SymBio Pharmaceuticals Limited

Summary of Financial Statements
for the First Three Months of Fiscal Year Ending December 31, 2022
[Japanese GAAP] (Consolidated)

May 11, 2022

Company Name	**SymBio Pharmaceuticals Limited**	Listing: Tokyo Stock Exchange	
Securities Code	4582	URL: https://www.symbiopharma.com/	
Representative	Representative Director, President and Chief Executive Officer	Fuminori Yoshida	
Contact Person	Corporate Officer and Chief Financial Officer	Takaaki Fukushima	TEL +81-3-5472-1125
Scheduled Date to File Quarterly Report	May 12, 2022	Date of Dividend Payment (plan)	—

Supplementary materials for the quarterly financial statements: Yes・No

Holding of quarterly earnings performance review: Yes・No

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

1. Business Results for the First Three Months of FY 2022 (January 1, 2022 to March 31, 2022)

(1) Consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 FY 2022	2,315	—	509	—	478	—	163	—
Q1 FY 2021	—	—	—	—	—	—	—	—

Note: Comprehensive income: For the three months ended March 31, 2022: 163 million yen (-%)
For the three months ended March 31, 2021: - million yen (-%)

	Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Q1 FY 2022	4.25	4.18
Q1 FY 2021	—	—

(Note) Figures for Q1 FY 2021 and year-on-year changes are not shown since consolidated accounting has been adopted from Q1 FY 2022.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q1 FY 2022 (as of March 31, 2022)	8,258	6,848	76.5
FY 2021 (as of December 31, 2021)	—	—	—

(Reference) Shareholders' equity: Q1 FY 2022 (as of March 31, 2022) 6,321 million yen
FY 2021 (as of December 31, 2021) — million yen

(Note) Figures for FY 2021 are not shown since consolidated accounting has been adopted from Q1 FY 2022.

2. Dividends

	Annual Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FY 2021	—	0.00	—	0.00	0.00
FY 2022	—				
FY 2022 (Forecast)		0.00	—	0.00	0.00

(Note) Revision of dividend forecasts most recently announced: Yes・No

3. Earnings Forecasts for FY 2022 (January 1, 2022 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	10,992	—	1,770	—	1,750	—	1,480	—	38.55

(Note) Revision of earnings forecasts most recently announced: Yes・ No

Notes:

(1) Changes in significant subsidiaries during the period: Yes・ No
(change in specific subsidiaries involving changes in the scope of consolidation)
Addition: 1
Company name: SymBio Pharma USA, Inc.

(2) Application of special accounting treatment in preparing the quarterly financial statements: Yes・ No

(3) Changes in accounting policies, changes in accounting estimates and restatements after error corrections

(a) Changes in accounting policies due to revision of accounting standards: Yes・ No
(b) Changes in accounting policies due to other reasons: Yes・ No
(c) Changes in accounting estimates: Yes・ No
(d) Restatements after error corrections: Yes・ No

(4) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)	Q1 FY 2022	38,486,156 shares	FY 2021	38,457,206 shares
(ii) Total number of treasury shares at the end of the period	Q1 FY 2022	83,268 shares	FY 2021	82,618 shares
(iii) Average number of shares during the period (cumulative)	Q1 FY 2022	38,392,424 shares	Q1 FY 2021	38,183,021 shares

* Summary of the quarterly financial statements is not subject to quarterly reviews by certified public accountants or accounting corporations.

* Explanation regarding the appropriate use of earnings forecasts and other matters

All forecasts presented in this document, including earnings forecasts, are based on the information currently available to the Company and assumptions judged to be reasonable. Actual results may differ substantially from these forecasts due to various factors. Regarding the assumptions made in the Company's earnings forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of consolidated earnings forecast and other forward-looking information" on Page 4 of the attachment.

Index of the attachment

1. Qualitative Information on Quarterly Financial Results

(1) Business results

Starting from the first three months of FY 2022, the Company will prepare consolidated quarterly financial statements in connection with the commencement of full-fledged operations at SymBio Pharma USA, Inc. (CEO and President: Fuminori Yoshida), which will serve as a strategic base for our global operations as a specialty pharmaceutical company. As reference, we have provided year-on-year comparisons with the non-consolidated quarterly financial statements in the same period last year, since there have been no substantial changes in our business composition.

(i) Business results for the period under review

In December 2020, the Company began selling TREAKISYM® (generic name: bendamustine hydrochloride) through its own sales organization. This was a critical step of the Company to attain profitability in FY 2021, which was a top priority for the fiscal year.

The Company has assigned medical representatives nationwide and hematology experts in each region of operation to establish a highly productive salesforce capable of addressing local needs. To achieve nationwide distribution, we have entered into distribution agreements with Suzuken Co., Ltd. and Toho Pharmaceutical Co., Ltd. with both companies as exclusive distributors. We are also working with S.D. Collabo Co., Ltd. to establish two logistics centers, one in Eastern Japan and the other in Western Japan.

In February 2022, the Company obtained approval for a partial change to the marketing authorization of the ready-to-dilute (RTD) intravenous formulation of TREAKISYM®, which was launched in January 2021, to add rapid infusion (RI) administration. Compared to the freeze-dried (FD) formulation, the RTD formulation reduces the time required for the complicated dissolution process of. RI administration further benefits both patients and healthcare providers by reducing the infusion time to 10 minutes from the 60 minutes required by the RTD formulation.

With the cooperation of medical institutions, we have steadily converted from the FD to RTD formulation. More than 99% of medical institutions had started using the RTD formulation by the end of March 2022. In addition, by the end of April 2022, over 93% of medical institutions had expressed an intention to convert to RI administration. We have also taken necessary steps to ensure the stable supply of FD and RTD formulations of TREAKISYM®.

Despite sales activities being constrained by factors including delays in treatment and restrictions on facility visits due to the COVID-19 situation, net sales rose to 2,150,638 thousand yen (+51.4% year-over-year). The increase was largely due to the approval in March 2021 of TREAKISYM® for combination use in bendamustine-rituximab (BR) therapy and in polatuzumab vedotin plus bendamustine-rituximab (P+BR) therapy to treat recurrent/refractory diffuse large B-cell lymphoma (r/r DLBCL). The NHI price listing of Chugai Pharmaceutical's polatuzumab vedotin occurred in May 2021.

Selling, general and administrative expenses totaled 1,290,812 thousand yen (+5.8% year-over-year). This amount includes research and development expenses of 469,380 thousand yen (+2.0% year-over-year).

As a result, in the first three months of FY 2022, operating profit was 446,286 thousand yen (versus an operating loss of 210,518 thousand yen in the same period of FY 2021), ordinary profit was 416,275 thousand yen (versus an ordinary loss of 208,907 thousand yen in the same period of FY 2021), and bottom-line profit was 352,313 thousand yen (versus a bottom-line loss of 209,659 thousand yen in the same period of 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.

(ii) Research and development activities

During the first three months of FY 2022, we conducted the following development activities in each of our development pipelines.

(a) Anticancer agents: SyB L-0501 (FD formulation), SyB L-1701 (RTD formulation), and SyB L-1702 (RI administration)
(generic name: bendamustine hydrochloride or bendamustine hydrochloride hydrate, trade name: TREAKISYM®)

In March 2021, the Company obtained approval for the use of the FD formulation of TREAKISYM® in BR therapy to treat r/r DLBCL as an additional indication.

In January 2021, the Company commenced sales of the ready-to-dilute (or RTD) liquid formulation of TREAKISYM® in-licensed from Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.), having obtained marketing approval in September 2020. In April 2021, the Company obtained approval for a partial change to the marketing approval of the RTD formulation for its use in BR and P+BR therapy for the treatment of r/r DLBCL.

For the RI administration, the Company completed clinical studies on safety and filed a partial change application in May 2021. The application was approved in February 2022.

The Company will continue to actively conduct research on TREAKISYM®, such as the ongoing clinical research with Saitama Medical University and joint research with Kyoto University, to explore new potential applications of the drug.

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

Onconova Therapeutics, Inc., the drug's licensor, announced in August 2020 that INSPIRE, the pivotal Phase 3 study assessing the efficacy and safety of IV rigosertib in higher-risk MDS (HR-MDS) patients comparing to physician's choice of treatment, did not meet its primary endpoint. The Company is in charge of clinical development in Japan and has been in discussion with Onconova regarding the future development of rigosertib.

For rigosertib and TREAKISYM®, the Company is searching for new indications as well as new applications for the drugs used in combination with each other or with other existing drugs, through joint research with the University of Tokyo and other institutions.

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

In the development of the intravenous and oral formulations of antiviral drug brincidofovir (SyB V-1901; hereinafter "BCV IV" and "BCV Oral"), for which the Company envisions a global rollout, the Company is conducting joint research with top research institutions specialized in each field in Japan and overseas in light of the broad spectrum of their effectiveness against dsDNA virus infections, and will consider additional global clinical trials based on the scientific findings of the research. Earlier clinical trials in the U.S. and Europe conducted by Chimerix Inc. (head office: North Carolina, U.S.) have demonstrated that BCV Oral has broad-spectrum antiviral effects against a variety of dsDNA viruses. BCV IV is expected to be effective and safe for the prevention and treatment of many dsDNA viruses, including adenovirus (AdV) infections after hematopoietic stem cell transplantation. In June 2021, Chimerix announced that the U.S. FDA had granted brincidofovir approval for the treatment of smallpox.

Based on the review by the Global Advisory Board held in February 2020, the Company has decided to prioritize the global development of BCV IV primarily in Japan, the U.S., and Europe, targeting disseminated AdV infections occurring after hematopoietic stem cell transplantation, a niche area with a high unmet medical need. In March 2021, the Company filed an IND application with the FDA to conduct a Phase II clinical trial primarily in pediatric patients suffering from AdV infections (also includes adults). This development program was granted a fast-track designation by the FDA, and the investigational drug was administered to the first patient enrolled (first patient in or FPI) in August 2021. Further, in January 2022, the Company successfully filed a clinical trial application to the Medicines and Healthcare products Regulatory Agency of the U.K.

BK virus nephropathy after kidney transplantation is also considered a disease with serious consequences for the recipient, the donor, the medical practitioner, and the society, as it impairs the function of the transplanted kidney. The Company has been working toward an early solution to this problem through an international framework, preparing for clinical development targeting BK virus infection after kidney transplantation. Separately, the Company has also been preparing for clinical development targeting EB virus-related diseases such as difficult-to-treat multiple sclerosis, as well as post-COVID-19 conditions, which are assumed to be associated with EB virus.

Through the accumulation of clinical trial data, we will examine the efficacy of BCV in humans against various dsDNA virus infections and expand target indications to include multiviral infections. As a result, we aim to expand the target market and maximize the business value of BCV.

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 Brain Tumor Center, SymBio is exploring new indications for BCV in oncology, including rare brain tumors and EB virus-positive lymphoma. In March 2022, we commenced joint research with Brown University in the U.S. to investigate the anti-tumor effects of BCV on cytomegalovirus−associated glioblastoma (GBM).

(iii) Business outside Japan

The Company's U.S.-based wholly-owned subsidiary, SymBio Pharma USA, Inc. (CEO and President: Fuminori Yoshida), appointed Dr. Carolyn Yanavich as Chief Operating Officer and Chief Development Officer in April 2022, to further expand the global development structure. Dr. Yanavich had been Vice President and Head of Project Management and Clinical Operations at

SymBio Pharma USA since October 2021. We expect her to spearhead and accelerate our global development of brincidofovir, with SymBio Pharma USA serving as a driving force behind the international clinical trials.

(iv) 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, the Company aims to create medium- to long-term business value as a profitable biopharmaceutical company with growth potential.

(2) Explanation of financial position

Total assets as of March 31, 2022 stood at 8,258,088 thousand yen. Current assets totaled 6,811,409 thousand yen, mainly consisting of 4,182,712 thousand yen in cash and deposits, 1,698,188 thousand yen in accounts receivable-trade, and 356,359 thousand yen in semi-finished goods. Non-current assets amounted to 1,446,679 thousand yen, mainly consisting of 1,036,433 thousand yen in deferred tax assets and 235,519 thousand yen in software.

Total liabilities stood at 1,410,034 thousand yen. Current liabilities totaled 1,407,033 thousand yen, mainly consisting of 592,162 thousand yen in accounts payable-other. Non-current liabilities amounted to 3,001 thousand yen, mainly consisting of 3,001 thousand yen in liabilities for retirement benefits.

Total net assets stood at 6,848,054 thousand yen, mainly consisting of 17,169,303 thousand yen in capital stock, 17,144,188 thousand yen in capital surplus, and 526,566 thousand yen in share acquisition rights.

As a result, the equity ratio was 76.5%.

(3) Explanation of earnings forecasts and other forward-looking information

There was no change to the earnings forecast for FY 2022 as of the date of this Summary of Financial Statements.

We expect continued growth in sales taking into account the full-year contribution from the additional indication of r/r DLBCL approved in March 2021 and the impact of the NHI price listing of Chugai Pharmaceutical's genetically engineered polatuzumab vedotin in May 2021.

In February 2022, the Ministry of Health, Labour and Welfare approved the marketing of generic drugs with the RTD formulation of TREAKISYM® as the brand name drug. However, we believe this approval may infringe on our exclusive rights to use the patent for this product, and have reported this matter to Eagle Pharmaceuticals, Inc., the licensor. We have also notified in writing the four companies that have obtained marketing approvals for generic drugs regarding our concerns about infringement of our patent rights and have demanded that they take appropriate measures. If it becomes clear that the said approval infringes our patent rights, we will cooperate with Eagle Pharmaceuticals to take the necessary legal measures against companies that have obtained marketing approval for generic products.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Q1 FY 2022 (as of March 31, 2022)
Assets	
Current assets	
Cash and deposits	4,182,712
Accounts receivable–trade	1,698,188
Merchandise and finished goods	36,181
Semi-finished goods	356,359
Prepaid expenses	166,444
Other	371,521
Total current assets	6,811,409
Non-current assets	
Property, plant and equipment	
Buildings, net	43,895
Tools, furniture and fixtures, net	36,638
Construction in progress	836
Total property, plant and equipment	81,370
Intangible assets	
Software	235,519
Software in progress	7,030
Total intangible assets	242,549
Investments and other assets	
Deferred tax assets	1,036,433
Leasehold and guarantee deposits	86,325
Total investments and other assets	1,122,759
Total non-current assets	1,446,679
Total assets	8,258,088
Liabilities	
Current liabilities	
Accounts payable–trade	192,298
Accounts payable–other	592,162
Income taxes payable	136,887
Provision for product changeover	275,939
Other	209,744
Total current liabilities	1,407,033
Non-current liabilities	
Liabilities for retirement benefits	3,001
Total non-current liabilities	3,001
Total liabilities	1,410,034

(Unit: thousands of yen)

	Q1 FY 2022 (as of March 31, 2022)
Net assets	
Shareholders' equity	
Share capital	17,169,303
Capital surplus	17,144,188
Retained earnings	(27,905,553)
Treasury shares	(86,689)
Total shareholders' equity	6,321,248
Accumulated other comprehensive income	
Foreign currency translation adjustment	239
Total accumulated other comprehensive income	239
Share acquisition rights	526,566
Total net assets	6,848,054
Total liabilities and net assets	8,258,088

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income for the first three months of FY 2022

(Unit: thousands of yen)

	Q1 FY 2022 (from January 1, 2022 to March 31, 2022)
Net sales	2,315,992
Cost of sales	417,901
Gross profit	1,898,090
Selling, general and administrative expenses	1,388,889
Operating profit (loss)	509,200
Non-operating income	
Interest income	22
Foreign exchange gains	17,010
Total non-operating income	17,032
Non-operating expenses	
Commission expenses	47,319
Share issuance costs	298
Total non-operating expenses	47,617
Ordinary profit	478,616
Profit before income taxes	478,616
Income taxes - current	76,119
Income taxes - deferred	239,325
Total income taxes	315,444
Profit	163,171
Profit attributable to non-controlling interests	—
Profit attributable to owners of parent	163,171

Quarterly consolidated statement of comprehensive income for the first three months of FY 2022

(Unit: thousands of yen)

	Q1 FY 2022 (from January 1, 2022 to March 31, 2022)
Profit	163,171
Accumulated other comprehensive income	
Foreign currency translation adjustment	239
Total other comprehensive income	239
Comprehensive income	163,410
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	163,410
Comprehensive income attributable to non-controlling interests	—

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

None to be reported.

(Notes in case of significant changes to shareholders' equity)

In the first three months of FY 2022, the Company issued new shares due to the exercise of some of share acquisition rights pertaining to the 33rd, 36th, 41st, 43rd, 44th, and 49th warrants. As a result, share capital and capital surplus each increased by 11,675 thousand yen. The total value of treasury shares increased 657 thousand yen as a result of share repurchases.

The disposal of treasury shares in response to the request to sell shares by shareholders of less-than-one unit of shares led to a decrease of 14 thousand yen in the total value of treasury shares and an increase of 11 thousand yen in other capital surplus.

As a result, as of March 31, 2022, share capital was 17,169,303 thousand yen, capital surplus was 17,144,188 thousand yen, and the total value of treasury shares was 86,689 thousand yen.

(Accounting policy changes)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020; hereinafter "Revenue Recognition Standard") from the beginning of the first three months of FY 2022. As a result of the application of this standard, revenue will be recognized in the amount expected to be received in exchange for the promised goods or services at the time control of the promised goods or services is transferred to the customer.

Under the previous accounting standard, for transactions where the total amount of consideration that the Company entitled to receive in exchange for goods or services, was reduced after a contract is signed with the customer, the Company would change the consideration once reduced amount was finalized. However, under the new accounting standard, the Company will make a reasonable estimate of the reduction and subtracts it from the consideration at the time the goods or services are transferred to the customer. Further, under the previous accounting standard, the Company recorded expected sales returns in the amount equivalent to gross profit. However, in accordance with the new accounting standard regarding variable consideration, the Company no longer recognizes revenue at the time of sale and records refund liabilities as "other" under the current liabilities section of the balance sheet.

The Company has followed the transitional treatment prescribed in the provision of Paragraph 84 of the Revenue Recognition Standard, and has applied the new accounting standard from the beginning balance of retained earnings for the first three months of FY 2022, whereby the cumulative effect of retrospective application of the new accounting standard prior to the beginning of the first three months of FY 2022 is added to or deducted from the beginning balance of retained earnings.

As a result, during the first three months of FY 2022, net sales increased by 42,074 thousand yen, profit before income taxes (or operating profit and ordinary profit) increased by 42,074 thousand yen, respectively. In addition, the balance of retained earnings at the beginning of the period decreased by 92,822 thousand yen.

In accordance with the transitional treatment prescribed by the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12), the Company has not presented information that breaks down revenue from contracts with customers during the first three months of FY 2021.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30; July 4, 2019; hereinafter "Fair Value Measurement Standard") from the beginning of the first three months of FY 2022.

In applying the Fair Value Measurement Standard, the Company has followed the transitional treatment prescribed in the provision of Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10; July 4, 2019), and will apply the new accounting standard prescribed by the Fair Value Measurement Standard prospectively.

The adoption of this accounting standard has no effect on the quarterly consolidated financial statements.

(Additional information)

(Basis of presenting quarterly consolidated financial statements)

SymBio Group Company began preparing quarterly consolidated financial statements in the first three months of FY 2022. The following is a summary of the significant matters that form the basis for the preparation of the quarterly consolidated financial statements.

1. Scope of consolidation

Number of consolidated subsidiaries: 1

Name of consolidated subsidiary: SymBio Pharma USA, Inc.

2. Application of equity method

None

3. Fiscal year of consolidated subsidiaries

The quarter-end date of consolidated subsidiaries is the same as the consolidated quarter-end date.

4. Matters related to accounting policies

(1) Valuation rules and methods for significant assets

i. Marketable and investment securities

Other marketable and investment securities

Securities other than those without market value

Stated at fair value (unrealized gains and losses are accounted for as a component of net assets, with the cost of securities sold calculated according to the moving-average method).

Securities without market value

Stated at cost determined by the moving average method.

ii. Derivatives

Stated at fair value.

iii. 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 method (the amount stated in the balance sheet is calculated by writing down the book value based on a decline in profitability).

Inventory items are classified into separate categories to keep detailed track of inventory movements and perform proper valuation.

(2) Depreciation method for significant depreciable assets

i. Property, plant and equipment (excluding lease assets)

Determined by the straight-line method.

The useful life of principal assets is as follows.

Building	3 to 18 years
Tools, furniture and fixtures	4 to 20 years

ii. Intangible assets (excluding lease assets)

Determined by the straight-line method.

Software for internal use is amortized over the estimated useful life (5 years).

iii. Lease assets

The straight-line method is used, where the lease period is deemed as the useful life of the asset and the residual value is set as zero.

(3) Accounting for significant deferred assets

Stock issuance costs and bond issuance costs are fully expensed when incurred.

(4) Standards for translation of significant assets and liabilities in foreign currencies into yen

Assets and liabilities in foreign currency are translated into yen at the spot exchange rate on the final day of the accounting term and the foreign exchange gains and losses from the translations are recognized in the income statement.

(5) Basis for recording significant provisions

Provision for product changeover

The Company recognizes provisions for the estimated amount of expenses to be incurred in connection with the conversion from FD to RTD formulations.

(6) Accounting for retirement benefits

The Company adopts a simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses, whereby the amount payable at the end of the fiscal year for retirement benefits is deemed to be the retirement benefit obligation.

(7) Basis for recording significant revenues and expenses

The Company and its consolidated subsidiaries have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 30, 2018) and "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30; March 30, 2018). As a result of the application of these standards, revenue will be recognized in the amount expected to be received in exchange for the promised goods or services at the time control of the promised goods or services is transferred to the customer.

(8) Other important matters that serve as the basis for the preparation of quarterly consolidated financial statements

Accounting for consumption taxes

Accounted for using the tax-excluded method.

(Significant subsequent events)

1. Issuance of the 56th warrant (stock options)

On April 22, 2022, the Company issued and granted share acquisition rights in the form of stock options to five directors as indicated below. This issuance of share acquisition rights was based on a resolution by the Board of Directors on March 29, 2022.

Number of share acquisition rights	3,200 units
Class and number of shares to be issued upon the exercise of share acquisition rights	80,000 common shares
Issue price of share acquisition rights and total issue amount	Issue price: 17,200 yen Total issue amount: 55,040,000 yen
Amount to be paid in for share acquisition rights	Amount to be paid in per share: 688 yen Individuals who receive share acquisition rights shall offset the amount to be paid in for the relevant share acquisition rights against cash compensation equivalent to the amount.
Exercise price of share acquisition rights	Exercise price per share: 1 yen
Exercise period of share acquisition rights	From March 30, 2025 to March 29, 2032
Conditions for the exercise of share acquisition rights	(1) Individuals to whom these share acquisition rights are granted must hold a position as a director or employee of the Company or with an affiliate to exercise these rights. However, this will not apply to directors at the Company or its affiliates who have left their positions due to expiry of their terms of offices, employees at the Company or its affiliates who have retired as a result of reaching retirement age or directors or employees at the Company or its affiliates who have been deemed to have left their positions or retired amicably by the Board of Directors. (2) Other conditions will be established in the Share Acquisition Rights Allocation Agreement concluded between the Company and the employees.
Increase in share capital in case of the issuance of shares through the exercise of share acquisition rights	Increase in share capital related to the issuance of shares through the exercise of share acquisition rights shall equal to one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. Any fraction less than one yen shall be rounded up to the nearest one yen.
Matters regarding transfer of share acquisition rights	Transfers will require approval from the Board of Directors.

2. Issuance of the 57th warrant (stock options)

On April 22, 2022, the Company issued and granted share acquisition rights in the form of stock options to 124 employees as indicated below. This issuance of share acquisition rights was based on a resolution by the Board of Directors on March 29, 2022.

Number of share acquisition rights	6,493 units
Class and number of shares to be issued upon the exercise of share acquisition rights	162,325 common shares
Issue price of share acquisition rights and total issue amount	Issue price: 17,200 yen Total issue amount: 111,679,600 yen
Amount to be paid in for share acquisition rights	Exercise price per share: 688 yen Individuals who receive share acquisition rights shall offset the amount to be paid in for the relevant share acquisition rights against cash compensation equivalent to the amount.
Exercise price of share acquisition rights	Exercise price per share: 1 yen
Exercise period of share acquisition rights	From March 30, 2025 to March 29, 2032
Conditions for the exercise of share acquisition rights	(1) Individuals to whom these share acquisition rights are granted must hold a position as a director or employee of the Company or with an affiliate to exercise these rights. However, this will not apply to directors at the Company or its affiliates who have left their positions due to expiry of their terms of offices, employees at the Company or its affiliates who have retired as a result of reaching retirement age or directors or employees at the Company or its affiliates who have been deemed to have left their positions or retired amicably by the Board of Directors. (2) Other conditions will be established in the Share Acquisition Rights Allocation Agreement concluded between the Company and the directors.
Increase in share capital in case of the issuance of shares through the exercise of share acquisition rights	Increases in share capital related to the issue of shares through the exercise of share acquisition rights shall be equal to one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. Any fraction less than one yen shall be rounded up to the nearest one yen.
Matters regarding transfer of share acquisition rights	Transfers will require approval from the Board of Directors.