SymBio Pharmaceuticals Limited

Summary of Financial Statements for the First Quarter of Fiscal Year Ending December 31, 2021 [Japanese GAAP] (Non-consolidated)

May 13, 2021

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 14, 2021	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 2021 (January 1, 2021 to March 31, 2021)

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

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Profit (Loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 FY 2021	1,420	157.6	(210)	—	(208)	—	(209)	—
Q1 FY 2020	551	(65.8)	(961)	—	(991)	—	(992)	—

	Earnings (Loss) per Share	Diluted Earnings per Share
	Yen	Yen
Q1 FY 2021	(5.49)	—
Q1 FY 2020	(35.84)	—

(Note) Diluted earnings per share is not stated above due to recording of a net loss per share, despite the potential dilution of shares.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q1 FY 2021 (as of March 31, 2021)	5,440	4,439	70.7
FY 2020 (as of December 31, 2020)	6,274	4,657	64.3

(Reference) Shareholders' equity: Q1 FY 2021 (as of March 31, 2021) 3,844 million yen

FY 2020 (as of December 31, 2020) 4,037 million yen

2. Dividends

	Annual Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FY 2020	—	0.00	—	0.00	0.00
FY 2021	—				
FY 2021 (Forecast)		0.00	—	0.00	0.00

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

3. Earnings Forecasts for FY 2021 (January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Profit (Loss)		Earnings (Loss) per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	9,151	206.4	1,361	—	1,350	—	1,149	—	30.08

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

Notes:

(1) Application of special accounting treatment in preparation of quarterly financial reports: Yes・ No

(2) 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

(3) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)	Q1 FY 2021	38,258,331 shares	FY 2020	38,202,956 shares
(ii) Total number of treasury shares at the end of the period	Q1 FY 2021	62,968 shares	FY 2020	30,143 shares
(iii) Average number of shares during the period (cumulative)	Q1 FY 2021	38,183,022 shares	Q1 FY 2020	27,683,335 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 on which the Company's earnings forecasts are based and their usage, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of earnings forecasts and other forward-looking information" on Page 6 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Business results

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

(i) Domestic business

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

With the expiration of the business partnership agreement with Eisai Co., Ltd. in FY 2020, in December 2020, the company transitioned TREAKISYM® sales to its own sales organization. The transition to its own salesforce was a key step toward attaining profitability in FY 2021 and achieving sustainable growth thereafter, which are top priorities of the Company.

The Company has assigned medical representatives nationwide and hematology experts in each region of operation in order to establish a highly productive salesforce capable of addressing local needs. To achieve nationwide distribution, we have entered distribution agreements with Suzuken Co., Ltd. and Toho Pharmaceutical Co., Ltd. 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 — for nationwide coverage.

On January 12, 2021, the Company commenced sales of TREAKISYM® ready-to-dilute ("TREAKISYM® RTD" or "RTD") intravenous formulation. TREAKISYM® RTD was approved for manufacturing and marketing in September 2020.

On March 23, 2021, the Company obtained approval of a partial change to its marketing authorization to allow use of TREAKISYM® lyophilized formulation in bendamustine-rituximab (BR) therapy and in the polatuzumab vedotin plus bendamustine-rituximab (Pola+BR) therapy for treatment of recurrent/refractory diffuse large B-cell lymphoma (r/r DLBCL). The lyophilized powder formulation of TREAKISYM® became available for use in BR therapy upon this approval and it will be available for use in Pola+BR therapy after NHI price listing of polatuzumab vedotin.

On April 28, 2021, the Company obtained approval of a partial change to its marketing authorization to allow use of TREAKISYM® RTD in BR and Pola+BR therapies to treat r/r DLBCL. The Company expects BR therapy and Pola+BR therapy will become common treatment options.

[Stable product supply]

As noted above, the Company commenced sales of TREAKISYM® RTD on January 12, 2021. The Company currently sells both RTD and the lyophilized powder formulation of TREAKISYM®.

RTD is imported from Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.). TREAKISYM® lyophilized formulation is imported from Astellas Deutschland GmbH, a subsidiary of Astellas Pharma Inc. In the first quarter, the Company conducted secondary packaging and quality screening on imported batches and currently maintains adequate inventory for stable supply of product.

The Company is promoting the replacement of TREAKISYM® lyophilized formulation with TREAKISYM® RTD, aiming to achieve 91% replacement by the end of 2021.

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

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

In July 2018, the Company obtained approval of a partial change to its TREAKISYM® marketing authorization allowing the product to be used in combination with rituximab and other new anti-CD20 antibodies for the treatment of CD-20 positive follicular lymphoma (FL), a typical histologic type of low-grade NHL. After this approval, TREAKISYM® is offered to patients as a new treatment option in combination with Obinutuzumab.(Note 2) In March 2019, the Company obtained approval of a further partial change to allow 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. With the increased use as a

pretreatment agent for regenerative medicine and other pharmaceutical products, TREAKISYM® position as a 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, applied for a corresponding partial change to its manufacturing and marketing authorization. The approval was granted in March 2021. In April 2021, the Company obtained approval of a partial change to its marketing authorization to allow use of TREAKISYM® RTD in BR and Pola+BR therapies to treat r/r DLBCL. As survival data (e.g., overall survival and progression-free survival) for the BR therapy is crucial in establishing TREAKISYM® as a DLBCL treatment, the Company also conducted a follow-up study with overall survival as the primary endpoint. The Company is currently preparing to publish the follow-up study results. In June 2020, Chugai Pharmaceutical Co., Ltd. ("Chugai") filed for manufacturing and marketing approval of polatuzumab vedotin(Note 6) for use in combination with BR therapy targeting r/r DLBCL, and in July 2020, the Company applied for a partial change to its manufacturing and marketing authorization to allow the use of TREAKISYM® in combination with polatuzumab vedotin and rituximab. The related approvals were granted in March 2021. As a result, TREAKISYM® will be available for use in Pola+BR therapy as soon as polatuzumab vedotin is NHI price listed. As no effective treatment for r/r DLBCL currently exists and combination therapies comprising multiple anticancer drugs are being used as rescue chemotherapy, there is significant medical need for the development of effective and safe drugs and the newly added indication for TREAKISYM®. BR therapy is already used to treat patients with r/r DLBCL in Europe and the U.S. In Japan, patient groups and academic organizations have requested that the Ministry of Health, Labour and Welfare, make BR therapy available as soon as possible. Going forward, the Company expects TREAKISYM® to be widely available as a treatment option for patients.

In September 2017, SymBio entered an exclusive license agreement with Eagle Pharmaceuticals and obtained the exclusive right to development and commercialize the ready-to-dilute and rapid infusion (enabling shorter administration time) liquid formulations in Japan.(Note 7) The Company obtained manufacturing and marketing approval of RTD on September 18, 2020, and launched RTD in January 2021. With respect to the rapid infusion formulation ("RI"), the Company has concluded clinical trials to confirm safety and has applied approval on May 7, 2021. In comparison with the current lyophilized powder formulation, TREAKISYM® RTD does not require complex manual reconstitution, which shortens preparation time and brings significant benefit to healthcare providers. The RI formulation has the further advantage of reducing infusion time to 10 minutes from the current 60 minutes, bringing significant further benefit to both patients and healthcare providers and enabling the Company to provide substantial added value. As the RTD and RI liquid formulations are patent protected through 2031, the Company is able to extend the product life of TREAKISYM® and further strengthen the foundation of its business growth.

(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-20 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, 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. 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 currently available lyophilized (freeze-dried) powder injection. The RTD formulation does not require complex manual reconstitution, significantly simplifying preparation and reducing preparation time and the associated costs for healthcare providers. The RI formulation has the further advantage of reducing infusion time to 10 minutes from the current 60 minutes, and will bring significant benefits to both patients and healthcare providers.

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

In August 2020, U.S. licensor Onconova Therapeutics, Inc. (head office: Pennsylvania, U.S.) ("Onconova") announced with respect to its global Phase III clinical trial (with trial sites in more than 20 countries; INSPIRE study) of the intravenous formulation of rigosertib for higher-risk myelodysplastic syndromes (HR-MDS) 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 continues to review the findings of the INSPIRE study to determine the future development of rigosertib.

With respect to 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 and azacitidine used in combination were 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.

The Company is conducting joint research with the Institute of Medical Science, the University of Tokyo, to explore the potential use of TREAKISYM® and rigosertib in combination as well as use of rigosertib in combination with other existing drugs.

(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)]

On September 30, 2019, the Company entered an exclusive global licensing agreement with Chimerix Inc. (head office: North Carolina, U.S.). under which the Company obtained the exclusive worldwide rights to develop, manufacture, and commercialize the antiviral drug brincidofovir ("BCV")(Note 9) (SyB V-1901) for all human indications excluding orthopox virus.

The Company is prioritizing global development of the intravenous formulation of BCV for treatment of adenovirus infections occurring after hematopoietic stem cell transplantation, an area with high unmet medical need 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 adenovirus infections primarily in pediatric patients (also including adult patients). The FDA granted Fast Track designation to the development program.

Based on the efficacy and safety findings from the clinical trials targeting adenovirus infections, the Company plans to investigate the efficacy of BCV against a range of dsDNA(Note 10) viral infections and potential expansion of target indications to include multiple viral infections occurring after hematopoietic stem cell transplantation. The Company will also pursue the possibility of expanding target indications to viral infections in kidney or other organ transplant recipients. The oral formulation of brincidofovir has demonstrated broad-spectrum antiviral activity in clinical trials conducted in Europe and the U.S. by Chimerix. Based on the antiviral effect of the oral formulation of brincidofovir ("BCV Oral") against various dsDNA viruses, the

Company expects the intravenous formulation of brincidofovir will prove to be effective and safe in the treatment and prevention of various viral infections occurring after hematopoietic stem cell transplantation.

In December 2020, Chimerix announced that the U.S. FDA accepted its filing of a New Drug Application (NDA) for BCV Oral as a medical countermeasure for smallpox. The FDA has granted priority review designation, with the review deadline currently set to July 7, 2021.

(Note 9) Brincidofovir (BCV) is a lipid conjugate of cidofovir (CDV; an antiviral drug approved and marketed in the U.S. and Europe but not approved in Japan) with hexadecyloxypropyl (HDP), showing a rapid incorporation to the plasma membrane with efficient cellular uptake due to the lipid conjugate. Once uptaken inside target cells, the lipid chain is cleaved by action of intracellular phospholipases releasing CDV, which is then converted to the active form, CDV diphosphate. As a result of CDV diphosphate being retained in the cell for an extended period, the antiviral activity of BCV is dramatically improved compared with CDV. Furthermore, BCV can greatly reduce the risk of nephrotoxicity associated with CDV because HDP conjugation brings no accumulation of CDV in renal tubular epithelial cell through the transporter (OAT-1) and low plasma exposure of CDV.

(Note 10) Double-stranded DNA (dsDNA) viruses include herpesviridae, adenoviridae, polyomaviridae, papillomaviridae, poxviridae families of viruses, such as CMV, AdV, HHV-6, BK virus, HSV1/2, VZV, HPV, JCV, and smallpox virus.

(ii) Business outside Japan

SyB L-0501 is also marketed in China and Hong Kong, and sales of SyB L-0501 in these countries were in line with the Company's forecasts.

(iii) Licensing of new drug candidates

In addition to its focus on global development of the antiviral drug brincidofovir, the Company will continue its initiatives to seek promising new drug candidates for potential in-licensing. Through these efforts, the Company aims to create long-term business value as a profitable biopharmaceutical company with potential for growth.

(iv) Business results

Net sales for the first three months of FY 2021 increased to 1,420,332 thousand yen (+157.6% year on year) due to the transition of sales of TREAKISYM® from Eisai to the Company's own sales force. Notwithstanding factors negatively impacting sales, including postponed treatments and limited in-person sales activity due to COVID-19, and residual inventory of Eisai in the market, demand for Treakisym® remained strong in the first quarter. In the second quarter, the impact of Eisai's residual inventory is expected to be negligible, and sales are expected to increase due to the additional indication of r/r DLBCL for TREAKISYM®, which was approved on March 23, 2021.

Selling, general and administrative expenses totaled 1,220,506 thousand yen (+12.0% year on year), composed of research and development expenses of 473,245 thousand yen (+8.0% year on year) – primarily costs associated with clinical trials for the intravenous formulation of TREAKISYM® and the intravenous formulation of brincidofovir) – and selling, general and administrative expense of 747,261 thousand yen (+14.7% year on year), which includes higher selling expense due to the Company's transition to in-house sales.

As a result, an operating loss of 210,518 thousand yen was recognized in the first three months of FY 2021 (versus an operating loss of 961,910 thousand yen in the same period of FY 2020). Although the Company recorded non-operating income of 14,851 thousand yen, consisting mostly of 14,757 thousand yen in commission income, it also recorded non-operating expenses of 13,240 thousand yen, primarily comprising foreign exchange losses of 8,687 thousand yen and commission expenses of 4,110 thousand yen. As a result, ordinary loss totaled 208,907 thousand yen (versus an ordinary loss of 991,220 thousand yen in the same period of FY 2020) and bottom-line loss in the first three months of the FY 2021 totaled 209,659 thousand yen (versus a loss of 992,170 thousand yen in the same period of FY 2020).

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.

(2) Financial position

Total assets as of March 31, 2021 were 5,440,160 thousand yen, a decrease of 834,546 thousand yen from the previous fiscal year end. This was primarily due to decreases of 914,960 thousand yen in cash and deposits, 314,761 thousand yen in consumption taxes receivable, 62,981 thousand yen in semi-finished goods, and 12,770 thousand yen in software, offset by increases of 454,761

thousand yen in accounts receivable–trade, 82,640 thousand yen in merchandise and finished goods, and 47,840 thousand yen in prepaid expenses.

Total liabilities stood at 1,000,214 thousand yen, a decrease of 617,175 thousand yen from the previous fiscal year end, due mainly to decreases of 451,937 thousand yen in accounts payable-trade, 166,433 thousand yen in accounts payable-other, and 36,269 thousand yen in income taxes payable.

Under net assets, increases of 25,549 thousand yen in capital surplus and 25,425 thousand yen in share capital were offset by decreases of 209,659 thousand yen in retained earnings due to the recording of a bottom-line loss and 24,565 thousand yen in share acquisition rights. As a result, total net assets decreased to 4,439,946 thousand yen, a decrease of 217,371 thousand yen from the previous fiscal year end.

The equity ratio consequently rose 6.3 percentage points from the previous fiscal year end to 70.7%.

(3) Earnings forecasts and other forward-looking information

No revision was made to the earnings forecasts for FY 2021 as of the date of this document since the Company is still in the process of examining the effects of the approval of TREAKISYM® for the additional indication of r/r DLBCL.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly balance sheet

(Unit: thousands of yen)

	FY 2020 (as of December 31, 2020)	Q1 FY 2021 (as of March 31, 2021)
Assets		
Current assets		
Cash and deposits	3,848,626	2,933,665
Accounts receivable–trade	406,988	861,749
Merchandise and finished goods	271,550	354,191
Semi-finished goods	672,891	609,909
Prepaid expenses	80,645	128,485
Consumption taxes receivable	314,761	—
Other	219,828	114,895
Total current assets	5,815,292	5,002,896
Non-current assets		
Property, plant and equipment		
Buildings, net	42,735	41,931
Tools, furniture and fixtures, net	33,966	31,517
Total property, plant and equipment	76,701	73,448
Intangible assets		
Software	296,005	283,234
Software in progress	5,836	—
Total intangible assets	301,841	283,234
Investments and other assets		
Shares of subsidiaries	0	0
Leasehold and guarantee deposits	80,871	80,580
Total investments and other assets	80,871	80,580
Total non-current assets	459,415	437,263
Total assets	6,274,707	5,440,160
Liabilities		
Current liabilities		
Accounts payable–trade	665,460	213,523
Accounts payable–other	645,813	479,380
Income taxes payable	81,928	45,658
Other	222,137	259,442
Total current liabilities	1,615,339	998,004
Non-current liabilities		
Provision for retirement benefits	2,050	2,210
Total non-current liabilities	2,050	2,210
Total liabilities	1,617,389	1,000,214

(Unit: thousands of yen)

	FY 2020 (as of December 31, 2020)	Q1 FY 2021 (as of March 31, 2021)
Net assets		
Shareholders' equity		
Share capital	17,044,943	17,070,368
Capital surplus	17,019,485	17,045,034
Retained earnings	(30,009,713)	(30,219,373)
Treasury shares	(17,538)	(51,659)
Total shareholders' equity	4,037,177	3,844,371
Share acquisition rights	620,140	595,575
Total net assets	4,657,318	4,439,946
Total liabilities and net assets	6,274,707	5,440,160

(2) Quarterly statement of income
(For the first three months of FY 2021)

(Unit: thousands of yen)

	Q1 FY 2020 (from January 1, 2020 to March 31, 2020)	Q1 FY 2021 (from January 1, 2021 to March 31, 2021)
Net sales	551,369	1,420,332
Cost of sales	423,669	410,344
Gross profit	127,700	1,009,987
Selling, general and administrative expenses	1,089,611	1,220,506
Operating profit (loss)	(961,910)	(210,518)
Non-operating income		
Interest income	87	25
Interest on tax refund	120	68
Commission income	—	14,757
Other	—	0
Total non-operating income	207	14,851
Non-operating expenses		
Commission expenses	—	4,110
Share issuance costs	12,786	442
Foreign exchange losses	15,983	8,687
Other	747	—
Total non-operating expenses	29,517	13,240
Ordinary profit (loss)	(991,220)	(208,907)
Extraordinary income		
Gain on reversal of share acquisition rights	—	198
Total extraordinary income	—	198
Profit (loss) before income taxes	(991,220)	(208,709)
Income taxes–current	950	950
Total income taxes	950	950
Profit (loss)	(992,170)	(209,659)

(3) Notes to quarterly financial statements

(Notes to going concern assumptions)

None to be reported.

(In case of significant changes to shareholders' equity)

In the first three months of FY 2021, the Company issued new shares due to the exercise of some of share acquisition rights pertaining to the 33rd, 36th, 38th, 40th, 41st and 44th warrants. As a result, share capital and capital surplus each increased by 25,425 thousand yen. The total value of treasury shares increased 34,266 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 145 thousand yen in the total value of treasury shares and an increase of 124 thousand yen in other capital surplus.

As a result, as of March 31, 2021, share capital was 17,070,368 thousand yen, capital surplus 17,045,034 thousand yen, and the total value of treasury shares 51,659 thousand yen.

(Accounting policy changes)

(Change in inventory valuation methods)

The Company has up till FY 2020 used the weighted average method for inventory valuation, but as of Q1 FY 2021, it now uses the first in, first out (FIFO) method for merchandise and finished goods and the weighted average method for semi-finished goods. Occasioned by the transition to its own sales force, the Company studied the adoption of new definitions and valuation methods for inventories to enable more detailed ascertainment of inventory movement, and more accurate inventory valuation and periodic profit calculation.

As a result, the Company determined that the use of the FIFO method for merchandise and finished goods and the weighted average method for semi-finished goods to achieve greater consistency with inventory movement would be a rational choice in terms of inventory valuation and periodic profit calculation and that it would more appropriately reflect the state of the Company's business administration.

Because this change has only a miniscule effect on monetary figures, the Company has not restated historical financial statements.

(Changes in statement methods)

(Balance sheets)

Occasioned by the transition to its own sales force, the Company revised its definitions of merchandise and finished goods and semi-finished goods to enable more detailed ascertainment of inventory movement, and more accurate inventory valuation and periodic profit calculation.

As a result, 944,442 thousand yen stated for the "merchandise and finished goods" under current assets in the previous year end balance sheet has been restated as 672,891 thousand in "semi-finished goods" and 271,550 thousand in "merchandise and finished goods."

(Significant subsequent events)
1. Issuance of the 54th warrant (stock options)

On April 23, 2021, 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 24, 2021.

Number of share acquisition rights	1,630 units
Class and number of shares to be issued upon the exercise of share acquisition rights	40,750 shares of common stock
Issue price of share acquisition rights and total issue amount	Issue price: 29,225 yen Total issue amount: 47,636,750 yen
Amount to be paid in for share acquisition rights	Amount to be paid in per share: 1,169 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 25, 2024 to March 24, 2031
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 with 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 as 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 issuance 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 arising therefrom 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 55th warrant (stock options)

On April 23, 2021, the Company issued and granted share acquisition rights in the form of stock options to 134 employees as indicated below. This issuance of share acquisition rights was based on a resolution by the Board of Directors on March 26, 2021.

Number of share acquisition rights	4,565 units
Class and number of shares to be issued upon the exercise of share acquisition rights	114,125 shares of common stock
Issue price of share acquisition rights and total issue amount	Issue price: 29,225 yen Total issue amount: 133,412,125 yen
Amount to be paid in for share acquisition rights	Amount to be paid in per share: 1,169 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 25, 2024 to March 24, 2031
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 with 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 as 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	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 arising therefrom 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.