount for Outside Directors will be changed to 40 million yen; and the maximum amount of stock acquisition rights to be granted as stock options shall be changed to 90 million yen

The number of Directors at the conclusion of this Ordinary General Meeting of Shareholder is five (5) (including three (3) Outside Directors).

At the Extraordinary General Meeting of Shareholders held on June 30, 2011, it was resolved that the maximum annual amount of compensation for Audit & Supervisory Board Members shall be 30 million yen. The number of Audit & Supervisory Board Members at the conclusion of the said General Meeting of Shareholders was four (4).

(iv) Total amount of compensation for Directors and Audit & Supervisory Board Members

Classification	Total amount of compensation (thousand yen)	Total amount of compensation by type (thousand yen)			Number of eligible officers
		Base compensation	Performance-linked compensation	Non-monetary compensation	
Board of Directors (Outside Directors)	98,050 (20,116)	56,532 (11,079)	— (—)	41,518 (9,037)	5 (3)
Audit & Supervisory Board Members (outside members)	21,593 (21,593)	21,593 (21,593)	— (—)	— (—)	4 (4)

(Notes) 1. Salary in the event of a Director doubling as an employee is not included in the above compensation for Directors.

2. The number of Directors or Audit & Supervisory Board Members compensated as stated above includes one (1) Director who resigned on June 30, 2021, and one (1) outside member of the Audit & Supervisory Board who was appointed as an Outside Director on March 24, 2021.

3. The contents of non-monetary compensation are the amount of expenses recorded during the fiscal year under review related to stock acquisition rights granted as stock options.

(6) Matters Concerning Outside Directors and outside members of the Audit & Supervisory Board**(i) Status of main activities during the fiscal year under review**

Position	Name	Status of attendance at the Board of Directors meetings	Status of attendance at the Audit & Supervisory Board meetings	Opinions at the Board of Directors meetings and the Audit & Supervisory Board meetings and summary of duties performed in roles expected to be fulfilled by Outside Directors
Director	Shigetoshi Matsumoto	15 out of 15 (100%)	—	Mr. Matsumoto expressed opinions from an objective perspective independent from the Company's management engaged in business operations, leveraging his extensive knowledge and experience with the business practices of companies in the same industry and with auditing work.
Director	Bruce David Cheson	15 out of 15 (100%)	—	Dr. Cheson expressed opinions from an objective perspective independent from the Company's management engaged in business operations, leveraging his extensive knowledge and experience as a physician.
Director	Eiji Ebinuma	12 out of 12 (100%)	4 out of 4 (100%)	Mr. Ebinuma expressed opinions from an objective perspective independent from the Company's management engaged in business operations, using his knowledge and experience at financial institutions and as an attorney at law, mainly in the area of labor law, and his extensive knowledge as an Outside Director.
Full-time Audit & Supervisory Board Member	Kiyoshi Watanabe	15 out of 15 (100%)	15 out of 15 (100%)	Mr. Watanabe actively expressed opinions from an objective and fair perspective based on his extensive experience and knowledge as an audit & supervisory board member at listed companies in order to achieve highly effective managerial supervision.
Audit & Supervisory Board Member	Kesao Endo	15 out of 15 (100%)	15 out of 15 (100%)	Mr. Endo actively expressed opinions from a neutral perspective based on the specialized knowledge and extensive experience he accumulated as a certified public accountant in order to achieve highly effective managerial supervision.
Audit & Supervisory Board Member	Yasuhiro Tamo	12 out of 12 (100%)	11 out of 11 (100%)	Mr. Tamo expressed opinions from an objective perspective independent from the Company's management engaged in business operations, based on his knowledge and experience as an attorney at law, mainly in the area of corporate law.

- (Notes) 1. With regard to Director Eiji Ebinuma, his attendance at the meetings is calculated from the Board of Directors meetings and the Audit & Supervisory Board meetings held up until his retirement on March 24, 2021. The status of attendance also includes his attendance at meetings of the Board of Directors after his appointment as Director on March 24, 2021.
2. With regard to Director Yasuhiro Tamo, his attendance at the meetings is calculated from the Board of Directors meetings and the Audit & Supervisory Board meetings held after he assumed office on March 24, 2021.

(ii) Summary of duties performed in roles expected to be fulfilled by Outside Directors

- Shigetoshi Matsumoto and Eiji Ebinuma have been involved as members of the Nomination and Compensation Committee from an objective and neutral standpoint in the selection of candidates for the Company's Board of Directors and the determination of compensation for Directors.
- Bruce David Cheson has contributed to the enhancement of the Company's group-wide governance and supervisory functions from a global perspective, and to the monitoring and supervision of the management of the Company from an independent standpoint.
- Kiyoshi Watanabe has contributed to the enhancement and reinforcement of the Company's corporate governance and to the monitoring and supervision of the Company's management from an independent standpoint, leveraging his track record at financial institutions and his broad experience and deep insight in management.
- Kesao Endo has monitored and supervised the Company's management from an independent standpoint, drawing on his expertise and abundant experience as a certified public accountant.

5. Yasuhiro Tamo has contributed to strengthening the supervisory function of business execution from an independent standpoint, based on his knowledge and experience as an attorney at law, mainly in the area of corporate law.

5. Status of Accounting Auditor

(1) Name of accounting auditor

Ernst & Young ShinNihon LLC

(2) Summary of the contents of the liability limitation agreement

Not applicable.

(3) Summary of the contents of the compensation agreement

Not applicable.

(4) Amount of compensation

	Amount paid
Amount of compensation paid to the accounting auditor concerning the fiscal year under review	24,000 thousand yen
Total amount of monetary and other property benefits to be paid by the Company	24,000 thousand yen

(Notes) 1. Reasons for the Audit & Supervisory Board's approval of the amount of compensation to be paid to the accounting auditor

The Audit & Supervisory Board verified the contents of the audit planning by the accounting auditor, performance of its duties in previous years, and status of planning and actual performance, and as a result of a careful review on the adequacy of the amount of compensation for the fiscal year under review, has approved the amount of compensation to be paid to the accounting auditor, pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act.

2. The amounts of compensation for audits paid in accordance with the Companies Act, and the audits conducted in accordance with the Financial Instruments and Exchange Act, are not distinguished in the contract agreement between the Company and the accounting auditor. It is not possible to distinguish between compensation paid for these two types of audits; therefore the total amount thereof is stated.

(5) Policies for dismissal or non-reappointment of the accounting auditor

When it is deemed necessary to dismiss (or not reappoint) the accounting auditor for reasons relating to the accounting auditor's execution of duties, the Audit & Supervisory Board shall determine the contents of a proposal to be presented to a General Meeting of Shareholders in respect of the dismissal (or non-reappointment). In addition, when the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor with the consent of all members of the Audit & Supervisory Board. If this is the case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal of the accounting auditor and the reasons for such dismissal at the first General Meeting of Shareholders convened after the dismissal.

6. System to Ensure the Appropriateness of Operations

(1) The corporate system to ensure that Directors and employees comply with laws and ordinances, as well as the Articles of Incorporation, in the process of performing their duties

(i) Dissemination and thorough implementation of management philosophy

In order to implement its management philosophy, the Company has established a Corporate Action Charter and standards of conduct to which all Company members are expected to adhere. The Company informs all executives and staff regarding these policies and asks for each member's understanding regarding the spirit of these regulations and for thorough compliance with the same. All business activities of the Company are based on the premise of compliance with laws and ordinances and the maintenance of corporate ethical standards (below, "compliance").

(ii) Establishment of internal control committee

The Company develops internal control systems and employs other measures to support thorough compliance, risk management, and financial reporting. In addition, an internal control committee has been established to ensure complete observance of laws and ordinances, the Articles of Incorporation, and other internal regulations through exhaustive supervision.

(iii) Establishment of internal audit office

The Company has established an internal audit office as an independent unit which conducts regular audits and related activities under the direct authorization by the Representative Director and President. Through such audits, objective assessments are made as to the effectiveness and efficiency of business, the reliability of various financial reports, safeguarding of assets, compliance status of operations, and the appropriateness and effectiveness of corporate risk management policies. When necessary, the Company ensures the efficacy of internal controls by accepting advice and proposals concerning recommended improvements to the maintenance and operation of systems.

(iv) Establishment of compliance reporting and consultation hot-lines

The Company has established compliance reporting and consultation hot-lines both internal to and outside the Company, and has designated compliance liaisons to respond to reports and requests for consultation from employees, and to identify and resolve any compliance issues at the earliest stage possible.

(v) Systems for securing reliable financial reporting

The Company establishes internal control systems and oversees their appropriate operation in order to ensure reliable financial reporting.

(2) Corporate system for maintenance and control of information regarding the performance of duties by Directors

The Company appoints an individual to be responsible for the general management of corporate documents and to appropriately maintain and otherwise control all important documents containing information as to the performance by Directors of their duties in addition to legally required records of proceedings of Shareholders meetings and Board of Directors meetings, as provided in laws and ordinances as well as in the Company's own "Rules for the Management of Documents."

(3) Corporate system for control of risk of loss, including in-house rules for such control

The Company practices risk control under its basic risk control policy and related rules. The Internal Control Committee is responsible for the supervision and promotion of risk management. Additionally, the Company will swiftly respond to emergency situation by establishing an emergency response headquarters managed by the Representative Director and President.

(4) Corporate system to ensure the efficient performance of duties by Directors

(i) Directors and employees perform their duties in appropriate and efficient accordance with the "Rules for the Board of Directors" and "Rules for the Internal Approvals," as well as other related regulations.

(ii) The Company regularly holds Executive Management Committee meetings pursuant to the "Rules for the Executive Management Committee" and reviews key proposals for the purpose of supporting careful and timely decision-making from the Representative Director and President.

(iii) The Company develops mid- to long-term business plans and operates and expands its business in accordance with these plans. In addition, the Company establishes numerical targets within its business plans for each fiscal year and, through monthly closings, manages progress toward these targets while making relevant reports to Directors.

(5) Basic policy against anti-social forces

The Company resolutely opposes anti-social forces that pose a threat to the order or safety of society and forbids their participation in any and all business activities.

(6) Assistant to Audit & Supervisory Board Members

Audit & Supervisory Board Members may request that the Representative Director and President appoint an

employee to act as an assistant to Audit & Supervisory Board Members. Upon receiving such a request, the Representative Director and President shall make an appropriate appointment.

(7) Ensuring the independence of assistants to Audit & Supervisory Board Members from Directors and the effectiveness of the Audit & Supervisory Board Members' instructions to employees

- (i) Assistants to Audit & Supervisory Board Members shall not receive instructions concerning their supporting duties from anyone other than Audit & Supervisory Board Members.
- (ii) Matters such as personnel evaluation and transfer and disciplinary actions concerning employees that assist Audit & Supervisory Board Members shall be subject to the prior consent of the Audit & Supervisory Board.

(8) Corporate system for Directors and employees to report to the Audit & Supervisory Board; corporate system for other reports to the Audit & Supervisory Board; and corporate system to ensure the efficient performance of audits by the Audit & Supervisory Board

- (i) Any Director or employee shall promptly inform the Audit & Supervisory Board if and when he/she becomes aware of any circumstance that threatens to cause any significant damage to, or could adversely affect, the Company.
- (ii) Audit & Supervisory Board Members may participate in all matters that they consider important in terms of gaining a better understanding of decision-making processes, conditions, and statuses of the Company's businesses. Accordingly, they may attend Board of Directors meetings, Executive Management Committee meetings, and other important meetings. In addition, they are permitted to view key decision-making documents related to these meetings.
- (iii) Audit & Supervisory Board Members may individually interview Directors and employees in key positions of responsibility to obtain information regarding the management conditions of the Company's businesses.
- (iv) Audit & Supervisory Board Members will regularly exchange opinions with the Representative Director and President and the accounting auditor.
- (v) The Company will not apply any sort of unfavorable treatment or unjust punishment to individuals who make reports to the Audit & Supervisory Board.

(9) Matters related to the treatment of expenses or obligations associated with the execution of duties of Audit & Supervisory Board Members, including the procedures for prepayment or reimbursement of such expenses

- (i) The Company will respond without delay to claims for the prepayment of expenses made by Audit & Supervisory Board Members under Article 388 of the Companies Act, accepting responsibility for associated expenses and processing related obligations, except in cases in which these have been determined unnecessary for the execution of the duties of Audit & Supervisory Board Members.
- (ii) The Company authorizes and shoulders expenses incurred when Audit & Supervisory Board Members seek opinions or advice from external experts, including attorneys and certified public accountants, if it is found necessary for the execution of their duties.

7. Summary of the Status of System to Ensure the Appropriateness of Operations

- (1) The Company is striving to foster a culture of compliance across the organization and ensure appropriate operation of internal control systems through its communications with Directors and employees, and through publication of information such as the basic policies regarding internal control systems, corporate compliance conduct principles, basic risk control policies, and the whistleblowing system manual on the Company's intranet bulletin board.
- (2) At the Board of Directors meetings of the Company, Outside Directors participate in resolutions from an independent standpoint and monitor and supervise the management. Each Audit & Supervisory Board Member carries out management audits as well.
- (3) Full-time Audit & Supervisory Board Members attend important meetings such as the Board of Directors meetings as well as Executive Management Committee meetings, and exchange views with representative directors monthly.

Balance Sheet

(As of December 31, 2021)

(Unit: thousands of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	6,747,838	Current liabilities	1,518,111
Cash and deposits	3,860,106	Accounts payable–trade	69,683
Accounts receivable–trade	2,147,510	Accounts payable–other	515,075
Merchandise and finished goods	125,265	Income taxes payable	383,599
Semi-finished goods	259,940	Consumption taxes payable	516,036
Supplies	479	Provision for sales returns	4,342
Advance payments	192,576	Other	29,373
Prepaid expenses	145,011	Non-current liabilities	189,213
Other	16,946	Provision for product changeover	186,437
Non-current assets	1,705,159	Provision for retirement benefits	2,776
Property, plant and equipment	83,634	Total liabilities	1,707,324
Buildings	64,620	(Net assets)	
Tools, furniture and fixtures	72,734	Shareholders' equity	6,226,573
Accumulated depreciation	(53,719)	Capital stock	17,157,628
Intangible assets	259,104	Capital surplus	17,132,501
Software	254,774	Legal capital surplus	17,127,628
Software in progress	4,330	Other capital surplus	4,873
Investments and other assets	1,362,419	Retained earnings	(27,977,510)
Shares of subsidiaries and associates	0	Other retained earnings	(27,977,510)
Deferred tax assets	1,275,759	Retained earnings brought forward	(27,977,510)
Leasehold and guarantee deposits	86,660	Treasury shares	(86,045)
		Share acquisition rights	519,099
		Total net assets	6,745,672
Total assets	8,452,997	Total liabilities and net assets	8,452,997

(Note) Amounts of less than one thousand yen are rounded down.

Statement of Income

(From January 1, 2021
to December 31, 2021)

(Unit: thousands of yen)

Item	Amount	
I. Net sales		8,256,924
II. Cost of goods sold		2,452,471
Gross profit		5,804,452
Provision for sales returns		4,342
Gross profit-net		5,800,110
III. Selling, general and administrative expenses		4,784,109
Operating profit		1,016,001
IV. Non-operating income		
Interest income	57	
Interest on tax refund	68	
Dividend income of insurance	2,579	
Commission income	14,757	
Other	0	17,462
V. Non-operating expenses		
Commission fee	9,499	
Share issuance cost	1,950	
Foreign exchange losses	20,186	
Other	693	32,330
Ordinary profit		1,001,133
VI. Extraordinary income		
Gain on reversal of share acquisition rights	198	198
Profit before income taxes		1,001,331
Income taxes-current	244,887	
Income taxes-deferred	(1,275,759)	(1,030,871)
Profit		2,032,203

(Note) Amounts of less than one thousand yen are rounded down.

Statement of Changes in Equity

(From January 1, 2021
to December 31, 2021)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings
					Retained earnings brought forward
Balance as of January 1, 2021	17,044,943	17,014,943	4,541	17,019,485	(30,009,713)
Changes of items during period					
Issuance of new shares (exercise of share acquisition rights)	112,684	112,684		112,684	
Profit					2,032,203
Purchase of treasury shares					
Disposal of treasury shares			331	331	
Net changes of items other than shareholders' equity					
Total changes of items during period	112,684	112,684	331	113,015	2,032,203
Balance as of December 31, 2021	17,157,628	17,127,628	4,873	17,132,501	(27,977,510)

	Shareholders' equity		Share Acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity		
Balance as of January 1, 2021	(17,538)	4,037,177	620,140	4,657,318
Changes of items during period				
Issuance of new shares (exercise of share acquisition rights)		225,368		225,368
Profit		2,032,203		2,032,203
Purchase of treasury shares	(68,825)	(68,825)		(68,825)
Disposal of treasury shares	318	649		649
Net changes of items other than shareholders' equity			(101,041)	(101,041)
Total changes of items during period	(68,507)	2,189,396	(101,041)	2,088,354
Balance as of December 31, 2021	(86,045)	6,226,573	519,099	6,745,672

(Note) Amounts of less than one thousand yen are rounded down.

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

- (1) Valuation basis and method of marketable and investment securities
- | | |
|---|---|
| Marketable and investment securities | |
| Shares of subsidiaries and affiliates | Shares of subsidiaries are stated at cost determined by the moving-average method. |
| Other marketable and investment securities | |
| Available-for-sale securities with determinable market value | Available-for-sale securities with a determinable market value are stated at fair value based on marketable value on the closing date and other premises. Any valuation differences are included directly in shareholders' equity. Cost of securities sold is calculated by the moving-average method. |
| Available-for-sale securities without determinable market value | Available-for-sale securities without determinable market value are stated at cost determined by the moving-average method. |
| Derivative transactions | Derivative financial instruments are stated at fair value. |
| Inventories | Merchandise and finished goods are stated at cost determined by the first-in, first-out method, and semi-finished goods are stated at cost determined by the weighted average cost method. The amount on the balance sheet is calculated by reducing book value when the contribution of inventories to profitability declines. |
- (2) Depreciation and amortization of non-current assets
- | | |
|--|--|
| Property, plant and equipment (excluding lease assets) | Depreciation of property, plant and equipment is computed by the straight-line method.
The useful lives of major property, plant and equipment are summarized as follows:
Buildings 3 to 18 years
Tools, furniture and fixtures 4 to 20 years |
| Intangible assets (excluding lease assets) | Amortization of intangible assets is computed by the straight-line method.
Capitalized software costs are being amortized over the period of the internal use of five years. |
| Lease assets | Depreciation of lease assets is computed by the straight-line method over the lease term with no residual value. |
- (3) Deferred assets
- | | |
|--|---|
| Share issuance costs and bond issuance costs | Share issuance costs and bond issuance costs are recorded as expenses in full at the time of expenditure. |
|--|---|
- (4) Basis for translating assets and liabilities denominated in foreign currencies into Japanese yen
- Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the closing date, and resulting gains or losses are credited or charged to income.
- (5) Basis for reserves and provisions
- | | |
|-----------------------------------|--|
| Provision for retirement benefits | The provision for retirement benefits is provided based on an estimated amount for retirement benefit obligations at the end of fiscal year under review.
The Company applies the simplified method to calculate amounts of provision for retirement benefits and retirement benefit expenses. That is, the amount of retirement benefit obligations are the payments required for voluntary retirement as of each fiscal year end. |
|-----------------------------------|--|

Provision for sales returns	An amount equivalent to the loss based on the estimated amount of returned goods in the future is recorded to prepare for losses from returned merchandise and finished goods.
Provision for product changeover	An estimated amount of expenses is recorded to prepare for expenses to be incurred accompanying the changeover from the FD formulation to RTD formulation of TREAKISYM®.

- (6) Accounting for consumption tax
Transactions are recorded at amounts exclusive of consumption tax.

(Notes on changes in accounting policy)

(Changes in valuation method of inventories)

The valuation method of inventories was previously based on the weighted average cost method, but from the current fiscal year, merchandise and finished goods are valued using the first-in, first-out method, and semi-finished goods are valued using the weighted average cost method. This change in valuation method is due to reexamining the definition and valuation method of inventories from the perspective of conducting proper inventory valuation and periodic profit and loss calculation, as we shifted to an in-house sales system which made it possible to grasp the movement of inventories in detail.

As a result, we adopted the first-in, first-out method for merchandise and finished goods, and the weighted average cost method for semi-finished goods to ensure greater consistency with the movement of inventories held by the Company. We have determined that doing so is reasonable from the standpoint of inventory valuation and periodic profit and loss calculation, and that it more appropriately reflects the actual business conditions of the Company.

The change has not been applied retrospectively since its impact is immaterial.

(Changes in presentation methods)

(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) starting from the financial statements for the current fiscal year end, and has included notes regarding accounting estimates.

(Balance sheet items)

The Company reviewed the definition of merchandise and finished goods, and semi-finished goods from the perspective of conducting proper inventory valuation and periodic profit and loss calculation, as we shifted to an in-house sales system which made it possible to grasp the movement of inventories in detail.

As a result, semi-finished goods, which amounted to 672,891 thousand yen and included in the Merchandise and finished goods line of current assets for FY 2020, have increased in importance, and are therefore presented as a separate line item for FY 2021.

(Notes to important accounting estimates)

- (1) Amount stated in the financial statements for the current fiscal year
Deferred tax assets recorded in the current fiscal year: 1,275,759 thousand yen

- (2) Information on the contents of important accounting estimates for identified items

(i) Calculation method

The Company recognizes deferred tax assets resulting from temporary differences and operating loss carryforwards as of the end of the current fiscal year to the extent that they will reduce taxable income in future periods, in accordance with the company classification stipulated in the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, February 16, 2018). In recognizing deferred tax assets, the Company estimates the taxable income before adjustment for temporary differences based on its business plan.

(ii) Key assumptions

Taxable income based on future profitability is estimated according to the Company’s business plan, which is formulated on certain assumptions that consider significant uncertainties, such as the impact on tax adjustment items from sales status which is affected by sales volume of existing drugs and progress of development plans.

(iii) Impact on financial statement for the next and subsequent fiscal years

If assumptions used in the estimates need to be revised due to changes in uncertain economic conditions or other factors in the future, this may significantly impact the amount of deferred tax assets in the financial statements for the next and subsequent fiscal years.

(Additional information)

(Overdraft and commitment line contracts)

The Company has overdraft and commitment line contracts with three banks in a business relationship to efficiently procure working capital. The status of the bank overdraft and loan commitments based on these contracts at the end of the fiscal year under review is as follows:

	(Unit: thousands of yen)
Total amounts of bank overdraft limit and loan commitment line	3,150,000
Balance of borrowing outstanding	—
Unused balance	3,150,000

(Impact of COVID-19)

The outbreak of COVID-19 has made the outlook for the business environment more unpredictable. The pandemic has led to changes in patient behavior and rescheduling of treatments, in addition to which a number of hospitals continue to have visitor restrictions in place. Such impacts are considered in our asset impairment indicator assessment and are reflected in the estimates report

(Balance sheet)

Monetary assets receivable from subsidiaries are as follows.

Short-term monetary assets receivable: 11,385 thousand yen

(Statement of income)

(1) Inventories at fiscal year-end are stated after writing down based on the decrease in profitability. The following amount is included within cost of sales as loss on valuation of inventories.

Cost of sales: 275,633 thousand yen

(2) R&D costs included in general and administrative expenses: 1,736,126 thousand yen

(3) Transaction volume with subsidiaries and affiliates is as follows.

Transaction volume other than operating transactions: 13,949 thousand yen

(Statement of changes in equity)

(1) Type and number of shares issued and treasury shares

(Unit: number of shares)

		At beginning of current period	Increase	Decrease	At end of current period
Common stock	Shares issued	38,202,956	254,250	—	38,457,206
	Treasury shares	30,143	53,025	550	82,618

(Notes) 1. Increase of 254,250 shares issued in common stock is due to the exercise of share acquisition rights.

2. Increase of 53,025 treasury shares in common stock is due to the purchase of shares less than one unit.

3. Decrease of 550 treasury shares in common stock is due to the sale of shares less than one unit to shareholders.

(2) Number of shares to be issued upon exercise of share acquisition rights issued at the end of the fiscal year under review

Common stock 296,850 shares

(Note) Excludes share acquisition rights for which the commencement date of the exercise period has not yet arrived.

(Tax effect accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets: (Unit: thousands of yen)

Losses on valuation of inventories disallowed 85,728

Excess depreciation for lump-sum depreciable assets 1,714

Excess amortization for deferred assets 913,461

Research and development expenses disallowed 2,134,997

Accounts payable—other disallowed 1,158

Provision for retirement benefits disallowed 850

Enterprise taxes payable disallowed 44,987

Provision for product changeover disallowed	57,087
Asset retirement obligations disallowed	2,124
Share-based compensation expenses disallowed	158,948
Loss carried forward	4,598,356
Subtotal of deferred tax assets	<u>7,999,414</u>
Valuation allowances for loss carried forward	(4,227,270)
Valuation allowances for deductible temporary differences	(2,496,384)
Subtotal of valuation allowances	<u>(6,723,655)</u>
Total deferred tax assets	<u>1,275,759</u>

(Financial instruments)

(1) Financial instruments

(i) Policies for financial instruments

The Company procures the funds necessary in light of the pipeline development plan (primarily by third-party allotment and offering by new share issuance). A temporary surplus fund is invested in financial instruments which are highly safe and liquid.

As a principle, the Company does not enter into derivative transactions for speculative trading purposes but uses them within the scope prescribed in the Company's internal rules.

(ii) Types of financial instruments and related risks

Operating receivables such as accounts receivable-trade and advances paid in connection with joint development are exposed to the credit risk of customers and joint development partners. Operating receivables denominated in foreign currencies are exposed to foreign exchange fluctuation risk.

The Company intends to invest in marketable and investment securities which have a relatively low risk of falling below initial investments, however, it might entail a finite risk.

Operating payables such as accounts payable-trade and accounts payable-other are mostly due within 60 days. Operating payables denominated in foreign currencies are exposed to foreign exchange fluctuation risk.

The Company uses derivative transactions to avoid foreign exchange fluctuation risks and enters into forward exchange contracts within the scope prescribed in the internal rules based on balances of receivables and payables denominated in foreign currencies as well as the actual volume of export and import transactions denominated in foreign currencies.

Leasehold and guarantee deposits are mostly security deposits related to leased office premises and their refunds are subject to the credit risk of the lessor.

(iii) Risk management for financial instruments

1. Monitoring of credit risks (the risk that customers or counterparties may default on obligations)

In accordance with the Company's internal credit policies for managing credit risk arising from operating receivables, the department in charge periodically monitors the creditworthiness of major customers and monitors due dates and outstanding balances by individual customers. In addition, the Company is making efforts to promptly identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Company enters into derivative transactions only with financial institutions which have a sound credit profile in order to mitigate the counterparty risk.

2. Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates, and others)

The Company deposits cash primarily with financial institutions with high credit ratings.

For marketable and investment securities, the Company intends to avoid risks of falling below initial investments by investing in securities with a satisfactory credit rating and investment period in accordance with the Company's internal investment policies.

The Company enters into forward exchange contracts in order to avoid foreign exchange fluctuation risks in connection with receivables and payables denominated in foreign currencies.

Followed by appropriate authorization procedures prescribed in the Company's internal rules, the Finance & Accounting department executes and monitors derivative transactions. Transaction performances are reported to the Executive Management Committee on a regular basis.

3. Monitoring of liquidity risks (the risk that the Company may not be able to meet its obligations on the scheduled due date)

Based on the report from each department, the responsible department of the Company prepares and updates its cash flow plans on a timely basis and ensures to maintain the liquidity on hand to manage liquidity risk.

(iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

(v) Concentration of credit risk

As of the end of fiscal year under review, 100% operating receivables are from one particular major customer.

(2) Fair value of financial instruments

The carrying value on the balance sheet, fair values, and their differences as of December 31, 2021 are as follows.

(Unit: thousands of yen)

	Carrying value on the balance sheet	Fair value	Difference
(1) Cash and deposits	3,860,106	3,860,106	—
(2) Accounts receivable—trade	2,147,510	2,147,510	—
Assets, total	6,007,617	6,007,617	—
(1) Accounts payable—trade	69,683	69,683	—
(2) Accounts payable—other	515,075	515,075	—
(3) Income taxes payable	383,599	383,599	—
(4) Consumption taxes payable	516,036	516,036	—
Liabilities, total	1,484,394	1,484,394	—
Derivative transactions (*)	—	—	—

(*) Receivables and liabilities arising from derivative transactions are presented on a net basis and net liabilities are shown in parentheses.

(Note) 1. Fair value measurement of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Accounts receivable—trade

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

Liabilities

(1) Accounts payable—trade, (2) Accounts payable—other, (3) Income taxes payable and (4) Consumption taxes payable

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

Derivative transactions

None to be reported.

(Note) 2. Financial instruments whose fair value is extremely difficult to determine

Leasehold and guarantee deposits (carrying value of 86,660 thousand yen) are not included in the above table since no market quote is available and their fair value is extremely difficult to determine.

(Note) 3. The redemption schedule for monetary assets and securities with maturities after the closing date

(Unit: thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	3,860,106	—	—	—
Accounts receivable—trade	2,147,510	—	—	—
Total	6,007,617	—	—	—

(Transactions with affiliated parties)

Category	Name of company or person	Location	Capital or investment (thousands of yen)	Business details or profession	Ratio of voting rights and other forms of ownership (%)	Relationships with affiliated parties	Transaction details	Transaction amount (thousands of yen)	Account title	Year-end balance (thousands of yen)
Executive	Fuminori Yoshida	—	—	Representative Director, President and Chief Executive Officer of the Company	(Ownership) Direct: 2.83	—	Exercise of share acquisition rights	58,217 (72,500 shares)	—	—

(Note) This information describes the exercise during the fiscal year under review of share acquisition rights granted based on resolutions of the Board of Directors meetings held on March 29, 2017 and March 29, 2018.

(Per-share information)

(1) Net assets per share	162.26 yen
(2) Net profit per share	53.04 yen
Average number of shares outstanding during the year	38,313,220 shares

(Significant subsequent events)

None to be reported

Independent Auditor's Report

February 21, 2022

The Board of Directors
SymBio Pharmaceuticals Limited

Ernst & Young ShinNihon LLC
Tokyo, Japan

Hironao Yazaki
Designated Engagement Partner
Certified Public Accountant

Kinuyo Matsuo
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Section 2, paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to non-consolidated financial statements and the related supplementary schedules of SymBio Pharmaceuticals Limited (the "Company") applicable to the 17th fiscal year from January 1, 2021 to December 31, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended December 31, 2021, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on

the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Report of the Audit & Supervisory Board

We, Audit & Supervisory Board Members, prepare this report of audit with regard to the execution of Directors' duties during the 17th Term of the Company from January 1, 2021 to December 31, 2021, as the unanimous opinion of all the Audit & Supervisory Board Members after careful discussion based on the audit reports prepared by respective Audit & Supervisory Board Members, and report as follows.

1. Method and Contents of the Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board formulated the audit policy and plan for the Term reported, and received reports from the respective Audit & Supervisory Board Members with regard to the state of implementation and results of audits as well as received the reporting from Directors and the accounting auditor with regard to the state of execution of their duties, and requested additional explanations as deemed necessary.

The respective Audit & Supervisory Board Members, in conformity with the standards for audits by Audit & Supervisory Board Members that the Audit & Supervisory Board set forth and in accordance with the audit policy and plan for the Term, strove to collect information and improve audit environments by communicating with Directors, the internal audit section, and other employees. We also attended Board of Directors meetings and other important meetings, received the reporting from Directors and employees with regard to the state of execution of their duties, requesting additional explanations as deemed necessary, reviewed documents for important settlements, and researched the situation of operations and assets. Moreover, with regard to the system to ensure that the execution of Directors' duties described in the business report was compliant with laws and ordinances and the Company's Articles of Incorporation and other systems required to secure the appropriateness of operations as a stock company maintained based on the contents of resolution by the Board of Directors with regard to the maintenance of systems stipulated by the Ordinance for Enforcement of Article 100, Paragraph 1 and 3 of the Companies Act (hereinafter the "Internal Control System"), we received reporting on the status of their establishment and operation from Directors and employees, requested additional explanation as deemed necessary, and expressed our opinion. Based on the method described above, we reviewed the business report and supplementary schedules with regard to the Term reported.

In addition, we monitored and inspected the independent position of the accounting auditor and the execution of appropriate audits by the accounting auditor, and also received the reporting from the accounting auditor with regard to the state of execution of its duties, requesting additional explanation as deemed necessary. Furthermore, we received the notification from the accounting auditor that "the system to ensure that its duties are executed as appropriate (the items listed by the respective paragraphs of Article 131 of the Ordinance on the Accounting of Companies)" is maintained in accordance with "the standards for quality control of audits (Business Accounting Council, October 28, 2005)," requesting additional explanation as deemed necessary. Based on the method described above, we reviewed the financial report (including balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements) and related supplementary schedules for the Term reported.

2. Results of audit

(1) Results of the audit of the business report

- a. The business report and supplementary schedules fairly present the Company's situation in accordance with laws and ordinances and the Company's Articles of Incorporation.
- b. No misconduct in the execution of Directors' duties or any material facts in violation of laws or ordinances or the Company's Articles of Incorporation was observed.
- c. The contents of resolution by the Board of Directors with regard to the Internal Control System are appropriate. Also, there is no matter to be noted as for the descriptions in the business report regarding such Internal Control System and the execution of Directors' duties.

(2) Results of the audit of the financial statements and related supplementary schedules

Both the method used for and the result of the audit conducted by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

February 21, 2022

Audit & Supervisory Board,
Symbio Pharmaceuticals Limited

Kiyoshi Watanabe
Full-time Audit & Supervisory Board Member (Outside)

Kesao Endo
Audit & Supervisory Board Member (Outside)

Yasuhiro Tamo
Audit & Supervisory Board Member (Outside)

Location of the 17th Ordinary General Meeting of Shareholders

7-12 Marunouchi 1-chome, Chiyoda-ku, Tokyo

Sapia Tower 5th Floor

Station Conference Tokyo, Room 501

Phone +81-3-6888-8080

■ Transportation

- One-minute walk from Shinkansen Express Exit (Nihonbashi Exit) of JR Tokyo Station
- Two-minute walk from Yaesu North Exit of JR Tokyo Station
- One-minute walk from Otemachi Station, Tokyo Metro Tozai Line

