English translation

SymBio Pharmaceuticals Limited

Summary of Financial Statements for the Fiscal Year Ended December 31, 2017
[Japanese GAAP] (Non-consolidated)

February 7, 2018

Company Name	**SymBio Pharmaceuticals Limited**	Listing: Tokyo Stock Exchange	
Securities Code	4582	URL http://www.symbiopharma.com/	
Representative	Representative Director, President and Chief Executive Officer	Fuminori Yoshida	
Contact Person	Director, Finance & Accounting	Kenji Murata	TEL +81-3-5472-1125
Ordinary Annual General Meeting of Shareholders	March 29, 2017	Date of Dividend Payment (plan)	—
Scheduled Date to File Securities Report	March 29, 2017		

Supplementary materials for the financial statements: Yes [No]

Holding of earnings performance review: [Yes] No (For securities analysts and institutional investors)

(yen in millions – rounded down, unless otherwise stated)

1. Business Results for FY 2017 (January 1, 2017 to December 31, 2017)

(1) Operating Results (Percentages indicate year-on-year changes)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	yen in millions	%	yen in millions	%	yen in millions	%	yen in millions	%
FY 2017	3,444	45.4	(3,947)	—	(3,976)	—	(3,977)	—
FY 2016	2,368	22.5	(2,127)	—	(2,316)	—	(2,313)	—

	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 2017	(79.78)	—	(102.6)	(71.5)	(114.6)
FY 2016	(58.82)	—	(50.4)	(39.1)	(89.8)

(Reference) Equity in earnings: FY 2017 — million yen FY 2016 — million yen

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	yen in millions	yen in millions	%	Yen
FY 2017	4,252	3,239	63.6	50.00
FY 2016	6,878	5,484	73.5	108.61

(Reference) Shareholders' equity: FY 2017 2,702 million yen FY 2016 5,053 million yen

(3) Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Year
	yen in millions	yen in millions	yen in millions	yen in millions
FY 2017	(3,816)	(77)	1,164	2,947
FY 2016	(1,960)	(43)	3,658	5,719

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	yen in millions	%	%
FY 2016	—	0.00	—	0.00	0.00	—	—	—
FY 2017	—	0.00	—	0.00	0.00	—	—	—
FY 2018 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Earnings Forecasts for FY 2018 (January 1, 2018 to December 31, 2018)

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)		Net Income (Loss) per Share
	yen in millions	%	yen in millions	%	yen in millions	%	yen in millions	%	Yen
Full Year	4,201	22.0	(2,981)	—	(3,044)	—	(3,056)	—	(56.55)

Notes:

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

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

(2) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of the year (including treasury stock)	FY 2017	54,049,224 shares	FY 2016	46,530,824 shares
(ii) Number of shares of treasury stock at the end of the year	FY 2017	75 shares	FY 2016	75 shares
(iii) Average number of shares during the year	FY 2017	49,857,917 shares	FY 2016	39,329,706 shares

(Note) Refer to "Per share information" on Page 54 for the number of shares that forms the basis for calculating net income (loss) per share.

* These financial statements are not subject to audits.

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

(Notes on forward-looking statements)

All forecasts presented in this document, including earnings forecasts, are based on the information currently available to management and assumptions judged to be reasonable. Actual results may differ substantially from these forecasts due to various factors. Regarding the assumptions on which the Company's earnings forecasts are based and their usage, please refer to "Business results analysis," on Page 1 of the attachment.

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1. Overview of business results, etc.

(1) Overview of business results for the fiscal year under review

(Business Results for the fiscal year under review)

Progress in the Company's business for the fiscal year under review is as follows.

(i) Domestic

[Anticancer agent: SyB L-0501 (lyophilized powder formulation), SyB L-1701 (ready-to-dilute ("RTD") formulation), SyB L-1702 (rapid infusion ("RI") formulation) and SyB C-0501 (oral formulation) (generic name: bendamustine hydrochloride, trade name: TREAKISYM®)]

The Company markets TREAKISYM® in Japan through its business partner, Eisai Co., Ltd. ("Eisai"). The Company obtained marketing approval for first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma in December 2016, and for chronic lymphocytic leukemia in August 2016. These are in addition to the approvals for the indications of recurrent/refractory low-grade non-Hodgkin's lymphoma and mantle cell lymphoma which were obtained in October 2010. This indication expansion has resulted in a significant in-market sales increase of 60.9% year-on-year (NHI price basis). Net sales to Eisai also grew considerably, by 62.7% year-on-year.

In addition to the three already approved indications, the Company continues to work on obtaining approval for recurrent/refractory intermediate/high-grade non-Hodgkin's lymphoma (diffuse large B-cell lymphoma) to benefit patients in need of new therapies and to further maximize product value. For these indications, the Company has completed a Phase II clinical trial and in August 2017 began a Phase III clinical trial (designed in accordance with consultations with the Pharmaceuticals and Medical Devices Agency ("PMDA")) and completed the first patient enrollment in January 2018.

In addition to the ongoing label expansion initiatives, the Company concluded an exclusive license agreement with Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.) ("Eagle") in September 2017, under which Eagle licensed to the Company rights under Eagle's intellectual property to develop, market, and sell Eagle's RTD and RI liquid formulations ("TREAKISYM® liquid formulation") (Note 1) in Japan. This will further enable the Company to extend the product life until 2031 through patent protection and maximize the value of TREAKISYM®, while bringing significant benefits to patients and medical professionals. (See press release dated September 21, 2017 titled "Eagle Pharmaceuticals Licenses Japanese Rights for Bendamustine Hydrochloride Ready-to-dilute and Rapid Infusion Injection Products to SymBio Pharmaceuticals Limited.")

In addition to the development and expansion of the intravenous formulation product, the Company is exploring the development of an oral formulation of TREAKISYM® with a focus on the treatment of solid tumors and autoimmune diseases and intends to further expand the business, with an aim to solidify its business through a platform of TREAKISYM® products. Amid such initiatives, the Company commenced a Phase I clinical trial for progressive solid tumors in January 2018, with the aim of examining the recommended dosage and schedule as well as tolerability and safety of the oral formulation of TREAKISYM®, and narrowing down the types of potential target tumors.

(Note 1) RTD and RI are pre-dissolved liquid formulations that differ from currently available freeze-dried ("FD") powder injection. RTD (ready-to-dilute) will significantly reduce the preparation time and labor cost for healthcare providers, and RI (rapid infusion) will reduce infusion duration to 10 minutes from the current 60 minutes, providing significant benefit and value to both patients and healthcare providers.

[Anticancer agents: SyB L-1101 (intravenous formulation) and SyB C-1101 (oral formulation), generic name: rigosertib sodium]

U.S. Licensor Onconova Therapeutics, Inc. (head office: Pennsylvania, U.S.) ("Onconova") is conducting a global Phase III clinical trial (with trial sites in more than 20 countries) of the intravenous formulation of rigosertib sodium for higher-risk myelodysplastic syndromes (HR-MDS) which do not respond to the current standard treatment with hypomethylating agents ("primary HMA failure") or which relapse after treatment under the current standard of care. The Company is responsible for clinical development in Japan and in December 2015 started a domestic trial for which 30 patients are already enrolled. The Company completed the first patient enrollment in Japan in July 2016 and patient enrollment is proceeding favorably. Based on the results of the interim analysis completed in January 2018, the Company will continue the trial with an increase in patient enrollment in accordance with pre-determined statistical criteria.

Regarding the oral formulation of rigosertib, the domestic Phase I clinical trial for combination therapy with azacitidine (Note 2) for the target indication of HR-MDS began in December 2015. Although delays with the investigational drug by Onconova had delayed patient enrollment, Onconova has recently resumed provision of the investigational drug and the

Company commenced a new domestic Phase I clinical trial in June 2017 to confirm the safety of high-dose oral rigosertib, which was added to the Phase II clinical trial being conducted by Onconova in the U.S. for first-line treatment and recurrent/refractory treatment of patients with HR-MDS. First patient enrollment was completed in October 2017. After safety is confirmed through this trial, the Company plans to conduct a domestic clinical trial for combination therapy with azacitidine, and to take part in Onconova's planned global Phase III clinical trial for combination therapy with azacitidine for the first-line treatment of patients with HR-MDS.

(Note 2) About azacitidine (Vidaza®: currently marketed by Nippon Shinyaku Co., Ltd.): This drug (for injection) was approved in 2011 upon successful confirmation of extended overall survival for the first time in the Phase III clinical trial for the indication of MDS, and is currently used as a first-line drug for MDS patients who have difficulties in hematopoietic stem cell transplantation. MDS is a preleukemic state, and decrease in tumor suppressor gene due to excessive methylation of DNA is thought to be related to the disease. Hypomethylating agents such as azacitidine are thought to suppress progress to leukemia by restoring tumor suppressor gene with a deterrent effect against methylation of DNA.

[Patient-controlled iontophoretic transdermal system for the short-term management of acute post-operative pain: SyB P-1501]

In October 2015, the Company entered into an agreement with Incline Therapeutics, Inc., a wholly-owned subsidiary of US-based The Medicines Company (Head Office: New Jersey, U.S.) for an exclusive license to develop and commercialize SyB P-1501 in Japan. The Company commenced a domestic Phase III clinical trial for SyB P-1501 in June 2016 and completed the first patient enrollment in November 2016, with enrollments accumulating. The Company, acting in the best interest of patients, determined on April 21, 2017 to temporarily suspend new patient enrollment due to its recently arising concern as to the continuity of The Medicines Company's business regarding the product. The license agreement with Incline Therapeutics, Inc. terminated effective November 30, 2017.

The Company initiated an arbitration against The Medicines Company on October 11, 2017, under the rules of the International Chamber of Commerce, seeking damages of 82 million U.S. dollar (approximately 9.0 billion yen) arising from The Medicines Company's repudiation of the license agreement. (See press releases "Initiation of an Arbitration against The Medicines Company," dated November 13, 2017, and "Termination of License Agreement between SymBio Pharmaceuticals Limited and The Medicines Company," dated November 30, 2017.)

In conjunction with the termination of the license agreement, the Company will terminate the development of SyB P-1501, a process that the Company expects to complete by March 31, 2018.

[New drug candidates]

The Company continues to actively seek new drug candidates and in-licensing opportunities globally, aiming to expand both profitability and growth potential over the medium-to-long-term, and discussions with multiple potential licensors are ongoing.

In May 2016, the Company established a wholly-owned subsidiary, SymBio Pharma USA, Inc. (Menlo Park, California, U.S., "SymBio Pharma USA"), as the Company's planned strategic base for overseas business development. Acquiring rights to new drug candidates through SymBio Pharma USA as the base of global business will be part of the Company's continued transformation into a global specialty biopharmaceutical company with capability to develop and commercialize new drugs in the U.S., Japan, Europe, and other major global markets.

(ii) Markets outside Japan

SyB L-0501 is also marketed in South Korea, Taiwan, and Singapore, and product sales of SyB L-0501 in these countries progressed favorably at a pace exceeding the Company's forecasts.

(iii) Business results

As a result of the above, net sales totaled 3,444,206 thousand yen for the fiscal year ended December 31, 2017, primarily reflecting product sales of TREAKISYM® in Japan. Product sales showed a year-on-year increase of 61.1%. Accordingly, overall net sales rose 45.4% year-on-year.

Selling, general and administrative expenses totaled 4,978,327 thousand yen (a year-on-year increase of 64.2%), including research and development ("R&D") expenses of 3,017,812 thousand yen (a year-on-year increase of 81.0%) primarily due to the upfront payment relating to the license agreement with Eagle Pharmaceuticals for TREAKISYM® liquid formulation (RTD and RI formulations) and expenses associated with the clinical trial for TREAKISYM®, the

intravenous and oral formulations of rigosertib as well as SyB P-1501, and other selling, general and administrative expenses of 1,960,514 thousand yen (a year-on-year increase of 43.7%).

As a result, an operating loss of 3,947,061 thousand yen was recognized for the fiscal year ended December 31, 2017 (an operating loss of 2,127,049 thousand yen for the previous fiscal year). In addition, the Company recorded non-operating expenses totaling 34,229 thousand yen primarily comprising stock issuance costs of 14,477 thousand yen, foreign exchange losses of 10,421 thousand yen, and commission fees of 9,090 thousand yen, and non-operating income totaling 4,506 thousand yen primarily due to interest income of 3,092 thousand yen and dividend income of 1,339 thousand yen. This resulted in an ordinary loss of 3,976,784 thousand yen (an ordinary loss of 2,316,806 thousand yen for the previous fiscal year) and net loss of 3,977,862 thousand yen (a net loss of 2,313,233 thousand yen for the previous fiscal year).

Segment information has been omitted as the Company operates within a single segment of the pharmaceutical industry, which includes the development and commercialization of drugs, manufacturing, marketing and other related activities.

(2) Overview of financial position for the fiscal year under review

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

Total assets as of December 31, 2017 stood at 4,252,284 thousand yen, a decrease of 2,626,100 thousand yen from the previous fiscal year end. This was primarily due to increases of 89,789 thousand yen in merchandise and finished goods, 23,598 thousand yen in software and 20,585 thousand yen in lease and guarantee deposits, offsetting decreases of 2,772,266 thousand yen in cash and deposits, 47,705 thousand yen in advances paid and 24,806 thousand yen in tools, furniture and fixtures. Liabilities stood at 1,012,882 thousand yen, a decrease of 380,632 thousand yen from the previous fiscal year end, primarily reflecting increases of 282,522 thousand yen in accounts payable-trade and 18,226 thousand yen in income taxes payable, offsetting decreases of 450,000 thousand yen in bonds payable and 221,642 thousand yen in accounts payable-other.

Under net assets, the decrease of 3,977,862 thousand yen in retained earnings (accumulated deficits) due to recording of net loss was offset mainly by an increase of 813,378 thousand yen in common stock, an increase of 813,378 thousand yen in legal capital surplus and an increase of 105,637 thousand yen in stock acquisition rights; thus, total net assets decreased by 2,245,468 thousand yen from the previous fiscal year end to 3,239,402 thousand yen. As a result, the equity ratio decreased by 9.9 percentage points from the previous fiscal year end to 63.6%.

Cash and cash equivalents (“cash”) as of December 31, 2017 stood at 2,947,059 thousand yen, a decrease of 2,772,266 thousand yen from the previous fiscal year end. This was mainly due to recording of loss before income taxes despite a cash increase resulting from issuance of new shares.

Cash flow from each activity and factors for this fiscal year end are as follows:

(Cash flow from operating activities)

Cash flow from operating activities showed an overall decrease of 3,816,793 thousand yen (a decrease of 1,960,089 thousand yen in the previous fiscal year) due to decreasing factors such as loss before income taxes of 3,974,062 thousand yen, a decrease in accounts payable-other of 208,540 thousand yen, an increase in inventories of 89,789 thousand yen and an increase in consumption taxes receivable of 63,674 thousand yen, despite increasing factors such as an increase in accounts payable-trade of 282,522 thousand yen, share-based compensation expenses of 121,205 thousand yen, a decrease in advances paid of 47,705 thousand yen, depreciation of 29,569 thousand yen, and foreign exchange losses of 42,195 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities showed an overall decrease of 77,507 thousand yen (an decrease of 43,836 thousand yen in the previous fiscal year) mainly due to purchase of non-current property, plant and equipment of 10,657 thousand yen, purchase of intangible assets of 46,364 thousand yen and payments of lease and guarantee deposits of 23,550 thousand yen.

(Cash flow from financing activities)

Cash flow from financing activities showed an increase of 1,164,230 thousand yen (an increase of 3,658,177 thousand yen in the previous fiscal year) due mainly to proceeds from issuance of stock resulting from exercise of stock acquisition rights of 1,146,042 thousand yen and proceeds from issuance of stock acquisition rights of 32,560 thousand yen.

(3) Overview of cash flows for the fiscal year under review

	9th Term Fiscal year ended December 2013	10th Term Fiscal year ended December 2014	11th Term Fiscal year ended December 2015	12th Term Fiscal year ended December 2016	13th Term Fiscal year ended December 2017
Equity ratio (%)	95.4	90.7	82.9	73.5	63.6
Equity ratio on a fair market value basis (%)	151.4	155.1	150.8	165.1	278.4
Debt redemption period (years)	—	—	—	—	—
Interest coverage ratio	—	—	—	—	—

Equity ratio: Equity (total shareholders' equity)/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 payments

(Notes) 1. Total market value is calculated based on the number of shares issued, excluding treasury stocks.

2. Debt redemption period and interest coverage ratio are not available due to negative cash flow from operating activities.

(4) Future outlook

The Company expects net sales of 4,201 million yen in FY 2018, a 22.0% increase from FY 2017, mainly as a result of growth in sales of TREAKISYM® in Japan. Meanwhile, in R&D, the Company will continue to pursue the development of TREAKISYM® for recurrent/refractory intermediate/high-grade non-Hodgkin's lymphoma (diffuse large B-cell lymphoma), TREAKISYM® RTD and RI liquid formulations, and the oral formulation of TREAKISYM®, as well as intravenous and oral formulations of rigosertib.

With the aim of further enhancing corporate value over the long term, the Company will continue to consider in-licensing new drug candidates and will continue to advance the development of its current pipeline. To this end, the Company anticipates R&D expenses of 2,311 million yen (3,017 million yen in FY 2017) and selling, general and administrative expenses of 4,350 million yen (4,978 million yen in FY 2017), including R&D expenses.

Key development milestones for the Company's current pipeline are as follows:

[TREAKISYM®]

Regarding recurrent/refractory intermediate/high-grade non-Hodgkin's lymphoma (diffuse large B-cell lymphoma), the Company will actively accumulate patient enrollments in the Phase III clinical trial that is already underway.

Regarding TREAKISYM® RTD and RI liquid formulations in-licensed from Eagle Pharmaceuticals, Inc., the Company will promptly finalize concrete development plans for both products.

Regarding the oral formulation of TREAKISYM®, the Company will aim at an early date for first patient enrollment in the Phase I clinical trial that has already started.

[Intravenous and oral formulation of rigosertib]

As for the intravenous formulation of rigosertib, the Company is currently accumulating patient enrollments in Japan as part of the global Phase III trial, and will continue to actively pursue development.

As for the oral formulation of rigosertib, after safety has been confirmed through the domestic Phase I clinical trial as a monotherapy, for which patient enrollment is currently underway, the Company will aim to promptly conduct a clinical study for combination therapy with azacitidine.

As a result of these planned activities, net sales of 4,201 million yen, operating loss of 2,981million yen, ordinary loss of 3,044 million yen, and net loss of 3,056 million yen are projected for FY 2018.

(5) Basic policies concerning profit distribution and dividends

The Company has not distributed dividends to date.

Although the Company has recorded product sales of TREAKISYM®, the Company continues to use funds for development activities. Therefore, it is our policy to attempt to improve the balance sheet and retain funds for sustainable development activities rather than for profit distribution. However, we recognize that the return of profit to shareholders is an important management issue and will continue to consider the distribution of profits based on future business performance and financial conditions.

The articles of incorporation state that the Company can pay an interim dividend, based on a corporate resolution by the Board of Directors, on June 30 every year as the record date. The Company can also distribute surplus by designating a record date in addition to year end and interim dividends. The decision making body for the interim dividend is the Board of Directors, and for the year end dividend the shareholders (shareholders' meeting).

(6) Business risks

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 actively provide information 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 risks, and will make utmost efforts to prevent such risks from materializing, but should they occur, we intend to take appropriate action. However, we realize that investment decisions regarding our stock should be made carefully by 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 stock. 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

The Company's main business is to in-license new drug candidate compounds created by pharmaceutical companies and bioventures, and to develop these into pharmaceutical products. The R&D field of pharmaceuticals is replete with strong competition, including pharmaceutical giants. In addition, specialty pharmaceutical companies, including the Company, emulate each other in quality and speed within the sector. The process from development to manufacturing 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

The pharmaceutical development process leading up to the launch of a drug generally requires a large amount of expenditure over a prolonged period. The probability of success is low. At each stage of development, it is not uncommon to encounter obstacles or delays in progress. In pharmaceutical development, the different stages of development have to be conducted in phases, and at each phase a decision is made regarding whether or not development should continue. It is not unusual for a decision to be made to stop development in mid-process. The probability is low for development to progress successfully through to product launch. Even after a product is successfully developed and launched, there remains a risk that approval for the product is revoked due to patient safety concerns (see (f): "risk associated with side effects"). To reduce these risks, the Company aims to have several drug candidates in its development pipeline and to prioritize insofar as possible the in-licensing of drug candidates with confirmed POC (Note 3) in human subjects. For small specialty pharmaceutical business such as the Company, the impact of removing a single drug candidate from the development pipeline is highly material and could have a significant impact on the Company's financial position, business performance, and cash flow.

(Note 3) POC (Proof of Concept) means confirming the efficacy and safety of a new drug candidate in clinical trials and verifying its practical potential.

b) Uncertainty of income

In order to generate income from the drugs in development, the Company must succeed at all stages of new drug candidate development, obtain the requisite approvals from regulatory authorities, and successfully manufacture and market the product either on our own or in partnership with a third-party. It is not assured that the Company will succeed in these activities, or even if we do succeed, we may not be able to ensure the margin of profitability needed to continue the business. Of the products currently in the development pipeline, SyB L-0501 was approved for manufacturing and marketing in Japan on October 27, 2010, for the indications of recurrent/refractory low-grade non-Hodgkin's lymphoma

and mantle cell lymphoma, and was launched as the anticancer agent TREAKISYM® in December 2010. In December 2015, the Company filed supplemental New Drug Applications (sNDAs) in Japan for the additional target indications of first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma, and chronic lymphocytic leukemia. Marketing approval for these indications was received in December 2016 and August 2016, respectively. Furthermore, we are currently conducting a Phase III clinical trial for recurrent/refractory intermediate/high-grade non-Hodgkin's lymphoma (diffuse large B-cell lymphoma) and the preparation of concrete development plans for TREAKISYM® RTD and RI liquid formulations is underway. With respect to rigosertib, we are currently conducting a global Phase III clinical trial in Japan with the SyB L-1101 intravenous formulation for the target indication of recurrent/refractory higher-risk MDS and a domestic Phase I clinical trial with the SyB C-1101 oral formulation as a monotherapy with consideration of targeting the indication of first-line treatment of patients with higher-risk MDS. We are promoting the development of these compounds, aiming to successfully launch the products onto the market to obtain income. In some cases, we may consider entering into an alliance with other pharmaceutical companies in development and marketing so as to expedite the inflow of income. Notwithstanding our efforts, the drug candidates in our pipeline will require a considerable amount of time under development before they reach the marketplace. 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 identified thus far promise sufficient future profitability after considering the market size and marketing performance of approved drugs. However, should we prove to be wrong in our assessment, or should there be any change in the conditions on which the assessment is based and we fail to promptly adapt to such changes, there could be a significant impact on our financial position, business performance, and cash flow.

c) Uncertainty in legislation and regulations requiring compliance, and the health insurance system

The pharmaceutical industry, the Company's core business, is subject to various regulatory restrictions imposed by laws and administrative guidance related to pharmaceutical drugs as well as other relevant legislation regarding all aspects of business operations (research, development, manufacturing, and marketing). We formulate our business plans in accordance with the PMD Act and other current legislative regulations as well as the health insurance system, together with drug pricing guidelines that derive from this legislation. Notwithstanding, there is a possibility that these regulations, regulatory systems and pricing will change before the products that we are developing reach the marketplace. 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 our pharmaceutical business in Asian and other countries globally, not exclusively in Japan, where we anticipate the growth of healthcare needs and our position in certain therapeutic areas. In overseas markets, as in Japan, pharmaceutical development and marketing generally require very large expenditure and are associated with various business risks. To reduce investment expenditure and business risk, we out-license the development and marketing of some of our drug candidates to other overseas companies. Before out-licensing the rights we possess, we select a licensee after careful due diligence and careful monitoring when necessary. The development and sales of out-licensed products are subject to business conditions of the licensee or any changes in the regulatory and competitive environment in respective countries, and may fall below initial expectations, resulting in lower than anticipated milestone revenue or royalty income. 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 a comparative advantage over the Company in terms of technology, marketing and financial position. Thus, these companies may more efficiently produce and sell competitor products, which are more effective than the Company's developed products. This means that what transpires in the competitive landscape with regards to 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. If serious and unexpected side effects occur, compensation claims may be brought against the Company, or depending on the situation, there is the risk of a delay in clinical trial timelines or even discontinuation of product development. In the case where such side effects could lead to further damage to the health of patients, there is the risk of

cancellation of approval or discontinuation of sales. Regarding compensation claims, the Company has in place the liability insurance necessary to minimize the financial damage should such claims arise. However, this does not exclude the possibility that the compensation awarded exceeds the amount insured. If this should occur, it could have a significant impact on the Company's financial position, business performance, and cash flow.

g) Product liability

The development and manufacture of pharmaceutical products involves product liability risk. If in the future any products that we have developed cause damage to health or any adverse events are discovered during clinical trials, manufacturing, sales or marketing of the drug, the Company will be subject to product liability. This may have a significant impact on the Company's financial position, business performance, and cash flow. If a product liability suit is filed against the Company, the Company's corporate image could be damaged, leading to a loss of confidence in the Company and the drugs it develops, impacting future business.

(ii) Risk in business operations

a) Risk concerning the Company's business model

The Company does not own research and manufacturing facilities. Instead, mainly targeting orphan drugs (Note 4) in the areas of oncology, hematology and pain management, in-licensing drug candidates having POC established in human subjects from pharmaceutical companies and bioventures, developing and marketing pharmaceutical products in Japan, Asian and other countries globally (China, South Korea, Taiwan, Singapore, etc.), the Company has adopted a business model to raise income and profit from such activities. In developing the pipeline and marketing, the Company plans to engage in alliances with other pharmaceutical companies. However, there is no guarantee that the Company can continuously in-license drug candidate compounds that satisfy in-house criteria and secure these partner companies. In addition, as the Company mainly targets orphan drugs for in-licensing (Note 5), it may not be able to generate expected sales turnover. Furthermore, in the event that development at a licensor is delayed or fails, there may be impact on the corresponding development in Japan. These factors could impact the Company's financial position, business performance, and cash flow. Needless to say, intense competition within the pharmaceutical sector and changes in the Company's financial position may force the Company to revise its business model. Should this occur, there may be a significant impact on the Company's business.

(Note 4) The rare-disease field is one in which the number of patients requiring drugs is small. Drugs for this field are termed "orphan drugs." The Japanese Ministry of Health, Labour and Welfare has established an orphan drug designation system for drugs meeting the criteria of (1) a drug to treat a disease that affects less than 50,000 people in Japan, and (2) for which there is a great need for medical treatment. Once designation is obtained, the drug will enjoy various advantages including shortening of the time from regulatory submission for review of the drug to approval and the extension of the re-examination period for up to 10 years.

(Note 5) "In-licensed drug candidates" are compounds or products for which obtaining the rights of development and commercialization from other companies is under consideration.

b) Dependency on specific partners and suppliers

As a specialty pharmaceutical company without production facilities, the Company needs to depend on the supply of product from other companies when conducting clinical trials and marketing approved drugs. Given this fact, the financial position and production conditions of the product supplier may have a significant impact on the Company's financial position, business performance, and cash flow. In pipeline development and marketing, while the Company has plans to conduct sales on its own in the future, its current business plan focuses on forming alliances with pharmaceutical companies. However, if the partner company's management situation deteriorates unexpectedly or if management policies change, which are matters beyond the Company's control, initial business plans may not be realized. Also, if any breach of contract occurs that necessitates the termination of the license agreement as stipulated, the alliance may also end. In such cases, there may be a significant impact on the Company's financial position, business performance, and cash flow. Typically, in license agreements with partner companies, revenues to be gained before the drug reaches the marketplace will include an upfront payment upon signing the contract, funding for co-development and milestone payments. Of these, milestone payments are extremely unstable and unpredictable income as they are based on the attainment of predefined results. If development progress is delayed, there may be a significant impact on the Company's financial position, business performance, and cash flow.

c) Risk concerning intellectual property rights

During drug development activities, the Company makes use of various intellectual property rights which generally have been licensed to the Company by other companies such as pharmaceuticals and bioventures. There is a risk that patent applications relating to an in-licensed drug candidate are not approved or are declared invalid. Moreover, it is difficult to completely avoid the possible creation of an intellectual property right by a third-party that supersedes the intellectual property right of the Company's in-licensed drug candidate. These situations could lead to a significant impact on the Company's financial position, business performance, and cash flow. To date, no lawsuit has been filed by a third-party against the Company concerning intellectual property rights, including patents in connection with product development. When in-licensing a product, the Company will seek advice from lawyers and conducts 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 the Company's financial position, business performance, and cash flow. The candidate compounds that the Company in-licenses are not necessarily protected by patents. On the other hand, even if a drug candidate is not protected by a patent, the assignment of the compound for re-examination review by the regulatory authorities would restrict the entry of generic drugs during the review period, giving rise to a limited period of marketing exclusivity.

d) Information protection

To reduce the risk of significant confidential information relating to pipeline development and other business activities leaking outside the Company, the Company engages in rigorous information protection. The Company requires directors and employees, Scientific Advisory Board (SAB) members, outsourcing partners, and other business partners to sign confidentiality agreements. Even with the agreement in place, directors and employees, 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 the Company's business, financial position, business performance, and cash flow.

e) Risk concerning important contracts

If any contracts that may have a significant impact on conducting the Company's business operations are terminated due to expiration, breach of contract or for any other reason, there may be a significant impact on the Company's 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, the Company has engaged in in-licensing activities of drug candidates for development. The founding President and CEO built up the pharmaceutical development business from scratch, and the Company recorded income from product sales in August 2010, for the first time in its history. There is the possibility that business issues that SymBio has never encountered arise in the future. At the moment, however, it is difficult to accurately predict any changes in the external environmental factors that may affect the Company's business results. Therefore, the Company considers business results for the past several years to be an inadequate reference to pass judgment on whether or not the Company can continue to grow.

b) Risk of being a small corporation

The Company uses contract research organizations (CROs [Note 6]) in conducting R&D, thereby forming a development framework requiring relatively small staff numbers. With progress in the development of the pipeline already in place and with newly in-licensed drug candidates coming on line, the Company's human resources in R&D is likely to be further increased. However, for whatever reason should an alliance with a CRO terminate, or should the Company fail to secure the planned number of staff or should existing staff decide to leave, the Company's business operations may be hampered, leading to a possible impact on the Company's financial position, business performance, and cash flow.

(Note 6) A contract research organization (CRO) is an organization that provides support to pharmaceutical companies through the provision of research and other services. The details of the commissioned activities may include monitoring to ensure that clinical studies are carried out in full accordance with study protocols and clinical data management.

c) Dependency on a specific person

Fuminori Yoshida, the Representative Director, founding President and CEO, has played a key role since the Company's foundation in the implementation and execution of all operations in the Company's business management. Thus, in the event that he cannot continue to perform his corporate responsibilities for some unforeseen reason, this could have a significant impact on the Company's business operations.

d) Scientific Advisory Board (SAB)

The Scientific Advisory Board ("SAB") is an advisory panel to the Company on the potential in-licensing of new drug candidates. The Company invites members of the panel from clinicians and scientists engaged in basic research who are highly regarded in the healthcare industry due to their successful track records and wealth of experience. The SAB meets two or three times a year to engage in active discussion and debate, with each member giving his/her own perspective on an in-licensed drug candidate. The Company will continue in its efforts to acquire members of excellence for the SAB. However, if difficulty should arise in procuring members for reasons such as the cancellation of contracts with existing members, retirement or refusal to renew, or should a brain drain occur, there may be an impact on the Company's ability to evaluate and in-license quality drug candidates.

(iv) Business Results

a) Business performance in previous years

The Company's key business indicators are given below:

Term	9th Term	10th Term	11th Term	12th Term	13th Term
Fiscal Year Ended	December 2013	December 2014	December 2015	December 2016	December 2017
Net sales (thousand yen)	1,532,054	1,955,027	1,933,241	2,368,112	3,444,206
Operating income (loss) (thousand yen)	(1,680,528)	(1,303,279)	(2,551,662)	(2,127,049)	(3,947,061)
Ordinary income (loss) (thousand yen)	(1,601,424)	(1,110,316)	(2,630,386)	(2,316,806)	(3,976,784)

To date, with the exception of the 4th Term, the Company's total R&D expenses and other general administrative expenses exceeded the Company's income, resulting in the posting of operating loss, ordinary loss and net loss. For this reason, the Company does not consider the financial statements and indicators of previous years to provide adequate reference data in making period comparisons of business performance or in forecasting future business performance.

b) Expected Increase in R&D Expenditures

The Company's R&D expenses for the past five fiscal years are provided below:

Term	9th Term	10th Term	11th Term	12th Term	13th Term
Fiscal Year Ended	December 2013	December 2014	December 2015	December 2016	December 2017
R&D expenses (thousands of yen)	1,052,790	774,103	2,034,714	1,667,098	3,017,812

The Company intends to continue R&D activities, resulting in an increase of cumulative loss for the foreseeable future. With future increases in product sales revenue from additional indications of TREAKISYM®, the product sales channels upon early approval for the intravenous and oral formulations of rigosertib, and the income from alliances with pharmaceutical companies, the Company intends to improve business performance as soon as possible; however, there is no guarantee that such assumptions will materialize and swift performance improvement will be realized.

c) Negative retained earnings (accumulated deficits) brought forward

SymBio is a specialty pharmaceutical company. Until products under development at the clinical stage reach the market so that the Company can continuously earn stable income through product sales and royalty income, the Company will continue to carrysignificant upfront outlay of R&D expenditure. Due to this, with the exception of the 4th Term (2008), the Company has posted net current losses since its foundation. At the end of the 13th Term, the fiscal year ended December 31, 2017, the Company recorded a negative balance of 18,790,705 thousand yen as accumulated deficits brought forward. SymBio aims to become profitable at the earliest possible date by advancing its quality clinical programs in a rapid, precise,

and efficient manner. However, the possibility still exists that profits may not be generated in the planned timeframe. Should the Company's business fail to develop and fail to generate net profits as planned, reaching profitability may take longer than planned.

d) Fundraising

As a specialty pharmaceutical company, the Company requires a large amount of R&D funding. If SymBio's business plan does not take shape as planned and it suffers a shortfall in funding, the Company will endeavor to procure funds by changing strategic alliances, securing new alliance contracts or issuing new stock. However, if the Company fails to generate funds when they are required, there may be serious doubt over the continuation of its business operations.

e) Net operating loss for tax purposes

The Company currently has net operating loss carryforwards for tax purposes. For this reason, the Company is not subject to corporate tax, local inhabitant tax and local enterprise tax at the standard rates and expects this to continue for several years into the future. However, if net operating loss expires earlier than expected and can no longer be used as an offset to taxable income due to such reasons as the revision of current tax treatment of net operating loss, the Company 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 shareholders

Since the foundation of the Company, dividends have not been distributed. SymBio is currently at the business stage of making upfront investment for the development of pharmaceutical drugs and continues to prioritize the use of funds for strengthening its financial position and for continued R&D activities. Thus, the Company has at present no plans for making dividend payouts. However, the Company recognizes that the return of profit to shareholders is an important management issue and will consider profit distribution based on future business performance and financial condition.

b) Procurement of funds

As the Company rapidly expands its business, it expects to see an increase in development funding requirements. One option for procuring funds is to issue new stock. By doing so, the number of outstanding stock will increase, potentially diluting the value per share of the Company's stock.

c) Stock value dilution by execution of stock acquisition rights

The Company adopted the stock option plan in order to motivate and encourage higher business performance of board directors and employees, and to attract human resources of excellence. In accordance with the Commercial Code of 1890 Article 280-19, 280-20 and 280-21, and the Companies Act Article 236, 238, 239 and 240, stock acquisition rights are granted to board directors and employees.

The Company made a resolution at the Board of Directors meeting held on December 27, 2012 to issue the 1st unsecured convertible bonds with stock acquisition rights (total issue price: 1 billion yen) and the 29th warrant (total issue price: 5.1 million yen by way of third-party allotment, total issue price of stocks when issued through the exercise of stock acquisition rights: 500 million yen). The Company made a resolution at the Board of Directors meeting held on November 14, 2014 to issue the 2nd unsecured convertible bonds with stock acquisition rights (total issue price: 500 million yen) and the 34th warrant (total issue price 10,363 thousand yen by way of third-party allotment, total issue price of stocks when issued through the exercise of stock acquisition rights: 1 billion yen). Moreover, the Company made a resolution at the Board of Directors meeting held on April 6, 2016 to issue the 3rd unsecured convertible bonds with stock acquisition rights (total issue price: 3 billion yen) and the 39th warrant (total issue price 9,776 thousand yen by way of third-party allotment, total issue price of stocks when issued through the exercise of stock acquisition rights: 943,592 thousand yen). The Company also made a resolution at the Board of Directors meeting held on August 9, 2017 to issue the 42nd warrant (total issue price 32,560 thousand yen by way of third-party allotment, total issue price of stocks when issued through the exercise of stock acquisition rights: 1,892,000 thousand yen). Among these warrants, as of December 31, 2017, the following remained unexercised: 4,171,000 shares of the number of shares issued upon the exercise of the 39th warrant and 3,765,200 shares of the number of shares issued upon the exercise of the 42nd warrant.

As of December 31, 2017, the number of potential dilutive shares from the above-mentioned stock acquisition rights ("number of potential shares") totaled 11,686,800 shares and comprised approximately 17.8% 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 the future, the stock value per share of the Company may be diluted.

d) Stock holding by venture capital

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

e) Risk of loss on foreign exchange

While continuously performing research on drug candidates for new development to expand its pipeline, the Company arranges large amounts of fund procurements by means of deposits denominated in foreign currency or foreign exchange contracts based on the assumption that deposit payments in U.S. dollars will be required upon in-licensing. Where such assets denominated in foreign currency are stated at market value in financial statements at every year end, there is a risk of loss from fluctuating currency valuation in the future and this may have an impact on the Company's financial position, business performance, and cash flow.

f) Risk associated with natural disasters

Any disasters (earthquake, typhoon, fire, etc.) and plague that occur in the Company's geographic business domain, leading 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 the Company's financial position, business performance, and cash flow.

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2. Status 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 Inc. (Note 7) (United States) and President of Amgen K.K., a wholly owned subsidiary of Amgen Inc., (now part of Takeda Pharmaceutical Company Limited) for 12 years since its establishment.

The Company aims to achieve social and management responsibilities by responding to unmet medical needs (Note 8) based on the guiding principle of mutual harmony, creating an intricate symbiotic relationship between patients, physicians, scientists, regulators and investors.

The Company regards underserved therapeutic areas with extremely significant medical needs as a business opportunity and remains focused on the areas of oncology, hematology, and pain management where high entry barriers exist due to the high degree of specialization required. In this sense, SymBio is the first specialty pharmaceutical company (Note 9) in Japan. Rather than exploring opportunities to in-license and develop new blockbuster drugs (drugs with sales exceeding 100 billion yen), the Company channels its resources into the development of drugs in underserved markets where medical needs are high despite limited patient numbers. Securing multiple drug approvals in these key therapeutic areas will enable the Company to build a solid and diverse pipeline to ensure profitability and sustainability of its business.

(Note 7) Applied Molecular Genetics, or Amgen Inc., the world's largest company in the biopharmaceutical field, was founded in Thousand Oaks, California, in 1980, and started business in Japan as Amgen K.K. on May 1, 1993. After Takeda Pharmaceutical Company Limited ("Takeda") acquired 100% of Amgen K.K.'s stock in February 2008, its operations were merged into Takeda.

(Note 8) "Unmet medical needs" means requirements for medical treatment that have not yet been fulfilled. It refers to a situation in which no effective drugs or treatments are currently available, despite strong demand by patients and/or physicians.

(Note 9) "Specialty pharmaceutical company" refers to a company that develops new drugs and has been given a consistently high international reputation for a particular field of excellence. This is based on the definition in the Ministry of Health, Labour and Welfare's "Vision for the pharmaceutical industry" (2002).

(2) Key performance index

In order to enhance SymBio's enterprise value as a specialty pharmaceutical company, it is important to continually in-license drug candidates for development, to successfully complete clinical development and secure marketing approvals in order to sell drugs in the marketplace with the establishment of a sales and support system. To this end, the Company intends to continue aggressively investing resources into R&D activities.

The Company recorded net sales from SyB L-0501 for the first time since the drug was initially approved for sale in Japan and Singapore in 2010. However, product sales have not generated sufficient revenue to cover the above-mentioned upfront investment at this time, and generating net profit has still to be realized. While the Company continuously seeks stable profitability through further expansion of sales in collaboration with Eisai, additional indications for TREAKISYM®, acquisition of approval for the intravenous and oral formulations of rigosertib, as well as introduction, promotion of development and acquisition of approval for new pipeline products, no performance index targets such as ROE or ROA will be set until profits are recorded in a single year through the achievement of these measures.

(3) Pipeline

The Company currently has the following pipeline products under development: SyB L-0501, SyB C-0501, SyB L-1101, SyB C-1101, SyB L-1701 and SyB L-1702. The Company will continue to in-license candidate drugs to expand and build its pipeline portfolio with a balanced risk-return trade-off.

(i) [Anticancer agent: SyB L-0501 (lyophilized powder formulation), SyB L-1701 (RTD formulation), SyB L-1702 (RI formulation) and SyB C-0501 (oral formulation) (generic name: bendamustine hydrochloride, trade name: TREAKISYM®)]

Bendamustine hydrochloride (the generic name), the active pharmaceutical ingredient of TREAKISYM®, is an anticancer agent 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 10), multiple myeloma, and chronic lymphocytic leukemia. The Company decided to in-license this product because there is currently no effective medication for the indications of recurrent/refractory low-grade non-Hodgkin's lymphoma and mantle cell lymphoma. These are underserved therapeutic areas aligned with the Company's corporate mission and also fall within one of SymBio's targeted therapeutic fields (hematologic cancer). Astellas Pharma GmbH, a German subsidiary of Astellas Pharma Inc., is the worldwide licensor of bendamustine hydrochloride. Cephalon, Inc. (United States) in-licensed rights to bendamustine for North America from Astellas Pharma GmbH and obtained approvals from the U.S. Food and Drug Administration (FDA) 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 Janssen-Cilag (United Kingdom) are also licensed from Astellas Pharma GmbH and have obtained exclusive rights for the development and commercialization of bendamustine in Europe and other regions, respectively.

The Company is licensed from Astellas Pharma GmbH with exclusive rights for the development and commercialization of bendamustine in Japan, China, Hong Kong, South Korea, Singapore and Taiwan. In Japan, the drug has received approval for the indications of recurrent/refractory low-grade non-Hodgkin's lymphoma and mantle cell lymphoma (October 27, 2010), and was launched under the trade name TREAKISYM® on December 10, 2010. For additional indications, in December 2015, the Company filed sNDAs in Japan for the target indications of first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma, and chronic lymphocytic leukemia. The Company received approval of an sNDA for the indication of chronic lymphocytic leukemia in August 2016 and of first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma in December 2016. The Phase II clinical trial for recurrent/refractory intermediate/high-grade non-Hodgkin's lymphoma (diffuse large B-cell lymphoma) has been completed, and the Phase III clinical trial is currently being conducted. In order to maximize the commercial value of TREAKISYM® by further promoting product life cycle management, the Company concluded an exclusive license agreement with Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.) ("Eagle") in September 2017 to develop, market and sell Eagle's ready-to-dilute ("RTD") and rapid infusion ("RI") liquid formulation injection products in Japan.

In addition to the indications of these intravenous formulation products, the Company is exploring the development of an oral formulation of TREAKISYM® with a focus on the treatment of solid tumors and autoimmune diseases, further expanding the business potential. To this end, the Company has commenced a Phase I clinical trial for progressive solid tumors with the aim of examining the recommended dosage and schedule as well as tolerability and safety of the oral formulation of TREAKISYM®, and narrowing down the types of tumors.

Eisai has signed an agreement on TREAKISYM® with SymBio for the rights of joint development and exclusive sales in Japan, and is currently selling TREAKISYM®.

In Asia, SyB L-0501 received the approval for the indication of low-grade non-Hodgkin's lymphoma and chronic lymphocytic leukemia in Hong Kong in December 2009. In Hong Kong, Cephalon, Inc. has the exclusive right to develop and sell bendamustine, and is currently generating sales. In addition, approval for the indications of low-grade non-Hodgkin's lymphoma and chronic lymphocytic leukemia was obtained in Singapore in January 2010. In South Korea, approval for the indications of chronic lymphocytic leukemia and multiple myeloma was obtained in May 2011, and approval for the indication of recurrent/refractory low-grade non-Hodgkin's lymphoma was achieved in June 2014.

In South Korea and Singapore, Eisai has agreements in place with SymBio for exclusive development and selling rights. Eisai's subsidiaries launched the product in Singapore and South Korea in September 2010 and October 2011, respectively.

In China, SymBio's business partner Cephalon, Inc. applied for approval in March 2017, after the completion of clinical trials. In Taiwan, SymBio's business partner InnoPharmax Inc. (Taiwan) achieved approval for the indications of low-grade non-Hodgkin's lymphoma and chronic lymphocytic leukemia in October 2011, followed by product launch in February 2012. In November 2017, InnoPharmax Inc. obtained approval for first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma.

(Note 10) Non-Hodgkin's lymphoma (NHL) is a cancer of the lymphatic system in which lymphocytes develop malignant growths other than Hodgkin's lymphoma. The majority of Japanese patients are suffering from NHL.

(ii) [Anticancer agents: SyB L-1101 (intravenous formulation) and SyB C-1101 (oral formulation) (generic name: rigosertib)]

Rigosertib is an anticancer agent with a unique type of multi-kinase inhibitory activity (Note 11). It is currently being developed in the U.S. and Europe by a U.S. company, Onconova Therapeutics, Inc. ("Onconova"), for the target indications of myelodysplastic syndromes ("MDS"). MDS is the pre-pathological state for malignant tumors of blood cells, which has shown increasing numbers of patients in recent years; it frequently affects elderly people; and it is a refractory disease, with a high

probability of developing into leukemia. No effective medication is available yet, especially for recurrent/refractory MDS, and it therefore constitutes an underserved therapeutic area. In July 2011, the Company signed a license agreement with Onconova, providing the exclusive right to develop and commercialize rigosertib in Japan and South Korea. Based on this agreement, the Company continues to develop the intravenous (IV) rigosertib formulation for the target indication of recurrent/refractory higher-risk MDS and the oral formulation for the target indication of higher-risk MDS (in combination with azacitidine) and transfusion-dependent lower-risk MDS.

In February 2014, Onconova released the results from the Phase III randomized ONTIME trial of IV rigosertib in patients with recurrent/refractory higher-risk MDS. Treatment with IV rigosertib did not demonstrate a statistically significant improvement in median overall survival when compared to BSC only. However, a post-hoc analysis demonstrated a statistically significant increase in median overall survival in the subset of patients who had progressed on or failed previous treatment with hypomethylating agents (HMAs), thus demonstrating potential activity of rigosertib in these MDS patients.

Based on this, Onconova is conducting a global Phase III clinical trial with clinical trial sites in more than 20 countries worldwide, for HR-MDS patients who do not respond to treatment with HMAs ("primary HMA failure") or who relapse after treatment under the current standard of care.

The Company is participating in the global Phase III clinical trial and conducting the clinical trial in Japan.

As for the oral formulation of rigosertib, Onconova has been conducting a Phase II clinical trial for the target indication of transfusion-dependent lower-risk MDS and Phase I/II clinical trial for the indication of first-line higher-risk MDS (in combination with azacitidine).

The Company has completed its domestic Phase I clinical trial of the oral formulation of rigosertib as a monotherapy for the target indication of lower-risk MDS, and is currently conducting a domestic Phase I clinical trial to confirm the safety of high-dose as a monotherapy, in order to conduct the Phase I clinical trial in combination with azacitidine for the target indication of first-line treatment of patients with higher-risk MDS. The Company is considering participating in global clinical trials after completing the Phase I clinical trial. The development for the target indication of transfusion-dependent lower-risk MDS will be considered in line with development by Onconova.

While Onconova is making steady progress with development, we will look into the option of developing indications other than MDS. By allocating development of the intravenous and oral formulations to different indications, it is hoped that progress will be made with development of treatment methods that are easy for patients to use, and that place sufficient importance on the need for compliance.

(Note 11) Multi-kinase inhibitors impede the growth, proliferation and metastasis of cancer cells, thereby eradicating them.

(4) Medium to long-term strategy

The Company is pursuing primarily the following five strategies in order to achieve our 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 in human subjects in principle. Accordingly, they should be 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 in 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 a high-quality pipeline with exceptional search and evaluation capabilities

Our new drug search engine is connected to the diverse network of pharmaceutical companies and bioventures, 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 candidates, coupled with the post-POC strategy, reduces the development risk and compresses 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 labless/fabless strategy

The Company does not own any research or production facilities, which are often regarded as the main cause of fixed costs. Once drug candidates are searched and selected, we focus on value-added activities such as the formulation and

implementation of development strategy and outsource other necessary procedures. This enables us to reduce development costs of pharmaceutical drugs and secure a flexible financial strategy.

(iv) Realization of high business efficiency by "Blue Ocean strategy" (Note 12)

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 is becoming aggravated, while the term "cancer patient refugee" has been created. This drug lag is particularly conspicuous in our strategic drug development areas of refractory cancer and hematological diseases, as well as moderate to severe pain management. There is a large and active market of anticancer agents that continues to grow with the aging population. However, anticancer agents have a wide range of indications and they are fragmented by the type of tumor, and in some therapeutic areas there are a limited number of patients. The therapeutic area of pain management is an area with high unmet medical need and with many cases of undertreatment. As many patients who suffer pain are elderly, the pain management market is expected to grow with the aging population. Although an extremely high degree of specialization is required to develop new agents in these therapeutic areas, it is often financially unattractive for larger pharmaceutical companies to pursue due to the small size of the potential market. This is part of the cause of the delay in drugs coming to market. On the other hand, obtaining approval and launching a new drug in one of these less competitive therapeutic areas creates an opportunity to achieve superior growth and profitability by continuous indication expansion and bringing new products into the market.

(Note 12) "Blue Ocean strategy" means a strategy of redefining the market, avoiding marketplaces with fierce competition (termed "red oceans"), and instead creating a "blue ocean," an unexploited market with reduced competition, enabling profits to be maximized while providing customers with high-value products and services.

(v) Going global beyond Asia

Although the Company has been operating its businesses in Asia centered on Japan, it will carry out search and evaluation activities to advance new drug candidates with a view to global development.

(5) Issues to be addressed by the Company

The Company is commited to making improvements in the following areas.

(i) Further expansion of the pipeline

In order to enhance the enterprise value as a specialty pharmaceutical company, we need to expand the pipeline through ongoing in-licensing of new drug candidates for development.

The Company is conducting or planning development of the following anticancer agents: SyB L-0501, SyB C-0501, SyB L-1101, SyB C-1101, SyB L-1701 and SyB L-1702. Currently we are in discussion with counterparties regarding the in-licensing of several new drug candidates, and will continue with active efforts to in-license new products in order to further expand our pipeline.

(ii) Life cycle management of products in the existing pipeline

In order to enhance the enterprise value, it is critical to maximize returns from each drug under development through indication expansion after the in-licensed drugs' initial approval.

TREAKISYM® is approved for manufacturing and marketing in Japan for the indications of recurrent/refractory low-grade non-Hodgkin's lymphoma and mantle cell lymphoma, chronic lymphocytic leukemia, and first-line treatment of low-grade non-Hodgkin's lymphoma and mantle cell lymphoma. The Company has completed a Phase II clinical trial for recurrent/refractory intermediate/high-grade non-Hodgkin's lymphoma (diffuse large B-cell lymphoma), and a Phase III clinical trial is currently underway. In addition, the Company will pursue the development of TREAKISYM® RTD and RI liquid formulations in-licensed from Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.). The Company is also exploring the development of an oral formulation of TREAKISYM® with a focus on the treatment of solid tumors and autoimmune diseases, further expanding the business potential. To this end, the Company has commenced a Phase I clinical trial for progressive solid tumors with the aim of examining the recommended dosage and schedule as well as tolerability and safety of the oral formulation of TREAKISYM®, and narrowing down the potential types of target tumors.

The development of rigosertib intravenous and oral formulations for the indication of myelodysplastic syndromes (MDS) is also progressing. Few useful therapeutic agents are currently available for this indication, so it is an area with very high unmet medical need. As for the global Phase III trial of the intravenous formulation for the target indication of recurrent/refractory higher-risk MDS conducted by Onconova, the Company is conducting its clinical trial in Japan. As for the oral formulation, the Company has completed the domestic Phase I clinical trial as a monotherapy for the target indication of lower-risk MDS, and is currently conducting a domestic Phase I clinical trial to confirm the safety of high-dose as a monotherapy, in order to conduct the Phase I clinical trial in combination with azacitidine for the target indication of first-line treatment of patients with higher-risk MDS. The Company is considering participating in global clinical trials after completing the Phase I clinical trial. The development for the target indication of transfusion-dependent lower-risk MDS will be considered based on the development progress made by Onconova.

The Company is focused on maximizing the value of TREAKISYM® and rigosertib through further indication expansion.

(iii) Global expansion for further growth

In addition to Japan, the Company operates its businesses in other Asian countries, including China, Korea, Taiwan, and Singapore.

However, with expanding medical expenditures due to the aging population in Japan, and the advent of the "era of generic drugs comprising 80% of all drugs dispensed" as a governmental policy of Japan, the business environment for innovative drug developers is expected to remain extremely challenging. Such a policy may also be implemented by other Asian countries.

Under these circumstances, the Company will promote global expansion aiming for further growth. The Company will carry out the search, evaluation, and negotiation activities for new drug candidates, in order to acquire global rights on such candidates, utilizing its experience fostered through its business in Asia.

(iv) Securing personnel

The Company places the highest priority on personnel as the Company's principal management resource. We cannot make superior achievements in exploring and developing new drugs without talent. We have been continually recruiting talented people, especially after being listed; we have recruited the best and brightest people in order to strengthen the management organization. Going forward, we plan to continue to strengthen our human resources by providing further employee training and development programs.

(v) Financial issue

It is necessary for the Company to raise funds required for business activities such as R&D expenditures 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 manner of fund raising and reducing costs through budget control.

(6) Other important matters concerning the Company's management

Issuance of the 42nd stock acquisition rights

In order to secure the funds necessary for its research and development activities, the Company made a resolution at the Board of Directors meeting held on August 9, 2017 to issue the 42nd warrant (total issue price 32,560 thousand yen by way of third-party allotment, total issue price of stocks when issued through the exercise of stock acquisition rights: 1,892,000 thousand yen), and completed the payment of 1,115,042 thousand yen as of the current fiscal year end.

4. Basic views on selection of accounting standards

Over the near term, the Company will prepare its financial statements based on Japanese GAAP, taking into account the inter-period comparability of financial statements and comparability across companies.

In terms of the application of International Financial Reporting Standards (IFRS), the Company will take appropriate measures in light of the existing circumstances in Japan and overseas.

5. Financial statements and primary notes

(1) Balance sheets

(Unit: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Assets		
Current assets		
Cash and deposits	5,719,325	2,947,059
Accounts receivable-trade	487,471	489,874
Merchandise and finished goods	272,725	362,514
Supplies	663	558
Prepaid expenses	79,104	73,720
Advances paid	66,465	18,760
Consumption taxes receivable	34,766	98,440
Forward exchange contracts	11,603	15,844
Other	12,886	29,749
Total current assets	6,685,011	4,036,522
Non-current assets		
Property, plant and equipment		
Buildings	35,846	35,521
Accumulated depreciation	(4,451)	(7,034)
Buildings, net	31,395	28,486
Tools, furniture and fixtures	69,497	49,291
Accumulated depreciation	(26,367)	(30,968)
Tools, furniture and fixtures, net	43,129	18,322
Construction in progress	—	64
Total property, plant and equipment	74,524	46,873
Intangible assets		
Software	41,985	65,583
Software in progress	—	3,295
Total intangible assets	41,985	68,878
Investments and other assets		
Shares of subsidiaries	0	0
Long-term prepaid expenses	11,649	14,209
Lease and guarantee deposits	65,214	85,799
Total investments and other assets	76,863	100,008
Total non-current assets	193,373	215,761
Total assets	6,878,384	4,252,284

(Unit: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	321,860	604,382
Accounts payable-other	552,510	330,867
Income taxes payable	36,586	54,813
Other	31,161	21,427
Total current liabilities	942,118	1,011,490
Non-current liabilities		
Bonds payable	450,000	―
Provision for retirement benefits	1,396	1,392
Total non-current liabilities	451,396	1,392
Total liabilities	1,393,514	1,012,882
Net assets		
Shareholders' equity		
Common stock	9,948,298	10,761,676
Capital surplus		
Legal capital surplus	9,918,298	10,731,676
Total capital surplus	9,918,298	10,731,676
Retained earnings (accumulated deficits)		
Other retained earnings		
Retained earnings (accumulated deficits) brought forward	(14,812,843)	(18,790,705)
Total retained earnings (accumulated deficits)	(14,812,843)	(18,790,705)
Treasury stock	(17)	(17)
Total shareholders' equity	5,053,735	2,702,629
Stock acquisition rights	431,135	536,772
Total net assets	5,484,870	3,239,402
Total liabilities and net assets	6,878,384	4,252,284

(2) Statements of operations

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Net sales		
Net sales of goods	2,137,337	3,444,206
Rights income	230,775	—
Total net sales	2,368,112	3,444,206
Cost of goods sold		
Beginning goods	133,029	272,725
Cost of purchased goods	1,606,489	2,588,681
Purchase allowance and returns	2,873	85,951
Total	1,736,644	2,775,455
Ending goods	272,725	362,514
Cost of goods sold	1,463,919	2,412,940
Gross profit	904,192	1,031,266
Selling, general and administrative expenses *1 *2	3,031,242	4,978,327
Operating loss	(2,127,049)	(3,947,061)
Non-operating income		
Interest income	5,235	3,092
Interest on securities	249	—
Dividend income	1,221	1,339
Other	4	75
Total non-operating income	6,710	4,506
Non-operating expenses		
Interest expenses	4	—
Commission fees	8,975	9,090
Stock issuance costs	11,658	14,477
Foreign exchange losses	158,514	10,421
Other	17,315	240
Total non-operating expenses	196,467	34,229
Ordinary loss	(2,316,806)	(3,976,784)
Extraordinary gain		
Gain on reversal of stock acquisition rights	8,512	17,414
Total extraordinary gain	8,512	17,414
Extraordinary loss		
Loss on retirement of non-current assets *3	1,139	—
Impairment loss *4	—	14,692
Total extraordinary losses	1,139	14,692
Loss before income taxes	(2,309,433)	(3,974,062)
Income taxes-current	3,800	3,800
Total income taxes	3,800	3,800
Net loss	(2,313,233)	(3,977,862)

(3) Statements of changes in net assets

FY 2016 (from January 1, 2016 to December 31, 2016)

(Unit: thousands of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Retained earnings (accumulated deficits)		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings (accumulated deficits) brought forward	Total retained earnings (accumulated deficits)		
Balance at the beginning of the year	8,330,775	8,300,775	8,300,775	(12,499,609)	(12,499,609)	(17)	4,131,924
Changes of items during the year							
Issuance of new shares (exercise of stock acquisition rights)	1,617,522	1,617,522	1,617,522				3,235,044
Net loss				(2,313,233)	(2,313,233)		(2,313,233)
Net changes of items other than shareholders' equity							
Total changes of items during the year	1,617,522	1,617,522	1,617,522	(2,313,233)	(2,313,233)	—	921,811
Balance at the end of the year	9,948,298	9,918,298	9,918,298	(14,812,843)	(14,812,843)	(17)	5,053,735

(Unit: thousands of yen)

	Stock acquisition rights	Total net assets
Balance at the beginning of the year	299,887	4,431,811
Changes of items during the year		
Issuance of new shares (exercise of stock acquisition rights)		3,235,044
Net loss		(2,313,233)
Net changes of items other than shareholders' equity	131,247	131,247
Total changes of items during the year	131,247	1,053,058
Balance at the end of the year	431,135	5,484,870

FY 2017 (from January 1, 2017 to December 31, 2017)

(Unit: thousands of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Retained earnings (accumulated deficits)		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings (accumulated deficits) brought forward	Total retained earnings (accumulated deficits)		
Balance at the beginning of the year	9,948,298	9,918,298	9,918,298	(14,812,843)	(14,812,843)	(17)	5,053,735
Changes of items during the year							
Issuance of new shares (exercise of stock acquisition rights)	813,378	813,378	813,378				1,626,756
Net loss				(3,977,862)	(3,977,862)		(3,977,862)
Net changes of items other than shareholders' equity							
Total changes of items during the year	813,378	813,378	813,378	(3,977,862)	(3,977,862)	—	(2,351,105)
Balance at the end of the year	10,761,676	10,731,676	10,731,676	(18,790,705)	(18,790,705)	(17)	2,702,629

(Unit: thousands of yen)

	Stock acquisition rights	Total net assets
Balance at the beginning of the year	431,135	5,484,870
Changes of items during the year		
Issuance of new shares (exercise of stock acquisition rights)		1,626,756
Net loss		(3,977,862)
Net changes of items other than shareholders' equity	105,637	105,637
Total changes of items during the year	105,637	(2,245,468)
Balance at the end of the year	536,772	3,239,402

(4) Statements of cash flow

(Unit: yen in thousands)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Net cash provided by (used in) operating activities		
Loss before income taxes	(2,309,433)	(3,974,062)
Depreciation	25,649	29,569
Amortization of guarantee deposits	2,035	1,117
Share-based compensation expenses	137,010	121,205
Impairment loss	—	14,692
Increase (decrease) in provision for retirement benefits	(141)	(4)
Interest income	(5,485)	(3,092)
Interest expenses	4	—
Foreign exchange losses (gains)	196,365	42,195
Commission fees	8,975	9,090
Stock issuance costs	11,658	14,477
Gain on reversal of stock acquisition rights	(8,512)	(17,414)
Loss on retirement of non-current assets	1,139	—
Decrease (increase) in accounts receivable-trade	(186,728)	(2,403)
Decrease (increase) in inventories	(139,695)	(89,789)
Decrease (increase) in prepaid expenses	(40,513)	7,437
Decrease (increase) in advances paid	13,173	47,705
Decrease (increase) in consumption taxes receivable	(34,766)	(63,674)
Decrease (increase) in other current assets	(27,297)	(21,038)
Decrease (increase) in long-term prepaid expenses	(10,421)	5,495
Increase (decrease) in accounts payable-trade	1,993	282,522
Increase (decrease) in accounts payable-other	357,949	(208,540)
Increase (decrease) in other current liabilities	53,763	7,274
Other	—	309
Subtotal	(1,953,277)	(3,796,925)
Interest and dividends income received	5,967	3,132
Commitment fee paid	(8,975)	(19,200)
Interest expenses paid	(4)	—
Income taxes paid	(3,800)	(3,800)
Net cash provided by (used in) operating activities	(1,960,089)	(3,816,793)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(23,856)	(10,657)
Purchase of intangible assets	(4,056)	(46,364)
Purchase of shares of subsidiaries	(0)	—
Payments for lease and guarantee deposits	(15,923)	(23,550)
Proceeds from collection of lease and guarantee deposits	—	3,065
Net cash provided by (used in) investing activities	(43,836)	(77,507)

(Unit: yen in thousands)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Net cash provided by (used in) financing activities		
Proceeds from issuance of stock resulting from exercise of stock acquisition rights	678,018	1,146,042
Proceeds from issuance of bonds with rights	3,000,000	—
Proceeds from issuance of stock acquisition rights	9,776	32,560
Payments for issuance of common stock	(11,658)	(14,372)
Repayments for lease obligations	(642)	—
Other payments	(17,315)	—
Net cash provided by (used in) financing activities	3,658,177	1,164,230
Effect of foreign exchange rate change on cash and cash equivalents	(196,365)	(42,195)
Net increase (decrease) in cash and cash equivalents	1,457,886	(2,772,266)
Cash and cash equivalents at the beginning of the year	4,261,438	5,719,325
Cash and cash equivalents at the end of the year *1	5,719,325	2,947,059

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

None to be reported.

(6) Significant accounting policies

1. Valuation basis and method of marketable and investment securities
   (1) Shares of subsidiaries
   Shares of subsidiaries are stated at cost determined by the moving-average method.
   (2) 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 the lower of cost determined by the weighted-average method or net selling value.

4. Depreciation of non-current assets
   (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	3 to 18 years
Tools, furniture and fixtures	5 to 15 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
   Stock issuance costs and bond issuance costs are charged to income upon payment.

6. Foreign currency translation
   Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rates prevailing on 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 2017, 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.
   The Company applies the simplified method to calculate amounts of retirement benefit obligation and retirement benefit expenses. That is, amounts of retirement benefit obligation are the payments required for voluntary retirement as of each fiscal year end.

8. Cash and cash equivalents in the statements of cash flow
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.

(Additional Information)
(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)
Symbio has applied "Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016)" from the fiscal year ended December 31, 2017.

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(7) Notes on 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: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
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 operations)

* 1 The selling expenses ratio is roughly 6.5% and 6.1 % for FY 2016 and FY 2017, respectively, and the administrative expenses ratio is roughly 93.5% and 93.9% for FY 2016 and FY 2017, respectively. Major expense items and amounts are as follows.

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Directors' compensation	150,289	166,292
Salaries	389,769	387,415
Retirement benefit expenses	908	769
Research and development expenses	1,667,098	3,017,812
Depreciation expenses	10,215	11,322
Fees paid	137,257	567,117

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

(Unit: thousands of yen)

FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
1,667,098	3,017,812

* 3 Details of loss on retirement of non-current assets

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Tools, furniture and fixtures	0	—
Software	1,139	—

* 4 Impairment loss

FY 2017 (from January 1, 2017 to December 31, 2017)

For FY 2017, the Company has recorded impairment loss for the following asset.

(Unit: thousands of yen)

Location	Use	Category	Impairment loss
Head office (Minato-ku, Tokyo)	Idle asset	Tools, furniture and fixtures	14,692

Impairment loss has been recognized for tools, furniture and fixtures with no prospect to be used in the future.
The recoverable amount of the asset is zero; therefore, its total carrying value has been recorded as impairment loss under extraordinary loss.

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(Statements of changes in net assets)

FY 2016 (from January 1, 2016 to December 31, 2016)

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	32,390,923	14,139,901	—	46,530,824
Total	32,390,923	14,139,901	—	46,530,824
Treasury stock				
Common stock	75	—	—	75
Total	75	—	—	75

(Notes) Increase of 14,139,901 shares in common stock is due to the exercise of stock acquisition rights.

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, 2016 (thousands of yen)
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
The Company	The 29th warrant	Common stock	795,750	—	795,750	—	—
	The 34th warrant	Common stock	3,030,400	—	2,054,600	975,800	3,337
	The 39th warrant	Common stock	—	4,472,000	—	4,472,000	9,776
	The 3rd unsecured bonds with convertible bond type stock acquisition rights	Common stock	—	14,218,009	12,085,301	2,132,708	(Note 2)
	Stock acquisition rights as stock options	—	—	—	—	—	418,022
Total			3,826,150	18,690,009	14,935,651	7,580,508	431,135

(Notes) 1. The information about type of shares to be issued and the number of shares to be issued is described in "Stock options."

2. The 3rd unsecured bonds with convertible bond type stock acquisition rights are computed by the lump-sum method.

(Main reasons for increase/decrease)

Decrease due to expiration of exercise period of the 29th warrant: 795,750 shares

Decrease due to exercise of the 34th warrant: 2,054,600 shares

Increase due to issuance of the 39th warrant: 4,472,000 shares

Increase due to issuance of stock acquisition rights for the 3rd unsecured bonds with convertible bond type stock acquisition rights: 14,218,009 shares

Decrease due to exercise of stock acquisition rights for the 3rd unsecured bonds with convertible bond type stock acquisition rights: 12,085,301 shares

3. Dividends

None to be reported.

FY 2017 (from January 1, 2017 to December 31, 2017)

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	46,530,824	7,518,400	—	54,049,224
Total	46,530,824	7,518,400	—	54,049,224
Treasury stock				
Common stock	75	—	—	75
Total	75	—	—	75

(Notes) Increase of 7,518,400 shares in common stock is due to the exercise of stock acquisition rights.

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, 2017 (thousands of yen)
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
The Company	The 34th warrant	Common stock	975,800	—	975,800	—	—
	The 39th warrant	Common stock	4,472,000	—	301,000	4,171,000	9,118
	The 42nd warrant	Common stock	—	8,800,000	5,034,800	3,765,200	13,931
	The 3rd unsecured bonds with convertible bond type stock acquisition rights	Common stock	2,132,708	—	2,132,708	—	(Note 2)
	Stock acquisition rights as stock options	—	—	—	—	—	513,723
Total			7,580,508	8,800,000	8,444,308	7,936,200	536,772

(Notes) 1. The information about type of shares to be issued and the number of shares to be issued is described in "Stock options."

2. The 3rd unsecured bonds with convertible bond type stock acquisition rights are computed by the lump-sum method.

(Main reasons for increase/decrease)

Decrease due to expiration of exercise period of the 34th warrant: 975,800 shares

Decrease due to exercise of the 39th warrant: 301,000 shares

Increase due to issuance of the 42nd warrant: 8,800,000 shares

Decrease due to exercise of the 42nd warrant: 5,034,800 shares

Decrease due to exercise of stock acquisition rights for the 3rd unsecured bonds with convertible bond type stock acquisition rights: 2,132,700 shares

3. Dividends

None to be reported.

(Statements of cash flow)

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

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Cash and deposits	5,719,325	2,947,059
Cash and cash equivalents	5,719,325	2,947,059

2 Details of significant non-cash transactions

Exercise of stock acquisition rights for bonds with convertible bond type stock acquisition rights:

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Amount of increase in common stock due to the exercise of stock acquisition rights	1,275,000	225,000
Amount of increase in capital surplus due to the exercise of stock acquisition rights	1,275,000	225,000
Amount of decrease in corporate bonds due to the exercise of stock acquisition rights	2,550,000	450,000

(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). A 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 purposes but uses them within the scope prescribed in the Company's 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 the 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 a relatively low risk of falling below initial investments, however, it might entail a finite risk.

Operating payables such as accounts payable-trade and accounts payable-other are mostly due within 75 days. 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 the actual volume of exports and imports transactions denominated in foreign currencies.

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

Lease obligations are associated with the finance lease transactions that are intended to finance capital expenditures and the longest maturity of the lease term is one year after the current fiscal year end.

(3) Risk management for financial instruments

(i) Monitoring of credit risks (the risk that customers or counterparties may default on obligations)

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

(ii) 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 a satisfactory credit rating and investment period in accordance with the Company's 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 Company's internal rules, the Finance & Accounting department executes and monitors derivative transactions. Monthly transaction performances are reported to the executive management committee.

(iii) Monitoring of liquidity risks (the risk that the Company may not be able to meet its obligations on the 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 the 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, 2017, all operating receivables are from one particular major customer.

2. Fair value of financial instruments

The 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 2016 (as of December 31, 2016)

(Unit: thousands of yen)

	Carrying value	Fair value	Differences
(1) Cash and deposits	5,719,325	5,719,325	—
(2) Accounts receivable-trade	487,471	487,471	—
(3) Advances paid	66,465	66,465	—
Assets, total	6,273,262	6,273,262	—
(1) Accounts payable-trade	321,860	321,860	—
(2) Accounts payable-other	552,510	552,510	—
(3) Income taxes payable	36,586	36,586	—
(4) Bonds with convertible bond type stock acquisition rights	450,000	448,935	(1,064)
Liabilities, total	1,360,956	1,359,892	(1,064)
Derivative transactions, total (*)	11,603	11,603	—

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

FY 2017 (as of December 31, 2017)

(Unit: thousands of yen)

	Carrying value	Fair value	Differences
(1) Cash and deposits	2,947,059	2,947,059	—
(2) Accounts receivable-trade	489,874	489,874	—
(3) Advances paid	18,760	18,760	—
Assets, total	3,455,694	3,455,694	—
(1) Accounts payable-trade	604,382	604,382	—
(2) Accounts payable-other	330,867	330,867	—
(3) Income taxes payable	54,813	54,813	—
Liabilities, total	990,062	990,062	—
Derivative transactions, total (*)	15,844	15,844	—

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

(Notes)

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 and (3) Advances paid

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

Liabilities

(1) Accounts payable-trade, (2) Accounts payable-other and (3) 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.

Derivative transactions

See notes to “Derivative transactions.”

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

(Unit: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Lease and guarantee deposits	65,214	85,799

Lease and guarantee deposits are not included in the 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 2016 (as of December 31, 2016)

(Unit: thousands of 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	5,719,293	—	—	—
Accounts receivable-trade	487,471	—	—	—
Advances paid	66,465	—	—	—
Total	6,273,230	—	—	—

FY 2017 (as of December 31, 2017)

(Unit: thousands of 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	2,946,982	—	—	—
Accounts receivable-trade	489,874	—	—	—
Advances paid	18,760	—	—	—
Total	3,455,617	—	—	—

4. Maturities of bonds with convertible bond type stock acquisition rights after the fiscal year end

FY 2016 (as of December 31, 2016)

(Unit: thousands of 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
Bonds with convertible bond type stock acquisition rights	—	—	450,000	—	—	—
Total	—	—	450,000	—	—	—

FY 2017 (as of December 31, 2017)

None to be reported.

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied
Currency-related transactions

FY 2016 (as of December 31, 2016)

(Unit: thousands of yen)

Classification	Type	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain
OTC transactions	Forward exchange contract				
	Buy				
	U.S. dollars	—	—	—	—
	Euro	574,873	—	11,603	11,603
Total		574,873	—	11,603	11,603

(Note) Fair value measurement

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

FY 2017 (as of December 31, 2017)

(Unit: thousands of yen)

Classification	Type	Notional amount	Portion due after one year included herein	Fair value	Unrealized gain
OTC transactions	Forward exchange contract				
	Buy				
	U.S. dollars	—	—	—	—
	Euro	1,366,477	—	15,844	15,844
Total		1,366,477	—	15,844	15,844

(Note) Fair value measurement

The fair value is measured based on the quoted prices obtained from financial institutions with which the Company has a 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 defined contribution pension plan. A lump-sum payment plan (non-contributory plan) is applied for certain employees based on the Company's internal rules for retirement benefits.

The simplified method is applied to calculate amounts of retirement benefit obligation and retirement benefit expenses.

2. Retirement benefit plan under simplified method

(1) The reconciliation between the retirement benefit obligation at the beginning and the end of the fiscal year is as follows.

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Provision for retirement benefits at the beginning of the fiscal year	1,537	1,396
Service costs	219	147
Contribution made for defined contribution pension plan	(360)	(151)
Retirement benefit obligation at the end of the fiscal year	1,396	1,392

(2) The reconciliation between the retirement benefit obligation or provision for retirement benefits and the net defined benefit liability on the balance sheet is as follows.

(Unit: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Unfunded retirement benefit obligation	1,396	1,392
Net defined benefit liability on the balance sheet	1,396	1,392

(Unit: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Provision for retirement benefits	1,396	1,392
Net defined benefit liability on the balance sheet	1,396	1,392

(3) Retirement benefit expenses

Retirement benefit expenses calculated under the simplified method FY 2016: 219 thousand yen
FY 2017: 147 thousand yen

3. Defined contribution pension plan

The amount of the Company's contribution to the defined contribution pension plan for FY 2016 and FY 2017 were 1,965 thousand yen and 1,836 thousand yen, respectively.

(Stock options)

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

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Selling, general and administrative expenses	137,010	121,205

2. The account name and the amount of income recognized for vested shares that expired unexercised

(Unit: thousands of yen)

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Gain on reversal of stock acquisition rights	5,452	14,077

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

(1) Description of stock options

	The 14th Series	The 16th Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 5 Auditor of the Company 1 Total 6	External collaborators 14
Class and number of shares to be issued upon the exercise of the stock options	Common stock 207,000 shares	Common stock 85,000 shares
Grant date	October 1, 2008	October 1, 2008
Vesting conditions	1. The Person Granted must have the status as 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 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	The 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 stock options	Directors of the Company 3 Auditor of the Company 1 Total 4	External collaborators 2
Class and number of shares to be issued upon the exercise of the stock options	Common stock 72,000 shares	Common stock 12,500 shares
Grant date	March 18, 2009	March 18, 2009
Vesting conditions	1. The Person Granted must have the status as 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 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	The 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 stock options	Directors of the Company 6 Auditor 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 options	Common stock 361,000 shares	Common stock 326,500 shares
Grant date	March 31, 2010	March 31, 2010
Vesting conditions	1. The Person Granted must have the status as 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 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	The 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 stock options	External collaborators 13	Employees of the Company 9
Class and number of shares to be issued upon the exercise of the stock options	Common stock 153,000 shares	Common stock 32,000 shares
Grant date	March 31, 2010	October 15, 2010
Vesting conditions	1. The Person Granted must have the status as 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 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	The 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 stock options	Directors of the Company 5	Employees of the Company 59
Class and number of shares to be issued upon the exercise of the stock options	Common stock 192,000 shares	Common stock 195,000 shares
Grant date	March 31, 2011	March 31, 2011
Vesting conditions	1. The Person Granted must have the status as 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 compulsory retirement; or if otherwise the Board of Directors approves. 2. The Company's stock must be listed on a stock exchange.	Same as on the left
Vesting period	The 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

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	The 26th Series	The 27th Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 4	Employees of the Company 70
Class and number of shares to be issued upon the exercise of the stock options	Common stock 362,500 shares	Common stock 430,700 shares
Grant date	May 2, 2012	May 2, 2012
Vesting conditions	No specific conditions are prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted, except for certain vesting conditions stipulated in the exercise conditions. 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 conditions *(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 30th Series	The 31st Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 5	Employees of the Company 68
Class and number of shares to be issued upon the exercise of the stock options	Common stock 116,000 shares	Common stock 124,000 shares
Grant date	May 29, 2013	May 29, 2013
Vesting conditions	No specific conditions are prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted, except for certain vesting conditions stipulated in the exercise conditions. 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 conditions *(2) and (3).	Same as on the left
Exercise period	From May 15, 2015 to May 14, 2023	From May 15, 2015 to May 14, 2023

	The 32nd Series	The 33rd Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 5	Employees of the Company 68
Class and number of shares to be issued upon the exercise of the stock options	Common stock 252,000 shares	Common stock 330,000 shares
Grant date	April 30, 2014	April 30, 2014
Vesting conditions	No specific conditions are prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted, except for certain vesting conditions stipulated in the exercise conditions. The exercise conditions are described in *(1), (3), (4), (7) and (8).	Same as on the left
Vesting period	The period that fulfills the requirement of the exercise conditions *(3).	Same as on the left
Exercise period	From April 16, 2017 to April 15, 2024	From April 16, 2017 to April 15, 2024

	The 35th Series	The 36th Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 6	Employees of the Company 61
Class and number of shares to be issued upon the exercise of the stock options	Common stock 204,200 shares	Common stock 312,000 shares
Grant date	April 10, 2015	April 10, 2015
Vesting conditions	No specific conditions are prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted, except for certain vesting conditions stipulated in the exercise conditions. The exercise conditions are described in *(1), (3), (4), (7) and (8).	Same as on the left
Vesting period	The period that fulfills the requirement of the exercise condition *(3).	Same as on the left
Exercise period	From March 27, 2018 to March 26, 2025	From March 27, 2018 to March 26, 2025

	The 37th Series	The 38th Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 6	Employees of the Company 73
Class and number of shares to be issued upon the exercise of the stock options	Common stock 236,500 shares	Common stock 395,000 shares
Grant date	April 14, 2016	April 14, 2016
Vesting conditions	No specific conditions are prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted, except for certain vesting conditions stipulated in the exercise conditions. The exercise conditions are described in *(1), (3), (4), (7) and (8).	Same as on the left
Vesting period	The period that fulfills the requirement of the exercise condition *(3).	Same as on the left
Exercise period	From March 31, 2019 to March 30, 2026	From March 31, 2019 to March 30, 2026

	The 40th Series	The 41st Series
Individuals covered by the plan and number of persons granted stock options	Directors of the Company 6	Employees of the Company 71
Class and number of shares to be issued upon the exercise of the stock options	Common stock 280,000 shares	Common stock 451,200 shares
Grant date	April 24, 2017	April 24, 2017
Vesting conditions	No specific conditions are prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted, except for certain vesting conditions stipulated in the exercise conditions. The exercise conditions are described in *(1), (3), (4), (7) and (8).	Same as on the left
Vesting period	The period that fulfills the requirement of the exercise condition *(3).	Same as on the left
Exercise period	From March 30, 2020 to March 29, 2027	From March 30, 2020 to March 29, 2027

*(1) Fractions less than one unit of a stock acquisition right shall be unexercisable.

(2) The Person Granted 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 30th and the 31st 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 May 15, 2015 to May 14, 2016.
(b) Those who were granted the stock acquisition rights may exercise the rights within the limit of one-half (1/2) from May 15, 2016 to May 14, 2017.
(c) Those who were granted the stock acquisition rights may exercise the rights within the limit of three-fourths (3/4) from May 15, 2017 to May 14, 2018.
(d) Those who were granted the stock acquisition rights may exercise all the rights from May 15, 2018 to May 14, 2023.

(3) The Person Granted shall exercise the rights starting from the date of resolution by the below-mentioned shareholders' meeting or the Board of Directors' meeting until one day before the effective date of the Organizational Restructuring as followed, regardless of the conditions of the exercise period originally stipulated, when the Organizational Restructuring is approved by the resolution of the Company's shareholders' meeting (including the case where resolution of a shareholders' 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 shareholders' meeting is required for the said Organizational Restructuring) before the 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).

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

(5) The Person Granted must have the status as the Company's director, auditor, or employee of the Company or its affiliates at the time of exercise. However, this is not necessarily the case where:

(a) The Person Granted is a director, auditor, or employee of the Company or its affiliates and retires due to the expiry of her/his term.
(b) The Person Granted is an employee of the Company or its affiliates and retires due to compulsory retirement.
(c) The Person Granted is a director, auditor, or employee of the Company or its affiliates and the Board of Directors resolves that he/she has resigned or retired with honorable recognition.

(6) In the event that:
(a) The Person Granted dies before the exercise period comes into effect, the beneficiary/ies shall exercise the rights of up to one-half (1/2) within six (6) months from the date of inheritance, or
(b) The Person Granted dies during the exercise period, the beneficiary/ies shall exercise all the rights within six (6) months from the date of inheritance.
However, in the event that the beneficiary/ies dies, the rights shall be discarded and shall not be exercised by his/her beneficiary/ies.

(7) The Person Granted must have the status as a director, auditor, or employee of the Company or its affiliates at the time of exercise. However, this is not necessarily the case if:

(a) The Person Granted is a director of the Company or its affiliates and retires due to the expiry of her/his term.
(b) The Person Granted is an employee of the Company or its affiliates and retires due to compulsory retirement.
(c) The Person Granted is a director or employee of the Company or its affiliates and the Board of Directors resolves that he/she has resigned or retired with honorable recognition.

(8) In the event that the Person Granted dies, the beneficiary/ies shall be able to succeed and exercise the stock acquisition rights as prescribed in the allotment agreement for stock acquisition rights entered into between the Company and the Person Granted. However, in the event that the beneficiary/ies dies, the rights shall be discarded and shall not be exercised by his/her beneficiary/ies.

(2) Change in the size of stock options

The number of shares which may arise upon exercise of stock options as of December 31, 2017 is as follows.

(a) Number of stock options

(Unit: number of shares)

	The 9th 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	3,000	7,000	23,000	61,000
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	3,000	7,000	23,000	61,000
At the end of the year	—	—	—	—

(Unit: number of shares)

	The 14th Series	The 16th Series	The 17th Series	The 19th Series
Grant date	October 1, 2008	October 1, 2008	March 18, 2009	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	28,000	70,000	4,000	2,500
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
At the end of the year	28,000	70,000	4,000	2,500

(Unit: number of shares)

	The 20th Series	The 21st Series	The 22nd Series	The 23rd Series
Grant date	March 31, 2010	March 31, 2010	March 31, 2010	October 15, 2010
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	344,500	170,500	153,000	10,000
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	—	29,000	—	—
At the end of the year	344,500	141,500	153,000	10,000

(Unit: number of shares)

	The 24th Series	The 25th Series	The 26th Series	The 27th Series
Grant date	March 31, 2011	March 31, 2011	May 2, 2012	May 2, 2012
Non-vested shares:				
At the beginning of the year	—	—	80,625	46,425
Granted	—	—	—	—
Expired	—	—	—	1,275
Vested	—	—	80,625	45,150
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	192,000	104,000	281,875	206,975
Vested	—	—	80,625	45,150
Exercised	—	—	—	—
Expired	—	15,000	—	39,925
At the end of the year	192,000	89,000	362,500	212,200

(Unit: number of shares)

	The 28th Series	The 30th Series	The 31st Series	The 32nd Series
Grant date	September 28, 2012	May 29, 2013	May 29, 2013	April 30, 2014
Non-vested shares:				
At the beginning of the year	2,500	47,500	29,100	252,000
Granted	—	—	—	—
Expired	2,500	—	4,300	—
Vested	—	26,250	13,875	252,000
At the end of the year	—	21,250	10,925	—
Vested shares:				
At the beginning of the year	7,500	68,500	42,300	—
Vested	—	26,250	13,875	252,000
Exercised	—	—	—	—
Expired	7,500	—	8,200	—
At the end of the year	—	94,750	47,975	252,000

(Unit: number of shares)

	The 33rd Series	The 35th Series	The 36th Series	The 37th Series
Grant date	April 30, 2014	April 10, 2015	April 10, 2015	April 14, 2016
Non-vested shares:				
At the beginning of the year	172,900	193,900	213,500	236,500
Granted	—	—	—	—
Expired	8,300	—	56,000	—
Vested	164,600	20,600	4,000	33,000
At the end of the year	—	173,300	153,500	203,500
Vested shares:				
At the beginning of the year	21,900	10,300	25,500	—
Vested	164,600	20,600	4,000	33,000
Exercised	49,900	—	—	—
Expired	—	—	—	—
At the end of the year	136,600	30,900	29,500	33,000

(Unit: number of shares)

	The 38th Series	The 40th Series	The 41st Series
Grant date	April 14, 2016	April 24, 2017	April 24, 2017
Non-vested shares:			
At the beginning of the year	333,000	—	—
Granted	—	280,000	451,200
Expired	62,400	—	60,100
Vested	2,500	—	—
At the end of the year	268,100	280,000	391,100
Vested shares:			
At the beginning of the year	12,500	—	—
Vested	2,500	—	—
Exercised	—	—	—
Expired	—	—	—
At the end of the year	15,000	—	—

(b) Per share prices

	The 9th Series	The 11th Series	The 12th Series	The 13th Series
Grant date	February 1, 2007	March 15, 2007	August 29, 2007	August 29, 2007
Exercise price (yen) (Note 1)	1,461	1,461	1,461	1,461
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 14th Series	The 16th Series	The 17th Series	The 19th Series
Grant date	October 1, 2008	October 1, 2008	March 18, 2009	March 18, 2009
Exercise price (yen) (Note 1)	1,169	1,169	1,169	1,169
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 20th Series	The 21st Series	The 22nd Series	The 23rd Series
Grant date	March 31, 2010	March 31, 2010	March 31, 2010	October 15, 2010
Exercise price (yen) (Note 1)	585	585	585	585
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen)	0	0	0	0

	The 24th Series	The 25th Series	The 26th Series	The 27th Series
Grant date	March 31, 2011	March 31, 2011	May 2, 2012	May 2, 2012
Exercise price (yen) (Note 1)	682	682	555	555
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen) (Note 2)	0	0	(a) 179 (b) 187 (c) 195 (d) 202	(a) 179 (b) 187 (c) 195 (d) 202

	The 28th Series	The 30th Series	The 31st Series	The 32nd Series
Grant date	September 28, 2012	May 29, 2013	May 29, 2013	April 30, 2014
Exercise price (yen)	(Note 1) 555	(Note 1) 799	(Note 1) 799	1
Average stock price at the time of exercise (yen)	—	—	—	—
Fair value price at grant date (yen) (Note 2)	(a) 203 (b) 208 (c) 213 (d) 217	(a) 586 (b) 602 (c) 617 (d) 631	(a) 586 (b) 602 (c) 617 (d) 631	229

	The 33rd Series	The 35th Series	The 36th Series	The 37th Series
Grant date	April 30, 2014	April 10, 2015	April 10, 2015	April 14, 2016
Exercise price (yen)	1	1	1	1
Average stock price at the time of exercise (yen)	228	—	—	—
Fair value price at grant date (yen)	229	306	306	272

	The 38th Series	The 40th Series	The 41st Series
Grant date	April 14, 2016	April 24, 2017	April 24, 2017
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	—	—	—
Fair value price at grant date (yen)	272	203	203

(Notes) 1. The Company increased its capital through the public offering on December 4, 2013 and through the third-party allotment on December 25, 2013, at the per share amount less than the exercise price of options. Thus, the exercise amounts above are stated after the price adjustments clause.

2. (a), (b), (c) and (d) above correspond to each of (a), (b), (c) and (d) of the exercise periods as previously described in 3. (1) * (2).

4. Method for estimating the fair value of the stock options

The fair value of the stock options that were granted during this fiscal year is estimated based on the following method.

(1) Estimate technique used: Black-Scholes Option Pricing Model

(2) Major assumptions and estimate method

	The 40th Series	The 41st Series
Volatility of stock price (Note 1)	62.28%	62.28%
Estimated remaining outstanding period (Note 2)	3.0 years	3.0 years
Estimated dividend (Note 3)	0 yen per share	0 yen per share
Risk free interest rate (Note 4)	(0.19)%	(0.19)%

(Notes) 1. The volatility was calculated based on the actual stock prices from April 29, 2013 to April 24, 2017.

2. The period from the allotment date to the start date of the exercise period is used.

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

4. This represents yields of Japanese government bonds corresponding to the estimated remaining outstanding period.

5. Estimate 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: thousands of yen)

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Deferred tax assets:		
Excess depreciation for lump-sum depreciable assets	2,192	2,125
Excess amortization for deferred assets	871,030	1,080,219
Research and development expenses	854,810	735,170
Accounts payable-other	243	1,189
Provision for retirement benefits	427	426
Enterprise tax payable	10,704	16,329
Asset retirement obligation	967	933
Share-based compensation expenses	95,125	127,971
Impairment loss	—	3,653
Loss carried forward	1,881,788	2,925,912
Subtotal	3,717,291	4,893,931
Valuation allowance	(3,717,291)	(4,893,931)
Total 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, 2016 and 2017.

(Asset retirement obligations)

The Company has future restoration obligations related to leasehold contracts for 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.

(Segment information)

【Segment information】

FY 2016 (from January 1, 2016 to December 31, 2016) and FY 2017 (from January 1, 2017 to December 31, 2017)

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

【Related information】

FY 2016 (from January 1, 2016 to December 31, 2016)

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 areas

(1) Net sales

Net sales information about geographical areas 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 the major customer

(Unit: thousands of yen)

Name of customer	Net sales	Name of related segment
Eisai Co., Ltd.	2,264,541	Pharmaceutical businesses including research and development of pharmaceutical drugs as well as manufacturing and marketing and other related activities.

FY 2017 (from January 1, 2017 to December 31, 2017)

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 areas

(1) Net sales

Net sales information about geographical areas 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 the major customer

(Unit: thousands of yen)

Name of customer	Net sales	Name of related segment
Eisai Co., Ltd.	3,382,484	Pharmaceutical businesses including research and development of pharmaceutical drugs as well as manufacturing and marketing and other related activities.

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

FY 2016 (from January 1, 2016 to December 31, 2016)

None to be reported.

FY 2017 (from January 1, 2017 to December 31, 2017)

Information by segment is omitted since the Company operates within a single segment of the pharmaceutical industry.

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

FY 2016 (from January 1, 2016 to December 31, 2016) and FY 2017 (from January 1, 2017 to December 31, 2017)

None to be reported.

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

FY 2016 (from January 1, 2016 to December 31, 2016) and FY 2017 (from January 1, 2017 to December 31, 2017)

None to be reported.

(Related party information)

Transactions with related parties

Director(s) and major individual shareholder(s) of the Company

FY 2016 (from January 1, 2016 to December 31, 2016)

None to be reported.

FY 2017 (from January 1, 2017 to December 31, 2017)

None to be reported.

(Per share information)

FY 2016 (from January 1, 2016 to December 31, 2016)		FY 2017 (from January 1, 2017 to December 31, 2017)	
Net assets per share	108.61 yen	Net assets per share	50.00 yen
Net loss per share	(58.82) yen	Net loss per share	(79.78) yen

(Notes) 1. While having potential dilutive stocks, diluted net income per share is not provided since the Company reported net loss per share.

2. The basis for calculating net loss per share is as follows:

	FY 2016 (from January 1, 2016 to December 31, 2016)	FY 2017 (from January 1, 2017 to December 31, 2017)
Net loss (thousand yen)	(2,313,233)	(3,977,862)
Amount not attributable to the shareholders of common stock (thousand yen)	—	—
Net loss attributable to the shareholders of common stock (thousand yen)	(2,313,233)	(3,977,862)
Average number of shares outstanding during the year (shares)	39,329,706	49,857,917
Description of potential dilutive stocks not included in the earning-per-share calculation due to anti-dilution	28 types of stock acquisition rights (11,038,308 units) in accordance with the Commercial Code of 1890 Article 280 (20) and (21), and the Companies Act Article 236, 238, and 239.	28 types of stock acquisition rights (11,686,800 units) in accordance with the Commercial Code of 1890 Article 280 (20) and (21), and the Companies Act Article 236, 238, and 239.

3. The basis for calculating net assets per share is as follows:

	FY 2016 (as of December 31, 2016)	FY 2017 (as of December 31, 2017)
Net assets (thousand yen)	5,484,870	3,239,402
Amount to be deducted from net assets (thousand yen)	431,135	536,772
[Of which, stock acquisition rights herein (thousand yen)]	[431,135]	[536,772]
Net assets attributable to the shareholders of common stock (thousand yen)	5,053,735	2,702,629
Number of shares used in the calculation of net assets per share (shares)	46,530,749	54,049,149

(Significant subsequent events)

None to be reported.

6. Other

(1) Change in officers

None to be reported.

(2) Other

None to be reported.