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**Differences Between Consolidated Earnings Forecast and Actual Results for the First Six Months of the Fiscal Year Ending January 2023 and Recording of Non-Operating Expenses, etc.**

SanBio Co., Ltd. (hereafter, the “Company”) announces that its financial results for the first six months of the fiscal year ending January 2023 (February 1, 2022–July 31, 2022) disclosed today deviated from the consolidated earnings forecast released on March 11, 2022, as outlined below. The Company also announces the booking of non-operating expenses, etc. as below.

1. Differences between the consolidated earnings forecast and actual results for the first six months of the fiscal year ending January 2023 (February 1, 2022–July 31, 2022)

(Million yen)

	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (yen)
Previous forecast (A) (Announced March 11, 2022)	-	(3,067)	(3,168)	(3,169)	(61.19)
Actual results (B)	-	(4,621)	(774)	(2,154)	(39.26)
Change (B) – (A)	-	(1,554)	2,394	1,015	
Rate of change (%)	-	-	-	-	
(Ref.) Q2 FY2022.1 results	-	(3,052)	(2,146)	(2,134)	(41.21)

2. Reasons for difference

In the first six months of the fiscal year under review, the Company recorded an operating loss as above due primarily to an increase of manufacturing-related expenses toward obtaining approval for SB623 for the chronic traumatic brain injury (TBI) program. The loss was also attributed to negative translation adjustments for expenses incurred due to a weakening yen against the US dollar and the booking of R&D expenses following the Company’s decision to use supplies initially set aside for use in commercial

production in R&D instead.

The ordinary loss was smaller than initially projected, owing to foreign exchange gains on foreign currency denominated loans to consolidated subsidiaries and other related receivables resulting from a weaker yen.

The Company recorded a net loss attributable to owners of the parent as above, as it recognized deferred tax liabilities associated with foreign currency denominated loans to consolidated subsidiaries and other related receivables.

Details are as follows.

1) Operating loss

In the first six months of the fiscal year under review (February 1, 2022–July 31, 2022), the Company recorded operating expenses of ¥4,621 million, exceeding previous projections by ¥1,554 million. This was primarily due to an increase of manufacturing-related expenses toward obtaining approval for SB623 for the chronic TBI program. Also contributing to the greater-than-expected operating expenses were negative translation adjustments for expenditures incurred due to yen depreciation against the US dollar, R&D expenses of ¥484 million booked in connection with the Company's decision to use materials initially booked as supplies for commercial production in R&D instead, and expenses of ¥63 million incurred due to suspension of in-house software development in efforts to reduce costs.

2) Non-operating income and expenses

In the first six months of the fiscal year under review (February 1, 2022–July 31, 2022), the Company recorded foreign exchange gains of ¥3,879 million stemming from fluctuations in the foreign exchange rates as non-operating income. These gains mainly arose from foreign currency denominated loans to consolidated subsidiaries and other related receivables. Meanwhile, due to the same fluctuations in the foreign exchange rates, the Company recorded foreign currency translation adjustments of -¥3,836 million in converting the results of its overseas consolidated subsidiaries to Japanese yen, under other comprehensive income.

Further, under non-operating expenses, the Company booked ¥18 million in fees for the committed credit line agreements it entered with three banks as financing expenses and ¥14 million in interest expenses on bank loans.

3) Deferred income taxes

In the first six months of the fiscal year under review (February 1, 2022–July 31, 2022), the Company recognized deferred tax liabilities associated with foreign currency denominated loans to its consolidated subsidiaries and other related receivables, and accordingly recorded deferred income taxes of ¥1,379 million.

Regarding the full-year forecast for the fiscal year ending January 2023, please see the “Revision of Consolidated Earnings Forecast for the Fiscal Year Ending January 2023” released September 14, 2022.