

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



February 12, 2021

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (under IFRS)

Company name: Kubota Pharmaceutical Holdings Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4596  
 URL: <https://www.kubotaholdings.co.jp/en/>  
 Representative: Ryo Kubota, Representative Executive Officer, Chairman, President and Chief Executive Officer  
 Inquiries: Hiroki Maekawa, Director, Chief Financial Officer  
 Telephone: +81-3-6550-8928  
 Scheduled date of Ordinary General Meeting of Shareholders: April 23, 2021  
 Scheduled date to commence dividend payments: –  
 Scheduled date of the submission of annual securities report: March 29, 2021  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

### 1. Consolidated financial results for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

#### (1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
December 31, 2020	38	–	(2,484)	–	(2,437)	–	(2,437)	–
December 31, 2019	0	–	(3,288)	–	(3,105)	–	(3,066)	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended						
December 31, 2020	(2,437)	–	(2,753)	–	(56.90)	(56.90)
December 31, 2019	(3,066)	–	(3,211)	–	(73.06)	(73.06)

	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	%	%	%
Fiscal year ended			
December 31, 2020	(34.6)	(31.6)	–
December 31, 2019	(32.9)	(31.0)	–

(Reference) Share of profit (loss) of investments accounted for using equity method:

Fiscal year ended December 31, 2020: ¥– million  
 Fiscal year ended December 31, 2019: ¥– million

## (2) Consolidated financial position

	Total assets	Total shareholders' equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2020	6,692	5,993	5,993	89.6	134.50
December 31, 2019	8,741	8,077	8,077	92.4	190.93

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2020	(2,249)	340	454	2,534
December 31, 2019	(3,418)	4,594	463	4,192

## 2. Cash dividends

	Annual dividends per share					Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended December 31, 2019	Yen –	Yen 0.00	Yen –	Yen 0.00	Yen 0.00	Millions of yen –	% –	% –
Fiscal year ended December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2021 (Forecast)	–	0.00	–	0.00	0.00		–	

## 3. Consolidated earnings forecasts for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	10	(73.5)	(2,900)	–	(2,800)	–	(2,800)	–

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	(2,800)	–	(62.84)

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: None

Excluded: None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at end of the period (including treasury shares)

As of December 31, 2020	44,558,588 shares
As of December 31, 2019	42,303,188 shares

(ii) Number of treasury shares at end of the period

As of December 31, 2020	70 shares
As of December 31, 2019	70 shares

(iii) Average number of shares outstanding during the period

For the fiscal year ended December 31, 2020	42,835,811 shares
For the fiscal year ended December 31, 2019	41,957,728 shares

**(Reference) Summary of Non-consolidated Financial Results**

**Non-consolidated financial results for the fiscal year ended December 31, 2020**

**(January 1, 2020 to December 31, 2020)**

**(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Operating revenue		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2020	196	(22.8)	(92)	—	(106)	—	(95)	—
December 31, 2019	253	(2.3)	(157)	—	(165)	—	94	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2020	(2.23)	—
December 31, 2019	2.26	2.26

**(2) Non-consolidated financial position**

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2020	1,738	1,699	59.5	23.19
December 31, 2019	1,200	1,159	43.1	12.22

(Reference) Equity:

As of December 31, 2020: ¥1,033 million

As of December 31, 2019: ¥516 million

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special items

- The earnings forecasts and other forward-looking statements contained in these materials are based on information currently available to Kubota Pharmaceutical Holdings Co., Ltd. (the “Company”) and on certain assumptions deemed to be reasonable by the Company. Actual business performance and other results may differ substantially due to various factors. Please refer to “1. Overview of Operating Results and Others, (4) Future outlook” on page 5 of the attached materials for matters relating to earnings forecasts.
- The Company plans to proactively hold briefings for investors. Please refer to the Company’s website (<https://www.kubotaholdings.co.jp/en/>) for the schedule.

Attached Material Index

1. Overview of Operating Results and Others .....	2
(1) Overview of operating results for the fiscal year ended December 31, 2020.....	2
(2) Overview of financial position as of December 31, 2020 .....	3
(3) Overview of cash flows for the fiscal year ended December 31, 2020 .....	4
(4) Future outlook .....	5
2. Basic Policy Regarding Selection of Accounting Standards.....	5
3. Consolidated Financial Statements and Significant Notes Thereto .....	6
(1) Consolidated statements of financial position .....	6
(2) Consolidated statements of profit or loss and consolidated statements of comprehensive income....	7
Consolidated statements of profit or loss .....	7
Consolidated statements of comprehensive income.....	7
(3) Consolidated statement of changes in equity .....	8
(4) Consolidated statements of cash flows.....	9
(5) Notes to consolidated financial statements.....	10
Notes on going concern assumption.....	10
Segment information, etc. ....	10
Per share information .....	10
Significant subsequent events.....	10

## 1. Overview of Operating Results and Others

### (1) Overview of operating results for the fiscal year ended December 31, 2020

The Kubota Pharmaceutical Group (the “Group”) is an ophthalmic medical solutions company specializing in the field of ophthalmology that conducts research and development of drugs and medical devices globally.

In the global economy during the fiscal year ended December 31, 2020, the outlook remains uncertain due to the further spread of the novel coronavirus disease (COVID-19) and other factors.

In this market environment, the Group proceeded with research and development as follows.

#### Small molecule compounds

With regard to emixustat hydrochloride (“emixustat”), we started a phase 3 clinical study for Stargardt disease in November 2018, and the study is currently ongoing. For the clinical study, the subjects were randomly assigned to a group receiving emixustat or a group receiving a placebo at a 2:1 ratio. Emixustat (10 mg) or the placebo was administered orally once a day for 24 months. The primary endpoint is to determine if emixustat reduces the rate of macular atrophy progression in subjects with Stargardt disease (juvenile macular degeneration) and the secondary endpoints include changes in visual function parameters, such as best-corrected visual acuity (BCVA) letter score and reading speed.

The Group proceeded with global enrollment of subjects after the first subject enrolled on November 7, 2018 (U.S. time), and the enrollment of all the subjects was completed on May 1, 2020, with a total of 194 subjects enrolled across 29 sites in 11 countries worldwide. Although the initial target for the study was 162 subjects, the Group increased the number of enrolled subjects in light of the impact of the spread of COVID-19 and other factors.

The phase 3 clinical study was selected for the Orphan Products Clinical Trials Grants Program by the U.S. Food and Drug Administration (FDA) in August 2020. Although the Group will receive grants totaling up to \$1.63 million (approximately ¥170 million) over three years from this grants program, a total of ¥57 million was recorded as other operating income for the current fiscal year, which was the first year of the grants.

Emixustat received orphan drug designation as a new drug candidate for treating Stargardt disease from the FDA in January 2017 and from the European Medicines Agency (EMA) in June 2019.

Prior to our ongoing phase 3 clinical study for Stargardt disease, the Group conducted a phase 2 clinical study for emixustat targeting proliferative diabetic retinopathy in the fiscal year ended December 31, 2017. Analysis of this clinical study suggests that emixustat may improve macular edema, but a phase 3 clinical study would be a large-scale clinical study requiring substantial research and development funding. As the Group believes it would be difficult to proceed independently, it is exploring the possibility of joint development with partner companies.

#### Medical devices

The Patient Based Ophthalmology Suite (PBOS) is a remote retinal monitoring device that makes it possible to check the condition of patients’ retinas at their home. Since the initial prototype was completed in July 2020, we have continued to improve its functions and are exploring the possibility of joint development and commercialization with partner companies while making software improvements, such as 3D imaging capabilities using artificial intelligence (AI).

The Group is also working with the National Aeronautics and Space Administration (NASA) to develop a compact optical coherence tomography (OCT) device that can be carried on a manned mission to Mars. Phase 1 of the project was completed in April 2020. In conjunction with this project, the Group received ¥38 million for the development contract from the Translational Research Institute for Space Health (TRISH), which is a consortium that funds innovative technologies through a joint cooperation agreement with NASA aimed at protecting and maintaining the mental and physical health of astronauts on NASA’s deep space missions, and recorded the amount as revenue.

The Group is also developing wearable myopia control devices aimed at treating and controlling the progression of myopia utilizing Kubota Glass technology, the Group’s original active stimulation technology. In May 2020, a proof-of-concept (POC) clinical study using a desktop device demonstrated that axial length (the distance from the cornea to the retina) decreased in the test eye compared to the control eye, and in August 2020, a clinical study confirmed that the same results could be replicated

with a wearable device. The Group completed an initial prototype in December 2020, and is currently continuing development toward early commercialization.

#### Gene therapy

In gene therapy, we continued the preclinical study for improving the effect of promoters and capsids as well as altering transgenes for retinitis pigmentosa, which is a hereditary retinal disease.

#### Research and development expenses

Research and development expenses for the current fiscal year was ¥1,973 million, a decrease of ¥783 million, or 28.4%, year on year. This was mainly due to a decrease in development expenses for the remote retinal monitoring device PBOS and a decrease in personnel expenses and other expenses related to research and development due to a reduction in the number of personnel, etc., despite an increase in development expenses for wearable myopia control devices.

(Unit: Thousands of yen or %)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Increase (Decrease)	Change (%)
Research and development expenses	2,756,331	1,972,837	(783,494)	(28.4)

#### General and administrative expenses

General and administrative expenses for the current fiscal year was ¥606 million, an increase of ¥74 million, or 13.9%, year on year. This was related to share acquisition rights and was mainly due to the recording of expenses related to share options in the current fiscal year, while a gain on reversal of the share options (share acquisition rights) of personnel who retired in line with the reduction in the number of personnel was recorded in the previous fiscal year.

(Unit: Thousands of yen or %)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Increase (Decrease)	Change (%)
General and administrative expenses	532,076	606,272	74,196	13.9

## **(2) Overview of financial position as of December 31, 2020**

#### Current assets

Current assets as of the end of the current fiscal year was ¥6,417 million, a decrease of ¥1,760 million from the end of previous fiscal year. This was mainly due to a decrease in cash and cash equivalents.

#### Non-current assets

Non-current assets as of the end of the current fiscal year was ¥275 million, a decrease of ¥288 million from the end of previous fiscal year. This was mainly due to a decrease in other financial assets.

#### Current liabilities

Current liabilities as of the end of the current fiscal year was ¥507 million, an increase of ¥1 million from the end of previous fiscal year. This was mainly due to an increase in accrued liabilities, despite decreases in trade payables, other current liabilities, etc.

#### Non-current liabilities

Non-current liabilities as of the end of the current fiscal year was ¥192 million, an increase of ¥34 million from the end of previous fiscal year. This was mainly due to an increase in lease liabilities.

Shareholders' equity

Shareholders' equity as of the end of the current fiscal year was ¥5,993 million, a decrease of ¥2,084 million from the end of the previous fiscal year. This was mainly due to an increase in loss brought forward (accumulated deficit) due to the recording of net loss.

**(3) Overview of cash flows for the fiscal year ended December 31, 2020**

Cash and cash equivalents include all highly liquid short-term investments with a maturity of three months or less from the date of acquisition, and cash equivalents consist of money market funds. Investments with a maturity of three months to one year as of the date of acquisition are classified as short-term investments. Short-term investments are comprised of corporate bonds, commercial papers, U.S. government bonds and negotiable certificates of deposit.

The cash, cash equivalents and short- and long-term financial instruments held by the Group were ¥8,458 million as of the end of previous fiscal year, and ¥6,339 million as of the end of the current fiscal year. Deposits at third-party financial institutions may exceed the applicable insurance limits of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation.

Cash flows from operating activities

Cash and cash equivalents ("cash") used in operating activities was ¥3,418 million for the previous fiscal year, and ¥2,249 million for the current fiscal year. The decrease of ¥1,170 million in net cash used was mainly due to a year-on-year decrease in expenditures for research and development expenses for the current fiscal year, an increase in accrued liabilities as of the end of the previous fiscal year, associated with the development of the clinical study for emixustat and other factors, and a year-on-year decrease in payments for accrued compensation for the current fiscal year.

Cash flows from investing activities

Net cash provided by investing activities was ¥4,594 million for the previous fiscal year, and ¥340 million for the current fiscal year. The decrease of ¥4,253 million in net cash provided was mainly due to a decrease of financial assets that reached maturity.

Cash flows from financing activities

Net cash provided by financing activities was ¥463 million for the previous fiscal year, and ¥454 million for the current fiscal year. The decrease of ¥9 million in net cash provided was mainly due to a year-on-year decrease in proceeds from issuance of ordinary shares upon exercise of share acquisition rights for the current fiscal year.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Ratio of equity attributable to owners of parent to total assets (%)	92.4	89.6
Ratio of equity attributable to owners of parent on market value basis to total assets (%)	142.8	165.8
Interest-bearing liabilities to cash flow ratio (years)	-	-
Interest coverage ratio (times)	-	-

Calculating formulas of above indicators

Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent on market value basis to total assets: Market capitalization / Total assets

Interest-bearing liabilities to cash flow ratio: Interest-bearing liabilities / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest paid

(Note 1) Each indicator was calculated using consolidated-basis financial data.



- (Note 2) Market capitalization is calculated on the basis of the number of issued shares excluding treasury shares.
- (Note 3) Operating cash flow indicates the net cash provided by (used in) operating activities in the consolidated statement of cash flows.
- (Note 4) Interest-bearing liabilities include all liabilities as recorded on the consolidated statement of financial position on which interest is paid.

#### **(4) Future outlook**

Contributing to preserving and restoring vision for people suffering from eye diseases around the world is the mission of the Group. The Group, while constantly striving to strengthen the pipeline for realizing that goal, has a policy to increase corporate value by selecting and focusing on businesses in the next fiscal year, continuing the efforts from the current fiscal year.

Specifically, with regard to emixustat, the Group will continue the ongoing phase 3 clinical study for Stargardt disease. For medical devices, the Group will continue the development of wearable myopia control devices toward commercialization, while focusing our efforts for PBOS development on function and software improvements on the prototypes and seeking partnership opportunities.

As a result of these initiatives, the Group's research and development expenses for the fiscal year ending December 31, 2021, are expected to decrease compared to the fiscal year ended December 31, 2020. On the other hand, regarding general and administrative expenses, the expenses related to business development toward commercialization of wearable myopia control devices are expected to increase.

The revenue for the fiscal year ending December 31, 2021, is expected to include sales from wearable myopia control devices and other income.

As a result of the above, the operating loss for the fiscal year ending December 31, 2021, is expected to increase approximately 15% compared to the fiscal year ended December 31, 2020.

The future outlook was calculated based on an assumed exchange rate of US\$1.00 = ¥105.00. Furthermore, although the Group believes that the effects of the spread of COVID-19 and other factors on business performance will be insignificant, we will continue to monitor the situation closely and promptly disclose any expected impact on business performance that arises.

In securing stable funding for research and development, the Group recognizes that establishing a revenue base is an important management issue and is continuing its efforts to establish the revenue base, including collaborating with partner companies related to research and development and commercialization in the Group's pipeline.

The earnings forecasts and other forward-looking statements contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business performance and other results may differ substantially due to various factors.

## **2. Basic Policy Regarding Selection of Accounting Standards**

The Group is actively promoting the development of its business in the U.S. and other countries around the world. Given this situation, the Group adopted International Financial Reporting Standards (IFRS), aiming to increase comparability by disclosing financial information based on international standards for the convenience of shareholders, investors and various other stakeholders.

### 3. Consolidated Financial Statements and Significant Notes Thereto

#### (1) Consolidated statements of financial position

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
	Thousands of yen	Thousands of yen
<b>Assets</b>		
Current assets		
Cash and cash equivalents	4,192,367	2,533,786
Other financial assets	3,778,244	3,782,856
Other current assets	206,837	100,381
Total current assets	<u>8,177,448</u>	<u>6,417,023</u>
Non-current assets		
Property, plant and equipment	53,176	220,228
Other financial assets	487,741	22,167
Other non-current assets	22,226	32,518
Total non-current assets	<u>563,143</u>	<u>274,913</u>
Total assets	<u><b>8,740,591</b></u>	<u><b>6,691,936</b></u>
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade payables	91,711	68,612
Accrued liabilities	178,610	226,197
Accrued compensation	65,196	72,058
Lease liabilities	132,125	139,784
Other current liabilities	37,798	-
Total current liabilities	<u>505,440</u>	<u>506,651</u>
Non-current liabilities		
Long-term liabilities	17,715	12,595
Lease liabilities	140,354	179,611
Total non-current liabilities	<u>158,069</u>	<u>192,206</u>
Total liabilities	<u>663,509</u>	<u>698,857</u>
Shareholders' equity		
Share capital	842,595	1,148,650
Capital surplus	26,160,540	26,523,421
Retained earnings (loss)	(17,110,873)	(19,548,297)
Other component of equity	(1,815,180)	(2,130,695)
Total equity attributable to owners of parent	<u>8,077,082</u>	<u>5,993,079</u>
Total shareholders' equity	<u>8,077,082</u>	<u>5,993,079</u>
Total liabilities and shareholders' equity	<u><b>8,740,591</b></u>	<u><b>6,691,936</b></u>

**(2) Consolidated statements of profit or loss and consolidated statements of comprehensive income**

**Consolidated statements of profit or loss**

	Previous fiscal year (January 1, 2019 to December 31, 2019)	Current fiscal year (January 1, 2020 to December 31, 2020)
	Thousands of yen	Thousands of yen
Revenue	–	37,786
Business expenses		
Research and development expenses	2,756,331	1,972,837
General and administrative expenses	532,076	606,272
Total business expenses	<u>3,288,407</u>	<u>2,579,109</u>
Other operating income	–	57,279
Operating loss	<u>(3,288,407)</u>	<u>(2,484,044)</u>
Other income and expenses		
Finance income	218,119	67,795
Finance costs	(24,816)	(16,402)
Other income (expenses)	(10,139)	(4,773)
Total other income and expenses	<u>183,164</u>	<u>46,620</u>
Loss before tax	<u>(3,105,243)</u>	<u>(2,437,424)</u>
Income tax benefit (expense)	39,673	–
Net loss	<u><u>(3,065,570)</u></u>	<u><u>(2,437,424)</u></u>
Loss attributable to Owners of parent	(3,065,570)	(2,437,424)
Net loss per share		
Basic loss per share (Yen)	(73.06)	(56.90)
Diluted loss per share (Yen)	(73.06)	(56.90)

**Consolidated statements of comprehensive income**

	Previous fiscal year (January 1, 2019 to December 31, 2019)	Current fiscal year (January 1, 2020 to December 31, 2020)
	Thousands of yen	Thousands of yen
Net loss	(3,065,570)	(2,437,424)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(145,769)	(315,515)
Total other comprehensive income	<u>(145,769)</u>	<u>(315,515)</u>
Comprehensive income	<u><u>(3,211,339)</u></u>	<u><u>(2,752,939)</u></u>
Comprehensive income attributable to Owners of parent	(3,211,339)	(2,752,939)

**(3) Consolidated statement of changes in equity**

	Equity attributable to owners of parent					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings (loss)	Other components of equity	Total	
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of January 1, 2019	482,340	25,867,681	(14,137,639)	(1,669,411)	10,542,971	10,542,971
Cumulative effect of accounting change			92,335		92,335	92,335
Restated balance as of January 1, 2019	482,340	25,867,681	(14,045,304)	(1,669,411)	10,635,306	10,635,306
Net loss			(3,065,570)		(3,065,570)	(3,065,570)
Exchange differences on translation of foreign operations				(145,769)	(145,769)	(145,769)
Total comprehensive income	–	–	(3,065,570)	(145,769)	(3,211,339)	(3,211,339)
Share-based compensation expense		(8,231)			(8,231)	(8,231)
Issuance of new shares	360,255	309,248			669,503	669,503
Issuance cost of new shares		(8,158)			(8,158)	(8,158)
Total equity transactions with owners	360,255	292,859	–	–	653,114	653,114
Balance as of December 31, 2019	842,595	26,160,540	(17,110,873)	(1,815,180)	8,077,082	8,077,082
Net loss			(2,437,424)		(2,437,424)	(2,437,424)
Exchange differences on translation of foreign operations				(315,515)	(315,515)	(315,515)
Total comprehensive income	–	–	(2,437,424)	(315,515)	(2,752,939)	(2,752,939)
Share-based compensation expense		70,903			70,903	70,903
Issuance of new shares	306,055	306,055			612,110	612,110
Issuance cost of new shares		(14,077)			(14,077)	(14,077)
Total equity transactions with owners	306,055	362,881	–	–	668,936	668,936
Balance as of December 31, 2020	1,148,650	26,523,421	(19,548,297)	(2,130,695)	5,993,079	5,993,079

**(4) Consolidated statements of cash flows**

	Previous fiscal year (January 1, 2019 to December 31, 2019)	Current fiscal year (January 1, 2020 to December 31, 2020)
	Thousands of yen	Thousands of yen
Cash flows from operating activities		
Net loss	(3,065,570)	(2,437,424)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	45,949	45,380
Share-based compensation expense	(8,231)	70,903
Amortization of premium or discount on marketable securities	(62,722)	(4,677)
Loss (gain) on sale and retirement of property, plant and equipment	-	(484)
Finance income	(218,119)	(67,795)
Finance costs	24,816	16,402
Change in operating assets and liabilities		
Other current assets	27,955	138,030
Other current liabilities	37,825	(37,127)
Trade payables	75,398	(19,750)
Accrued liabilities	(135,207)	61,692
Accrued compensation	(185,358)	10,639
Lease liabilities	-	(4,267)
Other assets	69,691	(3,720)
Subtotal	(3,393,573)	(2,232,198)
Interest paid	(24,878)	(16,506)
Net cash provided by (used in) operating activities	(3,418,451)	(2,248,704)
Cash flows from investing activities		
Interest received	222,878	79,541
Purchase of other financial assets	(5,128,336)	(4,249,572)
Proceeds from redemption upon maturity of other financial assets	9,231,753	4,404,284
Proceeds from sale of other financial assets	164,779	-
Purchase of property, plant and equipment	-	(13,417)
Proceeds from sale of property, plant and equipment	8,246	-
Proceeds from collection of lease receivables	94,412	108,453
Proceeds from refund of leasehold and guarantee deposits	-	19,363
Payment of leasehold and guarantee deposits	-	(8,258)
Net cash provided by (used in) investing activities	4,593,732	340,394
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	661,701	592,612
Proceeds from issuance of share acquisition rights	-	4,590
Payment of lease liabilities	(198,798)	(143,423)
Net cash provided by (used in) financing activities	462,903	453,779
Effect of exchange rate changes on cash and cash equivalents	(30,690)	(204,050)
Net increase (decrease) in cash and cash equivalents	1,607,494	(1,658,581)
Cash and cash equivalents at beginning of period	2,584,873	4,192,367
Cash and cash equivalents at end of period	4,192,367	2,533,786

**(5) Notes to consolidated financial statements**

**Notes on going concern assumption**

Not applicable.

**Segment information, etc.**

The Group is engaged in the pharmaceutical business and the related business activities, which constitute a single segment. All of the Group's significant assets are located in the U.S.

**Per share information**

	Previous fiscal year (January 1, 2019 to December 31, 2019)	Current fiscal year (January 1, 2020 to December 31, 2020)
Loss attributable to owners of parent (Thousands of yen)	(3,065,570)	(2,437,424)
Weighted-average number of ordinary shares outstanding (Thousands of shares)	41,958	42,836
Net loss per share		
Basic loss per share (Yen)	(73.06)	(56.90)
Diluted loss per share (Yen)	(73.06)	(56.90)

(Note) Although the number of dilutive potential ordinary shares was 113,000 shares in the previous fiscal year, and 429,000 shares in the current fiscal year, they were excluded from the calculation for diluted loss per share as their impact was antidilutive.

**Significant subsequent events**

Not applicable.