

March 9, 2012

Annual Report
(From January 1, 2011
To December 31, 2011)

1. Present situation of the Company

(1) Progress and achievement of business

An uncertain outlook for the state of the Japanese economy continued in Fiscal 2011 due to the prolonged yen strengthening, economic worries in Europe, and concerns over the Japanese politics, while there were improvements in corporate earnings along with the growth of emerging countries and a sign of recovery in business conditions was seen.

In Japan's pharmaceutical industry, the Japanese government has been implementing policies to promote the use of generic drugs to reduce the overall medical costs. While the growth in the domestic market slows down, it becomes an important challenge to develop new drugs that sell throughout the world. In response to this situation, corporate alliances and mergers & acquisitions are in a rising trend globally as well as domestically.

In these circumstances, the progress of our business during Fiscal 2011 was as follows.

(i) Domestic

In Japan, the Company sells an anticancer drug SyB L-0501 (the generic name: bendamustine hydrochloride, the trade name: TREAKISYM®) through the business partner Eisai Co., Ltd. (Eisai) for the indications of refractory/relapsed indolent non-Hodgkin's lymphoma (NHL) and mantle cell lymphoma (MCL). The sales of TREAKISYM® had been steady after the launch in December 2010 and the Company's sales of the product to Eisai were mostly in line with the plan.

With regard to the development of TREAKISYM®, patient enrollment was completed for Phase II clinical trials (collaborative trial in Japan and South Korea) for the extended indication of refractory/relapsed aggressive non-Hodgkin's lymphoma in June 2011 and continued the administration to enrolled patients. We started Phase II clinical trials for the indications of indolent non-Hodgkin's lymphoma and mantle cell lymphoma in November 2011. We also started Phase II clinical trials for the indication of refractory/relapsed multiple myeloma in December 2011.

We continued the patient enrollment and administration for Phase II clinical trial of SyB D-0701 (a transdermal antiemetic patch) for the indication of radiotherapy-induced nausea and vomiting.

The pre-clinical trials continued to support the initiation of Phase I clinical trials for the anticancer drug SyB 0702.

Meanwhile, the Company signed the licensing agreement with Onconova Therapeutics, Inc. (United States) on July 7, 2011, which allows us to exclusively develop and commercialize anticancer drugs SyB L-1101 (the intravenous form)/C-1101 (the oral form) (the generic name: rigosertib) for Japan and South Korea. With regard to these products, we continued preparations for domestic Phase I clinical trials (for SyB L-1101, the intravenous form) for the indication of refractory/relapsed myelodysplastic syndrome (MDS).

(ii) Overseas

The sales of SyB L-0501 were steady in Singapore. SyB L-0501 was approved for the indications of chronic lymphocytic leukemia and multiple myeloma in South Korea on May 31, 2011 and the sales started in October 2011. We sell the product through Eisai in Singapore and South Korea as in Japan.

Furthermore, SyB L-0501 received the approval to manufacture and commercialize from the Taiwanese authority on October 18, 2011 in consequence of the continued negotiations with the authority by the business partner InnoPharmax Inc. (Taiwan).

(iii) Business Result Summary

As a result of the aforementioned developments, net sales totaled 1,882,521 thousand yen for the fiscal year reported reflecting the sales of SyB L-0501 in Japan and Asian countries, the start of development for the therapy for untreated indolent non-Hodgkin's lymphoma in Japan, and the milestone revenue booked for the sales approval for SyB L-0501 in South Korea and Taiwan.

Selling, general and administrative expenses totaled 2,725,182 thousand yen, comprising research and development cost of 1,945,029 thousand yen for the accrual of lump-sum contract payment associated with the in-licensing of product candidates (SyB L-1101/C-1101) in addition to clinical trials and their preparations for multiple indications for SyB L-0501, clinical trials for SyB D-0701, and pre-clinical trials for SyB 0702 as well as other selling, general and administrative expenses of 780,153 thousand yen.

As a result, we posted operating loss of 2,066,846 thousand yen for the fiscal year reported. Non-operating income was 56,382 thousand yen mainly because of subvention from NEDO and non-operating expense was 84,919 thousand yen mainly due to IPO preparation costs. As a result, we posted ordinary loss of 2,095,382 thousand yen and net loss of 2,104,513 thousand yen for the fiscal year reported.

(2) Situation of fund raising

(i) Fund raising

Fund raising activities implemented during the fiscal year reported are as follows.

Payment date	Classification	Number of issued shares	Issue price per share	total issue price
February 17, 2011	Third-party allotment	11,032 shares	70,000 yen	772,240 thousand yen
February 25, 2011	Third-party allotment	17,368 shares	70,000 yen	1,215,760 thousand yen
April 21, 2011	Third-party allotment	22 shares	70,000 yen	1,540 thousand yen
April 26, 2011	Third-party allotment	150 shares	70,000 yen	10,500 thousand yen
October 19, 2011	Public offering	5,100,000 shares	515.20 yen	2,627,520 thousand yen

(ii) Capital investment

Capital investment totaled 15,605 thousand yen in the fiscal year reported, mainly for the introduction of sales management software. The funds for capital investment were

procured from owned cash.

(3) Situation of assets and profit and loss in the fiscal year reported and the three preceding fiscal years (units: thousand yen, except for per-share figures)

Fiscal year Classification	Fiscal 2008 4th Term	Fiscal 2009 5th Term	Fiscal 2010 6th Term	Fiscal 2011 7th Term (reported)
Net sales	1,630,029	1,191,127	1,449,972	1,882,521
Operating profit (loss)	132,859	(208,027)	(612,793)	(2,066,846)
Ordinary profit (loss)	24,169	(214,072)	(638,375)	(2,095,382)
Net profit (loss)	20,987	(217,872)	(642,307)	(2,104,513)
Net profit (loss) per share	364.58 yen	(3,252.84) yen	(5,933.47) yen	(143.60) yen
Total assets	1,501,212	4,260,689	4,262,783	7,256,094
Net assets	1,306,602	4,053,758	4,083,064	6,605,564
Net assets per share	22,292.02 yen	40,275.39 yen	36,541.74 yen	345.28 yen

(4) Issues to be solved by the Company

The Company will solve the following important issues:

(i) Further expansion of pipeline

In order to enhance the enterprise value as specialty pharmaceutical company, we need to expand the pipeline through continually in-licensing of new candidate drugs for development.

We have four products in the pipeline and clinical trials are underway for an anticancer drug SyB L-0501 and a transdermal antiemetic patch SyB D-0701. An anticancer drug SyB L-1101 (the intravenous form), which we in-licensed in July 2011, is being prepared for the initiation of clinical trials. We continue with ongoing efforts to in-license an additional pipeline.

(ii) Pursuit of life cycle management of TREAKISYM® (SyB L-0501)

In order to enhance the enterprise value, it is critical to maximize returns from each drug candidate under development by adding new indications for developed candidate drugs after their initial introduction in pursuit of life cycle management in addition to in-licensing new candidate drugs.

TREAKISYM® has received the approval for manufacture and marketing with the

approved indications of refractory/relapsed indolent non-Hodgkin's lymphoma and refractory/relapsed mantle cell lymphoma. Phase II clinical trials are underway for refractory/relapsed aggressive non-Hodgkin's lymphoma, untreated indolent non-Hodgkin's lymphoma, untreated mantle cell lymphoma, and refractory/relapsed multiple myeloma as additional indications. We will add new indications in pursuit of life cycle management to maximize the value of TREAKISYM®.

(iii) Expansion to other Asian regions

The Company positions China (including Hong Kong), South Korea, Taiwan, and Singapore as our important strategic geographic domains in addition to Japan. In these areas, high growth in economy and medical needs is expected and we consider that these areas will assume increasing importance in our corporate strategy.

Among our pipelines, we plan to develop and market SyB L-0501 and SyB D-0701 in China (including Hong Kong), South Korea, Taiwan, and Singapore as well as Japan. It is established by the result of market research that significant medical needs exist for SyB L-0501 and SyB D-0701 in these countries. We also plan to develop and market SyB L-1101/C-1101 in South Korea other than Japan. We will aggressively launch clinical trials and apply for marketing approvals in these Asian countries.

(iv) Securing people

The Company places the highest priority on people as the company management resource. We cannot make superior achievements in exploring and developing new drugs without talent. Also, a company that considers out-licensing drug candidates to us critically evaluates the quality of our people in due-diligence. Hence, we plan to further strengthen our human resources by continually recruiting talent and providing development programs such as OJT and other trainings.

(v) Financial issue

There is a possibility that the Company raises funds necessary for business activities such as R&D expenditures externally as the pipeline development progresses and the number of drug candidates increases. Therefore, we make every effort to strengthen the financial base by continually diversifying the method for fund procurement and reducing costs through a thorough budget control.

(5) Main contents of business (as of December 31, 2011)

The Company regards underserved therapeutic areas that lack the development of new drugs despite extremely significant medical needs as business opportunities. We engage in

the development of new drugs focusing on the areas of oncology, hematology, and autoimmune diseases, from search, development and manufacture to sales as the main contents of our business.

(6) Main offices and employees

(i) Main offices (as of December 31, 2011)

Name	Location
Main office	Minato-ku, Tokyo

(ii) Employees (as of December 31, 2011)

Classification	Number of employees	Increase or decrease from previous fiscal year end	Average age (years)	Average years of service
Male	46	4	48.0	3.1
Female	25	11	41.4	2.2
Total or average	71	15	45.7	2.8

(Note) 1. Number of employees represents number of individuals in work.
 2. Fifteen temporary employees are not included in the above number of employees.
 3. Number of employees increased by 15 in the last one year primarily in order to strengthen the development division.

(7) Situation of parent company and significant subsidiaries

None to be reported.

(8) Situation of main lenders (as of December 31, 2011)

None to be reported.

(9) Other important matters concerning the Company's present situation

The Company's stocks were listed on Osaka Securities Exchange JASDAQ Growth on October 20, 2011.

2. Matters related to stocks (as of December 31, 2011)

(1) Total number of issuable shares	Common stock	56,000,000 shares
(2) Total number of issued shares	Common stock	19,130,825 shares (excluding 75 treasury shares)
(3) Number of shareholders		4,840
(4) Major shareholders (10 largest ones)		

Name of shareholders	Number of shares held	Percent of issued shares
Fuminori Yoshida	3,030,000	15.8%
Cephalon, Inc.	2,589,000	13.5%
JAFCO V2 Investment LP	2,308,800	12.1%
Eisai Co., Ltd.	833,400	4.4%
Waseda No.1 Investment LP	684,000	3.6%
Waseda Global No.1 Investment LP	500,000	2.6%
Osaka Securities Finance Company, Ltd.	313,400	1.6%
TNP On the road No1. Investment LP	254,000	1.3%
JAFCO V2-W Investment Enterprise Partnership	230,500	1.2%
DAIICHI SANKYO Co., Ltd.	200,000	1.0%

(Note) The calculation of percent of issued shares excludes treasury shares.

(5) Other important matters related to stocks

(i) Due to the new stock issuance through public offering with the payment date of October 20, 2011, the total number of issued shares increased by 5,100,000 shares, and capital stock and capital reserve increased by 1,313,760,000 yen, respectively.

(ii) Due to the stock split (at the ratio of 100 shares to each outstanding share), the total number of issued shares increased by 13,890,591 shares.

(iii) The total number of authorized shares

The Articles of Incorporation were revised by the provision of the Companies' Act Article 184 (2) in conjunction with the stock split (at the ratio of 100 shares to each outstanding share) effective June 2, 2011, and by the resolution at the Extraordinary General Shareholders' Meeting held on June 30, 2011, so that the total number of authorized shares has increased from 200,000 shares to 56,000,000 shares.

3. Matters related to stock acquisition rights

(1) Stock acquisition rights possessed by the Company's directors that were distributed as compensation for services

(i) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on June 20, 2005 (1st series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	3,610
-Number of shares subject to stock acquisition rights	361,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	500 yen
-Period during which stock acquisition rights may be exercised	From June 21, 2007 To June 20, 2015
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	900	90,000	1
Outside directors	600	60,000	3
Auditors	-	-	-

(ii) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on September 1, 2005 (5th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	845
-Number of shares subject to stock acquisition rights	84,500
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,000 yen
-Period during which stock acquisition rights may be exercised	From February 1, 2008 To September 1, 2015
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	600	60,000	1
Outside directors	-	-	-
Auditors	-	-	-

(iii) Stock acquisition rights granted by the resolution by General Shareholders' Meeting held on March 31, 2006 (6th series of stock acquisition rights)

(as of December 31, 2011)

- Number of stock acquisition rights 130
- Number of shares subject to stock acquisition rights 13,000
- Amount paid for stock acquisition rights Free of charge
- Price of assets invested in the exercise of stock acquisition rights 1,000 yen
- Period during which stock acquisition rights may be exercised From April 19, 2008 To March 30, 2016
- Situation of possession by the Company's directors and auditors

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	-	-	-
Outside directors	-	-	-
Auditors	20	2,000	1

(iv) Stock acquisition rights granted by the resolution by General Shareholders' Meeting held on March 31, 2006 (7th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	1,560
-Number of shares subject to stock acquisition rights	156,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,500 yen
-Period during which stock acquisition rights may be exercised	From July 2, 2008 To March 30, 2016
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	500	50,000	1
Outside directors	250	25,000	3
Auditors	10	1,000	1

(v) Stock acquisition rights granted by the resolution by General Shareholders' Meeting held on March 31, 2006 (8th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	190
-Number of shares subject to stock acquisition rights	19,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,500 yen
-Period during which stock acquisition rights may be exercised	From December 2, 2008 To March 30, 2016
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	-	-	-
Outside directors	100	10,000	1
Auditors	-	-	-

(vi) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on December 1, 2006 (9th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	540
-Number of shares subject to stock acquisition rights	54,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,500 yen
-Period during which stock acquisition rights may be exercised	From January 24, 2009 To January 23, 2017
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	500	50,000	1
Outside directors	-	-	-
Auditors	30	3,000	1

(vii) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on December 1, 2006 (11th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	250
-Number of shares subject to stock acquisition rights	25,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,500 yen
-Period during which stock acquisition rights may be exercised	From March 3, 2009 To March 2, 2017
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	100	10,000	1
Outside directors	-	-	-
Auditors	-	-	-

(viii) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on December 1, 2006 (12th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	730
-Number of shares subject to stock acquisition rights	73,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,500 yen
-Period during which stock acquisition rights may be exercised	From August 29, 2009 To August 28, 2017
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	410	41,000	1
Outside directors	180	18,000	2
Auditors	50	5,000	1

(ix) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on December 1, 2006 (13th series of stock acquisition rights)

(as of December 31, 2011)

- Number of stock acquisition rights 1,210
- Number of shares subject to stock acquisition rights 121,000
- Amount paid for stock acquisition rights Free of charge
- Price of assets invested in the exercise of stock acquisition rights 1,500 yen
- Period during which stock acquisition rights may be exercised From August 29, 2009 To August 28, 2017
- Situation of possession by the Company's directors and auditors

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	50	5,000	1
Outside directors	120	12,000	1
Auditors	-	-	-

(x) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on September 30, 2008 (14th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	1,870
-Number of shares subject to stock acquisition rights	187,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,200 yen
-Period during which stock acquisition rights may be exercised	From October 1, 2010 To September 30, 2018
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	1,410	141,000	2
Outside directors	360	36,000	2
Auditors	100	10,000	1

(xi) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on September 30, 2008 (16th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	850
-Number of shares subject to stock acquisition rights	85,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,200 yen
-Period during which stock acquisition rights may be exercised	From October 1, 2010 To September 30, 2018
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	-	-	-
Outside directors	150	15,000	1
Auditors	-	-	-

(xii) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on September 30, 2008 (17th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	710
-Number of shares subject to stock acquisition rights	71,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,200 yen
-Period during which stock acquisition rights may be exercised	From March 19, 2011 To March 18, 2019
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	670	67,000	2
Outside directors	-	-	-
Auditor	40	4,000	1

(xiii) Stock acquisition rights granted by the resolution by Extraordinary Shareholders' Meeting held on September 30, 2008 (19th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	125
-Number of shares subject to stock acquisition rights	12,500
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	1,200 yen
-Period during which stock acquisition rights may be exercised	From March 19, 2011 To March 18, 2019
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	-	-	-
Outside directors	100	10,000	1
Auditor	-	-	-

(xiv) Stock acquisition rights granted by the resolution by General Shareholders' Meeting held on March 30, 2010 (20th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	3,610
-Number of shares subject to stock acquisition rights	361,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	600 yen
-Period during which stock acquisition rights may be exercised	From April 1, 2012 To March 31, 2020
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	2,510	251,000	3
Outside directors	1,000	100,000	3
Auditors	100	10,000	1

(xv) Stock acquisition rights granted by the resolution by General Shareholders' Meeting held on March 30, 2010 (22nd series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	1,530
-Number of shares subject to stock acquisition rights	153,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	600 yen
-Period during which stock acquisition rights may be exercised	From April 1, 2012 To March 31, 2020
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	-	-	-
Outside directors	200	20,000	1
Auditors	-	-	-

(xvi) Stock acquisition rights granted by the resolution by General Shareholders' Meeting held on March 30, 2011 (24th series of stock acquisition rights)

(as of December 31, 2011)

-Number of stock acquisition rights	1,920
-Number of shares subject to stock acquisition rights	192,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	700 yen
-Period during which stock acquisition rights may be exercised	From March 31, 2013 To March 30, 2021
-Situation of possession by the Company's directors and auditors	

	Number of stock acquisition rights	Number of subject shares	Number of holders
Directors (not including outside directors)	1,620	162,000	3
Outside directors	300	30,000	2
Auditors	-	-	-

(Note) With regard to the items from (i) to (xvi), "Number of shares subject to stock acquisition rights" and "Price of assets invested in the exercise of stock acquisition rights" were reflected by the changes in the numbers due to the stock split as effective from June 2, 2011.

(2) Stock acquisition rights distributed to the Company's employees as compensation for services during the fiscal year reported

Stock acquisition rights granted by the resolution by Board of Directors meeting held on March 30, 2011

-Number of stock acquisition rights	1,950
-Number of shares subject to stock acquisition rights	195,000
-Amount paid for stock acquisition rights	Free of charge
-Price of assets invested in the exercise of stock acquisition rights	700 yen

- Period during which stock acquisition rights may be exercised From March 31, 2013
To March 30, 2021
- Conditions for the exercise of stock acquisition rights (i) The holder of stock acquisition rights must be in a status of director, auditor, advisor, or employee of the Company or any of its affiliates at the time of exercise.
(ii) Other conditions shall be pursuant to the Stock Acquisition Rights Allotment Agreement executed between the Company and the holder of stock acquisition rights, based on resolutions by General Shareholders Meetings and Board of Directors meetings.

-Situation of allotment to the Company's employees

	Number of stock acquisition rights	Number of subject shares	number of employees allotted
Employees of the company	1,950 (note)	195,000 (note)	59

- (Notes) 1. Of the stock acquisition rights mentioned above, 30 units (3,000 shares) had been forfeited due to the retirement of employees.
2. With regard to the items from (i) to (xvi), "Number of shares subject to stock acquisition rights" and "Price of assets invested in the exercise of stock acquisition rights" were reflected by the changes in the numbers due to the stock split as effective from June 2, 2011.

(3) Other important matters concerning stock acquisition rights

No stock acquisition rights were allotted to collaborators during the fiscal year reported.

4. The Company's executives (as of December 31, 2011)

(1) Name and primary matters of directors and corporate auditors

Status in the Company	Name	Responsibility and additional important posts in other companies
Representative director and president	Fuminori Yoshida	Chief executive officer
Director	Osamu Ogawa	Senior corporate officer, Head of research & development division
Director	Hiroki Maekawa	Senior corporate officer, Chief financial officer, Head of corporate division
Director	Lowell Sears	Sears Capital Management Inc. Chief executive officer
Director	George Morstyn	G & R Morstyn Pty Ltd. Chief executive officer
Executive Auditor	Masahiko Goto	
Executive Auditor	Koshi Ohizumi	
Auditor	Saneaki Ichijyo	Attorney (Partner, Anderson, Mori & Tomotsune)
Auditor	Chikara Shimazaki	Certified public accountant (Representative, Shimazaki accounting office)

(Note) 1. Of the directors, Lowell Sears and George Morstyn are outside directors.

2. The auditors Masahiko Goto, Koshi Ohizumi, Saneaki Ichijyo and Chikara Shimazaki are outside auditors.

3. The outside auditor Chikara Shimzaki is the independent officer who does not have the potential to cause conflict of interests against general shareholders, the position that Osaka Securities Exchange requires us to appoint.

4. The executive auditor Masahiko Goto experienced accounting work for years and has high insight on finance and accounting.

5. The executive auditor Koshi Ohizumi experienced accounting work for years and has high insight on finance and accounting.

6. The auditor Saneaki Ichijyo is an attorney and has high insight on corporate legal affairs.

7. The auditor Chikara Shimazaki is a Certified Public Accountant and has high insight on finance and accounting.

8. Changes in directors and auditors during the fiscal year reported are as follows:

- The director Shuichi Matsuda resigned at the closure of General Shareholders' Meeting for the 6th Term held on March 30, 2011.

- The auditor Koshi Ohizumi was elected and assumed the position at Extraordinary Shareholders' Meeting held on June 30, 2011.

9. The Company has adopted the corporate officer system. The corporate officers as of December 31, 2011 are as follows:

Status in the Company	Name	Responsibility
Chief executive officer	Fuminori Yoshida	-
Senior corporate officer	Osamu Ogawa	Head of research & development division
Senior corporate officer	Hiroki Maekawa	Chief financial officer, Head of corporate division
Corporate officer	Albert Qin	Chief scientific officer

(2) Total amount of compensation to directors and auditors

Classification	Number of persons paid	Amount paid (thousand yen)
Directors	6 (Outside) 3	76,449 (outside) 9,751
Directors	4 (Outside) 4	21,822 (outside) 21,822
Total	10 (Outside) 7	98,271 (outside) 31,573

- (Note) 1. Salary for employee in the event of a director doubling as employee is not included in the above amount paid to directors.
 2. The maximum amount of directors' compensation has been resolved as the annual amount of 130,000,000 yen at Extraordinary Shareholders' Meeting held on August 3, 2005.
 3. The maximum amount of auditors' compensation has been resolved as the annual amount of 30,000,000 yen at Extraordinary Shareholders' Meeting held on June 30, 2011.

(3) Matters concerning outside directors

(i) Director: Lowell Sears

- a. Situation of additional posts of executives at other companies and relationship between such companies and the Company
 He holds an additional post of chief executive officer at Sears Capital Management Inc.
 There is no business transaction between the above company and the Company.
- b. Situation of additional posts of outside director at other companies
 None to be reported.
- c. Relationship with particular related companies, such as main customers
 None to be reported.
- d. Situation of main activities during the fiscal year reported
 The rate of attendance at Board of Directors meetings was 100.0%

e. Summary of contents of liability limitation agreement

An agreement has been executed setting forth with respect to the responsibility in Companies Act Article 423 (1) that in the event that it is with good intentions and there is no gross negligence in such outside director's performance of his duties, higher of the amount of 1,000,000 yen or above legally set forth in advance or the amount set forth in laws and ordinances at the maximum shall be borne.

f. Amount of compensation received from the parent of the Company or its subsidiaries
None to be reported.

(ii) Director: George Morstyn

a. Situation of additional posts of executives at other companies and relationship between such companies and the Company

He holds an additional post of chief executive officer at G & R Morstyn Pty Ltd.

There is no business transaction between the above company and the Company.

b. Situation of additional posts of outside director at other companies

He holds additional posts of outside director at GBS Ventures and Proacta. He also holds additional posts at The Victorian Comprehensive Cancer Centre (Deputy Chairman), The Cooperative Centre for Cancer therapeutics (Director), Translational Innovation Australia (Director), Bio21 (Director), Ciradian Technology (Member of SAB), and Victorian Cancer Agency (Director).

There is no business transaction between the above companies and the Company.

c. Relationship with particular related companies, such as main customers

None to be reported.

d. Situation of main activities during the fiscal year reported

Situation of attendance at Board of Directors meetings

The rate of attendance at Board of Directors meetings was 100.0%

e. Summary of contents of liability limitation agreement

An agreement has been executed setting forth with respect to the responsibility in Companies Act Article 423 (1) that in the event that it is with good intentions and there is no gross negligence in such outside director's performance of his duties, higher of the amount of 1,000,000 yen or above legally set forth in advance or the amount set forth in laws and ordinances at the maximum shall be borne.

f. Amount of compensation received from the parent of the Company or its subsidiaries
None to be reported.

(iii) Executive Auditor: Masahiko Goto

a. Situation of additional posts of executives at other companies and relationship

between such companies and the Company

None to be reported.

b. Situation of additional posts of outside director at other companies

None to be reported.

c. Relationship with particular related companies, such as main customers

None to be reported.

d. Situation of main activities during the fiscal year reported

(1) Situation of attendance at Board of Directors meetings

The rate of attendance at Board of Directors meetings was 100.0%

(2) Situation of attendance at Board of Statutory Auditors meetings

The rate of attendance at Board of Statutory Auditors meetings was 100.0%.

e. Summary of contents of liability limitation agreement

An agreement has been executed setting forth with respect to the responsibility in Companies Act Article 423 (1) that in the event that it is with good intentions and there is no gross negligence in such outside auditor's performance of his duties, higher of the amount of 1,000,000 yen or above legally set forth in advance or the amount set forth in laws and ordinances at the maximum shall be borne.

f. Amount of compensation received from the parent of the Company or its subsidiaries

None to be reported.

(iv) Executive Auditor: Koshi Ohizumi

a. Situation of additional posts of executives at other companies and relationship

between such companies and the Company

b. Situation of additional posts of outside director at other companies

None to be reported.

c. Relationship with particular related companies, such as main customers

None to be reported.

d. Situation of main activities during the fiscal year reported

(1) Situation of attendance at Board of Directors meetings

The rate of attendance at Board of Directors meetings was 100.0%

(2) Situation of attendance at Board of Statutory Auditors meetings

The rate of attendance at Board of Statutory Auditors meetings was 100.0%.

e. Summary of contents of liability limitation agreement

An agreement has been executed setting forth with respect to the responsibility in Companies Act Article 423 (1) that in the event that it is with good intentions and there is no gross negligence in such outside auditor's performance of his duties, higher of the amount of 1,000,000 yen or above legally set forth in advance or the

amount set forth in laws and ordinances at the maximum shall be borne.

- f. Amount of compensation received from the parent of the Company or its subsidiaries
None to be reported.

(v) Auditor: Saneaki Ichijyo

- a. Situation of additional posts of executives at other companies and relationship between such companies and the Company
None to be reported.
- b. Situation of additional posts of outside director at other companies
He holds additional posts of Supervisory Director at Nomura Real Estate Office Fund, Inc.
There is no business transaction between the party and the Company.
- c. Relationship with particular related companies, such as main customers
None to be reported.
- d. Situation of main activities during the fiscal year reported
(1) Situation of attendance at Board of Directors meetings
The rate of attendance at Board of Directors meetings was 100.0%
(2) Situation of attendance at Board of Statutory Auditors meetings
The rate of attendance at Board of Statutory Auditors meetings was 100.0%.
- e. Summary of contents of liability limitation agreement
An agreement has been executed setting forth with respect to the responsibility in Companies Act Article 423 (1) that in the event that it is with good intentions and there is no gross negligence in such outside auditor's performance of his duties, higher of the amount of 1,000,000 yen or above legally set forth in advance or the amount set forth in laws and ordinances at the maximum shall be borne.
- f. Amount of compensation received from the parent of the Company or its subsidiaries
None to be reported.

(vi) Auditor: Chikara Shimazaki

- a. Situation of additional posts of executives at other companies and relationship between such companies and the Company
None to be reported.
- b. Situation of additional posts of outside director at other companies
None to be reported.
- c. Relationship with particular related companies, such as main customers
None to be reported.
- d. Situation of main activities during the fiscal year reported

(1) Situation of attendance at Board of Directors meetings

The rate of attendance at Board of Directors meetings was 100.0%

(2) Situation of attendance at Board of Statutory Auditors meetings

The rate of attendance at Board of Statutory Auditors meetings was 100.0%.

e. Summary of contents of liability limitation agreement

An agreement has been executed setting forth with respect to the responsibility in Companies Act Article 423 (1) that in the event that it is with good intentions and there is no gross negligence in such outside auditor's performance of his duties, higher of the amount of 1,000,000 yen or above legally set forth in advance or the amount set forth in laws and ordinances at the maximum shall be borne.

f. Amount of compensation received from the parent of the Company or its subsidiaries

None to be reported.

Each outside director appropriately advised and raised questions regarding resolutions and reports by Board of Directors based on high personal insight of business administration, and from a standpoint that was independent from business operations.

Each outside auditor appropriately raised questions to fulfill the function of management monitor for resolutions and reports by Board of Directors based on high personal insight of business administration from an independent and neutral standpoint, and aggressively raised questions and expressed opinions regarding resolutions and reports by Board of Statutory Auditors in order to execute highly effective audits.

5. Situation of accounting auditor

(1) Name of accounting auditor Ernst & Young ShinNihon LLC

(2) Summary of contents of liability limitation agreement

None to be reported.

(3) Amount of compensation

	Amount paid
Amount of compensation to accounting auditor concerning the fiscal year reported	15,500,000 yen
Amount of compensation pertaining to services set forth in Certified Public Accountants Act Article 2 (1)	
The total amount of money and property benefit to be paid by the Company to the accounting auditor	15,500,000 yen

(Note) 1. The amounts of compensations for the audits conducted in accordance with Companies Act and the audits conducted in accordance with Financial Instruments and Exchange Act are not distinguished in the contract agreement between the Company and the accounting auditor. Practically speaking, it is impossible to distinguish the compensations for these two types of audits; therefore the total amount thereof is stated.

2. The Company does not engage the accounting auditor to perform duties other than auditing stipulated by Certified Public Accountants Act Article 2 (1).

(4) Policies for dismissal or non-reappointment of accounting auditor

The Company shall propose an agenda regarding the dismissal or the non-reappointment of the accounting auditor to Shareholders' Meeting, by an agreement of or a request by Board of Statutory Auditors, in general, if it is deemed to be difficult for the accounting auditor to execute its duties adequately as well as the dismissal of the accounting auditor by Board of Statutory Auditors in accordance with Companies Act Article 340.

6. Summary of contents of resolutions concerning the establishment of system to ensure appropriate operations

- (1) Corporate system to ensure that directors, other officers and employees comply with laws and ordinances as well as the Articles of Incorporation in the process of performing their duties
 - (i) The Company has its Representative Director and President to make thoroughly known to all of its directors, auditors, and employees (including contract employees, temporary employees and subcontract employees) its policy that any and all corporate activities should be based on the spirit of compliance with laws and maintenance of ethics (hereinafter "compliance") by repeatedly urging them to abide by the spirit of the Corporate Action Charter.
 - (ii) The Company promotes the activities for compliance with a compliance committee composed of the director in charge of corporate division as the chairman thereof and the senior directors and directors of relevant departments as members thereof to act as the center of such activities.
 - (iii) The Company makes efforts to find and cure any and all unfair acts and practices as early as possible through a compliance hot-line permanently installed outside the Company. The Company also receives consultation from its employees with regard to compliance-related problems through its liaison window permanently installed within the Company for the purpose of receiving such consultation.
 - (iv) The Company has its own internal audit office to act under the direct control of President, which not only verifies the condition of maintenance and operation of

internal control from the viewpoint of effectiveness and efficiency of business, reliability of various financial reports and compliance for the purpose of guaranteeing the quality of corporate management, but also makes evaluation and gives necessary advice and suggestion for improvement with regard to the appropriateness and effectiveness of corporate risk management.

- (v) The Company actively engages in community service activities and any other activities deemed to be beneficial to society as a good corporate citizen. The Company also resolutely opposes antisocial forces and organizations that threaten the order or safety of society as a whole.

- (2) Corporate system for maintenance and control of information as to the performance by directors of their duties

The Company has the head of general affairs as the person responsible for general management of corporate documents to appropriately maintain and otherwise control all important documents containing information as to the performance by directors of their duties in addition to legally required records of proceedings of Shareholders' Meetings and Board of Directors' meetings, as provided in laws and ordinances, as well as in its own " Rules for the Management of Documents".

- (3) Corporate system for control of risk of loss, including in-house rules for such control

The Company performs the business of risk control under its basic policy and related rules for such risk control. Usually the Company's permanent risk-management committee, which is chaired by the director in charge of corporate division, keeps an organizationally traversing watch on the condition of risk control, and takes appropriate measures on a whole-company basis, if necessary. In case of emergency, the Company will temporarily set up its headquarters for such case with its Representative Director and President to act as the chairman thereof, and take necessary measures in accordance with decisions made by such headquarters.

- (4) Corporate system to ensure the efficient performance by directors of their duties

- (i) Directors, other officers and employees perform their duties as provided in the procedural rules for appropriate decision-making under the "Rules for the Board of Directors" and "Rules for the Internal Approvals" and other similar regulations.
- (ii) The Company regularly holds the executive management committee as provided in the "Rules for the Executive Management Committee" for the purpose to assist the sound and appropriate decision by the Representative Director and President.
- (iii) The Company develops its long-term business plan, and operates and expands its

business in accordance with such long-term plan. The Company also predetermines numerical targets for each business year for inclusion in such long-term plan, and conducts the evaluation of business results and the control of budgets in comparison with such numerical targets. The Company reports to Board of Directors every month on the state of achievement of such numerical targets.

- (5) Corporate system for the control of the statutory auditor's assistant appointed at the request of such auditor
- (i) The Company at present has no employee to act as an assistant of the statutory auditor. The statutory auditor, however, may require the Representative Director and President to appoint such assistant, and if and when so required, the Representative Director and President shall appoint such assistant as far as deemed necessary.
 - (ii) Any employee shall, if and when he/she is ordered by the statutory auditor to perform audit-related tasks, not receive any instruction or direction from the director in charge, the internal audit section or any other similar section with regard to such order as is received from the statutory auditor.
 - (iii)-1 Board of Statutory Auditors gives any and all job-executing directors and important employees an opportunity of hearing individually from such directors and employees with regard to jobs in their charge respectively.
 - (iii)-2 Any director or other executive officer shall, if and when he/she finds any fact which threatens to cause any remarkable damage or adverse influence to the Company, promptly inform the statutory auditor thereof.
 - (iii)-3 Statutory auditors may attend Board of Directors' meetings, the executive management committee and other important meetings for the purpose of grasping the process of important decision-making and the condition of business execution.
 - (iv) Board of Statutory Auditors holds meetings for mutual exchange of views and opinions with the Representative Director and President and independent auditors respectively.

<Reference>

Stock acquisition right the Company had granted in the past, of which total 8,785 granted to the directors/employees currently in-service as listed below, had been waived by the holders and cesser thereafter until the end of February 2012.

Series	No. of Ex-holder	No. of stock waived
4th stock acquisition right	Employee, 1	50
5th stock acquisition right	Director (no including outside directors), 1	600
	Employees, 5	225
6th stock acquisition right	Employees, 4	110
7th stock acquisition right	Director (not including outside directors), 1	500
	Outside directors, 2	200
	Employees, 7	200
8th stock acquisition right	Outside director, 1	100
	Employees, 3	80
9th stock acquisition right	Director (not including outside directors), 1	500
10th stock acquisition right	Employees, 10	240
11th stock acquisition right	Director (not including outside directors), 1	100
	Employees, 3	80
12th stock acquisition right	Director (not including outside directors), 1	410
	Outside director, 1	90
13th stock acquisition right	Director (not including outside directors), 1	50
	Outside director, 1	120
	Employees, 15	430
14th stock acquisition right	Directors (not including outside directors), 2	1,410
	Outside director, 1	180
15th stock acquisition right	Employees, 27	1,390
16th stock acquisition right	Outside director, 1	150
17th stock acquisition right	Directors (not including outside directors), 2	670
18th stock acquisition right	Employees, 32	800
19th stock acquisition right	Outside director, 1	100
Total		8,785

Balance sheet

(as of December 31, 2011)

(Unit: Thousand yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	7,178,392	Current liabilities	645,746
Cash and deposits	4,558,714	Accounts payable	308,953
Accounts receivable	162,409	Lease obligations	719
Security	1,952,533	Other accounts payable	277,898
Merchandise and finished goods	207,467	Income taxes Payable	19,073
Prepaid expenses	79,038	advance received	1,382
Advance	124,589	Other	37,719
Uncollected consumption tax	69,571		
Other	24,067	Long-term liabilities	4,783
Fixed assets	77,702	Lease obligations	2,691
Tangible fixed assets	17,407	Allowance for retirement benefits	2,092
Building	7,358	Total liabilities	650,529
Fixtures and equipment	32,410	(Net assets)	
(Accumulated depreciation)	(22,360)	Shareholders' equity	6,606,110
Intangible fixed assets	12,730	Capital stock	6,024,610
Software	9,541	Capital surplus	5,994,610
Lease assets	3,189	Capital reserve	5,994,610
Investments and Other assets	47,564	Earned surplus	(5,413,091)
Fixed leasehold deposit and security deposit	23,264	Other earned surplus	(5,413,091)
Long-term prepaid expenses	24,300	Earned surplus carried forward	(5,413,091)
		Treasury shares	(17)
		Appraisal and conversion variance	(546)
		Other marketable securities appraisal variance	(546)
		Total net assets	6,605,564
Total assets	7,256,094	Total liabilities and net assets	7,256,094

(Note) Amounts are rounded down to thousands.

Income statement

(From January 1, 2011 to
December31, 2011)

(Unit: Thousand yen)

Item	Amount	
I. Net sales		1,882,521
II. Cost of sales		1,224,185
Gross Profit		658,336
III. Selling, General and Administrative expenses		2,725,182
Operating (loss)		(2,066,846)
IV. Non-operating income		
Interest income	863	
interest on securities	2,559	
Income from subvention	51,891	
Other	1,068	56,382
V. Non-operating expense		
Interest expenses	668	
Commission paid	21,967	
Net share issuing expense	16,721	
Foreign exchange losses	9,895	
IPO preparation costs	35,665	84,919
Ordinary (loss)		(2,095,382)
VI. Extraordinary loss		
Impact of application of Accounting standard for asset retirement obligations	5,331	5,331
(Loss) before tax		(2,100,713)
Corporate tax, local inhabitant tax, and local enterprise tax	3,800	3,800
Net (loss)		(2,104,513)

(Note) Amounts are rounded down to thousands.

Statement of changes in shareholders' equity

(From January 1, 2011
To December 31, 2011)

(Unit: Thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Earned surplus		Treasury shares	Total Shareholders' equity
		Capital reserve	Other earned surplus	Earned surplus carried forward		
Balance as of December 31, 2010	3,710,830	3,680,830	(3,308,577)	-	4,083,082	
Amount of change during the fiscal year						
Issuance of new shares	2,313,780	2,313,780			4,627,560	
Net (loss)			(2,104,513)		(2,104,513)	
Purchase of treasury shares				(17)	(17)	
Changes in items other than shareholders' equity during the fiscal year reported (net amount)					-	
Net change in other items than shareholders' equity during the fiscal year	2,313,780	2,313,780	(2,104,513)	(17)	2,523,028	
Balance as of December 31, 2011	6,024,610	5,994,610	(5,413,091)	(17)	6,606,110	

	Appraisal and conversion variance		Total Net assets
	Other marketable securities appraisal variance	Total Appraisal and conversion variance	
Balance as of December 31, 2010	(18)	(18)	4,083,064
Amount of change during the fiscal year			
Issuance of new shares			4,627,560
Net (loss)			(2,104,513)
Purchase of treasury shares			(17)
Changes in items other than shareholders' equity during the fiscal year reported (net amount)	(527)	(527)	(527)
Net change in other items than shareholders' equity during the fiscal year	(527)	(527)	2,522,500
Balance as of December 31, 2011	(546)	(546)	6,605,564

(Note) Amounts are rounded down to thousands.

Notes on non-consolidated financial statements

(Important accounting policies)

(1) Standard and method for appraisal of assets

Marketable securities

Other marketable securities

Those with market price By market value method based on the market price on the accounting date (appraisal variance shall all be handled by direct input into net assets and the sales price shall be calculated by moving average method).

Those with no market price Cost method based on moving average method

Inventories By cost method based on total average method (balance sheet value is calculated by writing down the book value reflecting decreased profitability).

(2) Method for depreciation of fixed assets

Tangible fixed By straight-line depreciation method

assets Period of depreciation for major items are as follows:

(excluding lease assets) Building 2 to 18 years

Equipment & fixtures 4 to 10 years

Intangible fixed By straight-line depreciation method

assets Software used by the Company are depreciated based on the availability period in the company (5 years)

(excluding lease assets)

Lease assets Depreciation is calculated on the straight-line method over the lease period as the useful period, assuming no residual value.

Non-ownership-transfer finance leases that commenced prior to March 31, 2008 are handled by the accounting procedure pursuant to the method concerning ordinary lease transactions.

(3) Accounting method for deferred assets

New share issuing expense The full amount shall be handled as expenses at the time of occurrence.

(4) Standards for converting assets and liabilities in foreign currencies into Japanese yen

Monetary debts and credits in foreign currencies are converted into Japanese yen at the spot exchange rate on the final day of the term, and exchange differences are handled as profit or loss.

(5) Accounting method for provisions

Allowance for bad debt For future loss due to bad debt, the amount of nonrecoverable debt is estimated based on historical rate for general credit and inspected result for doubtful credit.
For the fiscal year reported, allowance for bad debt is not recorded because there is no doubtful credit.

Allowance for retirement benefits It is accounted for based on an estimate of retirement benefits liability as of the end of the fiscal year reported for the purpose to provide for payment of employee retirement benefits.

(6) Accounting procedure for consumption tax and local consumption tax

By tax-excluded method.

(Change in accounting method)

Effective from the fiscal year reported, the Company has adopted new accounting standards, “Accounting Standard for Asset Retirement Obligations” (ASBJ statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ guidance No. 21, March 31, 2008).

Due to this change, operating loss and ordinary loss increased by 1,906 thousand yen and loss from tax and net loss increased by 7,238 thousand yen for the period. Also, fixed leasehold deposit and security deposit in investments and other assets decreased by 5,331 thousand yen.

(Notes on balance sheet)

None to be reported.

(Notes on income statement)

R&D spending included in general and administrative expenses 1,945,029 thousand yen

(Notes on statement of changes in shareholders' equity)

(1) Type and number of issued and treasury shares

		Number of shares at the end of previous fiscal year (shares)	Increase during the fiscal year reported (shares)	Decrease during the fiscal year reported (shares)	Number of shares at the end of the fiscal year reported
Common stock	Issued shares	111,737	19,019,163	-	19,130,900
	Treasury shares	-	75	-	75

(Note) 1. Increase in number of shares outstanding of common stock by 19,019,163 shares is due to an increase of 28,572 shares by third-party allotment, an increase of 5,100,000 shares by new stock issuance by offering, and an increase of 13,890,591 shares by 100-for-1 stock split as at June 2, 2011.

2. Increase in number of treasury shares of common stock by 75 shares is due to the purchase of fractional shares.

(2) Number of shares subject to stock acquisition rights issued as at the end of the fiscal year reported

Common stock 1,512,000 shares

(Note) Excludes stock acquisition rights of which the commencement date of exercise period has not yet arrived.

(Notes on deferred tax accounting)

Breakdown of main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets	(thousand yen)
Overdepreciation of assets to be written off one-time	1,702
Overdepreciation of depreciable assets	763
Overdepreciation of deferred assets	265,563
Denial of R&D spending	345,528
Denial of trade account payable	7,737
Denial of other accounts payable	27,129
Denial of allowance for retirement benefits	745
Denial of local enterprise tax payable	6,988
Denial of asset retirement obligations	2,751
Loss carried forward	1,343,142
Sub-total deferred tax assets	2,002,052
(Valuation allowance)	(2,002,052)

Total deferred tax assets	-
Deferred tax liabilities	
Total deferred tax liabilities	-
Net deferred tax assets	-

(Notes on fixed assets used under lease arrangements)

Finance lease transactions other than those in which the ownership of the lease property transfers to the borrower

(1) Amounts equivalent to original cost, accumulated depreciation, accumulated impairment loss, and ending balance of leased properties

Classification	Amount equivalent to original cost (thousand yen)	Amount equivalent to accumulated depreciation (thousand yen)	Amount equivalent to ending balance (thousand yen)
Fixtures and equipment	-	-	-
Software	-	-	-
Total	-	-	-

(2) Amount equivalent to balance at end of term for unexpired lease payments

Amount equivalent to balance at end of term for unexpired lease payments

Within 1 year	- thousand yen
Longer than 1 year	- thousand yen
Total	- thousand yen

(3) Paid lease payments, amount reduced from lease asset impairment loss, amounts equivalent to depreciation and interest payment, and impairment loss

Paid lease payments	1,561 thousand yen
Amount equivalent to depreciation	1,437 thousand yen
Amount equivalent to interest payment	14 thousand yen

(4) Method for calculating depreciation

By straight-line depreciation method with the residual value as zero and the lease period as the period of depreciation.

(5) Method for calculating the amount equivalent to interest

By interest method with respect to the method of allocation to each term, with the difference between the total amount of lease payments and the amount equivalent to the acquisition costs of the lease properties as the amount equivalent to interest.

(Impairment loss)

There are no impairment losses allocated to lease assets.

(Note) Non-ownership-transfer finance leases that had commenced prior to the first accounting period when lease accounting was adopted are handled by the accounting procedure pursuant to the method concerning ordinary lease transactions.

(Notes on financial instruments)

(1) Situation of financial instruments

(i) Policies relating to financial instruments

The Company procures the funds necessary in light of the pipeline development plan (primarily by new share issuance through third-party allotment and offering).

Temporary surplus fund is invested on financial products which are highly safety and liquidity.

(ii) Description of financial instruments and their risks

Accounts receivable and advance related to joint development, both operating receivables, are exposed to the credit risks of customers and joint development partners. Operating receivables denominated in foreign currencies suffer foreign exchange fluctuation risks.

The company intends to select securities which have relative low risk for falling below par. However, it might carry a finite risk.

Most of trade accounts payable and other accounts payable, both operating payables, are due within two months. Again, operating payables with foreign currencies suffer foreign exchange fluctuation risks.

Most of fixed leasehold deposit and security deposit are security deposits related to rented offices and their redemption is subject to the credit risk of the lessees

Lease obligations related to finance lease transactions are primarily for the purpose of fund raising for capital investment, and the maturity date is five years from the accounting date at the longest.

(iii) Risk control structure for financial instruments

1. Control of credit risk (the risk of contractual default by business partners)

Regarding operating receivables, the Company's marketing department regularly monitors the conditions of major business partners and tracks the due date and balance by account according to the credit administration rule so as to swiftly detect the possibility of bad debts due to deteriorating financial conditions and reduce their adverse impacts.

2. Control of market risk (fluctuations risks of foreign exchange and interest rates)

The Company deposits money primarily in financial institutions with high credit ratings.

The Company attempts to avoid risk of marketable securities falling below par by selecting those with certain higher ratings and investment period in accordance with the Company's fund management rule.

Operating receivables and payables denominated in foreign currencies are settled at the spot exchange upon receipt and payment because more risks are involved in carrying deposits in foreign currencies considering the frequency of occurrence.

3. Control of liquidity risk related to fund procurement (risk of insolvency on the payment date)

The Company manages liquidity risk by the department in charge formulating and revising the cash management plan in a timely manner based on the reports from other departments.

(iv) Supplemental explanation related to fair market values of financial instruments

Fair market values of financial products include the value based on market price and also reasonably estimated price. Fluctuations are factored in the calculation of fair market value. As such, they may vary by using different assumptions.

(2) Matters related to fair market values of financial instruments

Book values on balance sheet, fair market values, and their differences as at December 31, 2011 are as follows:

	Book values on balance sheet (thousand yen)	Fair market values (thousand yen)	Differences (thousand yen)
(1) Cash and deposit	4,558,714	4,558,714	-
(2) Accounts receivable	162,409	162,409	-
(3) Marketable securities	1,952,533	1,952,533	-
(4) Advance	124,589	124,589	-
(5) Uncollected consumption tax	69,571	69,571	-
Total assets	6,867,818	6,867,818	-
(1) Trade accounts payable	308,953	308,953	-
(2) Lease obligations (short-term)	719	719	-
(3) Other accounts payable	277,898	277,898	-
(4) Income taxes payable	19,073	19,073	-
(5) Lease obligations (long-term)	2,691	2,691	-
Total liabilities	609,336	609,336	-
Total derivative transactions	-	-	-

(Note) 1. Method of calculating fair market values of financial instruments and matters related to marketable securities and derivative transactions

Assets

(1) Cash and deposit, (2) accounts receivable, (4) advance, (5) uncollected consumption tax

These items are settled in a relatively short term and fair market values are nearly equal to book values; hence, book values are used.

(3) Marketable securities

The price of bonds is based on that indicated by financial institutions.

Liabilities

(1) Trade accounts payable, (3) other accounts payable, (4) income tax payable

These items are settled in a relatively short term and fair market values are nearly equal to book values; hence, book values are used.

(2) Lease obligations (short-term), (5) lease obligations (long-term)

Book value of lease obligation is used as proxy for its fair market value because

there is proximity between the present value calculated by discounting the total amount of principal and interest with the discount rate that is assumed for newly entered lease transactions and the book value.

Derivative transactions

None to be reported as the Company is not engaged in any derivative transactions.

(Note) 2. Items with difficulty to assess fair market values

No market price exists for fixed leasehold deposit and security deposit (the book value on balance sheet is 23,264 thousand yen) and it is deemed difficult to assess fair market value; hence, it is not included in the table above.

(Note) 3. Redemption schedule of monetary credits and marketable securities with maturity after the closing date.

Classification	Within 1 year (thousand yen)	Longer than 1 year and shorter than 5 years (thousand yen)	Longer than 5 year and shorter than 10 years (thousand yen)	Longer than 10 years (thousand yen)
(1) Cash and deposit	4,558,714	—	—	—
(2) Accounts receivable	162,409	—	—	—
Securities				
Of which held-to-maturity securities				
(1) Bond	200,000	—	—	—
(2) Others	1,752,263	—	—	—
Advance	124,589	—	—	—
Total	6,797,976	—	—	—

(Note) 4. Repayment schedule of lease obligations after the closing date.

Classification	Within 1 year (thousand yen)	Longer than 1 year and shorter than 2 years (thousand yen)	Longer than 2 years and shorter than 3 years (thousand yen)	Longer than 3 years and shorter than 4 years (thousand yen)	Longer than 4 years and shorter than 5 years (thousand yen)	Longer than 5 years (thousand yen)
Lease obligations (short-term)	719	-	-	-	-	-
Lease obligations (long-term)	-	673	682	692	642	-
Total	719	673	682	692	642	-

(Notes on for-rent properties)

None to be reported.

(Notes on profit/loss on equity method)

None to be reported.

(Notes on transactions with related parties)

Parent of the Company and major corporate shareholders

Category	Name of corporations	Percentage of voting rights owning/owned	Relationship with related parties	Content of transactions	Transaction amount (thousand yen)	Item	Remaining balance
Major corporate shareholders	Cephalon, Inc.	13.5% owned	Equity investment Business alliance for the development and marketing of products	Subscription to third-party allotment (Note 1)	772,240	-	-
Major corporate shareholders	JAFCO V2 Investment LP	12.1% owned	Equity investment	Subscription to third-party allotment (Note 2)	1,063,860	-	-

Transaction terms and the decision-making policy thereof

- (Note) 1. This was a part of third-party allotment executed on February 17, 2011. The issue price was determined with reference to the price calculated on the discounted cash flow method.
- (Note) 2. This was a part of third-party allotment executed on February 25, 2011. The issue price was determined with reference to the price calculated on the discounted cash flow method.
- (Note) 3. JAFCO V2 Investment LP became a major shareholder of the Company on February 25, 2011, and the transaction amount pertains to transactions thereafter.

(Notes on per-share information)

(1) Net assets per share	345.28 yen
(2) Net loss per share	143.60yen
Average number of shares during the term	14,655,716 shares

(Other notes)

The Company has overdraft and commitment line contracts with three banks in a business relationship to efficiently procure working capital. Amounts of borrowing available based on these contracts at the end of the fiscal year reported are as follows:

Total amount of overdraft limit and commitment line	1,350,000 thousand yen
Balance of borrowing outstanding	- thousand yen
	<hr/>
Net amount	1,350,000 thousand yen

(Significant subsequent events)

None to be reported.

*The “Annual Report” and “Business Report” published on March 7, 2014 are the same document.