English translation

SymBio Pharmaceuticals Limited

Summary of Financial Statements for the Fiscal Year Ended December 31, 2012
[Japanese GAAP] (Non-consolidated)

February 14, 2013

Company Name	SymBio Pharmaceuticals Limited	Listing: Osaka Securities Exchange	
Securities code	4582	URL http://www.symbiopharma.com/	
Representative	Representative Director, President and Chief Executive Officer	Fuminori Yoshida	
Contact person	Director, Chief Financial Officer	Hiroki Maekawa	TEL 03(5472) 1125
Ordinary Annual General Meeting of Shareholders	March 28, 2013	Date of dividend payment (plan)	—
Scheduled date to file Securities Report	March 29, 2013		
Supplementary materials for the financial statements	Yes [No]		
Holding of earnings performance review:	[Yes] No (For securities analysts and institutional investors)		

Millions of yen – rounded down, unless otherwise stated

1. Business Results for FY 2012 (January 1, 2012 to December 31, 2012)

(1) Operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2012	1,955	3.9	(1,700)	-	(1,729)	-	(1,733)	-
FY 2011	1,882	29.8	(2,066)	-	(2,095)	-	(2,104)	-

	Net income (loss) per share	Diluted net income per share	Ratio of net income (loss) to equity (ROE)	Ratio of ordinary income (loss) to total assets (ROA)	Ratio of operating income (loss) to net sales
	Yen	Yen	%	%	%
FY 2012	(90.60)	-	(30.2)	(27.1)	(87.0)
FY 2011	(143.60)	-	(39.4)	(36.4)	(109.8)

(Reference) Equity in earnings FY 2012 - Millions of yen FY 2011 - Millions of yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2012	5,502	4,899	88.6	254.71
FY 2011	7,256	6,605	91.0	345.28

(Reference) Net assets excluding subscription rights to shares:
FY 2012 4,872 Millions of yen FY 2011 6,605 Millions of yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2012	(1,658)	(410)	(0)	4,240
FY 2011	(2,074)	(117)	4,610	6,310

2. Dividends

	Annual dividend per share					Total dividends	Payout ratio	Ratio of dividends to net assets
	1st quarter	2nd quarter	3rd quarter	Fiscal Year End	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2011	-	0.00	-	0.00	0.00	0	0.0	0.0
FY 2012	-	0.00	-	0.00	0.00	0	-	0.0
FY 2013 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Earnings forecasts for FY 2013 (January 1, 2013 to December 31, 2013)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	1,927	(1.4)	(1,889)	-	(1,922)	-	(1,926)	-	(81.03)

Notes:

(1) Changes in Accounting Policies, changes in accounting estimates and restatements after error corrections

(a) Changes in accounting polices due to revision of accounting standards:	Yes	No
(b) Changes in accounting polices due to other reason:	Yes	No
(c) Changes in accounting estimates:	Yes	No
(d) Restatements after error corrections:	Yes	No

(2) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at the end of the year (including treasury stock)	FY 2012	19,130,900shares	FY 2011	19,130,900shares
(ii) Number of shares of treasury stock at the end of the year	FY 2012	75shares	FY 2011	75 shares
(iii) Average number of shares during the year	FY 2012	19,130,825shares	FY 2011	14,655,716shares

(Note) Refer to “Per share information” on Page 49 for number of shares that forms the basis for calculating net income (loss) per share.

* The status of the annual audit

The audit of financial statements as required by the Financial Instruments and Exchange Act is proceeding as of the date of this disclosure document.

*Explanation regarding the appropriate uses of earnings forecasts and other matters

(Notes on the forward-looking statements)

All forecasts presented in this document including earnings forecasts are based on the information currently available to the management and the assumptions that we judge reasonable. Actual results may differ substantially from these forecasts due to various factors. Regarding the assumptions on which the earnings forecasts are based and its usage, please refer to “Business results analysis” on Page 1 of the attachment.

Index of the attachment

1. Business results

(1) Business results analysis

(Business Results for FY 2012)

Progress in the Company's business for FY 2012 is as follows:

(i) Domestic

[SyB L-0501 (the generic name: bendamustine hydrochloride, the trade name: TREAKISYM®)]

Since December 2010, the Company has been selling an anticancer drug SyB L-0501 in Japan 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 Company has been engaged in three separate clinical trials with TREAKISYM® for extended indications. For one of them, the Phase II clinical trials (collaborative trial in Japan and South Korea) of refractory/relapsed aggressive non-Hodgkin's lymphoma. The Company completed analysis and evaluation of the clinical trial data. However, based on the results of a pre-application meeting with the Pharmaceuticals and Medical Devices Agency (PMDA), we decided to suspend the application for approval of the product we had planned to make in the fiscal year under review.

The Phase II clinical trials were conducted at 25 facilities in total in Japan and South Korea for pre-treated patients of refractory/relapsed aggressive non-Hodgkin's lymphoma, with the aim of confirming the efficacy and safety of SyB L-0501 when co-administered with rituximab. Sixty-three patients were enrolled for the trials, and 59 cases were subject to analysis. The trials showed high efficacy, resulting in a response rate of 62.7%, of which the complete remission rate was 37.3%. Moreover, the median value of the progression free survival (PFS) period reached 200 days, indicating the possibility of improved prognosis for patients suffering from refractory/relapsed non-Hodgkin's lymphoma. The side effects were clinically manageable, and the drug proved to be applicable for the elderly.

Detailed results of the trials were presented at the American Society of Clinical Oncology (ASCO), held in Chicago in June 2012, by Dr. Michinori Ogura of Japanese Red Cross Nagoya Daini Hospital.

In addition, presentations were also made on the results of the trials by Dr. Kensei Tobinai of National Cancer Center Hospital and several other doctors at the 74th Annual Meeting of the Japanese Society of Hematology held in Kyoto in October 2012.

The Company will decide on the future development policy of the drug against this indication through discussions with Eisai, our business tie-up partner.

We continued the enrollment of patients for the Phase II clinical trials for the indications of untreated indolent non-Hodgkin's lymphoma and mantle cell lymphoma, with the number of enrolled patients reaching one patient remaining to the targeted number 67 as of the end of December 2012. As for the Phase II clinical trials for the indication of refractory/relapsed multiple myeloma, the number of enrolled patients increased to 17, with the target number of patients being 44, as of the end of December 2012. Moreover, our notification of the clinical trial plan for domestic Phase II clinical trials for the indication of chronic lymphocytic leukemia had been prepared and was accepted in December 2012. Furthermore, TREAKISYM® was designated as an orphan drug (pharmaceutical for rare disease treatment) for the indication of chronic lymphocytic leukemia in June 2012.

[SyB L-1101 (the intravenous form)/C-1101 (the oral form) (the generic name: rigosertib)]

With regard to SyB L-1101, an anticancer drug, our notification of clinical trial plan for Phase I clinical trials for the indication of refractory/relapsed myelodysplastic syndrome (MDS), a type of blood tumor, was accepted in March 2012. Subsequently, we conducted the first patient enrollment in June 2012 and started the domestic Phase I clinical trials.

As for SyB C-1101, the oral form, our notification of clinical trial plan for Phase I clinical trials for the indication of untreated myelodysplastic syndrome (MDS) was accepted in December 2012.

Furthermore, Onconova Therapeutics, Inc. (United States), the licenser of the drugs, announced a business tie-up with Baxter International Inc. for the European market in September 2012.

The conclusion of this business tie-up should accelerate development and commercialization of rigosertib for the Western market, and allows expectations for a heightened possibility of receiving approval as early as possible in Japan and South Korea, where we have the development and commercialization rights, through the utilization of their clinical trial data obtained abroad.

[SyB D-0701]

In October 2012, we completed the patient enrollment (189 cases) for Phase II clinical trial of SyB D-0701 (a transdermal antiemetic patch) for the indication of radiotherapy-induced nausea and vomiting.

(ii) Overseas

Sales of SyB L-0501 started in Taiwan in February 2012 through InnoPharmax Inc. (Taiwan), our business partner. The drug also sold largely as planned in Singapore and South Korea, where we sell the product through Eisai, as we do in Japan.

(iii) Fund procurement

The Company made a resolution on December 27, 2012 to issue the first unsecured convertible bond with stock acquisition rights (total issue price: 1 billion yen) with Whiz Healthcare PE Series 1 Investment Limited Liability Partnership as the allottee and the 29th warrant (total issue price: 5.1 million yen, total issue price of stocks when issued through exercising the stock acquisition rights: 500 million yen), with the aim of accelerating development of new drug candidates and further reinforce the pipeline. Accordingly, Whiz Healthcare PE Series 1 Investment Limited Liability Partnership completed payment of 1,005,100 thousand yen to the Company on January 15, 2013.

(iv) Business results

As a result of the aforementioned developments, net sales totaled 1,955,178 thousand yen (a year-on-year increase of 3.9%) for the fiscal year ended December 31, 2012, reflecting the sales of SyB L-0501 in Japan and Asian countries.

Selling, general and administrative expenses totaled 2,293,253 thousand yen (a year-on-year decrease of 15.8%), including research and development (“R&D”) expenses of 1,438,125 thousand yen (a year-on-year decrease of 26.1%) for the accrual of expenses associated with the clinical trials for multiple indications for SyB L-0501, clinical trials for SyB D-0701 and clinical trials for SyB L-1101, among other things, as well as other selling, general and administrative expenses of 855,128 thousand yen (a year-on-year increase of 9.6%).

As a result, we posted operating loss of 1,700,273 thousand yen for the fiscal year ended (in contrast to operating loss of 2,066,846 thousand yen for the previous fiscal year). In addition, recording of totaling 36,516 thousand yen as non-operating expenses, primarily comprising foreign exchange losses and bond-issue expenses, and other factors led to ordinary loss of 1,729,480 thousand yen (ordinary loss of 2,095,382 thousand yen for the previous fiscal year) and net loss of 1,733,320 thousand yen (net loss of 2,104,513 thousand yen for the previous fiscal year).

Furthermore, segment information is omitted since the Company operates a single segment of pharmaceutical business including research and development of pharmaceutical drugs as well as manufacturing, marketing and other related activities.

Forecast of Business Results for FY 2013

We expect net sales of 1,927 million yen, a 1.4% decrease from the fiscal year ended. Meanwhile, for the aim of further enhancing the enterprise value, we will advance the development of proprietary pipelines, including new indications for the mainstay anticancer drug SyB L-0501.To this end, we anticipate R&D expenses of 1,408 million yen (1,438 million yen in the previous fiscal year) and selling, general and administrative expenses of 2,356 million yen (2,293 million yen in the previous fiscal year) including R&D expenses.

The Company’s major development plans of pipelines are as follows:

<SyB L-0501> (anticancer drug)

We currently proceed with multiple clinical trials for SyB L-0501 for the extended indications and plan to apply for an approval in Japan for the indications of untreated indolent non-Hodgkin’s lymphoma and mantle cell lymphoma. We will also start domestic Phase II clinical trials for the indication of untreated chronic lymphocytic leukemia. We will also consider the development of SyB L-0501 for other indications.

<SyB L-1101 / SyB C-1101> (anticancer drug)

We plan to continue domestic Phase I clinical trials of SyB L-1101 (the intravenous form) for the indication of refractory/relapsed myelodysplastic syndrome (MDS). We also plan to start domestic Phase I clinical trials for the indication of untreated refractory/relapsed myelodysplastic syndrome (MDS).

<SyB D-0701> (a transdermal antiemetic patch)

We will investigate the future development policy for SyB D-0701, based on the results of the Phase II clinical trials.

As a result of these planned activities, net sales of 1,927 million yen, operating loss of 1,889 million yen, ordinary loss of 1,922 million yen, and net loss of 1,926 million yen are projected for FY 2013.

(2) Financial position analysis

(Analysis of assets, liabilities, net assets, and cash flow)

Total assets as of December 31, 2012 stood at 5,502,190 thousand yen, a decrease of 1,753,904 thousand yen from the previous fiscal year end. This was primarily due to a decrease of 1,652,522 thousand yen of marketable securities, as multiple marketable securities matured and were transferred to cash and deposits, and the subsequent decrease in cash and deposits mainly because of the payment of selling, general and administrative expenses. Current assets stood at 5,420,623 thousand yen, a decrease of 1,757,769 thousand yen from the previous fiscal year end, primarily reflecting a decrease of marketable securities. Total noncurrent assets stood at 81,567 thousand yen, an increase of 3,865 thousand yen from the previous fiscal year end, due to such factors as the payment of leasehold deposits based on the anti-disaster office lease contract while accumulated depreciation of tangible and intangible fixed assets increasing.

Liabilities stood at 602,232 thousand yen, a decrease of 48,297 thousand yen from the previous fiscal year end, reflecting a decrease of accounts payable-other in connection with the decrease in R&D expenses.

Net assets decreased by 1,705,607 thousand yen from the previous fiscal year end to 4,899,957 thousand yen due to recording net loss and other factors. As a result, the equity ratio decreased by 2.4 percentage points from the previous fiscal year end to 88.6%.

Cash and cash equivalents (hereinafter “cash”) stood at 4,240,022 thousand yen, a decrease of 2,070,956 thousand yen from the previous fiscal year end. This was mainly because of cash decrease from operating activities resulting from a decrease in accounts payable-other and posting loss before income taxes, and of cash decrease from investing activities due to purchase of property, plant and equipment, in spite of a slight decrease in accounts receivable-trade and inventories.
Cash flows from each activity and its factors for this fiscal year end are as follows:

(Cash Flow from Operating Activities)

Cash flow from operating activities showed a decrease of 1,648,808 thousand yen due to such decreasing factors as net loss before tax of 1,729,520 thousand yen recorded and a decrease of accounts payable by 82,105 thousand yen, despite such increasing factors as a decrease of inventories by 42,895 thousand yen, a decrease of consumption tax receivable by 30,076 thousand yen, a decrease of advances by 25,552 thousand yen and an increase in trade payable by 20,814 thousand yen.

(Cash Flow from Investing Activities)

Cash flows from investing activities showed a decrease of 410,563 thousand yen mainly due to a cash decrease of 100,000 thousand yen for the purchase of marketable securities and 300,000 thausand yen for increae in time deposits.

(Cash Flow from Financing Activities)

Cash flows from finacing activities showed a decrease of 719 thousand yen due to a decrease of lease obligations.

(Development of index related to cash flow)

	4th Term Fiscal year ended December 2008	5th Term Fiscal year ended December 2009	6th Term Fiscal year ended December 2010	7th Term Fiscal year ended December 2011	8th Term Fiscal year ended December 2012
Equity ratio (%)	87.0	95.1	95.8	91.0	88.6
Equity ratio on a fair market value basis (%)	—	—	—	126.0	104.3
Debt redemption period (years)	—	—	—	—	—
Interest coverage ratio	—	—	—	—	—

Equity ratio: Equity (net assets excluding subscription rights to shares) /total assets
Equity ratio on a fair market value basis: total market value of common stock/total assets
Debt redemption period: Interest-bearing debt/cash flow from operating activities
Interest coverage ratio: cash flow from operating activities/interest payment

(Notes) 1. Equity ratio on a fair market value basis is not shown until the 6th term and is shown from the 7th term.
2. Total market value calculated based on the number of shares issued excluding treasury stocks.
3. Debt redemption period and interest coverage ratio are not available for the 5th Term and after because of negative cash flow from operating activities.
2. Debt redemption period and interest coverage ratio are not available for the 4th Term because of no interest-bearing debt and interest expense.

(3) Basic policy for profit distribution and dividends for FY 2012 and 2013

Since the foundation of SymBio, dividends have not been distributed.

Although SymBio started booking product sales, the company develops pharmaceutical drugs and continues to use funds for development activities. Therefore, it is our policy to attempt to gain retained earnings, not to distribute profit dividends, and preference to retain funds for sustainable development activities. However, we recognize that the return of profit to stockholders is an important management issue and will consider profit distribution based on future business performance and financial condition.

The articles of incorporation provide that the Company can pay interim dividend based on a corporate resolution by Board of Directors on June 30 every year as the record date. The Company can also make a distribution of surplus by designating a record date in addition to year-end and interim dividends. Decision making body is board of directors for interim dividend, shareholders' meeting for year-end dividend.

(4) Risks of business

Described below are major issues that may lead to potential risks in the Company's business activities. Issues that are not necessarily considered significant by the Company are also disclosed, in view of our commitment to make active information disclosure to investors and shareholders as these issues may carry weight in making investment decisions or in understanding our business activities. The Company is fully aware of the potential of these risks and will exert its utmost effort to prevent such risks from substantiating, but should they substantiate, we intend to take full appropriate action. However, we consider that investment decision regarding our stocks should be made by carefully evaluating the following matters, as well as other matters mentioned in other sections of this document. We would add that the following descriptions do not purport to cover all possible risks associated with investment in our stocks. The future perspectives mentioned below reflect our understanding of our business circumstances as of the date of publication of this document.

(i) Risks associated with pharmaceutical development in general

SymBio's main business is to in-license drug development candidate compounds created by pharmaceutical companies and bio ventures, and to develop them into pharmaceutical products. The R&D field of pharmaceuticals is replete with strong competition including pharmaceutical giants. What is more, specialty pharmaceutical companies such as SymBio try to emulate each other in quality and speed within the sector. The process from development to manufacture and marketing involves many

regulatory hurdles, necessitating a vast amount of capital input over a long period of time in business operations. Their future prospects involve uncertainty and these risk factors are associated with the Company's present and future business activities.

(a) Uncertainty involved in pharmaceutical development

Generally speaking, the pharmaceutical development process up to the market launch of a drug requires a vast amount of expenditure over a long period. The probability of success is by no means high. In every stage of development, it is not infrequent for a decision to be made to halt or delay progress. In pharmaceutical development, the different stages of development have to be conducted in phases, and in each phase a decision is made on whether the development should continue. Therefore, it is not rare to see a decision to stop a development in mid-process. The probability is low for a development progressing successfully and for a product coming on stream. Even after a product is successfully developed and launched in the market, there remains a risk that the approval gets cancelled because of inefficacy or side effects should serious side effects prove to have the potential to increase damage to health (for details, refer to "(f) risk associated with side effects"), or should the efficacy fail to be recognized by the re-evaluation of efficacy and safety, conducted either on a regular or temporary basis, in light of the current academic standards of medicine and pharmaceuticals at the time of re-evaluation. To reduce and spread these risks, the Company aims to possess several pipelines and endeavors to prioritize insofar as possible the in-licensing of drug candidates with confirmed POC (note) on human subjects. Yet, for small specialty pharmaceutical companies such as SymBio, the impact is huge if a single candidate compound is removed from the pipeline. This could have a significant effect on our financial position, business performance, and cash flow.

(note) POC (Proof of Concept) means confirming the efficacy and safety of a new drug candidate compound through clinical trials and verifying the appropriateness of its concept.

(b) Uncertainty of income

In order to raise income from the products we are developing, we need to succeed in all the stages of drug candidate development, namely obtaining approval from regulatory authorities, manufacture and marketing either on our own or in partnership with a third party. However, we may not necessarily succeed in these activities, or even if we do succeed, we may not be able to ensure the sufficient profitability needed in continuing our business. We currently hold four items in the pipeline. SyB L-0501, an anticancer drug, gained an approval for manufacturing and commercializing in Japan on October 27, 2010, indicated for the treatment of refractory/relapsed indolent non-Hodgkin's lymphoma as well as refractory/relapsed mantle cell lymphoma. As additional indications, we have completed Phase II clinical trials for refractory/relapsed aggressive non-Hodgkin's lymphoma, and are conducting Phase II clinical trials for the indications of untreated indolent non-Hodgkin's lymphoma and untreated mantle cell lymphoma, and for refractory/relapsed multiple myeloma. SyB D-0701, a transdermal antiemetic patch, has completed the patient enrollement for Phase II clinical trials. SyB L-1101 (the intravenous form)/SyB C-1101 (the oral form), anticancer drugs in-licensed in July 2011, are undergoing Phase I clinical trials in the intravenous form indicated for the treatment of myelodysplastic syndrome (MDS), and Phase I clinical trials of the drugs are planned to start for the indication of untreated myelodysplastic syndrome (MDS). We are promoting the development of these compounds, aiming to successfully market the end products to obtain income. In some cases, we may consider entering into alliance with other pharmaceutical companies in development and marketing so as to expedite the in-flow of income. Notwithstanding our effort, these pipeline compounds will take a considerable amount of time before they reach the market. There is no guarantee that they will make it onto the market as viable products or that an alliance agreement can be signed with other pharmaceutical companies. We are of the opinion that the selection of indications and the methods of alliance and marketing so far identified promise sufficient future profitability, considering the market size and marketing performance of approved drugs. However, should we prove to be wrong in the assessment, or should there be any change in the conditions on which the assessment is based and we cannot promptly adjust to the changes, there may be a significant impact on our financial position, business performance, and cash flow.

(c) Uncertainly in legislations and regulations requiring compliance and health insurance system

The pharmaceutical industry, SymBio's business field, is subject to various regulatory restrictions imposed by the pharmaceutical laws and administrative guidance as well as other relevant legislations of respective countries in all aspects of business operations, namely, research, development, manufacture and marketing. We formulate our business plans in accordance with the pharmaceutical laws and other current legislative regulations and with the health insurance system together with the drug pricing developments that emerge from these legislations. Notwithstanding, there is a possibility that these regulations, systems and pricing will change before the products that we are developing reach the market. If any major change does occur, there may be a significant impact on our financial position, business performance, and cash flow.

(d) Risk concerning development and marketing overseas

We conduct pharmaceutical business in Asia, not limited to Japan, where we anticipate growth of healthcare needs and position as the strategic business domain. In overseas markets similarly to in Japan, the pharmaceutical development and marketing generally require a vast amount of expenditure and are associated with business risks. To reduce investment expenditure and spread business risks, we out-license the development and marketing of some of our developed drugs overseas to pharmaceutical and other companies. When we out-licenses the rights we possess, we select a licensee company after careful due diligence and continue monitoring as appropriate. The development and sales of out-licensed products are subject to business conditions of the licensee company or any changes in regulatory and competitive environments in respective countries and may fall below the original expectations, resulting in milestone revenue and royalty income generated below our plan. In such cases, there may be an impact on our financial position, business performance, and cash flow.

(e) Competition in the pharmaceutical industry

The pharmaceutical industry is an intensely competitive sector. A large number of both Japanese and foreign pharmaceutical companies and research institutions including giant multinational pharmaceuticals compete in the arena. Technological innovation is progressing rapidly. Many competitors have comparative advantage over us in technology, marketing and financial position. Thus these companies may more efficiently produce and sell competitor products of greater effectiveness to our developed products. This means that what transpires in the competition we conduct with these competitors in development, manufacturing and marketing operations may have a significant impact on our financial position, business performance, and cash flow.

(f) Risk associated with side effects

Unexpected side effects may occur from the use of pharmaceutical products, from their clinical trial stage to post-marketing stage. When serious and unexpected side effects are developed, compensation claims may arise, or depending on the situation, there is the risk of a delay in clinical trials or even discontinuation of product development. In case such side effects could lead to further damage to health, there is the risk for the cancellation of approval or the discontinuation of sales. Regarding compensation claims, we have in place the liability insurance necessary to minimize the financial damage when such claims arise. However, it does not exclude the possibility that the compensation award exceeds the amount insured. If that happens, there may be a significant impact on our financial position, business performance, and cash flow.

(g) Product liability

The development and manufacture of pharmaceutical products involve product liability risk. If in future, any products that we have developed cause damage to health or any inappropriate matters are discovered in clinical trials, manufacture, sales or marketing, we will be subject to product liability. This may have a significant impact on our financial position, business performance, and cash flow. Indeed, if a product liability compensation suit is filed against us, our corporate image will be damaged, leading to loss of confidence in us and our drugs, which may have an impact on our business.

(ii) Risk in operating our business

(a) Risk concerning business model

SymBio does not own its research and manufacturing facilities. We mainly target orphan drugs in oncology, hematology and autoimmune diseases, in-licensing from pharmaceutical companies and bio ventures drug candidates mostly with POC confirmed on human subjects and developing and marketing them as pharmaceutical products for the Japanese and Asian markets (China, South Korea, Taiwan and Singapore, etc.). We adopt the business model to raise income and profit from doing so. In developing the pipeline and marketing, we plan to engage in alliances with other pharmaceutical companies. However, there is no guarantee that we can continuously in-license drug candidate compounds that satisfy our criteria and secure these partner companies. In addition, as we mainly target orphan drugs for in-licensing, we may not be able to generate the expected sales turnover. In such cases, there may be an impact on our financial position, business performance, and cash flow. What is more, the competition surrounding the pharmaceutical sector and changes in SymBio's financial position may force us to revise our business model. Should this occur, there may be a significant impact on our business.

(b) Dependency on a specific customer

As a specialty pharmaceutical company without production facilities, SymBio needs to depend on supply of products from other companies when conducting the clinical trials of products under development and in post-marketing sales. Given this

fact, the financial position and production conditions of the product supplier may have a significant impact on our financial position, business performance, and cash flow. In pipeline development and marketing, our current business plan is focused on forming alliances with pharmaceutical companies. However, if the partner company's management condition deteriorates drastically or if its management policies change, which are matters beyond our control, our initial business plan may not be realized. Also, if any breach of contract occurs that necessitate the termination of the contract as stipulated by the contract, the alliance may end before the agreed term. In such cases, there may be a significant impact on our financial position, business performance, and cash flow. Normally, in alliance contracts with partner companies, expected revenues of specialty pharmaceutical companies such as SymBio, to be gained before the products reach the market will be a lump sum upon signing the contract, funding for co-development and milestone payment. Of these, the milestone payment is an extremely unstable and unpredictable income as it is based on the attainment of predefined results. If development progress is delayed, there may be a significant impact on our financial position, business performance, and cash flow.

(c) Risk concerning intellectual property rights

In our drug development activities, we make use of various intellectual property rights. The use of these rights basically has been granted from other companies such as pharmaceuticals and ventures. However, the possibility remains that our in-licensed candidate compound does not succeed in the pending patent application made by the in-licensing partner. Moreover, it is difficult to completely avoid a third party creating an intellectual property right that supersedes the intellectual property right to which we have consent of use. These situations could lead to a significant impact on our financial position, business performance, and cash flow. To date, no lawsuit has been filed by a third party against us concerning intellectual property rights, including patents in connection with our product developments. However, in June 2009, an overseas pharmaceutical company issued a written warning to us. The company demanded that there be no infringement of the patent in Japan of a product owned by this company. In light of the advice from patent attorneys and lawyers, we believe that the claim being made by the overseas company is groundless. Meanwhile, we have received no other request from the said company since June 2009 and therefore, our understanding is that we are not in dispute. Should a dispute arise with this company, there may be a significant impact on our financial position, business performance, and cash flow. When in-licensing a product, we take advice from lawyers and conduct a thorough due diligence investigation through patent firms in order to reduce such intellectual property risks. Nevertheless, it is difficult to realize full protection from the occurrence of intellectual property right disputes involving the infringement of third-party rights, and these may have a significant impact on our financial position, business performance, and cash flow. The candidate compounds that we in-license are not necessarily protected by patent. On the other hand, even if our candidate compound is not protected by patent, the assignment of the compound for review by the regulatory authorities would virtually restrict the entry of generic drugs during the review period, realizing the monopolistic protection for a certain period of time.

(d) Data protection

To reduce the risk of significant confidential information relating to pipeline development and other business activities from leaking outside the company, SymBio engages in rigorous data protection. We require directors, Scientific Advisory Board (SAB) members, outsourcing partners, and other business partners to sign confidentiality agreements. Even with the agreement in place, directors, SAB members, outsourcing partners and other business partners may not adhere to confidentiality, and should this occur, significant confidential information may be divulged elsewhere, which may impact our business, financial position, business performance, and cash flow.

(e) Risk concerning important contracts

If any contracts that might have significant impact on conducting our business operations are terminated due to its reaching full term, being cancelled or for any other reason, there may be a significant impact on our financial condition, business performance, and cash flow.

(iii) Risk associated with organization

(a) Risk of being a young company

SymBio is a young company founded in March 2005.Since inception, we have engaged in in-licensing activities of drug development candidate compounds. We built up the pharmaceutical development business from scratch and recorded income from product sales in August 2010 for the first time in our history. There is a possibility that business issues that we have not ever encountered arise in future. At the moment, however, it is difficult to predict any changes in the external environmental

factors that may affect our business results. Therefore, we consider our business results for the past years to be inadequate reference material for passing an objective judgment on whether or not our company can continue to grow.

(b) Risk of being a small corporation

SymBio uses contract research organizations (CRO) in conducting R&D, thereby forming a development framework requiring relatively small staff numbers. With progress in the development of pipeline already in place and with new pipelines of new candidate compounds coming on stream, we plan to increase its human resources in R&D. However, for whatever reason, should an alliance with a CRO become terminated or should we fail to secure the planned number of staff or should the existing staff decide to leave, our business operations may be hampered, leading to a possible impact on our financial position, business performance, and cash flow.

(c) Dependency on a specific person

Mr. Fuminori Yoshida, the Representative Director, founding President and CEO, has played a key role since SymBio's foundation in the implementation and execution of all operations in the company business management. Thus, in the event that Mr. Yoshida cannot continue to perform his corporate responsibilities for some unforeseen reasons, it will have a significant impact on our business operations.

(d) The Scientific Advisory Board (SAB)

The Scientific Advisory Board (SAB) is an advisory panel to the president on the in-licensing evaluation of new drug candidates. We invite members of the panel from clinicians and scientists engaged in basic research who we regard as having excellent track records and experience. The SAB meets two or three times a year to engage in active discussion and debate, with each member giving his/her specialist perspective so that a good risk-balanced portfolio can be created from among the vast volume of drug candidates gathered from the worldwide, with due consideration of healthcare needs and profitability. We will continue in our effort to acquire members of excellence for the SAB. However, if difficulty should arise in procuring members, for reasons such as the cancellation of contract with existing members, ending of the term of office or refusal of renewal, or should a brain drain occur, there may be an impact on our in-licensing of drug candidates.

(ix) Business Results

(a) Business performance in past years

SymBio's key business indicators are given below

Term	4th Term	5th Term	6th Term	7th Term	8th Term
Fiscal Year Ended	December 2008	December 2009	December 2010	December 2011	December 2012
Net sales (thousand yen)	1,630,029	1,191,127	1,449,972	1,882,521	1,955,178
Operating income (loss) (thousand yen)	132,859	(208,027)	(612,793)	(2,066,846)	(1,700,273)
Ordinary income (loss) (thousand yen)	24,169	(214,072)	(638,375)	(2,095,382)	(1,729,480)

SymBio's net sales up until the 5th Term consisted only of income from alliance contracts (e.g. contract agreement lump sum, milestone payment). From the 6th Term, we have recorded sales deriving from the sale of products. To date, with the exception of the 4th Term, the total R&D expenses and other general administrative expenses exceeded our income, resulting in the posting of operating loss, ordinary loss and net loss. For this reason, we do not consider the financial statements and indicators for past years to provide adequate reference data in making timely comparisons in business performance and in forecasting our future business performance.

(b) Expected Increase in R&D Expenditure

SymBio's R&D expenses for the past five fiscal years are given below

Term	4th Term	5th Term	6th Term	7th Term	8th Term
Fiscal Year Ended	December 2008	December 2009	December 2010	December 2011	December 2012
R&D expenses (thousand yen)	868,241	816,501	1,118,182	1,945,029	1,438,125

SymBio intends to further continue R&D activities, which would mean an increase of the cumulative loss for the foreseeable future. With future increases in the product sales revenue from more additional indications of SyB L-0501 and in the income from alliances with pharmaceutical companies, we intend to improve our business performance as soon as possible; however, there is no guarantee that our assumptions will materialize and swift performance improvement seen.

(c) Negative balance of retained earnings brought forward

SymBio is a specialty pharmaceutical company. Until the products under development at the clinical stage reach the market so that we can earn stable income through product sales and royalty income, we will post a huge up-front outlay of R&D expenditure. Due to this, except 4th term (2008), we have posted net current losses since our foundation. At the end of 8th Term, the year ended December 31, 2012, we recorded negative balance of 7,146,411 thousand yen as retained earnings carried forward.

We intend to become a profitable business entity as early as possible by advancing our quality clinical programs in a rapid, precise and efficient manner as planned. However, the possibility still exists that profits may not be generated at the time initially planned. Should our business fail to develop as planned and net profits are not generated, we face the possibility of a considerable delay in our negative retained earnings carried forward turning positive.

(d) Fund-raising

The nature of SymBio's specialty pharmaceutical business means that the Company will require huge R&D funding. If our business plan does not take shape as planned and we suffer a shortfall in funding, we will endeavor to procure funds by changing our strategic alliances, securing new alliance contracts or issuing new stocks. However, if we fail to generate funds exactly when they are required, there may be a serious doubt cast over the continuation of our business operations.

(e) Net operating loss carried forward on tax

Net operating loss carried forward on tax exists this year end. For this reason, we are not subject to corporate tax, local inhabitant tax and local enterprise tax at the standard rates and we expect this to continue for several terms into the future.

However, if our business performance makes a good progress in future due to favorable business development, net operating loss carried forward may be removed earlier than anticipated and no longer be applied to the deduction of taxable income. Should this situation occur, we would become liable for the payments of corporate tax, local inhabitant tax and local enterprise tax at standard rates, which may have an impact on net profit/loss and cash flow currently planned.

(v) Other Risks

(a) Profit distribution to stockholders

Since the foundation of SymBio, dividends have not been distributed. We are currently at a business stage of still making up-front investment into the development of pharmaceutical drugs and we continue to prioritize the use of funds for strengthening our financial position and for continued R&D activities. Thus, we have at present no plans for making dividend payout. However, we recognize that the return of profit to stockholders is an important management issue and will consider profit distribution based on future business performance and financial condition.

(b) Procurement of funds

As we rapidly expand our business, we expect to see an increase in our development funding requirement. One of our options for procuring funds is to issue new stocks. If we do so, the number of our outstanding stock will increase, potentially diluting the value per share of our stock.

(c) Stock value dilution by execution of stock acquisition rights

We adopt the stock option plan in order to motivate and encourage higher business performance of board directors, employees, and collaborators, and to attract human resources of excellence. In accordance with the Commercial Code of 1890 Article 280-19, 280-20 and 280-21, and Companies Act Article 236, 238, and 239, stock acquisition rights are granted to board directors and employees.

Moreover, the Company made a resolution at the Board of Directors meeting held on December 27, 2012 to issue the 1st convertible bond with stock acquisition rights (total issue price: 1 billion yen) by way of third-party allotment and the stock option (total issue price: 5.1 million yen, total issue price of stocks when issued through exercising the stock acquisition rights: 500 million yen). The proceeds from the issuance were paid in on January 15, 2013.

As of the date of publication of this document, the number of the above-mentioned stock acquisition rights and the convertible bond with stock acquisition rights (hereinafter, number of potential shares) totals 5,197,343 shares and comprises approximately 19.7 % of the total number of outstanding shares and potential shares added together.

There is the possibility that stock value per share for the company will be diluted if these potential shares are exercised in the future. To attract talent, the Company may continue to offer similar incentives. This means that if these stock acquisition rights are exercised in future, the stock value per share of the company may be diluted.

(d) Legal risk pertaining to unregistered offering of stock acquisition rights in the past

The Company has granted stock acquisition rights under the stock option plan as long-term incentives for board directors and employees as well as collaborators since the foundation in March 2005.

Stock acquisition rights have been issued since the inception of plan paying special attention to a provision of Securities and Exchange Law of 1948 that board directors and employees are excluded from the calculation of number of persons receiving minority private offering. However, even after Order for Enforcement of the Financial Instruments and Exchange Act Article 2-12 was no longer exempted (the article had purported to exempt the application of the provision that required the exclusion of directors/officers and employees from the calculation of persons receiving small private offerings in case stock acquisition rights were granted to persons other than directors/officers and employees) due to the amendment of Guidance for Corporate Information and Related Disclosure in response to the revision of Financial Instrument and Exchange Act in September 2007, we had continued to issue stock acquisition rights in accordance with the provisions of Securities and Exchange Act 1948 due to the malfunction of internal organizations to collect information regarding revision of laws and ordinances and assess their implications to the Company.

In consequence, it came to light that we had not duly submitted Securities Registration Forms for the stock acquisition rights it had issued in October 2008, March 2009, and March 2010 despite there being legal obligations to do so as the number of persons receiving offers had exceeded 50, making them unregistered offerings prohibited under the laws.

Immediately upon discovery of this lapse, we reported the fact to the Kanto Local Finances Bureau and launched a thorough enquiry into how and why such omission arose, and swiftly submitted the legally required disclosure documents in August 2010. At the date of publication of this document, we have duly filed all the required disclosures.

Furthermore, based on in-house findings concurrently obtained regarding the cause of omission and advice received from external experts, measures to prevent recurrence are formulated and put strictly in effect focusing on the following five objectives: 1. Re-education regarding compliance at the whole company level, 2. Creation of compliance mechanism and internal organization reinforcement, 3. Reinforcement of compliance committee functions, 4. Reinforcement of relations with and active use of external experts, 5. Reinforcement of a system of checks by the board of auditors and internal audit office

We have not received any surcharge payment order related to this incident at the date of publication of this document. Should we receive any surcharge payment order, however, it may have a significant impact on our financial position, business performance, and cash flow.

(e) Stock holding by venture capital

In general, venture capitals and investment partnerships own shares for the purpose of realizing capital gains by selling shares after the IPO. There is the possibility that venture capitals and investment partnerships that own our shares may sell all or a portion of our shares they own, and should it occur, it may have an impact on the market price of our share.

(f) Risk associated with natural disasters

If any disasters (earthquake, typhoon, fire, etc.) and plague occur in our geographic business domains, which lead to the occurrence of human and material damage, or suspension and delay in business, fall in social credibility and compensation issues may have an impact on our financial position, business performance, and cash flow.

2. Situation of corporate group

None to be reported.

3. Management policies

(1) Basic policy of company management

SymBio Pharmaceuticals Limited was established in March 2005 by Fuminori Yoshida, who previously served concurrently as Corporate VP of Amgen Ltd.(United States) and President of Amgen Japan (currently Takeda Bio Development Center Limited) for 12 years since its founding stage.

We aim to achieve social and management responsibilities by responding to unmet medical needs with guiding principle of mutual harmony, spinning an intricate symbiotic relationship between patients, physicians, scientists, regulators and investors.

We regard underserved therapeutic areas with extremely significant medical needs as a business opportunity and focus on the areas of oncology, hematology, and autoimmune diseases where high entry barriers exist due to the high degree of specialization required. In this sense, we are the first specialty pharmaceutical company in Japan. Rather than exploring blockbuster new drugs (those with the sales of more than 100 billion yen), we channel our resources into the development of new drugs specializing in oncology, hematology, and autoimmune diseases, where medical needs are outstanding though with the limited market size. Holding multiple promising drugs and drug candidates in these areas will enable us to build the solid portfolio of pipelines and continue our business sustainably.

(2) Key performance index

We are of the opinion that, in order to enhance our enterprise value as a specialty pharmaceutical company, it is inevitable to continually in-license candidate drugs under development and proceed with the development to place the products on the market, and establish the sale and support system. To this end, we intend to aggressively make an ongoing investment of management resources into R&D activities.

We have several years product sales record of SyB L-0501 in Japan and Asian countries. However, the product sales have not generated revenue enough to cover the aforementioned upfront investments at this moment and net profit has yet to be realized. We continuously seek the early realization of a system to secure the stable profitability by promoting TREAKISYM® in collaboration with Eisai, actively adding new indications for SyB L-0501, and developing and acquiring an approval for other products in the pipeline.

(3) Pipeline

SymBio currently has four pipeline products, SyB L-0501, SyB L-1101, SyB C-1101 and SyB D-0701.We will continue to in-license new candidate drugs so as to expand and build the pipeline portfolio with the balanced risk-return trade-off.

(i) SyB L-0501

Bendamustine hydrochloride (the generic name), the active pharmaceutical ingredient of SyB L-0501, is an anticancer drug that has been in use for a number of years in Germany under the trade name of Ribomustin for the treatment of non-Hodgkin's lymphoma [(note 1),] multiple myeloma, and chronic lymphocytic leukemia. We have elected to in-license this product because there is currently no effective medication for the indications of refractory/relapsed indolent non-Hodgkin’s lymphoma and mantle cell lymphoma. These are precisely underserved therapeutic areas aligned with our corporate missions and also fall within one of our targeted therapeutic fields (hematologic cancer). Astellas Deutschland GmbH is the worldwide licensor of bendamustine hydrochloride. In North America, Cephalon, Inc. (United States) is licensed from Astellas Deutschland GmbH and obtained approvals from Food and Drug Administration (FDA) in the United States to use the drug for the treatment of chronic lymphocytic leukemia and refractory B-cell non-Hodgkin’s lymphoma in March 2008 and October 2008, respectively. Mundipharma International Corporation Limited (United Kingdom) and Jenssen-cilag (United Kingdom) are also licensed from Astellas Deutschland GmbH and have the exclusive rights for development and marketing for Europe and other regions, respectively. Meanwhile, SymBio is licensed from Astellas Deutschland GmbH and has the exclusive rights for development and marketing for Japan, China (including Hong Kong), South Korea and Singapore. In Japan, the drug received a

manufacture and marketing approval with the indications of refractory/relapsed indolent non-Hodgkin's lymphoma and mantle cell lymphoma on October 27, 2010 and came into market under the trade name of TREAKISYM® on December 10, 2010.

In addition, the Company is working on the development for refractory/relapsed aggressive non-Hodgkin's lymphoma, untreated indolent non-Hodgkin's lymphoma, untreated mantle cell lymphoma, refractory/relapsed multiple myeloma and untreated chronic lymphocytic leukemia to add new indications. We intend to maximize the enterprise value of bendamustine by further promoting life cycle management. Eisai Co., Ltd. has the rights for joint development and exclusive marketing under the contract with us and sells the product in Japan.

In Asia, SyB L-0501 received the approval for the indication of indolent non-Hodgkin's lymphoma and chronic lymphocytic leukemia in Hong Kong in December 2009.In Hong Kong, Cephalon, Inc. has the exclusive rights for development and marketing and sells the drug. SyB L-0501 received the approval for the indications of indolent non-Hodgkin's lymphoma and chronic lymphocytic leukemia in Singapore in January 2010.

In South Korea and Singapore, Eisai has the exclusive rights for development and marketing under the contract with us. In Singapore, Eisai started to sell the product in September 2010 after receiving the approval. In South Korea, SyB L-0501 received the approval for the indications of chronic lymphocytic leukemia and multiple myeloma in May 2011 and Eisai started to sell the drug in October 2011.

Else, Cephalon, our business partner, is conducting the clinical trials in China and our business partner InnoPharmax Inc. (Taiwan) received the approval on October 18, 2011 in Taiwan for SyB L-0501, starting to sell the product in February 2012.

At the American Society of Hematology (ASH) held in December 2009, Professor Mathias J. Rummel of University Hospital in Giessen (Germany) reported that the combination therapy with bendamustine and rituximab (note 2) causes fewer side effects and is more efficacious than R-CHOP therapy (note 3) currently in use as the standard treatment of indolent non-Hodgkin's lymphoma as a result of the comparative study of untreated patients.

In this study (the Phase III clinical trials conducted in Germany), 549 untreated patients (note 4) of malignant non-Hodgkin's lymphoma and mantle cell lymphoma were grouped at random into those undergoing the combination therapy of bendamustine and rituximab and those undergoing R-CHOP therapy, and the efficacy, safety and progression free survival (PFS) period (note 5) were comparatively considered between the two groups. The analysis of 513 valid cases exhibited that the median of progress free survival period (the primary evaluation item) was 54.9 months in the group with bendamustine and rituximab, prolonged by more than 20 months than 34.8 months in the R-CHOP group, which was a statistically significant difference. As for side effects, statistical significance was exhibited for hemotoxin, the use of G-CSF (note 6), and hair loss. Professor Rummel concluded that the combination therapy of bendamustine and rituximab could be the first-line therapy for such indolent non-Hodgkin's lymphoma as follicular lymphoma and mantle cell lymphoma.

On December 22, 2009, approximately three weeks after the announcement by Professor Rummel at ASH, U.S. National Comprehensive Cancer Network revised Clinical Practice Guidelines in Oncology and the combination therapy of bendamustine and rituximab was listed in the guideline as a recommended first-choice drug for untreated patients of follicular lymphoma (indolent non-Hodgkin's lymphoma) and mantle cell lymphoma.

(Note 1) Non-Hodgkin's lymphoma (NHL) is a cancer of lymphatic system in which lymphocytes develop malignant growths other than Hodgkin's lymphoma. The majority of Japanese patients are suffering from NHL.
Antibody therapy with rituximab administered as first-line drug is the standard treatment for NHL. However, there is currently no established therapy for failed or relapsed cases.
(Note 2) Rituximab is a monoclonal antibody against the protein CD20 used in the treatment of CD20-positive B-cell non-Hodgkin's lymphoma. In Japan, Chugai Pharmaceutical Co., Ltd. is the original seller and Zenyaku Kyogyo Co., Ltd. manufactures and sells Rituxan® Injection 10mg/mL.
(Note 3) R-CHOP therapy denotes the combination therapy with rituximab, cyclophosphamide, doxorubicin, vincristine and prednisolone.
(Note 4) Untreated patients are those who have never been treated in the past and receive the treatment for the first time for the indication.
(Note 5) Progression free survival (PFS) period is the length of time during which the patients survive free of disease progression.
(Note 6) G-CSF is the abbreviation for granulocyte-colony stimulating factor.

(ii) SyB L-1101/C-1101

SyB L-1101 (the intravenous form)/C-1101 (the oral from) (the generic name: rigosertib) is a multi-kinase inhibitor (note 7) with a unique mode of action against cancer. It is presently under development by Onconova Therapeutics in the United States

and Europe for the indications of myelodysplastic syndromes (MDS), pancreatic cancer and ovarian cancer. Phase III clinical trials are underway for the indication of refractory/relapsed MDS (administered by intravenous injection), the most advanced-stage development of rigosertib, with an orphan drug designation by Food and Drug Administration in the United States in 2009 and special protocol assessment (SPA) (note 8) for Phase III trial design as well.

In addition to the aforementioned advancements, an oral formulation of rigosertib is under development by Onconova Therapeutics and Phase II clinical trials are underway for myelodysplastic syndromes (MDS) as the indication. Phase I clinical trials have been completed in solid tumors with the initiation of the Phase II/III combination clinical trials in pancreatic cancer and Phase II clinical trials in ovarian cancer.

SymBio signed the license agreement with Onconova Therapeutics in July 2011, for the exclusive right to develop and commercialize rigosertib for Japan and South Korea. Based on this agreement, we plan to advance the development of the intravenous form of rigosertib in refractory/relapsed MDS, for which late stage development is conducted in the United Sates and Europe, and subsequently in the oral form in untreated MDS. MDS represent a group of hematologic tumors with the increasing number of patients and commonly affects the elderly. MDS are relapsed diseases with a higher likelihood of developing leukemia. Effective medication has not been found especially for refractory/relapsed MDS, creating an underserved therapeutic area.

We will continue the development for the indication of solid tumor as well as MDS. We plan to develop the treatment methods that are well tolerated by patients and in compliance with relevant laws and regulations by appropriately alternating the developments of the intravenous and oral forms.

(Note 7) Multi-kinase inhibitors impede the growth, proliferation and metastasis of cancer cells, thereby eradicating them.
(Note 8) SPA is a declaration from FDA after the end of Phase II clinical trials that an uncompleted Phase III clinical trial's design, indications, clinical endpoints, valuation items, and statistical analyses agreed upon at the pre-Phase III meeting are acceptable for FDA approval. New drug licensing application utilizing this scheme facilitates the evaluation and approval by FDA and enhances the possibility of secure product launch in the market because FDA already completes the considerations of the contents of Phase III clinical trials in advance.

(iii) SyB D-0701

SyB D-0701 is a sustained-release transdermal antiemetic patch containing granisetron and used to relieve nausea and vomiting (note 9) associated with cancer chemotherapy and radiotherapy. SyB D-0701 has an antiemetic effect that is sustained for 5 days and improves the effectiveness of treatment of patients undergoing chemotherapy and radiotherapy.

Thus, SyB D-0701 is expected to bring significant benefits to patients as well as health professionals involved as supportive care (note 10) for cancer chemotherapy and radiotherapy outpatients as cancer prevalence continues to rise in future, and to improve overall QOL (Quality of Life) of patients.

SymBio obtained from Abeille Pharmaceuticals, Inc. (United States) the exclusive right for development and commercialization for Japan, China (including Hong Kong), South Korea, Singapore and Taiwan and proceeds with the development.

We started Phase II clinical trials in December 2010 with the intention to develop a drug for radiotherapy-induced nausea and vomiting to begin with for which significant unmet medical needs exist due to the lack of effective medication. Patient enrollment for the phase II trials was completed in October 2012. We will conduct detailed analyses to investigate the future direction of the development.

(Note 9) Approximately 30% to 90% of patients experience nausea and vomiting associated with cancer chemotherapy and radiotherapy. These symptoms are some of the most painful side effects for patients. Persistent nausea and vomiting may lead to dehydration, electrolyte imbalance, and nutrient deprivation. They may also significantly influence the effectiveness of cancer treatment due to loss of appetite or aggravated physical and mental condition of patients. Limiting nausea and vomiting to the minimum is a key to improve overall compliance and leads the treatment to success. Vomiting is divided into three main categories:

1. Acute
   Vomiting develops within 24 hours of dosage of anticancer drug, usually starting within 1 or 2 hours.
2. Delayed
   Vomiting develops from 24 to 120 hours after dosage of anticancer drug, and persists for several days.
3. Anticipatory
   Vomiting usually develops on the day prior to dosage of anticancer drug.

(Note 10) Supportive care for cancer chemotherapy consists of the treatment of cancer-induced symptoms and complications and the control of side effects of chemotherapy and radiotherapy, and also includes mental supports for patients. It assumes considerable significant in cancer treatment to control cancer-induced pains and nausea and vomiting associated with chemotherapy and radiotherapy.

(4) Mid-Term/Long Term strategy

SymBio is pursuing primarily the following five strategies in order to achieve Long Range Plan (LRP).

(i) De-risking by post-POC strategy

We in-license drug candidates for which POC (proof of concept) is already confirmed on human subjects in principles. Accordingly, they should be the drugs that are in a relatively late stage of clinical development or already on the market overseas. The advanced development is already conducted overseas for these drug candidates and their efficacy and safety are already confirmed on human subjects, thereby reducing the development risk. We utilize existing clinical data available overseas so as to compress development timelines, reduce the development costs, and increase the likelihood of regulatory approvals in Japan and Asian markets.

(ii) Building high-quality pipeline with exceptional search and evaluation capabilities

Our new drug search engine is connected to the diverse networks with pharmaceutical companies and bio ventures, and enables us to select promising drug candidates from the vast amount of chemical compounds after the careful review by internal experts. Using their wealth of experience at the forefront of research and development, Scientific Advisory Board (SAB) members carefully evaluate and render final judgment on each drug candidate. The highly established screening process up to the final selection of drug candidate, coupled with the post-POC strategy, reduces the development risk and compresses the timelines. It also helps to understand how satisfactorily the healthcare needs are met and to improve the accuracy of revenue projections after the product launch.

(iii) Containment of fixed costs by laboless/fabless strategy

SymBio does not own any research or production facilities, which are often regarded as the main causes for fixed costs. Once development candidate compounds are searched and selected, we focus on value-added activities such as the formulation and implementation of development strategy and outsource other necessary routines. This enables us to reduce development costs of pharmaceutical drugs and secure the mobility of financial strategy.

(iv) Realization of high business efficiency by “Blue Ocean” strategy

There are many cases that the standard drug used overseas cannot be prescribed in Japan or a new drug is launched in Japan five years behind its initial approval overseas. This problem is called “drug lag” and becoming aggravated, and the term like “cancer patient refugee” has been created. The drag lug is conspicuous in our strategic therapeutic areas of oncology, hematology, and autoimmune diseases. The market of anticancer drugs is huge and still continues to grow with the population being aged. However, anticancer drugs have a wide range of indications and they are fragmented by type of cancer. There is only the limited number of patients in some therapeutic areas depending on type of cancer. Extremely high degree of specialization is required for the development of anticancer drugs in these therapeutic areas, which are often financially unattractive for larger pharmaceutical companies to pursue despite the high degree of development difficulty. This partially accounts for the causes for drug lag. Contrarily, once a new drug succeeds in receiving an approval and reaching the market for these therapeutic areas, we would be able achieve a superior growth and profitability due to the lack of fierce competition by continuously expanding the indications and bringing new products into the market.

(v) Expanding Business in Asia Pacific Countries

Significant growth in medical needs and increasing demand for higher quality therapeutic options are expected in Asian countries as they continue to undergo rapid economic development. Similar to in Japan, the trend observed is that the development of new drugs is stagnant with the population being rapidly aging in these countries. Indications in oncology, hematology, and autoimmune diseases are emerging as areas of unmet medical needs with rising demand for effective therapies. We secure the rights to manufacture and commercialize anticancer drugs SyB L-0501 and SyB L-1101/SyB C-1101 and a transdermal antiemetic patch SyB D-0701 in Asian countries not only in Japan.

(5) 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 a specialty pharmaceutical company, we need to expand the pipeline through continually in-licensing of new candidate drugs for development.

We have four products, SyB L-0501, SyB L-1101, SyB C-1101 and SyB D-0701 in the pipeline and clinical trials are underway.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.

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

(iii) Expansion to other Asian regions

SymBio 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 survey 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

SymBio 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 and thorough budget control.

(6) Other important matters concerning the company management

(i) Third-party allotment

The Company made a resolution in December 2012 to issue unsecured convertible bond with stock acquisition rights by way of third-party allotment and warrant in order to secure funds necessary for R&D activities.

4. Financial statements

(1) Balance sheets

(Unit: Thousand yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
Assets		
Current assets		
Cash and deposits	4,558,714	4,540,022
Accounts receivable-trade	162,409	148,081
Marketable securities	1,952,533	300,000
Merchandise and finished goods	207,467	164,571
Supplies	—	320
Prepaid expenses	79,038	98,192
Advances paid	124,589	99,036
Consumption taxes receivable	69,571	39,495
Forward exchange contracts	—	21,385
Other	24,067	9,517
Total current assets	7,178,392	5,420,623
Noncurrent assets		
Property, plant and equipment		
Buildings	7,358	7,705
Accumulated depreciation	(4,889)	(5,067)
Buildings, net	2,468	2,637
Tools, furniture and fixtures	32,410	33,921
Accumulated depreciation	(17,471)	(22,837)
Tools, furniture and fixtures, net	14,938	11,084
Total property, plant and equipment	17,407	13,721
Intangible assets		
Software	9,541	8,324
Lease assets	3,189	2,540
Total intangible assets	12,730	10,864
Investments and other assets		
Long-term prepaid expenses	24,300	27,646
Lease and guarantee deposits	23,264	29,334
Total investments and other assets	47,564	56,980
Total noncurrent assets	77,702	81,567
Total assets	7,256,094	5,502,190

(Unit: Thousand yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
Liabilities		
Current liabilities		
Accounts payable-trade	308,953	329,768
Lease obligations	719	673
Accounts payable-other	277,898	195,833
Income taxes payable	19,073	15,588
Advances received	1,382	—
Other	37,719	56,662
Total current liabilities	645,746	598,527
Noncurrent liabilities		
Lease obligations	2,691	2,017
Provision for retirement benefits	2,092	1,688
Total noncurrent liabilities	4,783	3,705
Total liabilities	650,529	602,232
Net assets		
Shareholders' equity		
Capital stock	6,024,610	6,024,610
Capital surplus		
Legal capital surplus	5,994,610	5,994,610
Total capital surplus	5,994,610	5,994,610
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(5,413,091)	(7,146,411)
Total retained earnings	(5,413,091)	(7,146,411)
Treasury stock	(17)	(17)
Total shareholders' equity	6,606,110	4,872,790
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(546)	—
Total valuation and translation adjustments	(546)	—
Subscription rights to shares	—	27,167
Total net assets	6,605,564	4,899,957
Total liabilities and net assets	7,256,094	5,502,190

(2) Statements of income

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Net sales		
Net sales of goods	1,632,471	1,955,178
Rights income	250,050	—
Total net sales	1,882,521	1,955,178
Cost of sales		
Beginning goods	—	207,467
Cost of purchased goods	1,433,633	1,321,514
Total	1,433,633	1,528,982
Transfer to other account *3	1,981	2,211
Ending goods	207,467	164,571
Cost of goods sold	1,224,185	1,362,199
Gross profit	658,336	592,979
Selling, general and administrative expenses *1,2,3	2,725,182	2,293,253
Operating loss	(2,066,846)	(1,700,273)
Non-operating income		
Interest income	863	1,585
Interest on securities	2,559	3,353
Insurance and dividends income	1,044	1,122
Subsidy income	51,891	—
Other	23	1,247
Total non-operating income	56,382	7,309
Non-operating expenses		
Interest expenses	668	137
Commission fee	21,967	10,829
Stock issuance cost	16,721	—
Foreign exchange losses	9,895	15,755
Going public expenses	35,665	—
Bond-issue expenses	—	9,473
Other	—	320
Total non-operating expenses	84,919	36,516
Ordinary loss	(2,095,382)	(1,729,480)
Extraordinary loss		
Loss on retirement of noncurrent assets *4	—	39
Impact of application of accounting standard for asset retirement obligations	5,331	—
Total extraordinary losses	5,331	39
Loss before income taxes	(2,100,713)	(1,729,520)
Income taxes-current	3,800	3,800
Total income taxes	3,800	3,800
Net loss	(2,104,513)	(1,733,320)

(3) Statements of changes in net assets

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the year	3,710,830	6,024,610
Changes of items during the year		
Issuance of new shares	2,313,780	—
Total changes of items during the year	2,313,780	—
Balance at the end of the year	6,024,610	6,024,610
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year	3,680,830	5,994,610
Changes of items during the year		
Issuance of new shares	2,313,780	—
Total changes of items during the year	2,313,780	—
Balance at the end of the year	5,994,610	5,994,610
Total capital surplus		
Balance at the beginning of the year	3,680,830	5,994,610
Changes of items during the year		
Issuance of new shares	2,313,780	—
Total changes of items during the year	2,313,780	—
Balance at the end of the year	5,994,610	5,994,610
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year	(3,308,577)	(5,413,091)
Changes of items during the year		
Net loss	(2,104,513)	(1,733,320)
Total changes of items during the year	(2,104,513)	(1,733,320)
Balance at the end of the year	(5,413,091)	(7,146,411)
Total retained earnings		
Balance at the beginning of the year	(3,308,577)	(5,413,091)
Changes of items during the year		
Net loss	(2,104,513)	(1,733,320)
Total changes of items during the year	(2,104,513)	(1,733,320)
Balance at the end of the year	(5,413,091)	(7,146,411)
Treasury stock		
Balance at the beginning of the year	—	(17)
Changes of items during the year		
Acquisition of treasury stock	(17)	—
Total changes of items during the year	(17)	—
Balance at the end of the year	(17)	(17)

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Total shareholders' equity		
Balance at the beginning of the year	4,083,082	6,606,110
Changes of items during the year		
Issuance of new shares	4,627,560	—
Net loss	(2,104,513)	(1,733,320)
Acquisition of treasury stock	(17)	—
Total changes of items during the year	2,523,028	(1,733,320)
Balance at the end of the year	6,606,110	4,872,790
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year	(18)	(546)
Changes of items during the year		
Net changes of items other than shareholders' equity	(527)	546
Total changes of items during the year	(527)	546
Balance at the end of the year	(546)	—
Total valuation and translation adjustments		
Balance at the beginning of the year	(18)	(546)
Changes of items during the year		
Net changes of items other than shareholders' equity	(527)	546
Total changes of items during the year	(527)	546
Balance at the end of the year	(546)	—
Subscription rights to shares		
Balance at the beginning of the year	—	—
Changes of items during the year		
Net changes of items other than shareholders' equity	—	27,167
Total changes of items during the year	—	27,167
Balance at the end of the year	—	27,167
Total net assets		
Balance at the beginning of the year	4,083,064	6,605,564
Changes of items during the year		
Issuance of new shares	4,627,560	—
Net loss	(2,104,513)	(1,733,320)
Acquisition of treasury stock	(17)	—
Net changes of items other than shareholders' equity	(527)	27,713
Total changes of items during the year	2,522,500	(1,705,606)
Balance at the end of the year	6,605,564	4,899,957

(4) Statements of cash flows

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Net cash provided by (used in) operating activities		
Loss before income taxes	(2,100,713)	(1,729,520)
Depreciation	8,167	8,560
Amortization of guarantee deposits	2,398	1,444
Impact of application of accounting standard for asset retirement obligations	5,331	—
Share-based compensation expenses	—	27,167
Increase (decrease) in provision for retirement benefits	257	(404)
Interest income	(3,422)	(4,938)
Interest expenses	668	137
Foreign exchange losses (gains)	23,647	1,630
Stock issuance cost	16,721	—
Commission fee	21,967	10,829
Loss on retirement of noncurrent assets	—	39
Decrease (increase) in accounts receivable-trade	(156,474)	14,328
Decrease (increase) in inventories	(207,467)	42,895
Decrease (increase) in prepaid expenses	11,728	(19,183)
Decrease (increase) in advances paid	(38,507)	25,552
Decrease (increase) in consumption taxes receivable	(69,571)	30,076
Decrease (increase) in other current assets	(20,592)	(7,156)
Decrease (increase) in long-term prepaid expenses	(24,300)	(3,346)
Increase (decrease) in accounts payable-trade	307,784	20,814
Increase (decrease) in accounts payable-other	153,739	(82,105)
Increase (decrease) in accrued consumption taxes	(8,107)	—
Increase (decrease) in advances received	—	(1,382)
Increase (decrease) in other current liabilities	13,889	15,458
Other	404	291
Subtotal	(2,062,451)	(1,648,808)
Interest and dividends income received	3,688	4,917
Commitment fees paid	(10,829)	(10,800)
Interest expenses paid	(664)	(96)
Income taxes paid	(3,800)	(3,800)
Net cash provided by (used in) operating activities	(2,074,057)	(1,658,588)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	—	(300,000)
Purchase of marketable securities	(201,283)	(300,000)
Proceeds from redemption of securities	100,000	200,000
Purchase of property, plant and equipment	(1,422)	(1,858)
Purchase of intangible assets	(10,940)	(1,190)
Payments for lease and guarantee deposits	(4,257)	(8,105)
Proceeds from collection of lease and guarantee deposits	546	590
Net cash provided by (used in) investing activities	(117,356)	(410,563)

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Net cash provided by (used in) financing activities		
Repayments for lease obligations	—	(719)
Proceeds from issuance of common stock	4,627,560	—
Payments for issuance of common stock	(16,721)	—
Payments for acquisition of treasury stock	(17)	—
Net cash provided by (used in) financing activities	4,610,820	(719)
Effect of foreign exchange rate change on cash and cash equivalents	(24,193)	(1,084)
Net increase (decrease) in cash and cash equivalents	2,395,213	(2,070,956)
Cash and cash equivalents at beginning of period	3,915,765	6,310,978
Cash and cash equivalents at end of period*	6,310,978	4,240,022

(5) Events and conditions with indicate there could be substantial doubt about going concern assumption

None to be reported.

(6) Significant Accounting Policies

1. Valuation basis and method of marketable and investment securities
   Available-for-sale securities with determinable market value
   Available-for-sale securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of applicable income taxes, included directly in shareholders' equity. Cost of securities sold is calculated by the moving average method.
   Available-for-sale securities without determinable market value
   Available-for-sale securities without determinable market value are stated at cost determined by the moving average method.

2. Valuation basis and method of derivative transactions
   Derivative financial instruments are stated at fair value.

3. Valuation basis and method of inventories
   Inventories held for the purpose of ordinary sale are measured at lower of cost determined by the weighted-average method or net selling value.

4. Depreciation of property, plant and equipment
   (1) Property, plant and equipment (excluding lease assets)
   Depreciation of property, plant and equipment is computed by the straight-line method.
   The useful lives of major property, plant and equipment are summarized as follows:

Buildings	2 to 18 years
Tools, furniture and fixtures	4 to 10 years

   (2) Intangible assets (excluding lease assets)
   Amortization of intangible assets is computed by the straight-line method.
   Capitalized software costs are being amortized over the period of the internal use of 5 years.
   (3) Lease assets
   Depreciation of lease assets is computed by the straight-line method over the lease term with no residual value.

5. Deferred assets
   (1) Stock issuance costs are charged to income as incurred.

(2) Bond-issue expenses are charged to income as incurred.

6. Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rates prevailing at the balance sheet dates, and resulting gains or losses are credited or charged to income.

7. Basis for reserves and provisions
(1) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.
For FY 2011 and FY 2012, no allowance for doubtful accounts is provided due to no historical experience of bad debt and no receivable balances that are deemed uncollectible.
(2) Provision for retirement benefits
The provision for retirement benefits is provided at an amount to be required as of the balance sheet date.

8. Cash and cash equivalents in the statements of cash flows
Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less that can easily be converted to cash and are subject to little risk of change in value.

9. Other significant basis for the preparation of financial statements
Accounting for consumption tax
Transactions are recorded at amounts exclusive of consumption tax.

(7) Changes in presentation

"Insurance and dividends income" included in "Other" under non-operating income for FY 2011 is shown as a separate line item for FY 2012 since the amount exceeded 10% of total non-operating income. The amount of "Dividends income of insurance" for FY 2011 was 1,044 thousand yen.

(8) Notes to financial statements

(Balance sheets)

1. The Company has overdraft and commitment line contracts with three banks in a business relationship to efficiently procure working capital. The status of the bank overdraft and loan commitments based on these contracts at the end of each fiscal year is as follows:

(Unit: Thousand yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
Total amounts of bank overdraft limit and loan commitment line	1,350,000	1,350,000
Balance of borrowing outstanding	—	—
Unused balance	1,350,000	1,350,000

(Statements of income)
* 1 Selling expense ratio is roughly 1.4% and 2.1% for FY 2011 and FY 2012, respectively, and administrative expense ratio is roughly 98.6% and 97.9% for FY 2011 and FY 2012, respectively.
Major expense items and amounts are as follows.

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Directors' compensation	98,271	106,108
Salaries	265,620	305,679
Retirement benefit expenses	713	921
Research and development expenses	1,945,029	1,438,125
Depreciation expenses	7,653	6,990

* 2 Total amounts of research and development expenses included in general and administrative expenses

(Unit: Thousand yen)

FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
1,945,029	1,438,125

* 3 Details of transfer to other accounts are as follows.

(Unit: Thousand yen)

FY 2011 (From January 1, 2011 to December 31, 2011)		FY 2012 (From January 1, 2012 to December 31, 2012)	
Selling, general and administrative expenses	1,981	Selling, general and administrative expenses	2,211

* 4 Details of loss on retirement of noncurrent assets are as follows.

(Unit: Thousand yen)

FY 2011 (From January 1, 2011 to December 31, 2011)		FY 2012 (From January 1, 2012 to December 31, 2012)	
Software	―	Software	39

(Statements of changes in net assets)

FY 2011 (From January 1, 2011 to December 31, 2011)

1. Shares issued and outstanding / Treasury stock

(Unit: Number of shares)

	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Shares issued				
Common stock (Note 1)	111,737	19,019,163	―	19,130,900
Total	111,737	19,019,163	―	19,130,900
Treasury stock				
Common stock (Note 2)	―	75	―	75
Total	―	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 new stock issuance 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 on June 2, 2011.

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

2. Stock acquisition rights and treasury acquisition rights

Company	Description	Type of shares to be issued	Number of shares to be issued				Balance as of December 31, 2011 (Thousand yen)
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
The Company	Stock acquisition rights as stock options	—	—	—	—	—	—
Total			—	—	—	—	—

(Note) The information about type of shares to be issued and the number of shares to be issued is described in “Stock options”.

3. Dividends

None to be reported.

FY 2012 (From January 1, 2012 to December 31, 2012)

1. Shares issued and outstanding / Treasury stock

(Unit: Number of shares)

	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Shares issued				
Common stock	19,130,900	—	—	19,130,900
Total	19,130,900	—	—	19,130,900
Treasury stock				
Common stock	75	—	—	75
Total	75	—	—	75

2. Stock acquisition rights and treasury acquisition rights

Company	Description	Type of shares to be issued	Number of shares to be issued				Balance as of December 31, 2012 (Thousand yen)
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
The Company	Stock acquisition rights as stock options	—	—	—	—	—	27,167
Total			—	—	—	—	27,167

(Note) The information about type of shares to be issued and the number of shares to be issued is described in “Stock options”.

3. Dividends

None to be reported.

(Statements of cash flows)

* Cash and cash equivalents as of the fiscal year end are reconciled to the accounts reported in the balance sheets as follows:

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Cash and deposits	4,558,714	4,540,022
Marketable securities	1,952,533	300,000
Time deposits with maturities of more than three months	—	(300,000)
Debt securities with a remaining maturity in excess of three month	(200,270)	(300,000)
Cash and cash equivalents	6,310,978	4,240,022

(Lease transactions)

Finance lease transaction

Finance lease transactions other than those which transfer the ownership of leased property

(a) Description of lease assets

Intangible assets ---Software

(b) Depreciation and amortization of lease assets

Depreciation and amortization of lease assets is described in significant accounting policies "4. Depreciation of property, plant and equipment."

(Financial instruments)

1. Financial instruments

(1) Policies for financial instruments

The Company procures the funds necessary in light of the pipeline development plan (primarily by third-party allotment and offering by new stock issuance). Temporary surplus fund is invested in financial instruments which are highly safe and liquid.

As a principle, the Company does not enter into derivative transactions for speculative trading purpose but uses them within the scope prescribed in the internal rules.

(2)Types of financial instruments and related risks

Operating receivables such as accounts receivable-trade and advances paid in connection with joint development are exposed to credit risk of customers and joint development partners. Operating receivables denominated in foreign currencies are exposed to foreign exchange fluctuation risk.

The Company intends to invest in marketable and investment securities which have relatively low risk of falling below initial investments. However, it might carry a finite risk.

Operating payables such as accounts payable-trade and accounts payable-other are mostly due within two months. Operating payables denominated in foreign currencies are exposed to foreign exchange fluctuation risk.

The Company uses derivative transactions to avoid foreign exchange fluctuation risks and enters into forward exchange contracts within the scope prescribed in the internal rules based on balances of receivables and payables denominated in foreign currencies as well as actual volume of exports and imports transactions denominated in foreign currencies.

Lease and guarantee deposits are mostly security deposits related to rented office premises and their refunds are subject to the credit risk of the lessor.

Lease obligations are associated with the finance lease transactions that intend to finance capital expenditures and the longest maturity of lease term is 4 years after December 31, 2012.

(3)Risk management for financial instruments

(a) Monitoring of credit risks (the risk that customers or counterparties may default)

In accordance with the internal credit policies for managing credit risk arising from operating receivables, the Company's marketing department periodically monitors the credit worthiness of major customers and monitors due dates and outstanding balances by individual customer. In addition, the

Company is making efforts to promptly identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Company enters into derivative transactions only with financial institutions which have a sound credit profile in order to mitigate the counterparty risk.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Company deposits cash primarily with financial institutions with high credit ratings.
For marketable and investment securities, the Company intends to avoid risks of falling below initial investments by investing in securities with the satisfactory credit rating and investment period in accordance with the internal investment policies.

The Company enters into forward exchange contracts in order to avoid foreign exchange fluctuation risks in connection with receivables and payables denominated in foreign currencies.

Followed by appropriate authorization procedures prescribed in the internal rules, Finance and accounting department executes and monitors derivative transactions. Monthly transaction performaces are reported to the executive management committee.

(c) Monitoring of liquidity risks (the risk that the Company may not be able to meet its obligations on scheduled due date)

Based on the report from each department, the responsible department of the Company prepares and updates its cash flow plans on a timely basis and ensures to maintain liquidity on hand to manage liquidity risk.

(4)Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in notes to “Derivative transactions” are not necessarily indicative of the actual market risk involved in derivative transactions.

(5)Concentration of credit risk

As of December 31, 2012, all operating receivables are from one particular major customer.

2. Fair value of financial instruments

Carrying value on the balance sheets, fair values and their differences are as follows. The financial instruments whose fair value is extremely difficult to determine are not included. (See (Note) 2.)

FY 2011 (As of December 31, 2011)

(Unit: Thousand yen)

	Carrying value	Fair value	Differences
(1) Cash and deposits	4,558,714	4,558,714	—
(2) Accounts receivable-trade	162,409	162,409	—
(3) Marketable securities	1,952,533	1,952,533	—
(4) Advances paid	124,589	124,589	—
(5) Consumption taxes receivable	69,571	69,571	—
Assets, total	6,867,818	6,867,818	—
(1) Accounts payable-trade	308,953	308,953	—
(2) Lease obligations (current)	719	719	—
(3) Accounts payable-other	277,898	277,898	—
(4) Income taxes payable	19,073	19,073	—
(5) Lease obligations (non-current)	2,691	2,691	—
Liabilities, total	609,336	609,336	—
Derivative transactions, total	—	—	—

FY 2012 (As of December 31, 2012)

(Unit: Thousand yen)

	Carrying value	Fair value	Differences
(1) Cash and deposits	4,540,022	4,540,022	—
(2) Accounts receivable-trade	148,081	148,081	—
(3) Marketable securities	300,000	300,000	—
(4) Advances paid	99,036	99,036	—
(5) Consumption taxes receivable	39,495	39,495	—
Assets, total	5,126,635	5,126,635	—
(1) Accounts payable-trade	329,768	329,768	—
(2) Lease obligations (current)	673	673	—
(3) Accounts payable-other	195,833	195,833	—
(4) Income taxes payable	15,588	15,588	—
(5) Lease obligations (non-current)	2,017	2,017	—
Liabilities, total	543,882	543,882	—
Derivative transactions, total (*1)	21,385	21,385	—

(* 1) Net assets and liabilities arising from derivative transactions are presented on a net basis.

(Note) 1. Fair value measurement of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and deposits, (2) Accounts receivable-trade, (4) Advances paid and (5) Consumption taxes receivable

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

(3) Marketable securities

The fair value of debt securities is based on the quoted price obtained from financial institutions. See notes to "Marketable and investment securities" for notes pertaining to securities by holding purpose.

Liabilities

(1) Accounts payable-trade, (3) Accounts payable-other and (4) Income taxes payable

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

(2) Lease obligations (current) and (5) Lease obligations (non-current)

The fair value of lease obligations, that is determined at present value calculated by discounting total amounts of principle and interests at a presumable rate used for similar new lease transactions.

Derivative transactions

See notes to "Derivative transactions"

2. Financial instruments whose fair value is extremely difficult to determine.

(Unit: Thousand yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
Lease and guarantee deposits	23,264	29,334

Lease and guarantee deposits are not included in above tables since no market quote is available and their fair value is extremely difficult to determine.

3. The redemption schedule for monetary assets and securities with maturities

FY 2011 (As of December 31, 2011)

(Unit: Thousand yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	4,558,543	—	—	—
Accounts receivable-trade	162,409	—	—	—
Securities				
Available-for-securities with maturities				
(1) Debt securities	200,000	—	—	—
(2) Other	1,752,263	—	—	—
Advances paid	124,589	—	—	—
Total	6,797,805	—	—	—

FY 2012 (As of December 31, 2012)

(Unit: Thousand yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	4,539,915	—	—	—
Accounts receivable-trade	148,081	—	—	—
Securities				
Available-for-securities with maturities				
Others	300,000	—	—	—
Advances paid	99,036	—	—	—
Total	5,087,032	—	—	—

4. Maturities of lease obligations after the fiscal year end

FY 2011 (As of December 31, 2011)

(Unit: Thousand yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease obligations (current)	719	—	—	—	—	—
Lease obligations (non-current portion)	—	673	682	692	642	—
Total	719	673	682	692	642	—

FY 2012 (As of December 31, 2012)

(Unit: Thousand yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease obligations (current)	673	—	—	—	—	—
Lease obligations (non-current)	—	682	692	642	—	—
Total	673	682	692	642	—	—

(Marketable and investment securities)

1. Available-for-sale securities

FY 2011 (As of December 31, 2011)

(Unit: Thousand yen)

	Type	Carrying value	Acquisition cost	Difference
Carrying value does not exceed the acquisition cost	(1)Equity securities	—	—	—
	(2)Debt securities			
	(a) Government and municipal bond	—	—	—
	(b) Corporate bond	200,270	200,816	(546)
	(c) Other	—	—	—
	(3)Other	1,752,263	1,752,263	—
	Total	1,952,533	1,953,079	(546)

FY 2012 (As of December 31, 2012)

(Unit: Thousand yen)

	Type	Carrying value	Acquisition cost	Difference
Carrying value does not exceed the acquisition cost	(1)Equity securities	—	—	—
	(2)Debt securities			
	(a) Government and municipal bond	—	—	—
	(b) Corporate bond	—	—	—
	(c) Other	300,000	300,000	—
	(3)Other	—	—	—
	Total	300,000	300,000	—

2. Available-for-sale securities sold

FY 2011 (From January 1, 2011 to December 31, 2011)

None to be reported.

FY 2012 (From January 1, 2012 to December 31, 2012)

(Unit: Thousand yen)

Type	Proceeds	Realized gains	Realized losses
(1)Equity securities	—	—	—
(2)Debt securities			
(a) Government and municipal bond	—	—	—
(b) Corporate bond	—	—	—
(c) Other	—	—	—
(3)Other	1,853,428	—	—
Total	1,853,428	—	—

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency-related transaction

FY 2011 (As of December 31, 2011)

None to be reported.

FY 2012 (As of December 31, 2012)

(Unit: Thousand yen)

Classification	Type	Notional amount	Portion due after one year included herein	Fair value	Difference
OTC transactions	Forward exchange contract				
	Buy				
	Euro	242,027	—	21,385	(21,385)
Total		242,027	—	21,385	(21,385)

(Note) Fair value measurement

The fair value is measured based on the quoted prices obtained from financial institutions with business relationship.

2. Derivative transactions to which hedge accounting is applied

None to be reported.

(Retirement benefits)

1. Outline of retirement benefit plans

The Company has adopted a lump-sum payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

2. Retirement benefit obligation

(Unit: Thousand yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
(1) Retirement benefit obligation	(2,092)	(1,688)
(2) Provision for retirement benefits	(2,092)	(1,688)

(Note) The simplified method is applied to calculate amounts of retirement benefit obligation. That is, the amounts shown as retirement benefit obligation are the payments required for voluntary retirement as of each fiscal year end.

3. Retirement benefit expenses

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Retirement benefit expenses	1,750	2,133
(1) Service costs	395	311
(2) Contribution made for defined contribution pension plan	1,355	1,822

4. Assumption used in accounting for retirement benefit obligation

Actuarial assumption is omitted since the Company applies the simplified method.

(Stock options)

1. The account name and the amount of stock options charged as expenses

(Unit: Thousand yen)

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Selling, general and administrative expenses	—	27,167

2. Description of stock options/ Changes in the size of stock options

(1) Description of stock options

	The 1st Series	The 2nd Series
Individuals covered by the plan and number of persons granted	Directors of the Company 3 Auditor & supervisory board member of the Company 1 Employees of the Company 6 External collaborators 12 Total 22	External collaborator 1
Class and number of shares to be issued upon the exercise of the stock option	Common stock 390,000 shares	Common stock 2,000 shares
Grant date	June 20, 2005	June 22, 2005
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From June 21, 2007 to June 20, 2015	From June 23, 2007 to June 22, 2015

	The 5th Series	The 6th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 1 Employees of the Company 16 External collaborators 1 Total 18	Auditors & supervisory board members of the Company 1 Employees of the Company 3 External collaborators 6 Total 10
Class and number of shares to be issued upon the exercise of the stock option	Common stock 117,000 shares	Common stock 45,000 shares
Grant date	January 31, 2006	April 18, 2006
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From February 1, 2008 to September 1, 2015	From April 19, 2008 to March 30, 2016

	The 7th Series	The 8th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 6 Auditors & supervisory board members of the Company 2 Employees of the Company 16 External collaborators 9 Total 33	Employees of the Company 6 External collaborators 5 Total 11
Class and number of shares to be issued upon the exercise of the stock option	Common stock 200,000 shares	Common stock 52,000 shares
Grant date	July 1, 2006	December 4, 2006
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From July 2, 2008 to March 30, 2016	From December 2, 2008 to March 30, 2016

	The 9th Series	The 11th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 3 Auditors & supervisory board members of the Company 2 Total 5	Employees of the Company 6 External collaborators 3 Total 9
Class and number of shares to be issued upon the exercise of the stock option	Common stock 66,000 shares	Common stock 34,000 shares
Grant date	February 1, 2007	March 15, 2007
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From January 24, 2009 to January 23, 2017	From March 3, 2009 to March 2, 2017

	The 12th Series	The 13th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 5 Auditor & supervisory board member of the Company 1 Total 6	Employees of the Company 33 External collaborators 12 Total 45
Class and number of shares to be issued upon the exercise of the stock option	Common stock 82,000 shares	Common stock 170,000 shares
Grant date	August 29, 2007	August 29, 2007
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From August 29, 2009 to August 28, 2017	From August 29, 2009 to August 28, 2017

	The 14th Series	The 16th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 5 Auditor & supervisory board member of the Company 1 Total 6	External collaborators 14
Class and number of shares to be issued upon the exercise of the stock option	Common stock 207,000 shares	Common stock 85,000 shares
Grant date	October 1, 2008	October 1, 2008
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From October 1, 2010 to September 30, 2018	From October 1, 2010 to September 30, 2018

	The 17th Series	The 19th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 3 Auditor & supervisory board member of the Company 1 Total 4	External collaborators 2
Class and number of shares to be issued upon the exercise of the stock option	Common stock 72,000 shares	Common stock 12,500 shares
Grant date	March 18, 2009	March 18, 2009
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From March 19, 2011 to March 18, 2019	From March 19, 2011 to March 18, 2019

	The 20th Series	The 21st Series
Individuals covered by the plan and number of persons granted	Directors of the Company 6 Auditor & supervisory board member of the Company 1 Total 7	Employees of the Company 50
Class and number of shares to be issued upon the exercise of the stock option	Common stock 361,000 shares	Common stock 326,500 shares
Grant date	March 31, 2010	March 31, 2010
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From April 1, 2012 to March 31, 2020	From April 1, 2012 to March 31, 2020

	The 22nd Series	The 23rd Series
Individuals covered by the plan and number of persons granted	External collaborators 13	Employees of the Company 9
Class and number of shares to be issued upon the exercise of the stock option	Common stock 153,000 shares	Common stock 32,000 shares
Grant date	March 31, 2010	October 15, 2010
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From April 1, 2012 to March 31, 2020	From October 15, 2012 to October 14, 2020

	The 24th Series	The 25th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 5	Employees of the Company 59
Class and number of shares to be issued upon the exercise of the stock option	Common stock 192,000 shares	Common stock 195,000 shares
Grant date	March 31, 2011	March 31, 2011
Vesting condition	1. The persons granted must be in a status of the Company's director, auditor & supervisory board member, advisor or employee at the time of exercise. However, this is not necessarily the case if the person granted retires due to the expiry of her/his term or the compulsory retirement, if otherwise the board of directors approves, or if the person granted is an external collaborator. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	Vesting period is not fixed.	Same as on the left
Exercise period	From March 31, 2013 to March 30, 2021	From March 31, 2013 to March 30, 2021

	The 26th Series	The 27th Series
Individuals covered by the plan and number of persons granted	Directors of the Company 4	Employees of the Company 70
Class and number of shares to be issued upon the exercise of the stock option	Common stock 362,500 shares	Common stock 430,700 shares
Grant date	May 2, 2012	May 2, 2012
Vesting condition	No specific conditions are prescribed in the allotment agreement of stock acquisition rights entered between the Company and the person granted, except for certain vesting conditions stipulated in the exercise condition. The exercise conditions are described in *(1) to (6).	Same as on the left
Vesting period	The period that fulfills the requirement of the exercise condition* (2) and (3).	Same as on the left
Exercise period	From April 18, 2014 to April 17, 2022	From April 18, 2014 to April 17, 2022

	The 28th Series
Individuals covered by the plan and number of persons granted	Employees of the Company 5
Class and number of shares to be issued upon the exercise of the stock option	Common stock 16,500 shares
Grant date	September 28, 2012
Vesting condition	No specific conditions are prescribed in the allotment agreement of stock acquisition rights entered between the Company and the person granted, except for certain vesting conditions stipulated in the exercise condition. The exercise conditions are described in *(1) to (6).
Vesting period	The period that fulfills the requirement of the exercise condition *(2) and (3).
Exercise period	From September 14, 2014 to September 13, 2022

※ (1) Fraction less than one unit of a stock acquisition right shall be un-exercisable.

(2) Those who were granted the right may exercise all or part of the rights in accordance with the following classifications:

＜The 26th Series and the 27th Series stock option＞

(a) Those who were granted the stock acquisition rights may exercise the rights within the limit of one-fourth (1/4) from April 18, 2014 to April 17, 2015.
(b) Those who were granted the stock acquisition rights may exercise the rights within the limit of one-half (1/2) from April 18, 2015 to April 17, 2016.
(c) Those who were granted the stock acquisition rights may exercise the rights within the limit of three-fourths (3/4) from April 18, 2016 to April 17, 2017
(d) Those who were granted the stock acquisition rights may exercise all the rights from April 18, 2017 to April 17, 2022

＜The 28th Series stock option＞

(a) Those who were granted the stock acquisition rights may exercise the rights within the limit of one-fourth (1/4) from September,14, 2014 to September 13, 2015.
(b) Those who were granted the stock acquisition rights may exercise the rights within the limit of one-half (1/2) from September 14, 2015 to September 13, 2016

(c) Those who were granted the stock acquisition rights may exercise the rights within the limit of three-fourths (3/4) from September 14, 2016 to September 13, 2017

(d) Those who were granted the stock acquisition rights may exercise all the rights from September 14, 2017 to September 13, 2022

(3) Those who received the allotment of the stock acquisition rights (hereinafter the ""Person Granted") must be in a status of the director, auditor & supervisory board member or employee of the Company or its affiliates at the time of exercise. However, this is not necessarily the cases where;

(a) The Person Granted is the director or auditor & supervisory board membe of the Company or its affiliates and retires due to the expiry of her/his term.

(b) The Person Granted is the employee of the Company or its affiliates and retires due to the compulsory retirement.

(c) The Person Granted is the director, auditor & supervisory board member or employee of the Company or its affiliates and the board of directors resolves that he/she resigns or retires with honorable recognition.

(4) The Person Granted shall exercise the rights starting from the date of resolution by the below-mentioned stockholders' meeting or the board of directors' meeting until one day before the effective date of the Organizational Restructuring as followed, regardless the conditions of exercise period originally stipulated, when the Organizational Restructuring are approved by the resolution of the Company's stockholders' meeting (including the case where resolution of a stockholders' meeting is deemed to exist pursuant to the provision of Article 319 of the Companies Act) or the board of directors' meeting (limited to the case where no stockholders' meeting is required for the said Organizational Restructuring) before the exercise period (hereinafter "Exercise Period") of the stock acquisition rights comes into effect: an absorption-type merger or an incorporation-type merger where the Company becomes a dissolving company and an absorption-type split or an incorporation-type company split where the Company becomes a split company or a share exchange or a share transfer where the Company becomes a wholly-owned subsidiary (collectively, "Organizational Restructuring" as mentioned above).

(5) In the event where;

(a) The Person Granted died before the exercise period comes into effect, the inheritor shall exercise the rights of up to one-half (1/2) within six months from the date of inherited, or

(b) The Person Granted died during the exercise period, the inheritor shall exercise all the rights within six months from the date of inherited.
However, in the event that the inheritor died, the rights shall be discarded and shall not be exercised by his/her inheritor.

(6) The stock acquisition rights shall not be offered for pledge or disposed of in any other way.

(2) Change in the size of stock options

The number of stock option is convereted into the number of shares subjest to the numbers exist in FY2012

(a) Number of stock options

(Unit: Number of shares)

	The 1st Series	The 2nd Series	The 4th Series	The 5th Series
Grant date	June 20, 2005	June 22, 2005	December 1, 2005	January 31, 2006
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted	—	—	—	—
Expired	—	—	—	—
Vested	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	361,000	2,000	5,000	84,500
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	10,000	—	5,000	82,500
At the end of the year	351,000	2,000	—	2,000

(Unit: Number of shares)

	The 6th Series	The 7th Series	The 8th Series	The 9th Series
Grant date	April 18, 2006	July 1, 2006	December 4, 2006	February 1, 2007
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted	—	—	—	—
Expired	—	—	—	—
Vested	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	13,000	156,000	19,000	54,000
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	11,000	95,000	18,000	51,000
At the end of the year	2,000	61,000	1,000	3,000

(Unit: Number of shares)

	The 10th Series	The 11th Series	The 12th Series	The 13th Series
Grant date	February 1, 2007	March 15, 2007	August 29, 2007	August 29, 2007
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted	—	—	—	—
Expired	—	—	—	—
Vested	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	24,000	25,000	73,000	121,000
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	24,000	18,000	50,000	60,000
At the end of the year	—	7,000	23,000	61,000

(Unit: Number of shares)

	The 14th Series	The 15th Series	The 16th Series	The 17th Series
Grant date	October 1, 2008	October 1, 2008	October 1, 2008	March 18, 2009
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted	—	—	—	—
Expired	—	—	—	—
Vested	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	187,000	139,000	85,000	71,000
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	159,000	139,000	15,000	67,000
At the end of the year	28,000	—	70,000	4,000

(Unit: Number of shares)

	The 18th Series	The 19th Series	The 20th Series	The 21st Series
Grant date	March 18, 2009	March 18, 2009	March 31, 2010	March 31, 2010
Non-vested shares:				
At the beginning of the year	—	—	361,000	276,500
Granted	—	—	—	—
Expired	—	—	—	—
Vested	—	—	361,000	276,500
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	80,000	12,500	—	—
Vested	—	—	361,000	276,500
Exercised	—	—	—	—
Expired	80,000	10,000	—	17,000
At the end of the year	—	2,500	361,000	259,500

(Unit: Number of shares)

	The 22nd Series	The 23rd Series	The 24th Series	The 25th Series
Grant date	March 31, 2010	October 15, 2010	March 31, 2011	March 31, 2011
Non-vested shares:				
At the beginning of the year	153,000	32,000	192,000	192,000
Granted	—	—	—	—
Expired	—	—	—	7,000
Vested	153,000	32,000	—	—
At the end of the year	—	—	192,000	185,000
Vested shares:				
At the beginning of the year	—	—	—	—
Vested	153,000	32,000	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
At the end of the year	153,000	32,000	—	—

(Unit: Number of shares)

	The 26th Series	The 27th Series	The 28th Series
Grant date	May 2, 2012	May 2, 2012	September 28, 2012
Non-vested shares:			
At the beginning of the year	—	—	—
Granted	362,500	430,700	16,500
Expired	—	29,300	—
Vested	—	—	—
At the end of the year	362,500	401,400	16,500
Vested shares:			
At the beginning of the year	—	—	—
Vested	—	—	—
Exercised	—	—	—
Expired	—	—	—
At the end of the year	—	—	—

(b) Per share prices

	The 1st Series	The 2nd Series	The 5th Series	The 6th Series
Grant date	June 20, 2005	June 22, 2005	January 31, 2006	April 18, 2006
Exercise price (yen)	500	500	1,000	1,000
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	—	—	—	—

	The 7th Series	The 8th Series	The 9th Series	The 11th Series
Grant date	July 1, 2006	December 4, 2006	February 1, 2007	March 15, 2007
Exercise price (yen)	1,500	1,500	1,500	1,500
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 12th Series	The 13th Series	The 14th Series	The 16th Series
Grant date	August 29, 2007	August 29, 2007	October 1, 2008	October 1, 2008
Exercise price (yen)	1,500	1,500	1,200	1,200
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 17th Series	The 19th Series	The 20th Series	The 21st Series
Grant date	March 18, 2009	March 18, 2009	March 31, 2010	March 31, 2010
Exercise price (yen)	1,200	1,200	600	600
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 22nd Series	The 23rd Series	The 24th Series	The 25th Series
Grant date	March 31, 2010	October 15, 2010	March 31, 2011	March 31, 2011
Exercise price (yen)	600	600	700	700
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 26th Series	The 27th Series	The 28th Series
Grant date	May 2, 2012	May 2, 2012	September 28, 2012
Exercise price (yen)	570	570	570
Average stock price at the time of exercise (yen)	—	—	—
Fair value price at grant date (yen)	(a) 179 (b) 187 (c) 195 (d) 202	(a) 179 (b) 187 (c) 195 (d) 202	(a) 203 (b) 208 (c) 213 (d) 217

Note） Each of (a), (b), (c) and (d) above is corresponding to (a), (b), (c) and (d) of exercise period in the table shown on 2 (1).

3. Method for estimating the fair value of stock options

The method for estimating the fair value of stock options that were granted in the 26th, 27th and 28th Series during this fiscal year is estimated based on the following method.

	The 26th Series	The 27th Series	The 28th Series
(a) Estimate technique used	Black-Scholes option pricing model	Same as on the left	Same as on the left
(b) Major assumptions and estimate method			
Volatility of stock price (Note 2)	73.066%	73.066%	127.923%
Estimated remaining outstanding period (Note 3)	(a) 5.96 years (b) 6.46 years (c) 6.96 years (d) 7.46 years	(a) 5.96 years (b) 6.46 years (c) 6.96 years (d) 7.46 years	(a) 5.96 years (b) 6.46 years (c) 6.96 years (d) 7.46 years
Estimated dividend (Note 4)	0 yen per share	0 yen per share	0 yen per share
Risk free interest rate (Note 5)	(a) 0.370% (b) 0.440% (c) 0.494% (d) 0.550%	(a) 0.370% (b) 0.440% (c) 0.494% (d) 0.550%	(a) 0.288% (b) 0.344% (c) 0.401% (d) 0.464%

Note: 1. Each of (a), (b), (c) and (d) above is corresponding to (a), (b), (c) and (d) of exercise period in the table shown on 2 (1).

2. The calculation was made based on the historical stock quotes by each classification below.

＜The 26th Series and the 27th Series stock option＞

The calculation was made based on the historical stock quotes during the period from May 3, 2010 to May 2, 2012.

Since the Company listed on the stock exchange on October 20, 2011, stock quotes were not available during the period from May 3, 2010 to October 19, 2011. The Company selected several companies which were very close in resemblance to the Company and used their historical quotes for the period.

＜The 28th stock option＞

The calculation was made based on the historical stock quotes during the period from September 29, 2010 to September 28, 2012.

Since the Company listed on the stock exchange on October 20, 2011, stock quotes were not available during the period from September 29, 2010 to October 19, 2011. The Company selected several companies which were very close in resemblance to the Company and used their historical quotes for the period.

3. Since it is very difficult to make reliable estimates due to insufficient historical data, the remaining period was calculated based on the assumption that the rights were exercised in the middle of each exercise period.

4. The Company estimates dividends to be zero since no dividends have been paid in the past.

5. It represents yields of Japanese government bonds corresponding to estimated remaining outstanding period.

4. Estimation of the number of stock options vested

The number of expired shares is estimated based on the historical turnover ratio.

(Deferred tax accounting)

1. Significant components of deferred tax assets and liabilities

(Unit: Thousand yen)

	FY 2011 (As of December 31, 2011)	Y2012 (As of December 31, 2012)
Deferred tax assets:		
Excess depreciation for lump-sum depreciable assets	1,702	1,094
Excess depreciation for depreciable assets	763	621
Excess amortization for deferred assets	265,563	212,730
Research and development expenses	345,528	836,309
Accounts payables-trade	7,737	14,899
Account payable-other	27,129	19,905
Provision for retirement benefits	745	601
Enterprise tax payable	6,988	5,203
Asset retirement obligation	2,751	3,143
Loss carried forward	1,343,142	1,454,943
Subtotal	2,002,052	2,549,452
Valuation allowance	(2,002,052)	(2,549,452)
Total deferred tax assets	—	—
Deferred tax liabilities		
Total deferred tax liabilities	—	—
Net deferred tax assets	—	—

2. The reconciliation between the effective tax rates reflected in the financial statements and the statutory tax rate is omitted since the Company reported loss before income taxes for the years ended December 31, 2011 and 2012.

(Equity in earnings)

None to be reported.

(Asset retirement obligations)

The Company has future restoration obligations related to leasehold contracts of office premises.
Carrying the balance of lease and guarantee deposits as an asset, the Company reasonably estimates non-recoverable amounts of lease and guarantee deposits under lease contracts and records the amount attributable to the respective fiscal year as expenses, instead of accounting for asset retirement obligations by recognizing a liability and an associated asset.

(Investment and rental property)

None to be reported.

(Segment information)

【Segment information】

FY 2011 (From January 1, 2011 to December 31, 2011) and FY 2012 (From January 1, 2012 to December 31, 2012)

Segment information is omitted since the Company operates a single segment of pharmaceutical businesses including research and development of pharmaceutical drugs as well as manufacturing and marketing and other related activities.

【Related information】

FY 2011 (From January 1, 2011 to December 31, 2011)

1. Information by product and service

Information by product and service is omitted since external sales of a single service category account for more than 90% of total net sales stated in the statement of income.

2. Information about geographical area

(1) Net sales

Net sales information about geographical area is omitted since external sales to Japanese customers account for more than 90% of total net sales stated in the statement of income.

(2) Property, plant and equipment

All property, plant and equipment are located in Japan.

3. Information by major customer

(Unit: Thousand yen)

Name of customer	Net sales	Name of related segment
Eizai Co., Ltd.	1,872,471	Pharmaceutical businesses including research and development of pharmaceutical drugs as well as manufacturing marketing and other related activities.

FY 2012 (From January 1, 2012 to December 31, 2012)

1. Information by product and service

Information by product and service is omitted since external sales of a single service category account for more than 90% of total net sales stated in the statement of income.

2. Information about geographical area

(1) Net sales

Net sales information about geographical area is omitted since external sales to Japanese customers account for more than 90% of total net sales stated in the statement of income.

(2) Property, plant and equipment

All property, plant and equipment are located in Japan.

3. Information by major customer

(Unit: Thousand yen)

Name of customer	Net sales	Name of related segment
Eizai Co., Ltd.	1,928,233	Pharmaceutical businesses including research and development of pharmaceutical drugs as well as manufacturing marketing and other related activities.

【Information about impairment loss on long-lived assets by reportable segment】

FY 2011 (From January 1, 2011 to December 31, 2011) and FY 2012 (From January 1, 2012 to December 31, 2012)

None to be reported.

【Information about the amortization and unamortized balance of goodwill by reportable segment】

FY 2011 (From January 1, 2011 to December 31, 2011) and FY 2012 (From January 1, 2012 to December 31, 2012)

None to be reported.

【Information about the gain recognized on negative goodwill by reportable segment】

FY 2011 (From January 1, 2011 to December 31, 2011) and FY 2012 (From January 1, 2012 to December 31, 2012)

None to be reported.

(Related parties information)

None to be reported.

(Per share information)

FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Net assets per share 345.28 yen Net loss per share (143.60) yen While having potential dilutive stocks, diluted net income per share is not provided since the Company reported net loss per share. On June 2, 2011, the Company conducted a 100-for-1 stock split. The following is the per share information if the stock split would have been conducted at the beginning of the fiscal year. Net assets per share 365.42 yen Net loss per share (59.33) yen While having potential dilutive stocks, diluted net income per share is not provided since the Company reported net loss per share.	Net assets per share 254.71 yen Net loss per share (90.60) yen While having potential dilutive stocks, diluted net income per share is not provided since the Company reported net loss per share.

(Note1) The basis for calculating net loss per share is as follows:

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Net loss (thousand yen)	(2,104,513)	(1,733,320)
Amount not attributable to the shareholders of common stock (thousand yen)	—	—
Net loss attributable to the shareholders of common stock (thousand yen)	(2,104,513)	(1,733,320)
Average number of shares outstanding during the year (shares)	14,655,716	19,130,825
Description of potential dilutive stocks not included in the earning-per-share calculation due to anti-dilutive.	24 types of Stock acquisition rights (27,185 units) in accordance with the Commercial Code of 1890 Article 280 (20) and (21), and Companies Act Article 236, 238, and 239.	23 types of Stock acquisition rights (25,804 units) in accordance with the Commercial Code of 1890 Article 280 (20) and (21), and Companies Act Article 236, 238, and 239.

(Note2) The basis for calculating net assets per share is as follows:

	FY 2011 (From January 1, 2011 to December 31, 2011)	FY 2012 (From January 1, 2012 to December 31, 2012)
Net assets (thousand yen)	6,605,564	4,899,957
Amount to be deducted from net assets	—	27,167
Portion Stock acquisition right herein	—	27,167
Net assets attributable to the shareholders of common stock (thousand yen)	6,605,564	4,872,790
Number of shares used in the calculation of net assets per share (shares)	19,130,825	19,130,825

(Significant subsequent events)

FY 2012 (As of December 31, 2012)
Issuance of the 1st unsecured convertible bond with stock acquisition rights and the 29th Series stock option by third party allotment

Based upon the resolution at the Company's Board of Directors Meeting held on December 27, 2012, the Company issued the 1st unsecured convertible bond with stock acquisition rights and the 29th Series stock option on January 15, 2013 and has received the proceeds in the amount of 1,005,100 thousand yen on the same date. The following summarizes the details.

(1) Purpose of the issuance

The issuance was made to procure funds for technology development of the existing pipeline and implementation of new alternative technology, which help achieve steady growth in the value of the Company's business.

(2) Outline of the issuance
(a) The 1st unsecured convertible bond with stock acquisition rights

(1)The date of payment	January 15, 2013
(2)Total number of stock acquition rights	40
(3)The issue price of convertible bond and stock acquisition rights	Issue price per convertible bond: 25 million yen (100 yen per par value of 100 yen) No cash payment required for stock acquisition rights associated with the convertible bond
(4)Number of potential dilutive shares	3,311,258 shares
(5)Amount of proceeds	1,000,000,000 yen
(6)Conversion price	302 yen
(7)Subscription or allotment (Allotted party)	The convertible bond with stock acquisition rights is allotted to the following party by third-party allotment: Wiz Healthcare PE Series 1 Investment Limited Liability Partnership 1,000,000,000 yen
(8)Coupon	The bond does not bear interest.
(9)Other	The preceding terms of subscription are conditional upon notification of such terms coming into force in accordance with the Financial Instruments and Exchange Act.

(b) The 29th Series stock option

(1)The date of allotment	January 15, 2013
(2)Total number of stock acquisition rights	50
(3)The issue price	Total 5,100,000 yen (102,000 yen per each stock acquisition right)
(4)Number of potential dilutive shares	1,326,250 shares
(5)Amount of proceeds	505,100,000 yen (detail) Issuance of stock acquisition rights 5,100,000 yen Exercise of stock acquisition rights 500,000,000 yen
(6)Exercise price	377 yen
(7)Subscription or allotment (Allotted party)	The stock option is allotted to the following party by third-party allotment: Wiz Healthcare PE Series 1 Investment Limited Liability Partnership 50
(8)Other	The preceding terms of subscription are conditional upon notification of such terms coming into force in accordance with the Financial Instruments and Exchange Act.

5. Other

(1)Changes in Officers

None to be reported.

(2)Other

None to be reported.