UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No.: 001-35527

EMMAUS LIFE SCIENCES, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**87-0419387**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
21250 Hawthorne Boulevard, Suite 800, Torrance, California	**90503**
(Address of principal executive offices)	(Zip code)

(310) 214-0065

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

The registrant had 49,311,864 shares of common stock, par value $0.001 per share, outstanding as of May 10, 2022.

EMMAUS LIFE SCIENCES, INC.
For the Quarterly Period Ended March 31, 2022
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Item 1. Financial Statements

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	As of	
	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 813	$ 2,279
Accounts receivable, net	938	1,040
Inventories, net	3,453	4,392
Prepaid expenses and other current assets	1,244	1,380
Total current assets	6,448	9,091
Property and equipment, net	138	147
Equity method investment	17,771	17,616
Right of use assets	3,318	3,485
Investment in convertible bond	23,521	26,100
Other assets	297	295
Total assets	$ 51,493	$ 56,734
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 9,718	$ 9,189
Operating lease liabilities, current portion	738	740
Conversion feature derivative, notes payable	4,427	7,507
Other current liabilities	2,822	4,404
Revolving line of credit from related party	400	400
Warrant derivative liabilities	755	1,503
Notes payable, current portion	2,286	2,399
Notes payable to related parties	2,836	800
Convertible notes payable, net of discount	10,569	10,158
Total current liabilities	34,551	37,100
Operating lease liabilities, less current portion	3,084	3,261
Other long-term liabilities	31,507	33,173
Notes payable, less current portion	1,500	1,500
Convertible notes payable	3,150	3,150
Total liabilities	73,792	78,184
STOCKHOLDERS' DEFICIT		
Preferred stock — par value $ 0.001 per share, 15,000,000 shares authorized, none issued and outstanding	—	—
Common stock — par value $ 0.001 per share, 250,000,000 shares authorized, shares 49,311,864 shares issued and outstanding as of March 31, 2022 and December 31, 2021	49	49
Additional paid-in capital	220,027	220,022
Accumulated other comprehensive income (loss)	433	(255)
Accumulated deficit	(242,808)	(241,266)
Total stockholders' deficit	(22,299)	(21,450)
Total liabilities & stockholders' deficit	$ 51,493	$ 56,734

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
REVENUES, NET	$ 3,234	$ 5,335
COST OF GOODS SOLD	1,007	436
GROSS PROFIT	2,227	4,899
OPERATING EXPENSES		
Research and development	466	1,809
Selling	1,460	1,283
General and administrative	3,369	3,422
Total operating expenses	5,295	6,514
LOSS FROM OPERATIONS	(3,068)	(1,615)
OTHER INCOME (EXPENSE)		
Loss on debt extinguishment, net	—	(1,172)
Change in fair value of warrant derivative liabilities	748	(529)
Change in fair value of conversion feature derivative, notes payable	3,080	(2,338)
Realized loss on investment on convertible bond	(133)	—
Net loss on equity method investment	(566)	(754)
Foreign exchange loss	(1,191)	(1,132)
Interest and other income	222	190
Interest expense	(737)	(1,054)
Total other income (expense)	1,423	(6,789)
LOSS BEFORE INCOME TAXES	(1,645)	(8,404)
INCOME TAXES (BENEFIT)	(103)	18
NET LOSS	(1,542)	(8,422)
COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain on debt securities available for sale (net of tax)	350	58
Reclassification adjustment for loss included in net income	7	—
Foreign currency translation adjustments	331	165
Other comprehensive income	688	223
COMPREHENSIVE LOSS	$ (854)	$ (8,199)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	$ (0.03)	$ (0.17)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	49,311,864	49,073,769

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(In thousands, except share and per share amounts)
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Deficit
Balance January 1, 2022	49,311,864	$ 49	$ 220,022	$ (255)	$ (241,266)	$ (21,450)
Share-based compensation	—	—	5	—	—	5
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	350	—	350
Reclassification adjustment for loss included in net income	—	—	—	7	—	7
Foreign currency translation effect	—	—	—	331	—	331
Net loss	—	—	—	—	(1,542)	(1,542)
Balance March 31, 2022	49,311,864	$ 49	$ 220,027	$ 433	$ (242,808)	$ (22,299)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Deficit
Balance January 1, 2021	48,987,189	$ 49	$ 218,728	$ 1,144	$ (225,079)	$ (5,158)
Fair value of warrants including down-round protection adjustments	—	—	241	—	(241)	—
Common stock issued for services	324,675	—	500	—	—	500
Share-based compensation	—	—	181	—	—	181
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	58	—	58
Foreign currency translation effect	—	—	—	165	—	165
Net loss	—	—	—	—	(8,422)	(8,422)
Balance March 31, 2021	49,311,864	$ 49	$ 219,650	$ 1,367	$ (233,742)	$ (12,676)

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,542)	$ (8,422)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Depreciation and amortization	15	15
Inventory reserve	794	162
Amortization of discount of notes payable and convertible notes payable	411	669
Foreign exchange adjustments	1,205	1,180
Tax benefit recognized on unrealized gain on debt securities	(117)	(19)
Realized loss on investment on convertible bond	133	—
Net loss on equity method investment	566	754
Net loss on debt extinguishment	—	1,172
Gain on disposal of property and equipment	—	(1)
Share-based compensation	5	181
Shares issued for services	—	500
Change in fair value of warrant derivative liabilities	(748)	529
Change in fair value of conversion feature derivative, note payable	(3,080)	2,338
Net changes in operating assets and liabilities		
Accounts receivable	102	(2,176)
Inventories	143	180
Prepaid expenses and other current assets	103	158
Other non-current assets	160	122
Income tax receivable and payable	10	33
Accounts payable and accrued expenses	530	(1,295)
Other current liabilities	(2,980)	42
Other long-term liabilities	(443)	(123)
Net cash flows used in operating activities	(4,733)	(4,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of convertible bond	2,919	—
Purchases of property and equipment	(2)	—
Loan to equity method investee	(1,690)	(1,769)
Net cash flows provided by (used in) investing activities	1,227	(1,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable issued	2,056	700
Proceeds from convertible notes payable issued	—	14,390
Payments of notes payable	—	(844)
Payments of convertible notes	—	(7,200)
Net cash flows provided by financing activities	2,056	7,046
Effect of exchange rate changes on cash	(16)	(4)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,466)	1,272
Cash, cash equivalents and restricted cash, beginning of period	2,279	2,487
Cash, cash equivalents and restricted cash, end of period	$ 813	$ 3,759
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Interest paid	$ 212	$ 319
Income taxes paid	$ 4	$ 5
NON-CASH INVESTMENT AND FINANCING ACTIVITIES		
Debt discount due to conversion features derivative	$ —	$ 5,555

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Emmaus Life Sciences, Inc., ("Emmaus") and its direct and indirect consolidated subsidiaries (collectively, "we," "our," "us" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") on the basis that the Company will continue as a going concern. All significant intercompany transactions have been eliminated. The Company's unaudited condensed consolidated interim financial statements contain adjustments, including normal recurring accruals necessary to fairly state the Company's consolidated financial position, results of operations and cash flows. Due to the uncertainty of the Company's ability to meet its current operating and capital expenses, there is substantial doubt about the Company's ability to continue as a going concern, as the continuation and expansion of its business is dependent upon obtaining further financing, market acceptance of Endari®, and achieving a profitable level of revenues. The consolidated interim financial statements do not include any adjustments that might result from the outcome of these uncertainties. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2021 (the "Annual Report") filed with the Securities and Exchange Commission ("SEC") on March 31, 2022. The accompanying condensed consolidated balance sheet at December 31, 2021 has been derived from the audited consolidated balance sheet at December 31, 2021 contained in the Annual Report. The results of operations for the three months ended March 31, 2022, are not necessarily indicative of the results to be expected for the full year or any future interim period.

Nature of Operations

The Company is a commercial-stage biopharmaceutical company engaged in the discovery, development, marketing and sale of innovative treatments and therapies, primarily for rare and orphan diseases. The Company's lead product, Endari® (prescription grade L-glutamine oral powder), is approved by the U.S. Food and Drug Administration, or FDA, to reduce the acute complications of sickle cell disease ("SCD") in adult and pediatric patients five years of age and older.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Summary of Significant Accounting Policies," in the Company's Annual Report on Form 10K for the year ended December 31, 2021. There have been no material changes in these policies or their application.

Going concern— The accompanying consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of $1.5 million for the three months ended March 31, 2022, and had a working capital deficit of $28.1 million. Management expects that the Company's current liabilities, operating losses and expected capital needs, including the expected costs relating to the commercialization of Endari® in the Middle East North Africa region and elsewhere, will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. In order to meet the Company's current liabilities and future obligations, the Company will need to raise additional funds through related-party loans, equity and debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. Due to the uncertainty of the Company's ability to meet its current operating and capital expenses, there is substantial doubt about the Company's ability to continue as a going concern for 12 months from the date of this filing. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management has considered all recent accounting pronouncements and has determined that there are no recent accounting pronouncements that are expected to have a material effect on the Company's condensed consolidated financial statements.

Factoring accounts receivable — Emmaus Medical, Inc., or Emmaus Medical, an indirect wholly owned subsidiary of Emmaus, is party to a purchase and sales agreement with Prestige Capital Finance, LLC or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital's down payment, or advance, to Emmaus Medical of 75% of the face amount of the accounts receivable, subject to a $7.5 million cap on advances at any time. The balance of the face amount of the accounts receivable will be reserved by Prestige Capital and paid to Emmaus Medical, less fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable. Emmaus Medical's obligations to Prestige Capital under the

purchase and sale agreement are secured by a security interest in the accounts receivable and all or substantially all other assets of Emmaus Medical. In connection with the purchase and sale agreement, Emmaus has guaranteed Emmaus Medical's obligations under the purchase and sale agreement. At March 31, 2022, accounts receivable included no factoring accounts receivable and there were no liabilities related to factoring reflected in other current liabilities. For three months ended March 31, 2022 and March 31, 2021, the Company incurred approximately $**53,000**, and $31,000, respectively, of factoring fees.

Net loss per share — In accordance with Accounting Standard Codification ("ASC") 260, *"Earnings per Share,"* the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted net loss per share is computed in a manner similar to basic net loss per common share except that the denominator is increased to include the number of additional common shares issuable under securities exercisable for or convertible into common shares had been issued if the additional common shares would be dilutive. As of March 31, 2022 and March 31, 2021, the Company had outstanding potentially dilutive securities exercisable for or convertible into 23,261,199 shares and 24,515,738 shares, respectively, of common stock. No potentially dilutive securities were included in the calculation of diluted net loss per share since the potential dilutive securities were anti-dilutive for each of the three months ended March 31, 2022 and 2021.

NOTE 3 — REVENUES, NET

Revenues, net disaggregated by category, were as follows (in thousands):

	Three Months Ended March 31,	
	2022	**2021**
Endari®	$ 3,048	$ 5,176
Other	186	$ 159
Revenues, net	$ 3,234	$ 5,335

The following table summarizes the revenue allowance and accrual activities for the three months ended March 31, 2022 and March 31, 2021 (in thousands):

	Trade Discounts, Allowances and Chargebacks	**Government Rebates and Other Incentives**	**Returns**	**Total**
Balance as of December 31, 2021	$ 1,480	$ 3,134	$ 540	$ 5,154
Provision related to sales in the current year	428	435	30	893
Adjustments related prior period sales	(10)	13	(47)	(44)
Credit and payments made	(1,064)	(453)	(32)	(1,549)
Balance as of March 31, 2022	$ 834	$ 3,129	$ 491	$ 4,454
Balance as of December 31, 2020	$ 134	$ 2,119	$ 473	$ 2,726
Provision related to sales in the current year	575	864	57	1,496
Adjustments related prior period sales	14	2	(37)	(21)
Credit and payments made	(281)	(792)	—	(1,073)
Balance as of March 31, 2021	$ 442	$ 2,193	$ 493	$ 3,128

The following table summarizes net revenues attributable to each of our customers that accounted for 10% or more of net revenues (as a percentage of net revenues) during the periods presented:

	Three Months Ended March 31,	
	2022	**2021**
Customer A	1 %	63 %
Customer B	46 %	17 %
Customer C	15 %	9 %
Customer D	16 %	—
Total	78 %	89 %

The Company is party to a distributor agreement with Telcon Pharmaceutical RF, Inc., or Telcon pursuant to which the Company granted Telcon exclusive rights to the Company's prescription grade L-glutamine ("PGLG") oral powder for the treatment of diverticulosis in South Korea, Japan and China in exchange for Telcon's payment of $10 million in upfront fees and agreement to purchase from the Company specified minimum quantities of the PGLG. In a related license agreement with Telcon, the Company agreed to use commercially reasonable best efforts to obtain product registration in these territories within three years of obtaining FDA marketing authorization for PGLG in this indication. Telcon has the right to terminate the distributor agreement in certain circumstances for failure to obtain such product registrations, in which event the Company would be obliged to return to Telcon the $10 million upfront fees. The upfront fees are included in other long-term liabilities as unearned revenue as of both March 31, 2022 and December 31, 2021. Refer to Notes 6 and 11 for additional details.

NOTE 4 — SELECTED FINANCIAL STATEMENT - ASSETS

Inventories consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Raw materials and components	$ 1,477	$ 1,439
Work-in-process	132	115
Finished goods	6,028	6,228
Inventory reserve	(4,184)	(3,390)
Total	$ 3,453	$ 4,392

Prepaid expenses and other current assets consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Prepaid insurance	$ 466	$ 660
Prepaid expenses	399	326
Other current assets	379	394
Total	$ 1,244	$ 1,380

Property and equipment consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Equipment	$ 344	$ 342
Leasehold improvements	39	39
Furniture and fixtures	103	103
Construction-in-progress	57	57
Total property and equipment	543	541
Less: accumulated depreciation	(405)	(394)
Property and equipment, net	$ 138	$ 147

During each of the three months ended March 31, 2022 and 2021, depreciation expenses were approximately $11,000.

NOTE 5 — INVESTMENTS

Investment in convertible bond - On September 28, 2020, the Company entered into a convertible bond purchase agreement pursuant to which it purchased at face value a convertible bond of Telcon in the principal amount of approximately $26.1 million which matures on October 16, 2030 and bears interest at the rate of 2.1% a year, payable quarterly. Beginning October 16, 2021, the Company became entitled on a quarterly basis to call for early redemption of all or any portion of the principal amount of the convertible bond. The convertible bond is convertible at the holder's option at any time and from time to time into common shares of Telcon at an initial conversion price of KRW9,232, or approximately $8.00, per share. The initial conversion price is subject to downward adjustment monthly based on the volume-weighted average market price of Telcon shares as reported on Korean Securities Dealers Automated Quotations Market and in the event of the issuance of Telcon shares or share equivalents at a price below the market price of Telcon shares or upon a merger or similar reorganization of Telcon or a stock split, reverse stock split, stock dividend or similar event. The conversion price as of March 31, 2022 is set forth in the "Investment in convertible bond" table below. The convertible bond and any proceeds therefrom, including proceeds from any exercise of the early redemption right described above or

the call option described below, are pledged as collateral to secure the Company's obligations under the revised API Supply Agreement withTelcon described in Note 6 and Note 11.

Concurrent with the purchase of the convertible bond, the Company entered into an agreement dated September 28, 2020 with Telcon pursuant to which Telcon or its designee is entitled to repurchase, at par, up to 50% in principal amount of the convertible bond at any time and from time to time commencing October 16, 2021 and prior to maturity.

The Company has elected the fair value option method of accounting for the investment in convertible bond.The investment in convertible bond is classified as an available for sale security and remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value option recorded in other comprehensive income (loss). The fair value and any changes in fair value in the convertible bond is determined using a binominal lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock over successive periods of time.

In February 2022, the Company and Telcon agreed to settle a "target shortfall" under the revised API agreement with Telcon for the years ended 2020 and 2021 by exchanging KRW3.5 billion, or approximately US$2.9 million, principal amount and accrued and unpaid interest of the Telcon convertible bond and KRW400 million, or approximately US$310,000 in cash proceeds of the convertible bond. As a result, the Company realized net loss on investment convertible bond of $126,000 and other income of $41,000, which are reflected in the statement of operations. See Notes 6 and 11 for additional information on the "target shortfall".

The following table sets forth the fair value and changes in fair value of the investment in the Telcon convertible bond as of March 31, 2022 and December 31, 2021 (in thousands):

Investment in convertible bond	**March 31, 2022**	**December 31, 2021**
Balance, beginning of period	$ 26,100	$ 27,866
Sales of convertible bond	(2,919)	—
Net loss on investment on convertible bond	(126)	—
Change in fair value included in the statement of other comprehensive income	466	(1,766)
Balance, end of period	$ 23,521	$ 26,100

The fair value as of March 31, 2022 and December 31, 2021 was based upon following assumptions:

	March 31, 2022	**December 31, 2021**
Principal outstanding (South Korean won)	KRW 26.5 billion	KRW 30 billion
Stock price	KRW2,410	KRW2,925
Expected life (in years)	8.55	8.79
Selected yield	11.00 %	10.50 %
Expected volatility (Telcon common stock)	80.43 %	81.31 %
Risk-free interest rate (South Korea government bond)	2.94 %	2.19 %
Expected dividend yield	—	—
Conversion price	KRW2,140 (US$1.82)	KRW2,847 (US$2.39)

Equity method investment – During 2018, the Company and Japan Industrial Partners, Inc., or JIP, formed EJ Holdings, Inc., or EJ Holdings, to acquire, own and operate a shuttered amino acids manufacturing facility in Ube, Japan. In connection with the formation, the Company invested approximately $32,000 in exchange for 40% of EJ Holdings voting shares. JIP owns 60% of EJ Holdings voting shares. In October 2018, the Company entered into a loan agreement with EJ Holdings under which the Company made an unsecured loan to EJ Holdings in the amount of $13.2 million. The loan proceeds were used by EJ Holdings to purchase the Ube facility in December 2019 and pay related taxes. The loan matures on September 30, 2028 and bears interest at the annual rate of 1%, payable annually. The parties also contemplated that the Ube facility would eventually supply the Company with the facility's output of amino acids and that the operation of the facility would be principally for the Company's benefit and, as such, that major decisions affecting EJ Holdings and the Ube facility would be made by EJ Holdings' board of directors, a majority of which are representatives of JIP, in consultation with the Company. During the three months ended March 31, 2022, the Company made an additional $1.7 million of loans to EJ Holdings. As of March 31, 2022, and December 31, 2021, the loans receivable from EJ Holdings were approximately $22.2 million and $22.6 million, respectively, as reflected in equity method investment on the consolidated balance sheets.

EJ Holdings is engaged in retrofitting the Ube facility in order to seek regulatory approvals for the manufacture of PGLG in accordance with cGMP. EJ Holdings has had no substantial revenues since its inception, has depended on loans from the Company to acquire the Ube facility and fund its operations and will continue to be dependent on loans from the Company or other financing unless and until the Ube facility is activated and EJ Holdings can secure customers for its products.

The Company has determined that EJ Holdings is a variable interest entity, or VIE, based upon the loan financing provided by the Company to acquire the Ube facility and fund EJ Holdings' activities, which are principally for the Company's benefit. JIP, however, owns 60% of EJ Holdings and is entitled to designate a majority of EJ Holdings' board of directors and, its Chief Executive Officer and outside auditors, and, as such, controls the management, business, and operations of EJ Holdings. Accordingly, the Company accounts for its variable interest in EJ Holdings under the equity method.

The Company's share of the losses reported by EJ Holdings are classified as net losses on equity method investment. The investment is evaluated for impairment and if facts and circumstances indicate that the carrying value may not be recoverable, an impairment charge would be recorded.

The following table sets forth certain financial information of EJ Holdings for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022 (Unaudited)	2021 (Unaudited)
REVENUES, NET	$ 54	$ 59
NET LOSS	$ (1,414)	$ (1,886)

NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES

Accounts payable and accrued expenses consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Accounts payable:		
Clinical and regulatory expenses	$ 699	$ 534
Professional fees	817	477
Selling expenses	671	932
Manufacturing costs	283	378
Board member compensation	283	136
Other vendors	120	262
Total accounts payable	2,873	2,719
Accrued interest payable, related parties	142	91
Accrued interest payable	618	579
Accrued expenses:		
Payroll expenses	877	1,097
Government rebates and other rebates	4,461	4,371
Other accrued expenses	747	332
Total accrued expenses	6,085	5,800
Total accounts payable and accrued expenses	$ 9,718	$ 9,189

Other current liabilities consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Trade discount	$ 1,600	$ 3,000
Other current liabilities	1,222	1,404
Total other current liabilities	$ 2,822	$ 4,404

Other long-term liabilities consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Trade discount	$ 21,480	$ 23,148
Unearned revenue	10,000	10,000
Other long-term liabilities	27	25
Total other long-term liabilities	$ 31,507	$ 33,173

On June 12, 2017, the Company entered into an API Supply Agreement with Telcon pursuant to which Telcon advanced to the Company approximately $1.8 million as an advance trade discount in consideration of the Company's agreement to purchase from Telcon the Company's estimated annual target requirements for bulk containers of PGLG. On July 12, 2017, the Company entered into a raw material supply agreement with Telcon which revised certain items of the API Supply Agreement (the "revised API agreement"). The Company purchased $200,000 and $2.0 million of PGLG from Telcon in the three months ended March 31, 2022, and March 31, 2021, respectively, of which $200,000 and $378,000 were reflected in accounts payable as of March 31, 2022 and December 31, 2021, respectively. The revised API agreement provided for an annual API purchase target of $5 million and a target "profit" (*i.e.,* gross margin) to Telcon of $2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the "target shortfall," or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure our obligations. See Note 5 for information regarding a settlement in the three months ended March 31, 2022 of the target shortfall for 2020 and 2021.

NOTE 7 — NOTES PAYABLE

Notes payable consisted of the following at March 31, 2022 and December 31, 2021 (in thousands except for number of shares):

Year Issued	Interest Rate Range	Term of Notes	Conversion Price		Principal Outstanding March 31, 2022	Unamortized Discount March 31, 2022	Carrying Amount March 31, 2022	Underlying Shares March 31, 2022
Notes payable								
2013	10%	Due on demand	—		$ 821	$ —	$ 821	—
2021	11%	Due on demand - 2 years	—		2,945	—	2,945	—
2022	10%	Due on demand	—		20	—	20	—
					$ 3,786	**$ —**	**$ 3,786**	**—**
		Current			$ 2,286	$ —	$ 2,286	—
		Non-current			$ 1,500	$ —	$ 1,500	—
Notes payable - related parties								
2020	12%	Due on demand	—		$ 100	—	100	—
2021	12%	Due on demand	—		700	—	700	—
2022	10-12%	Due on demand	—		2,036	—	2,036	—
					$ 2,836	**$ —**	**$ 2,836**	**—**
		Current			$ 2,836	$ —	$ 2,836	—
Convertible notes payable								
2020	12%	3 years	$ 10.00	(b)	3,150	—	3,150	319,804
2021	2%	3 years	$ 1.48	(a)	14,490	3,921	10,569	9,806,850
					$ 17,640	**$ 3,921**	**$ 13,719**	**10,126,654**
		Current			$ 14,490	$ 3,921	$ 10,569	9,806,850
		Non-current			**$ 3,150**	$ —	$ 3,150	319,804
		Total			**$ 24,262**	**$ 3,921**	**$ 20,341**	**10,126,654**

Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding December 31, 2021	Unamortized Discount December 31, 2021	Carrying Amount December 31, 2021	Underlying Shares Notes December 31, 2021
Notes payable							
2013	10%	Due on demand	—	$ 869	$ —	$ 869	—
2021	11%	Due on demand - 2 years	—	3,030	—	3,030	—
				$ 3,899	**$ —**	**$ 3,899**	**—**
		Current		$ 2,399	$ —	$ 2,399	—
		Non-current		$ 1,500	$ —	$ 1,500	—
Notes payable - related parties							
2020	12%	Due on demand	—	$ 100	$ —	$ 100	—
2021	12%	Due on demand	—	700	—	700	—
				$ 800	**$ —**	**$ 800**	**—**
		Current		$ 800	$ —	$ 800	—
Convertible note payable							
2020	12%	3 years	$ 10.00 (b)	3,150	—	3,150	316,756
2021	2%	3 years	$ 1.48 (a)	14,490	4,332	10,158	9,856,343
				$ 17,640	**$ 4,332**	**$ 13,308**	**10,173,099**
		Current		**$ 14,490**	**$ 4,332**	**$ 10,158**	**9,856,343**
		Non-current		$ 3,150	$ —	$ 3,150	316,756
		Total		**$ 22,339**	**$ 4,332**	**$ 18,007**	**10,173,099**

(a) The notes are convertible into Emmaus Life Sciences, Inc. shares. Beginning February 28, 2022, the note holders became entitled to call for early redemption of the convertible notes payable, because the Company common stock was not approved for listing on the NYSE American, the Nasdaq Capital Market or other Trading Market (as defined in the agreement). Accordingly, the notes were classified as current.

(b) This note is convertible into shares of EMI Holding, Inc., a wholly owned subsidiary of Emmaus.

The weighted-average stated annual interest rate on notes payable was6% as of both March 31, 2022 and December 31, 2021. The weighted-average effective annual interest rate of notes payable as of both March 31, 2022 and December 31, 2021 was 15%, after giving effect to discounts relating to conversion features, warrants and deferred financing costs relating to the notes.

As of March 31, 2022, future contractual principal payments due on notes payable were as follows (in thousands):

Year Ending		
2022	19,612	(a)
2023	4,650	
Total	$ 24,262	

(a) Includes $14.5 million principal amount of convertible notes is which, the holders are entitled to call for early redemption.

The Company is party to a revolving line of credit agreement with Yutaka Niihara, M.D., M.P.H., the Company's Chairman and Chief Executive Officer. Under the agreement, at the Company's request from time to time Dr. Niihara may, but is not obligated to, loan or re-loan to the Company up to $1,000,000. Outstanding amounts under the agreement are due and payable upon demand and bear interest, payable monthly, at a variable annual rate equal to the Prime Rate in effect from time to time plus 3%. In addition to the payment of interest, the Company is obligated to pay Dr. Niihara a "tax gross-up" intended to make him whole for federal and state income and employment taxes payable by him with respect to interest and tax gross-up paid to him in the previous year. As of March 31, 2022 and December 31, 2021, the outstanding balance of $400,000 was reflected in revolving line of credit, related party on the condensed consolidated balance sheets. With the tax-gross up, the effective interest rate on the outstanding balance as of March 31, 2022, was 10.4%. The revolving line of credit agreement will expire onNovember 22, 2022. Refer to Note 12 for more related party information.

On February 9, 2021, the Company entered into a securities purchase agreement pursuant to which the Company agreed to sell and issue to the purchasers thereunder in a private placement pursuant to Rule 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D thereunder a total of up to $17 million in principal amount of convertible promissory notes of the Company for a purchase price equal to the principal amount thereof. The Company sold and issued approximately $14.5 million of the convertible promissory notes.

Commencing one year from the original issue date, the convertible promissory notes will be convertible at the option of the holder into shares of the Company's common stock at an initial conversion price of $1.48 per share, which equaled the "Average VWAP" (as defined) of the Company's common stock on the effective date. The initial conversion price will be adjusted as of the end of each three-month period following the original issue date, commencing May 31, 2021, to equal the Average VWAP as of the end of such three-month period if such Average VWAP is less than the then-conversion price. There is no floor on the conversion price. The conversion price will be subject to further adjustment in the event of a stock split, reverse stock split or certain other events specified in the convertible promissory notes.

The convertible promissory notes bear interest at the rate of 12% per year payable semi-annually on the last business day of August and January of each year and will mature on the 3rd anniversary of the original issue date, unless earlier converted or prepaid. The convertible promissory notes became redeemable in whole or in part at the election of the holders on or after February 28, 2022. The Company is entitled to prepay up to 50% of the principal amount of the convertible promissory notes at any time on or before February 28, 2023 for a prepayment amount equal to the principal amount being prepaid, accrued and unpaid interest thereon and a prepayment premium equal to 50% of such principal amount. The convertible promissory notes are general, unsecured obligations of the Company.

The conversion feature of the convertible promissory notes is separately accounted for at fair value as a derivative liability under guidance in ASC 815 that is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value of the conversion feature liability recorded in the condensed consolidated statements of operations. The following table sets forth the fair value of the conversion feature liability as of March 31, 2022, and December 31, 2021 (in thousands)

Convertible promissory notes	March 31, 2022	December 31, 2021
Balance beginning of period	$ 7,507	$ —
Fair value at issuance date	—	5,594
Change in fair value included in the statement of operations	(3,080)	1,913
Balance end of period	$ 4,427	$ 7,507

The fair value and any change in fair value of the conversion feature liability are determined using a convertible bond lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock.

The fair values as of March 31, 2022, and December 31, 2021 were based upon following assumptions:

Convertible promissory notes	March 31, 2022	December 31, 2021
Stock price	$ 1.00	$ 1.67
Conversion price	$ 1.48	$ 1.48
Selected yield	23.42 %	21.99 %
Expected volatility	50 %	50 %
Time until maturity (in years)	1.91	2.16
Dividend yield	—	—
Risk-free rate	2.22 %	0.77 %

NOTE 8 — STOCKHOLDERS' DEFICIT

Purchase Agreement with GPB—On December 29, 2017, the Company entered into the Purchase Agreement with GPB Debt Holdings II, LLC ("GPB"), pursuant to which the Company issued to GPB a $13 million senior secured convertible promissory note (the "GPB Note") for an aggregate purchase price of $12.5 million, reflecting a 4.0% original issue discount. The GPB Note was repaid in February 2018.

In connection with the issuance of GPB Note, the Company issued to GPB a warrant (the "GPB Warrant") to purchase up to 240,764 of common stock at an exercise price of $10.80 per share, with customary adjustments for stock splits, stock dividends and

other recapitalization events. The GPB Warrant became exercisable six months after issuance and has a term of five years from the initial exercise date.

The GPB Warrant is separately recognized under ASC 815-40 at fair value as a liability. The warrant liability is remeasured at fair value on a recurring basis using Level 3 inputs and any change in the fair value of the liability is recorded in the condensed consolidated statements of operations.

The following table presents the change in fair value of the GPB Warrant as of March 31, 2022 and December 31, 2021 (in thousands):

Warrant Liability—GPB	March 31, 2022	December 31, 2021
Balance beginning of period	$ 40	$ 83
Change in fair value included in the statement of operations	(35)	(43)
Balance end of period	$ 5	$ 40

The fair value of the warrant derivative liability was determined using the Black-Scholes Merton model.

The fair values as of March 31, 2022, and December 31, 2021 were based on upon following assumptions:

	March 31, 2022	December 31, 2021
Adjusted exercise price	$ 10.28	$ 10.28
Common stock fair value	$ 1.00	$ 1.67
Risk-free interest rate	1.79 %	0.56 %
Volatility	97.00 %	104.00 %
Time until expiration (years)	1.25	1.50
Expected dividend yield	—	—
Number outstanding	252,802	252,802

Extension of a Convertible Promissory Note - On June 15, 2020, the holder of a convertible promissory note in the principal amount of $3,150,000 agreed to an extension of the maturity date of the convertible promissory note to June 15, 2023 in exchange for an increase in the interest rate on the note from 1% to 12%. In conjunction with the extension, the Company issued to the note holder five-year **warrants to purchase a total of up to 1,250,000 shares of the Company common stock at an exercise price of $2.05 a share. Under ASC 815-40, the warrants are recognized at fair value as a liability. The warrant liability is remeasured at fair value on a recurring basis using Level 3 input and any changes in the fair value of liability is recorded in the condensed consolidated statements of operations.**

The following table presents the fair values and changes in fair value of the warrants as of March 31, 2022 and December 31, 2021 (in thousands):

Warrant liability— Convertible Promissory Note	March 31, 2022	December 31, 2021
Balance beginning of period	$ 1,463	$ 988
Change in fair value included in the statement of operations	(713)	475
Balance end of period	$ 750	$ 1,463

The fair values of the warrant derivative liability were determined using the Black-Scholes Merton model based upon following assumptions:

	March 31, 2022	December 31, 2021
Exercise price	$ 2.05	$ 2.05
Stock price	$ 1.00	$ 1.67
Risk-free interest rate	2.45 %	1.04 %
Expected volatility (peer group)	117.00 %	117.00 %
Expected life (in years)	3.21	3.46
Expected dividend yield	—	—
Number outstanding	1,250,000	1,250,000

A summary of outstanding warrants as of March 31, 2022 and December 31, 2021 is presented below:

	March 31, 2022	December 31, 2021
Warrants outstanding beginning of period	8,236,017	8,439,480
Granted	—	—
Exercised	—	—
Cancelled, forfeited or expired	—	(203,463)
Warrants outstanding end of period	8,236,017	8,236,017

A summary of all outstanding warrants by year issued and exercise price as of March 31, 2022 is presented below:

	Outstanding			Exercisable	
Year issued and Exercise Price	Number of Warrants Issued	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Total	Weighted-Average Exercise Price
Prior to January 1, 2021					
$1.54-$36.24	8,236,017	1.98	$ 5.87	6,986,017	$ 5.87
At March 31, 2022					
$ —	—	—	$ —	—	$ —
Total	8,236,017		Total	6,986,017	

Stock options – The Company's former Amended and Restated 2011 Stock Incentive Plan expired on May 3, 2021, and no further awards may be made under the 2011 Plan. The expiration of the 2011 Plan did not affect outstanding stock options thereunder.

The Company also previously maintained an Amended and Restated 2012 Omnibus Incentive Compensation Plan, which was terminated in September 2021 in connection with the adoption of the 2021 Stock Incentive Plan described below.

On September 29, 2021, the Board of Directors of the Company adopted the Emmaus Life Sciences, Inc. 2021 Stock Incentive Plan upon the recommendation of the Compensation Committee of the Board. The 2021 Stock Incentive Plan was approved by stockholders on November 23, 2021. No more than 4,000,000 shares of common stock may be issued pursuant to awards under the 2021 Stock Incentive Plan. The number of shares available for Awards, as well as the terms of outstanding awards, is subject to adjustment as provided in the Stock Incentive Plan for stock splits, stock dividends, reverse stock splits, recapitalizations and other similar events. As of March 31, 2022, no awards were outstanding under the 2021 Stock Incentive Plan.

A summary of the Company's stock option activity for three months ended March 31, 2022 and for the year ended December 31, 2021 is presented below.

	March 31, 2022		December 31, 2021	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Options outstanding, beginning of period	5,968,338	$ 4.78	7,110,025	$ 4.63
Granted or deemed granted	—	$ —	—	$ —
Exercised	—	$ —	—	$ —
Cancelled, forfeited and expired	(6)	$ 3,600.00	(1,141,687)	$ 3.82
Options outstanding, end of period	5,968,332	$ 4.78	5,968,338	$ 4.78
Options exercisable, end of period	5,942,831	$ 4.80	5,937,837	$ 4.80
Options available for future grant	4,000,000		4,000,000	

During the three months ended March 31, 2022, and 2021, the Company recognized $5,000 and $182,000, respectively, of share-based compensation expense. As of March 31, 2022, there was approximately $16,000 of total unrecognized compensation expense related to unvested share-based compensationawards outstanding under the former Amended and Restated 2011 Stock Incentive Plan. That expense is expected to be recognized over the weighted-average remaining vesting period of1.1 years.

Collaborative Research and Development Agreement with Kainos Medicine, Inc—On February 26, 2021, the Company entered into a collaborative research and development agreement with Kainos Medicine, Inc. ("Kainos") to lead the preclinical development of Kainos' patented IRAK4 inhibitor ("KM10544") as an anti-cancer drug and further advance Kainos's research and development activities. The companies also entered into a letter of intent regarding possible future joint development of small molecule therapeutics and other pharmaceutical assets.

Pursuant to the collaborative research and development agreement, the Company paid and issued to Kainos $500,000 in cash and 324,675 shares of common stock of the Company equivalent to $500,000 in additional consideration, which amounts were recorded as research and development expenses in the statement of operations and comprehensive income (loss) for each of the periods ended March 31, 2021 and December 31, 2021. The Company, in turn, was granted rights of first negotiation and first refusal for an exclusive license regarding the development and commercialization of products based on the intellectual property resulting from the agreement.

On October 7, 2021, the Company entered into a license agreement with Kainos under which Kainos granted the Company an exclusive license in the territory encompassing the U.S., the U.K. and the EU to patent rights, know-how and other intellectual property relating to Kainos's novel IRAK4 inhibitor, referred to as KM10544, for the treatment of cancers, including leukemia, lymphoma and solid tumor cancers. In consideration of the license, the Company paid Kainos a six-figure upfront fee in cash and agreed to make additional cash payments upon the achievement of specified milestones totaling in the mid-eight figures and pay a single-digit percentage royalty based on net sales of the licensed products and a similar percentage of any sublicensing consideration.

During the three months ended March 31, 2021, the Company incurred $1.0 million of research and development expenses related to the Kainos collaboration and license agreement. The Company incurred no such expenses in the three months ended March 31, 2022.

NOTE 9 — INCOME TAX

The quarterly provision for or benefit from income taxes is computed based upon the estimated annual effective tax rate and the year-to-date pre-tax income (loss) and other comprehensive income.

For the three months ended March 31, 2022 and 2021, the Company recorded an income tax benefit of $103,000 and a provision for state income tax of $18,000, respectively. The Company did not record a provision for federal income tax due to its net operating loss carryforwards. The Company established a full valuation allowance against its federal and state deferred tax asset and there was unrecognized tax benefit as of March 31, 2022 or March 31, 2021.

NOTE 10 — LEASES

Operating leases — The Company leases its office space under operating leases with unrelated entities.

The Company leases 21,293 square feet of office space for our headquarters in Torrance, California, at a base rental of $33,365 per month, which lease will expire on September 30, 2026. The Company also leases an additional 1,850 square feet office space in New York, New York, at a base rent of $8,908, which lease will expire on January 31, 2023. In addition, the Company leases 1,322 square feet of office space in Tokyo, Japan, which lease will expire on September 30, 2022 and 1,163 square feet of office space in Dubai, United Arab Emirates, which lease will expire on June 19, 2023.

The rent expense during the three months ended March 31, 2022 and 2021 was $303,000 and $301,000, respectively.

Future minimum lease payments were as follows as of March 31, 2022 (in thousands):

	Amount
2022 (nine months)	$ 880
2023	1,058
2024	1,063
2025	1,092
2026 and thereafter	836
Total lease payments	4,929
Less imputed interest	1,107
Present value of lease liabilities	$ 3,822

As of March 31, 2022, the Company had an operating lease right-of-use asset of $3.3 million and lease liability of $3.8 million. The weighted average remaining term of the Company's leases as of March 31, 2022 was 4.4 years and the weighted-average discount rate was 12.0%.

NOTE 11 — COMMITMENTS AND CONTINGENCIES

API Supply Agreement — On June 12, 2017, the Company entered into an API Supply Agreement (the "API Agreement") with Telcon pursuant to which Telcon paid the Company approximately $31.8 million in consideration of the right to supply 25% of the Company's requirements for bulk containers of PGLG for a fifteen-year term. The amount was recorded as deferred trade discount. On July 12, 2017, the Company entered into a raw material supply agreement with Telcon which revised certain terms of the API supply agreement (the "revised API agreement"). The revised API agreement is effective for a term of five years and will renew automatically for ten successive one-year renewal periods, except as either party may determine. In the revised API agreement, the Company has agreed to purchase a cumulative total of $47.0 million of PGLG over the term of the agreement. The revised API agreement provided for an annual API purchase target of $5 million and a target "profit" (*i.e.,* gross margin) to Telcon of $2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the shortfall, or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure our obligations. In September 2018, the Company entered into an agreement with Ajinomoto and Telcon to facilitate Telcon's purchase of PGLG from Ajinomoto for resale to the Company under the revised API agreement. The PGLG raw material purchased from Telcon is recorded in inventory at net realizable value and the excess purchase price is recorded against deferred trade discount. Refer to Notes 5 and 6 for more information.

NOTE 12 — RELATED PARTY TRANSACTIONS

The following table sets forth information relating to loans from related parties outstanding on or at any time during the three months ended March 31, 2022 (in thousands):

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at March 31, 2022	Highest Principal Outstanding	Amount of Principal Repaid	Amount of Interest Paid
Current, Promissory note payable to related parties:								
	Willis Lee (2)	12%	10/29/2020	Due on Demand	100	100	—	—
	Soomi Niihara (1)	12%	12/7/2021	Due on Demand	700	700	—	—
	Soomi Niihara (1)	12%	1/18/2022	Due on Demand	300	300	—	—
	Yasushi Nagasaki (2)	10%	2/9/2022	Due on Demand	50	50	—	—
	Hope International Hospice, Inc. (1)	10%	2/9/2022	Due on Demand	350	350	—	—
	Hope International Hospice, Inc. (1)	10%	2/15/2022	Due on Demand	210	210	—	—
	Soomi Niihara (1)	10%	2/15/2022	Due on Demand	100	100	—	—
	George Sekulich (2)	10%	2/16/2022	Due on Demand	26	26	—	—
	Soomi Niihara (1)	10%	3/7/2022	Due on Demand	200	200	—	—
	Osato Medical Clinic (3)	12%	3/11/2022	Due on Demand	250	250	—	—
	Alfred Lui (2)	12%	3/11/2022	Due on Demand	50	50	—	—
	Hope International Hospice, Inc. (1)	12%	3/15/2022	Due on Demand	150	150	—	—
	Hope International Hospice, Inc. (1)	12%	3/30/2022	Due on Demand	150	150	—	—
	Wei Pei Zen (2)	10%	3/31/2022	Due on Demand	200	200	—	—
				Subtotal	**2,836**	**2,836**	—	—
Revolving line of credit agreement								
	Yutaka Niihara (1)	5.25%	12/27/2019	Due on Demand	400	400	—	3
				Subtotal	**400**	**400**	**—**	**3**
				Total	**$ 3,236**	**$ 3,236**	**$ —**	**$ 3**

The following table sets forth information relating to loans from related parties outstanding at any time during the year ended December 31, 2021:

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at December 31, 2021	Highest Principal Outstanding	Amount of Principal Repaid	Amount of Interest Paid
Current, Promissory note payable to related parties:								
	Willis Lee (2)	12%	10/29/2020	Due on Demand	$ 100	$ 100	$ —	$ —
	Soomi Niihara (1)	12%	1/20/2021	Due on Demand	—	700	700	13
	Soomi Niihara (1)	12%	9/15/2021	Due on Demand	—	300	300	3
	Soomi Niihara (1)	12%	12/7/2021	Due on Demand	700	700	—	—
				Subtotal	**$ 800**	**$ 1,800**	**$ 1,000**	**$ 16**
Revolving line of credit								
	Yutaka Niihara (1)	5.25%	12/27/2019	Due on Demand	$ 400	$ 800	$ 400	$ 35
				Subtotal	**$ 400**	**$ 800**	**$ 400**	**$ 35**
				Total	**$ 1,200**	**$ 2,600**	**$ 1,400**	**$ 51**

(1) Dr. Niihara, the Chairman of the Board and Chief Executive Officer of Emmaus, is also a director and the Chief Executive Officer of Hope International Hospice, Inc. Soomi Niihara is Dr. Niihara's wife.
(2) Current officer or director.
(3) Dr. Osato, a director of Emmaus and his wife are the sole owner of Osato Medical Clinic.

See Note 7 for a discussion of the Company's revolving line of credit agreement with Dr. Niihara.

See Notes 6 and 11 for a discussion of the Company's agreements with Telcon, which holds4,147,491 shares of the Emmaus common stock, or approximately8.4% of the common stock outstanding as of March 31, 2022 and, as such, may be deemed to be an affiliate of the Company. As of March 31, 2022, the Company held a Telcon convertible bond in the principal amount of approximately $23.5 million as discussed in Note 5.

NOTE 13 — SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Company received $1.2 million of proceeds from loans from related and unrelated parties to augment its working capital

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion, the terms, "we," "us," "our," "Emmaus" or the "Company" refer to Emmaus Life Sciences, Inc. and its direct and indirect subsidiaries

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC") on March 31, 2022 (the "Annual Report").

This Quarterly Report contains forward-looking statements that involve substantial risks and uncertainties. All statements other than historical facts contained in this report, including statements regarding our future financial position, capital expenditures, cash flows, business strategy and plans and objectives of management for future operations are forward-looking statements. The words "anticipate," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "could," "may" and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect our management's current views with respect to future events and financial performance and involve risks and uncertainties, including those set forth in the "Risk Factors" section of the Annual Report, many of which are beyond our control.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated. Consequently, all forward-looking statements made in this Form 10-Q are qualified by these cautionary statements. We undertake no duty to amend or update these statements beyond what is required by SEC reporting requirements.

Company Overview

We are a commercial-stage biopharmaceutical company engaged in the discovery, development, marketing and sale of innovative treatments and therapies, primarily for rare and orphan diseases. Our lead product, Endari® (prescription-grade L-glutamine oral powder) is approved by the U.S. Food and Drug Administration, or FDA, to reduce the acute complications of sickle cell disease ("SCD") in adult and pediatric patients five years of age and older. In April 2022, Endari® was approved by the Ministry of Health and Prevention in in the United Arab Emirates, or U.A.E, in adults and pediatric patients five years of age and older. The approval of Endari® in the U.A.E. was the first granted outside the U.S. Applications for marketing authorization are pending in the Kingdom of Saudi Arabia, Bahrain and other Gulf Cooperation Council, or GCC, countries, as well. While the applications are pending, the FDA approval of Endari® can be referenced to allow access to Endari® on a named-patient basis.

Endari® is marketed and sold in the U.S. by our internal commercial sales team. Endari® is reimbursable by the Centers for Medicare and Medicaid Services, and every state provides coverage for Endari® for outpatient prescriptions to all eligible Medicaid enrollees within their state Medicaid programs. Endari® is also reimbursable by many commercial payors. We have agreements in place with the nation's leading distributors as well as physician group purchasing organizations and pharmacy benefits managers, making Endari® available at selected retail and specialty pharmacies nationwide. In April 2022 we launched an innovative telehealth solution to afford SCD patients' direct access to Endari® remotely through a web portal managed by our strategic partners, including Asembia LLC, US Bioservices Corporation and UpScript IP Holdings, LLC.

As of March 31, 2022, our accumulated deficit was $242.9 million and we had cash and cash equivalents of $0.8 million. We expect net revenues to increase as we expand our commercialization of Endari® in the U.S. and begin to realize revenues in the U.A.E. and perhaps other GCC countries. Until we can generate sufficient net revenues from Endari® sales, our future cash requirements are expected to be financed through public or private sales of equity or debt securities and, loans, including loans from related parties, or possible corporate collaboration and licensing arrangements. We are unable to predict if or when we will become profitable.

Financial Overview

Revenues, net

We realize net revenues primarily from sales of Endari® to our distributors and specialty pharmacy providers. Distributors resell our products to other pharmacy and specialty pharmacy providers, health care providers, hospitals, and clinics. In addition to agreements with these distributors, we have contractual arrangements with specialty pharmacy providers, in-office dispensing providers, physician group purchasing organizations, pharmacy benefits managers and government entities that provide for government-mandated or privately negotiated rebates, chargebacks and discounts with respect to the purchase of our products. These

various discounts, rebates, and chargebacks are referred to as "variable consideration" Revenue from product sales is recorded net of variable consideration.

Management estimates variable consideration using the expected-value amount method, which is the sum of probability-weighted amounts in a range of possible transaction prices. Actual variable consideration may differ from our estimates. If actual results vary from the estimates, we adjust the variable consideration in the period such variances become known, which adjustments are reflected in net revenues in that period. The following are our significant categories of variable consideration:

Under the Accounting Standards Codification ("ASC") 606, we recognize revenue when our customers obtain control of our product, which typically occurs on delivery. Revenue is recognized in an amount that reflects the consideration that we expect to receive in exchange for the product, or transaction price. To determine revenue recognition for contracts with customers within the scope of ASC 606, we perform the following: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to our performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the relevant performance obligations.

Sales Discounts: We provide our customers prompt payment discounts and from time to time offer additional discounts to encourage bulk orders to generate needed working capital. Sales attributable to bulk discounts offered by us increased in 2021 and adversely affected sales in the first quarter of 2022.

Product Returns: We offer our distributors a right to return product principally based upon (i) overstocks, (ii) inactive product or non-moving product due to market conditions, and (iii) expired product. Product return allowances are estimated and recorded at the time of sale.

Government Rebates: We are subject to discount obligations under state Medicaid programs and the Medicare Part D prescription drug coverage gap program. We estimate Medicaid and Medicare Part D prescription drug coverage gap rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenues are recognized, resulting in a reduction of product revenues and the establishment of a current liability that is included as accounts payable and accrued expenses on our balance sheet. Our liability for these rebates consists primarily of estimates of claims expected to be received in future periods related to recognized revenues.

Chargebacks and Discounts: Chargebacks for fees and discounts represent the estimated obligations resulting from contractual commitments to sell products to certain specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities at prices lower than the list prices charged to distributors. The distributors charge us for the difference between what they pay for the products and our contracted selling price to these specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities. In addition, we have contractual agreements with pharmacy benefit managers who charge us for rebates and administrative fee in connection with the utilization of product. These reserves are established in the same period that the related revenues are recognized, resulting in a reduction of revenues. Chargeback amounts are generally determined at the time of resale of product by our distributors.

Cost of Goods Sold

Cost of goods sold consists primarily of expenses for raw materials, packaging, shipping and distribution of Endari®.

Research and Development Expenses

Research and development expenses consist of expenditures for new products and technologies consisting primarily of fees paid to contract research organizations ("CRO") that conduct clinical trials of our product candidates, payroll-related expenses, study site payments, consultant fees and activities related to regulatory filings, manufacturing development costs and other related costs. The costs of later-stage clinical studies such as Phase 2 and 3 trials are generally higher than those of earlier studies. This is primarily due to the larger size, expanded scope, patient related healthcare and regulatory compliance costs, and generally longer duration of later-stage clinical studies.

Our contracts with CROs are generally based on time and materials expended, whereas study site agreements are generally based on costs per patient as well as other pass-through costs, including start-up costs and institutional review board fees. The financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones.

Future research and development expenses will depend on any new product candidates or technologies that we may introduce into our research and development pipeline. In addition, we cannot predict which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree, if any, such arrangements would affect our development plans and capital requirements.

Due to the inherently unpredictable nature of the drug approval process and the interpretation of the regulatory requirements, we are unable to estimate the amount of costs of obtaining regulatory approvals of Endari® outside of the U.S. or the development of our other preclinical and clinical programs. Clinical development timelines, the probability of success and development costs can differ materially from expectations and can vary widely. These and other risks and uncertainties relating to product development are described in the Annual Report under the headings "Risk Factors—Risks Related to Our Business" and "Risk Factors—Risks Related to Regulatory Oversight of our Business and Compliance with Law."

General and Administrative Expense

General and administrative expense consists principally of salaries and related employee costs, including share-based compensation for our directors, executive officers and employees. Other general and administrative expense includes facility costs, and professional fees and expenses for audit, legal, consulting, and tax services.

Selling Expenses

Selling expenses consist principally of salaries and related costs for personnel involved in the promotion, sale and marketing of Endari®. Other selling cost include advertising, third party consulting costs, the cost of in-house sales personnel and travel-related costs. We expect selling expenses to increase as we acquire additional personnel to support the commercialization of Endari® in the U.S. and abroad.

COVID-19

In retrospect, we believe our business was adversely by lockdowns, travel-related restrictions and other governmental responses to the pandemic related to the COVID 19 pandemic which inhibited the ability of our sales force to visit doctors' offices and clinics and may have adversely affected the willingness of SCD patients to seek the care of a physician or to comply with physician-prescribed care. We intend to consider future changes to our business to adapt to the new post-pandemic environment, including our traditional reliance on our in-house sales force.

Inflation

Inflation has not had a material impact on our expenses or results of operations over the past two years, but may result in increased manufacturing, research and development, general and administrative and selling expenses in the foreseeable future.

Environmental Expenses

The cost of compliance with environmental laws has not been material over the past two years and any such costs are included in general and administrative costs.

Inventories

Inventories consist of raw materials, finished goods and work-in-process and are valued on a first-in, first-out basis and at the lower of cost or net realizable value. Substantially all raw materials purchased during the three months ended March 31, 2022 and 2021 were supplied by one supplier.

Results of Operations:

Three months ended March 31, 2022 and 2021

Net revenues, Net. Net revenues decreased by $2.1 million, or 39%, to $3.2 million for the three months ended March 31, 2022, compared to $5.3 million for the three months ended March 31, 2021. The decrease in net revenues was primarily attributable to lower bulk order purchases in 2022 compared to the same period in 2021.

Cost of Goods Sold. Cost of goods sold increased by $0.6 million or 131%, to $1.0 million for three months ended March 31, 2022, compared to $0.4 million for the three months ended March 31, 2021 due primarily to $0.8 million of additional reserve relating to Endari® inventory with a shelf-life of less than two years.

Research and Development Expenses. Research and development expenses decrease by $1.3 million, or 74%, to $0.5 million for the three months ended March 31, 2022, compared to $1.8 million for the three months ended March 31, 2021. The decrease was primarily due to one-time payment of $0.5 million in cash and $0.5 million in shares of common stock in 2021 under our collaborative research and development agreement with Kainos. Depending on the availability of funding, we expect our research and development costs to increase in the remainder of 2022.

Selling Expenses. Selling expenses increased by $0.2 million, or 14%, to $1.5 million for the three months ended March 31, 2022 compared to $1.3 million for the three months ended March 31, 2021. The increase was primarily due to increased travel expenses.

General and Administrative Expenses. General and administrative expenses slightly decreased by $53,000, or 2%, to $3.4 million for the three months ended March 31, 2022, compared to the three months ended March 31, 2021. The decrease was primarily due to decreases of $0.4 million in compensation expense including share-based compensation, $0.1 million of professional fees, partially offset by an increase of $0.3 million of Dubai office operating expenses and $0.1 million of public relations expenses.

Other Income (Expense). Total other income increased by $8.2 million, or 121%, to $1.4 million for the three months ended March 31, 2022, compared to $6.8 million of other expense for the three months ended March 31, 2021. The increase was primarily due to increases of $5.4 million in change in fair value of conversion feature derivative and $1.3 million in change in fair value of warrant derivative liabilities, a $1.2 million in loss on debt extinguishment in the comparable period in 2021, and a decrease of $0.3 million in interest expense in 2022.

Net Loss. Net loss for the three months ended March 31, 2022 increased by $6.9 million, or 82% to $1.5 million for the three months ended March 31, 2022, compared to $8.4 million for the three months ended March 31, 2021. The decrease was primarily a result of an increase of $8.2 million in other income, partially offset by an increase of $1.5 million in loss from operations.

Liquidity and Capital Resources

Based on our losses to date, anticipated future net revenues and operating expenses, debt repayment obligations, planned funding to EJ Holdings and cash and cash equivalents balance of $0.8 million as of March 31, 2022, we do not have sufficient operating capital for our business without raising additional capital. We realized a net loss of $1.5 million for the three months ended March 31, 2022 and anticipate that we will continue to incur net losses for the foreseeable future and until we can generate increased net revenues from Endari® sales. While we anticipate increased net revenues as we expand our commercialization of Endari® in the U.S. through telehealth and other initiatives, as well as in the U.A.E. and perhaps other GCC countries, there is no assurance that we will be able toincrease our Endari® sales or attain sustainable profitability or that we will have sufficient capital resources to fund our operations until we are able to generate sufficient cash flow from operations.

Our subsidiary, Emmaus Medical, Inc., or Emmaus Medical, is party a purchase and sale agreement with Prestige Capital Finance, LLC, or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital's down payment, or advance, to Emmaus Medical of 75% of the face amount of the accounts receivable, subject to a $7,500,000 cap on advances at any time. The balance of the face amount of the accounts receivable will be reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable.

Liquidity represents our ability to pay our liabilities when they become due, fund our business operations, fund the operations and retrofitting of EJ Holdings' amino acid production plant in Ube, Japan, and meet our contractual obligations, including our obligations to purchase API under our supply arrangements with Telcon, and execute our business plan. Our primary sources of liquidity are our cash balances at the beginning of each period, proceeds from our accounts receivable factoring arrangement with Prestige Capital and proceeds from related-party loans and other financing activities. Our short-term and long-term cash requirements consist primarily of working capital requirements, general corporate needs, our contractual obligations to purchase API from Telcon, debt service under our convertible notes payable and notes payable and planned ongoing loan funding to sustain EJ Holdings' operations. We have no contractual commitment to provide funding to EJ Holdings, but plan to continue to do so in the foreseeable to the extent we have cash available for this purpose.

As of March 31, 2022, we had outstanding $17.6 million in principal amount of convertible promissory notes and $6.6 million in principal amount of other notes payable. Our minimum lease payment obligations were $3.8 million, of which $0.7 million was payable within 12 months.

Our API supply agreement with Telcon provides for an annual API purchase target of $5 million and a target "profit" (*i.e.*, gross margin) to Telcon of $2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall,"

Telcon may be entitled to payment of the shortfall or to settle the target shortfall in exchange for principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as collateral to secure our obligations. In February 2022 we agreed with Telcon to settle the target shortfall under the API supply agreement for 2020 and 2021 in exchange for principal and interest on our Telcon convertible bond and cash proceeds thereof.

Due to uncertainties regarding our ability to meet our current and future operating and capital expenses, there is substantial doubt about our ability to continue as a going concern for 12 months from the date of this filing as referred to in the "Risk Factors" section of this Quarterly Report and Note 2 of the Notes to Financial Statements included herein.

Cash flows for the three months ended March 31, 2022 and March 31, 2021

Net cash used in operating activities

Net cash used in operating activities increased by $0.7 million, or 18%, to $4.7 million for the three months ended March 31, 2022 from $4.0 million for the three months ended March 31, 2021 due to an increase of $6.9 million in net loss partially offset by a decrease of $5.4 million change in fair value of conversion feature derivative.

Net cash provided by (used in) investing activities

Net cash provided by investing activities increased by $3.0 million, or 169%, to $1.2 million for the three months ended March 31, 2022 from net cash used in investing activities of $1.8 million for the three months ended March 31, 2021. This increase was due to deemed proceeds of $2.9 million sales of convertible bonds resulting from the offset of target shortfalls against principal and interest of our Telcon convertible note against our trade discount.

Net cash provided by financing activities

Net cash provided by financing activities decreased by $5.0 million, or 71%, to $2.0 million for the three months ended March 31, 2022 from $7.0 million for the three months ended March 31, 2021. This decrease was the result of $13.0 million in proceeds from the sales of convertible notes payable in 2021, partially offset by a $6.2 million used to prepay our outstanding 10% Senior Secured Convertible Debentures in the same period.

Off-Balance-Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of certain assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the present circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

Refer to "Critical Accounting Policies" in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report for our critical accounting policies. There have been no material changes in any of our critical accounting policies during the three months ended March 31, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures ("DCP") are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. DCP include, without

limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our DCP. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's DCP were not effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2022 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Material Weakness and Plan of Remediation

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting that pose a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses might cause information required to be disclosed by the Company in the reports that it files or submits to not be recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

We conducted an evaluation pursuant to Rule 13a-15 of the Exchange Act of the effectiveness of the design and operation of our DCP as of March 31, 2022. This evaluation was conducted under the supervision (and with the participation) of our management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our DCP were not effective as of March 31, 2022, because of the continuation of a material weaknesses (the "Material Weakness") in our internal control over financial reporting due to inadequate financial closing process, segregation of duties including access control of information technology especially financial information, inadequate documentation of policies and procedures over risk assessments, internal control and significant account process and insufficient entity risk assessment process.

We engaged in ongoing efforts to remediate the control deficiencies that constituted the Material Weakness by implementing changes to our internal control over financial reporting, without limitation:

- engaging a third-party accounting consulting firm to assist us in the review of our application of GAAP on complex debt financing transactions and revenue recognition under ASC 606;
- using a GAAP Disclosure and SEC Reporting Checklist;
- increasing the continuing professional training and academic education on accounting subjects for accounting staff;
- enhancing the level of the precision of review controls related to our financial close and reporting; and
- subscribing the relevant online services other supplemental internal and external resources relating to SEC reporting.

Our management and board of directors are committed to the remediation of the material weaknesses, as well as the continued improvement of our overall system of internal control over financial reporting. In addition to the measures described above, we are in the process of implementing an integrated cloud-based enterprise resource planning (ERP) system to manage our financial information to replace our outdated financial accounting systems and software, which we expect to complete before the end of 2022 as our finances permit. We also have established a Disclosure Committee to ensure more effective internal communications significant transactions.

We believe these measures will remediate the control deficiencies that gave rise to the material weakness. As we continue to evaluate and work to remediate these control deficiencies, we may determine that additional remediation measures may be required.

We are committed to maintaining a strong internal control environment and believe that these remediation actions will represent improvements in our internal control over financial reporting when they are fully implemented. The material weaknesses will not be considered fully remediated until controls have been designed and implemented for a sufficient period of time for our management to conclude that the control environment is operating effectively. There is no assurance that our remediation efforts will be successful or that our internal control over financial reporting or DCP will be effective.

Part II. Other Information

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

The following should be read in conjunction with the "Risk Factors" section of the Annual Report.

The Company's consolidated financial statements included in this Quarterly Report have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of $1.5 million for the three months ended March 31, 2022 and had a working capital deficit of $28.1 million at March 31, 2022.Management expects that the Company's current liabilities, operating losses and expected capital needs, including the expected costs relating to the commercialization of Endari® in the Middle East North Africa region and elsewhere, will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company's current liabilities and future obligations, the Company will need to raise additional funds through related-party loans, equity and debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. Due to the uncertainty of the Company's ability to meet its current operating and capital expenses, there is substantial doubt about the Company's ability to continue as a going concern for 12 months from the date of this filing. The consolidated financial statements included in this Quarterly Report do not include any adjustments that might result from the outcome of these uncertainties.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Beginning January 18th through April 19th of this year, certain of our directors and officers made loans to the Company, the proceeds of which were used to augment our working capital and for general corporate purposes, including payment of employee compensation and loans to EJ Holdings to fund operations at its facility in Ube, Japan. The loans are evidenced by demand promissory notes of the Company, the form of which is included as Exhibit 10.2 to this Quarterly Report and incorporated herein by reference. The following table sets forth information regarding the related-party loans:

Lender	Annual Interest Rate	Date of Loan	Term of Loan	Principal Loan Amount
Soomi Niihara (1)	12%	1/18/2022	On demand	$ 300,000
Yasushi Nagasaki (2)	10%	2/9/2022	On demand	$ 50,000
Hope International Hospice, Inc. (3)	10%	2/9/2022	On demand	$ 350,000
Hope International Hospice, Inc. (3)	10%	2/15/2022	On demand	$ 210,000
Soomi Niihara (1)	10%	2/15/2022	On demand	$ 100,000
George Sekulich (2)	10%	2/16/2022	On demand	$ 25,622
Soomi Niihara (1)	10%	3/7/2022	On demand	$ 200,000
Osato Medical Clinic (4)	12%	3/11/2022	On demand	$ 250,000
Alfred Lui (5)	12%	3/11/2022	On demand	$ 50,000
Hope International Hospice, Inc. (3)	12%	3/15/2022	On demand	$ 150,000
Hope International Hospice, Inc. (3)	12%	3/30/2022	On demand	$ 150,000
Wei Pei Zen (5)	10%	3/31/2022	On demand	$ 200,000
Willis Lee (2) (5)	10%	4/14/2022	On demand	$ 45,000
Total Loan Amount				$ 2,080,622

(1) Soomi Niihara is the wife of Yutaka Niihara, M.D., M.P.H., the Chairman and Chief Executive Officer of the Company.
(2) Officer of the Company.
(3) Dr. Niihara is co-owner with his wife, Soomi Niihara, and a director and the Chief Executive Officer of Hope International Hospice, Inc.
(4) Osato Medical Clinic is owned by Masaharu Osato, M.D., a director of the Company.
(5) Director of the Company.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished
		Form	File No.	Exhibit	Filing Date	
10.1	Promissory Note date January18,2022 issued by registrant to Soomi Niihara.					*
10.2	Form of Promissory issued by the registrant to the persons indicated in Schedule A attached to the Form of Promissory Note.					*
10.3	Promissory Note date March 31,2022 issued by registrant to Wei Peu Zen.					*
31.1	Certification of Chief Executive Officer pursuant to Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
31.2	Certification of Chief Financial Officer pursuant of Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					*
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

* Filed herewith.

** Furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

EMMAUS LIFE SCIENCES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Emmaus Life Sciences, Inc.

Dated: May 12, 2022

By: /s/ Yutaka Niihara
Name: Yutaka Niihara, M.D., M.P.H.
Its: Chief Executive Officer

By: /s/ Yasushi Nagasaki
Name: Yasushi Nagasaki
Its: Chief Financial Officer

Exhibit 10.1

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: $300,000.00 Loan Date: January 18, 2022
Currency: U.S. dollars Term: NA
Interest Rate: 12% per year Loan Due Date: Due on demand
Interest Payment Period: Interest is payable upon Loan Due Date
Lender: Soomi Niihara

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 ("Borrower") agrees to pay to Lender or her registered assigns the Principal Amount in the stated Currency, together with any accrued interest at the stated Interest Rate, under the following terms and conditions of this Promissory Note ("Note").

1. Terms of Repayment (Balloon Payment): The entire unpaid Principal Amount and any accrued interest shall become immediately due and payable upon the stated Loan Due Date. Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount commencing on the Loan Date of this Note and the Borrower shall make payments of interest only as per the stated Interest Payment Period.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest, and then to principal.

3. Place of Payment: All payments due under this Note shall be sent to the Lender's address, as noted in Attachment 1 hereto, or at such other place as the Lender or subsequently assigned holder of this Note may designate in writing in the future.

4. Default: In the event of default, the Borrower agrees to pay all costs and expenses incurred by the Lender, including all reasonable attorney's fees as permitted by law for the collection of this Note upon default.

5. Acceleration of Debt: If the Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within thirty (30) days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 30 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due,

the entire balance of this Note and any interest accrued thereon shall be immediately due and payable to the holder of this Note.

6. Modification: No modification or waiver of any of the terms of this Note shall be allowed unless by written agreement signed by the parties. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to matters in this Note. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the matters covered by it. No representation, statement, condition or warranty not contained in this Note is binding on the parties.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender. If this Note is to be transferred, the Lender shall surrender this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Lender a new Note registered as the Lender may request, representing the outstanding Principal Amount being transferred by the Lender and, if less then the entire outstanding Principal Amount is being transferred, a new Note to the Lender representing the outstanding Principal Amount not being transferred.

9. Lost, Stolen or Mutilated Note: Upon receipt by the Borrower of evidence reasonably satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Lender to the Borrower in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Lender a new Note representing the outstanding Principal Amount and accrued and unpaid interest thereon.

10. Severability of Provisions: If any portion of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

11. Choice of Law: All terms and conditions of this Note shall be interpreted under the laws of California, U.S.A., without regard to conflict of law principles.

Signed Under Penalty of Perjury, this _18th_ day of _January____, _2022_

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

By: _____
Investor

ATTACHMENT 1

Lender's Name: Soomi Niihara

Lender's Address:

Exhibit 10.2

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: $ Loan Date:
Interest Rate: 10% per year Loan Due Date: On demand
Lender:
Address for Payment:

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 ("Borrower"), agrees to pay to Lender or his or her registered assigns (the "Holder") the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this "Note").

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender's address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower's request, the Holder shall furnish Borrower with the Holder's taxpayer ID number or Social Security number to facilitate the Borrower's tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney's fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

10. Severability of Provisions: If any provision of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this _____ day of _____, _____

Emmaus Life Sciences, Inc.

By: _____
Yutaka Niihara, M.D., M.P.H.
Chairman and Chief Executive Officer

[INFORMATION FOR PURPOSES OF FILING WITH THE SECURITIES AND EXCHANGE COMMISSION]

SCHEDULE A

NOTEHOLDERS

Lender	Annual Interest Rate	Date of loan	Term of Loan	Principal Loan Amount
Hope International Hospice, Inc. …	10.0%	2/09/2022	On demand	$ 350,000
Yasushi Nagasaki ……...	10.0%	2/09/2022	On demand	$ 50,000
Agatha Lee ……	10.0%	2/10/2022	On demand	$ 20,000
Hope International Hospice, Inc. ……..	10.0%	2/15/2022	On demand	$ 210,000
Soomi Niihara ……...	10.0%	2/15/2022	On demand	$ 100,000
George Sekulich…….	10.0%	2/16/2022	On demand	$ 25,622
Soomi Niihara……	10.0%	3/07/2022	On demand	$ 200,000
Osato Medical Clinic …….	12.0%	3/11/2022	On demand	$ 250,000
Alfred Lui ……..	12.0%	3/11/2022	On demand	$ 50,000
Hope International Hospice, Inc. ……..	12.0%	3/15/2022	On demand	$ 150,000
Hope International Hospice, Inc. ……..	12.0%	3/30/2022	On demand	$ 150,000

Exhibit 10.3

EMMAUS LIFE SCIENCES, INC.
Promissory Note

THIS NOTE IS REGISTERED WITH THE COMPANY AS TO BOTH PRINCIPAL AND INTEREST AND, ACCORDINGLY, IS IN "REGISTERED FORM" WITHIN THE MEANING OF SECTIONS 871(H) AND 881(C) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Principal Amount: $200,000.00 Loan Date: March 31, 2022
Interest Rate: 10% per year Loan Due Date: On demand
Lender: Wei Peu Zen
Address for Payment:

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 ("Borrower"), agrees to pay to Lender or his or her registered assigns (the "Holder") the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this "Note").

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender's address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower's request, the Holder shall furnish Borrower with the Holder's taxpayer ID number or Social Security number to facilitate the Borrower's tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney's fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not

discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

10. Severability of Provisions: If any provision of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this _31st____ day of _March,_2022

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

Exhibit 31.1

Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yutaka Niihara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2022

/s/ Yutaka Niihara

Yutaka Niihara, M.D., M.P.H.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yasushi Nagasaki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2022

/s/ Yasushi Nagasaki

Yasushi Nagasaki
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Emmaus Life Sciences, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yutaka Niihara

Yutaka Niihara, M.D., M.P.H.
Chief Executive Officer
(Principal Executive Officer)
May 12, 2022

/s/ Yasushi Nagasaki

Yasushi Nagasaki
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 12, 2022