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

November 8, 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	November 9, 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 Nine Months of FY 2022 (January 1, 2022 to September 30, 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	%
Q3 FY 2022	7,355	—	1,588	—	1,843	—	1,555	—
Q3 FY 2021	—	—	—	—	—	—	—	—

(Note) Comprehensive income: Q3 FY 2022 1,555 million yen (-%)
Q3 FY 2021 — million yen (-%)

	Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Q3 FY 2022	40.00	39.43
Q3 FY 2021	—	—

(Note) The Company began preparing consolidated quarterly financial statements from Q1 FY 2022 with the start of full-fledged operations at SymBio Pharma USA. As a result, figures for Q3 FY 2021 as well as year-on-year comparisons against Q3 FY 2021 have not been provided.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q3 FY 2022 (as of September 30, 2022)	10,618	8,854	79.6
FY 2021 (as of December 31, 2021)	—	—	—

(Reference) Shareholders' equity: Q3 FY 2022 (as of September 30, 2022) 8,447 million yen
FY 2021 (as of December 31, 2021) — million yen

(Note) The Company began preparing consolidated quarterly financial statements from Q1 FY 2022, and hence figures for FY 2021 have not been provided.

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	—	0.00	—		
FY 2022 (Forecast)				0.00	0.00

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

3. Earnings Forecasts for FY 2022 (January 1, 2022 to December 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	10,003	—	2,000	—	2,300	—	1,650	—	42.42

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

Notes:

(1) Changes in significant subsidiaries during the period: Yes ・ No

(Transfer of specified subsidiary accompanying a change in the scope of consolidation)
New: SymBio Pharma USA, Inc.
Removed: None

(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)	Q3 FY 2022	39,576,006 shares	FY 2021	38,457,206 shares
(ii) Total number of treasury shares at the end of the period	Q3 FY 2022	84,743 shares	FY 2021	82,618 shares
(iii) Average number of shares during the period (cumulative)	Q3 FY 2022	38,893,556 shares	Q3 FY 2021	38,293,510 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 consolidated earnings forecast and other forward-looking information" on Page 5 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Business results

From the first three months of FY 2022, the Company began preparing consolidated quarterly financial statements in connection with the commencement of full-fledged operations at its wholly-owned U.S.-based subsidiary, SymBio Pharma USA, Inc. (President: Carolyn Yanavich), which serves 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 or bendamustine hydrochloride hydrate) 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 to establish a highly productive salesforce that can identify local needs and plan detailed proposals. We also deployed hematology experts in each region of operation to provide information in a more scientific manner. 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. and have established 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) liquid 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 of TREAKISYM® reduces the time required for the complicated dissolution process. RI administration further reduces the infusion time to 10 minutes, relieving the burden on both patients and healthcare providers. The reduction in infusion volume lowers the volume of saline solution and accordingly the amount of salt (sodium chloride) used.

With the cooperation of medical institutions, the switch from the FD to RTD formulation of TREAKISYM® is near completion. In addition, conversion to the RI administration proceeded smoothly, with over 94% of medical institutions confirming their intention to switch to RI administration as of the end of September 2022. As a quality assurance measure, we established a system to ensure a stable supply of the RTD formulation of TREAKISYM®.

As a result, net sales totaled 7,355,507 thousand yen (+32.5% year on year). Despite sales activities being constrained by delays in treatment and continued restrictions on facility visits due to the spread of COVID-19, net sales rose due to the March 2021 approval for the use of TREAKISYM® in the bendamustine-rituximab (BR) therapy and in polatuzumab vedotin plus bendamustine-rituximab (Pola+BR) therapy to treat recurrent/refractory diffuse large B-cell lymphoma (r/r DLBCL), as well as the NHI price listing of Chugai Pharmaceutical's polatuzumab vedotin in May 2021.

Selling, general and administrative expenses totaled 3,877,749 thousand yen (+7.1% year on year). This amount includes research and development expenses of 1,563,518 thousand yen (+21.6% year on year).

As a result, operating profit was 1,588,856 thousand yen (versus 424,238 thousand yen in the same period of FY 2021) and ordinary profit was 1,843,421 thousand yen (versus 414,440 thousand yen in the same period of FY 2021). Profit attributable to owners of parent amounted to 1,555,746 thousand yen (versus 324,855 thousand yen in the same period of FY 2021). As cumulative total sales of the RTD formulation of TREAKISYM® reached 11,000 million yen in the first nine months of FY 2022, the Company booked 550 million yen in sales milestone payments to Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.; hereinafter "Eagle") under cost of sales.

Segment information has been omitted since the SymBio Group 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 nine months of FY 2022, we conducted the following research and 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 use of the FD formulation of TREAKISYM® in the BR and Pola+BR therapies to treat r/r DLBCL in addition to the already approved indications. After approval, the FD formulation of TREAKISYM® immediately became available for use in both therapies.

In January 2021, the Company commenced sales of the RTD formulation of TREAKISYM® in-licensed from Eagle, 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 the BR and Pola+BR therapies 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, enabling the use of RI injection for all approved indications of the RTD formulation.

The Company will actively conduct further research on TREAKISYM®, such as ongoing clinical research with Saitama Medical University and joint research with Kyoto University, to explore new possibilities 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 and the offering of academia-industry collaborative courses with the University of Tokyo.

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

In the development of the intravenous and oral formulations of antiviral drug brincidofovir (SyB V-1901; hereinafter "BCV IV" and "BCV Oral"), for which a global rollout is planned, the Company has been carrying out joint research with top research institutions of each specialized field in Japan and overseas in light of the drugs' broad effectiveness against dsDNA viruses. We will consider and carry out global clinical trials based on the scientific findings of this research. Clinical trials conducted in the U.S. and Europe by Chimerix Inc. (head office: North Carolina, U.S.) have demonstrated that BCV Oral has wide-ranging 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 virus infections, including adenovirus (AdV) infections after hematopoietic stem cell transplantation. In June 2021, Chimerix obtained approval from the U.S. Food and Drug Administration (FDA) for BCV Oral as a medical countermeasure for 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 Investigational New Drug (IND) application with the FDA to conduct a Phase II clinical trial primarily in pediatric patients suffering from AdV infections (also including adults). This development program was granted Fast Track designation by the FDA in April 2021, and the investigational drug was administered to the first patient (first patient in or FPI) in August 2021.

BK virus (BKV) infection after kidney transplantation is a disease with serious consequences for the recipient, the donor, the medical practitioner, and the society, due to the risk of impaired renal function and loss of the transplanted kidney (graft loss). In efforts to speed up resolution of this problem, the Company submitted a clinical trial notification for a global Phase II study in patients infected with BKV after kidney transplantation to the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan in May 2022 and filed another notification with the Therapeutic Goods Administration (TGA) of Australia in August 2022. The Company is also preparing to conduct clinical trials in South Korea.

The Company is also looking to develop BCV to treat multiple sclerosis, an intractable disease that has recently been proven to be associated with Epstein-Barr virus (EBV). In August 2022, the Company entered into a collaboration agreement with the National Institute of Neurological Disorders and Stroke (NINDS), part of the National Institutes of Health (NIH) in the U.S., for the transfer of materials for evaluation of BCV's potential antiviral effect on EBV.

In addition to having its strong antiviral effect, BCV also is expected to have an antitumor effect, and the Company is exploring new indications such as EBV-positive lymphoma, refractory brain tumors, and other cancers via research collaborations with the

National Cancer Centre Singapore (NCCS) and University of California San Francisco (UCSF) Brain Tumor Center. In March 2022, the Company also commenced research in collaboration with Brown University in the U.S. to investigate the anti-tumor effects of BCV against glioblastoma (GBM) associated with cytomegalovirus (CMV) infections.

Through the accumulation of clinical trial data, the Company will examine the efficacy of BCV in humans against various dsDNA virus infections and expand target indications to include multiviral infections, with the aim of enlarging the target market and maximizing the business value of BCV.

In September 2022, Chimerix announced that it has completed the closing of the sale of BCV to Emergent BioSolutions Inc. (head office: Maryland, U.S.). The Company's exclusive worldwide development, manufacturing, and marketing rights to BCV for all indications except orthopoxvirus infections (including smallpox and monkeypox) will not be affected.

(iii) Business outside Japan

In April 2022, the Company's U.S.-based wholly-owned subsidiary, SymBio Pharma USA, Inc. appointed Dr. Carolyn Yanavich as President, Chief Operating Officer, and Chief Development Officer, 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 consolidated assets as of September 30, 2022 stood at 10,618,034 thousand yen. Current assets totaled 9,095,898 thousand yen, mainly consisting of 6,133,077 thousand yen in cash and deposits, 1,862,011 thousand yen in accounts receivable-trade, 222,111 thousand yen in merchandise and finished goods, and 215,859 thousand yen in semi-finished goods. Non-current assets amounted to 1,522,136 thousand yen, mainly consisting of 1,132,611 thousand yen in deferred tax assets and 231,513 thousand yen in software.

Total liabilities stood at 1,763,758 thousand yen. Current liabilities totaled 1,760,620 thousand yen, mainly consisting of 1,267,863 thousand yen in accounts payable-other. Non-current liabilities amounted to 3,138 thousand yen, consisting of 3,138 thousand yen in liabilities for retirement benefits.

Total net assets stood at 8,854,275 thousand yen. This mainly breaks down as 17,536,786 thousand yen in capital stock, 17,511,685 thousand yen in capital surplus, and 406,991 thousand yen in share acquisition rights.

As a result, the equity ratio was 79.6%.

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

Net Sales of 10,003 million yen (+21.2% year over year) is unchanged compared to the forecast of August 4, 2022. Operating profit is expected to be 2,000 million yen (+96.9% year on year), an increase of 230 million yen compared to the 1,770 million yen announced on August 4, 2022, primarily due to reduced SG&A expense while the Company continues to prioritize global development of BCV. Ordinary profit is expected to be 2,300 million yen (+129.7% year on year), an increase of 550 million yen from the 1,750 million yen announced on August 4, 2022. The increase in ordinary profit is primarily due to foreign exchange gains on foreign currency assets. Profit attributable to owners of parent has also increased to 1,650 million yen, an increase of 170 million yen from the 1,480 million yen announced on August 4, 2022.

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 the patents held by Eagle, the drug's licensor, and our exclusive rights to use the patents for this product. We are in discussions with Eagle and notified in writing the four companies that have obtained marketing approvals for generic drugs of RTD formulation regarding our concerns about infringement of our patent rights and demanded that they take appropriate measures. Only one company out of the four has listed its generic product in the NHI drug price list. The Company will take legal measures against any infringement of our patent rights.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Q3 FY 2022 (as of September 30, 2022)
Assets	
Current assets	
Cash and deposits	6,133,077
Accounts receivable–trade	1,862,011
Merchandise and finished goods	222,111
Semi-finished goods	215,859
Prepaid expenses	228,810
Other	434,029
Total current assets	9,095,898
Non-current assets	
Property, plant and equipment	
Buildings, net	41,745
Tools, furniture and fixtures, net	31,232
Total property, plant and equipment	72,978
Intangible assets	
Software	231,513
Total intangible assets	231,513
Investments and other assets	
Deferred tax assets	1,132,611
Leasehold and guarantee deposits	85,033
Total investments and other assets	1,217,644
Total non-current assets	1,522,136
Total assets	10,618,034
Liabilities	
Current liabilities	
Accounts payable–trade	54,642
Accounts payable–other	1,267,863
Income taxes payable	195,731
Provision for product changeover	16,331
Other	226,052
Total current liabilities	1,760,620
Non-current liabilities	
Liabilities for retirement benefits	3,138
Total non-current liabilities	3,138
Total liabilities	1,763,758

(Unit: thousands of yen)

	Q3 FY 2022 (as of September 30, 2022)
Net assets	
Shareholders' equity	
Share capital	17,536,786
Capital surplus	17,511,685
Retained earnings	(26,512,978)
Treasury shares	(87,788)
Total shareholders' equity	8,447,705
Accumulated other comprehensive income	
Foreign currency translation adjustment	(421)
Total accumulated other comprehensive income	(421)
Share acquisition rights	406,991
Total net assets	8,854,275
Total liabilities and net assets	10,618,034

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

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

(Unit: thousands of yen)

	Q3 FY 2022 (from January 1, 2022 to September 30, 2022)
Net sales	7,355,507
Cost of sales	1,888,901
Gross profit	5,466,606
Selling, general and administrative expenses	3,877,749
Operating profit (loss)	1,588,856
Non-operating income	
Interest income	95
Foreign exchange gains	345,287
Other	2,925
Total non-operating income	348,309
Non-operating expenses	
Commission expenses	47,590
Share issuance costs	45,617
Other	536
Total non-operating expenses	93,744
Ordinary profit	1,843,421
Extraordinary income	
Gain on reversal of share acquisition rights	106,401
Total extraordinary income	106,401
Profit before income taxes	1,949,823
Income taxes - current	250,928
Income taxes - deferred	143,147
Total income taxes	394,076
Profit	1,555,746
Profit attributable to non-controlling interests	—
Profit attributable to owners of parent	1,555,746

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

(Unit: thousands of yen)

	Q3 FY 2022 (from January 1, 2022 to September 30, 2022)
Profit	1,555,746
Accumulated other comprehensive income	
Foreign currency translation adjustment	(421)
Total other comprehensive income	(421)
Comprehensive income	1,555,325
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,555,325
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 nine months of FY 2022, the Company issued new shares due to the exercise of some of share acquisition rights pertaining to the 33rd, 36th, 38th, 41st, 43rd, 44th, 48th, and 49th warrants. As a result, share capital and capital surplus each increased by 48,158 thousand yen.

Further, the Company received payments from CVI Investments, Inc. for the issue of new shares through third party allotment on June 1, 2022, which resulted in an increase of 331,000 thousand yen each in share capital and capital surplus.

As a result, as of September 30, 2022, consolidated share capital was 17,536,786 thousand yen, and capital surplus was 17,511,685 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 the Company is entitled to in exchange for the transfer of promised goods or services, i.e., the transaction price, is likely to be reduced after a contract is signed with the customer, the Company revised the transaction price once the amount to be reduced was fixed. However, under the new accounting standard, the Company makes a reasonable estimate of the variable amount and subtracts it from the transaction price at the time the goods or services are transferred to the customer. Further, under the previous accounting standard, the Company accounted for expected sales returns by recording provisions for sales returns in the amount equivalent to gross profit; however, in accordance with the provisions 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 nine months of FY 2022, net sales increased by 63,132 thousand yen, operating profit and ordinary profit increased by 63,132 thousand yen, respectively, and profit before income taxes increased by 63,132 thousand yen. 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 nine 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)

(Accounting estimates regarding the impact of the COVID-19 pandemic)

No significant change has been made to the accounting estimates regarding the impact of the COVID-19 pandemic and assumptions underlying the estimates for the first six months of FY 2022 from those reported (under "Additional information") in the Annual Securities Report for the previous fiscal year.

(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 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 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 deferred assets

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

(4) Standards for translation of 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 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 revenues and expenses

The Company and its consolidated subsidiaries have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30; March 26, 2021). 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.

(Significant subsequent events)

None to be reported.