English translation

March 13, 2018

Annual Report

(January 1, 2017 through December 31, 2017)

1. Business Performance of SymBio Pharmaceuticals Limited

(1) Business conditions and operating results

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.

(Note2) 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 initiated the process of terminating development of SyB P-1501, a process which was completed on February 9, 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.

(iv) Capital investment

The total amount of capital expenditures during the current fiscal year was 43,815 thousand yen, mainly consisting of the purchase of business software.

(2) Status of fund procurement, etc.

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.

(3) Status of assets, profit and loss in the current fiscal year and the three preceding fiscal years

(Unit: thousands of yen, except for per-share figures)

Classification \ Fiscal year	FY 2014 The 10th Term	FY 2015 The 11th Term	FY 2016 The 12th Term	FY 2017 The 13th Term (current)
Net sales	1,955,027	1,933,241	2,368,112	3,444,206
Operating loss	(1,303,279)	(2,551,662)	(2,127,049)	(3,947,061)
Ordinary loss	(1,110,316)	(2,630,386)	(2,316,806)	(3,976,784)
Net loss	(1,115,877)	(2,632,095)	(2,313,233)	(3,977,862)
Net loss per share (yen)	(36.26)	(81.26)	(58.82)	(79.78)
Total assets	7,453,799	4,984,289	6,878,384	4,252,284
Net assets	6,963,576	4,431,811	5,484,870	3,239,402
Net assets per share (yen)	208.80	127.56	108.61	50.00

(4) 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) Pursuit of life cycle management 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 further strengthen our human resources by providing development programs such as OJT and other trainings.

(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.

(5) Major business activities (as of December 31, 2017)

The Company regards underserved therapeutic areas that lack the development of new drugs, despite significant unmet medical needs, as business opportunities. We engage in the development of new drugs with main focus in the areas of oncology, hematology, and pain management; search and evaluation, development and manufacturing to sales are the main activities of our business.

(6) Main office and employees

(i) Main office (as of December 31, 2017)

Name	Location
Main office	Minato-ku, Tokyo

(ii) Employees (as of December 31, 2017)

Classification	Number of employees[1]	Increase or decrease from previous fiscal year end	Average age (years)	Average number of years of service
Male	56	3 (increase)	51.6	4.2
Female	22	2 (decrease)	45.4	4.8
Total or average	78	1 (increase)	49.9	4.4

(Note 1) Number of employees refers to full time employees (12 temporary staff are not included).

(7) Status of parent company and significant subsidiaries

Not applicable.

(8) Status of main lenders (as of December 31, 2017)

Not applicable.

2. Matters related to stock (as of December 31, 2017)

(1) Total number of authorized shares	Common stock	167,000,000 shares
(2) Total number of shares outstanding	Common stock	54,049,149 shares (excluding 75 shares of treasury stock)
(3) Number of shareholders		20,667

(4) Major shareholders (10 largest)

Name of shareholder	Number of shares held	Shareholding ratio
Fuminori Yoshida	3,120,000	5.8%
Cephalon, Inc.	2,589,000	4.8%
Japan Securities Finance Co., Ltd.	1,812,000	3.4%
Matsui Securities Co., Ltd.	993,800	1.8%
Daiwa Securities Co. Ltd.	853,000	1.6%
Eisai Co., Ltd.	833,400	1.5%
Waseda No.1 Investment LP	684,000	1.3%
SBI SECURITIES Co., Ltd.	595,300	1.1%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	577,700	1.1%
Rakuten Securities, Inc.	532,500	1.0%

(Note) Calculation of issued shares (%) excludes treasury stock from the number of shares outstanding.

3. Matters related to stock acquisition rights

(1) Stock acquisition rights held by the Company's Directors and Audit & Supervisory Board Members that were issued as compensation for services (as of December 31, 2017)

	The 20th series of stock acquisition rights by resolution of the Ordinary General Meeting of Shareholders on March 30, 2010	The 22nd series of stock acquisition rights by resolution of the Ordinary General Meeting of Shareholders on March 30, 2010	The 24th series of stock acquisition rights by resolution of the Ordinary General Meeting of Shareholders on March 30, 2011
Number of stock acquisition rights	3,445	1,530	1,920
Number of shares to be issued upon the exercise of stock acquisition rights	344,500	153,000	192,000
Amount paid for stock acquisition rights	None	None	None
Value of property to be contributed upon the exercise of each stock acquisition right (Note 1)	585 yen per share	585 yen per share	682 yen per share
Period in which exercise of stock acquisition rights is possible	From: April 1, 2012 To: March 31, 2020	From: April 1, 2012 To: March 31, 2020	From: March 31, 2013 To: March 30, 2021
Status of possession by Directors (excluding Outside Directors)	1,800 units (1 holder) 180,000 shares	-	1,200 units (1 holder) 120,000 shares
Status of possession by Outside Directors	300 units (1 holder) 30,000 shares	200 units (1 holder) 20,000 shares	150 units (1 holder) 15,000 shares

	The 26th series of stock acquisition rights by resolution of the Board of Directors meeting on April 17, 2012	The 30th series of stock acquisition rights by resolution of the Board of Directors meeting on May 14, 2013	The 32nd series of stock acquisition rights by resolution of the Board of Directors meeting on April 15, 2014
Number of stock acquisition rights	3,625	1,160	2,520
Number of shares to be issued upon the exercise of stock acquisition rights	362,500	116,000	252,000
Amount paid for stock acquisition rights	None	None	22,900 yen per unit (Note 2)
Value of property to be contributed upon the exercise of each stock acquisition right (Note 1)	555 yen per share	799 yen per share	1 yen per share
Period in which exercise of stock acquisition rights is possible	From: April 18, 2014 To: April 17, 2022	From: May 15, 2015 To: May 14, 2023	From: April 16, 2017 To: April 15, 2024
Status of possession by Directors (excluding Outside Directors)	2,600 units (1 holder) 260,000 shares	645 units (1 holder) 64,500 shares	1,830 units (1 holder) 183,000 shares
Status of possession by Outside Directors	324 units (1 holder) 32,400 shares	205 units (2 holders) 20,500 shares	350 units (2 holders) 35,000 shares

	The 35th series of stock acquisition rights by resolution of the Board of Directors meeting on March 26, 2015	The 37th series of stock acquisition rights by resolution of the Board of Directors meeting on March 30, 2016	The 40th series of stock acquisition rights by resolution of the Board of Directors meeting on March 29, 2017
Number of stock acquisition rights	2,042	2,365	2,800
Number of shares to be issued upon the exercise of stock acquisition rights	204,200	236,500	280,000
Amount paid for stock acquisition rights	30,600 yen per unit (Note 2)	27,200 yen per unit (Note 2)	20,300 yen per unit (Note 2)
Value of property to be contributed upon the exercise of each stock acquisition right (Note 1)	1 yen per share	1 yen per share	1 yen per share
Period in which exercise of stock acquisition rights is possible	From: March 27, 2018 To: March 26, 2025	From: March 31, 2019 To: March 30, 2026	From: March 30, 2020 To: March 29, 2027
Status of possession by Directors (excluding Outside Directors)	1,480 units (1 holder) 148,000 shares	1,490 units (1 holder) 149,000 shares	1,950 units (2 holders) 195,000 shares
Status of possession by Outside Directors	253 units (2 holders) 25,300 shares	545 units (3 holders) 54,500 shares	850 units (4 holders) 85,000 shares

(Notes) 1. New shares were issued through the public offering on December 4, 2013, and third-party allotment on December 25, 2013, at the paid-in amount less than the value of property to be contributed upon the exercise of each stock acquisition right. Therefore, the stated value of property to be contributed upon the exercise of each stock acquisition right excluding those issued for the 32nd series and thereafter is adjusted in accordance with the adjustment provision.

2. The person who receives the allotment of stock acquisition rights shall offset the amount to be paid for the relevant stock acquisition rights against cash compensation equivalent to the amount.

3. There are no stock acquisition rights held by Audit & Supervisory Board Members.

(2) Stock acquisition rights distributed to the Company's employees as compensation for services during the current fiscal year (as of December 31, 2017)

	The 41st series of stock acquisition rights by resolution of the Board of Directors meeting on March 29, 2017
Number of stock acquisition rights	4,512
Number of shares to be issued upon the exercise of stock acquisition rights	451,200
Amount paid for stock acquisition rights	20,300 yen per unit (Note 2)
Value of property to be contributed upon the exercise of each stock acquisition right	1 yen per share
Period in which exercise of stock acquisition rights is possible	From: March 30, 2020 To: March 29, 2027
Status of allotment to the Company's employees	4,512 units (71 holders) 451,200 shares

(Notes) 1. Of the stock acquisition rights mentioned above, 601 units (60,100 shares) have been forfeited due to the retirement of employees.

2. The person who receives the allotment of stock acquisition rights shall offset the amount to be paid for the relevant stock acquisition rights against cash compensation equivalent to the amount.

(3) Other important matters concerning stock acquisition rights (as of December 31, 2017)

Details of the 42nd stock acquisition rights issued by resolution of the Board of Directors meeting held on August 9, 2017 are as follows.

	The 42nd series of stock acquisition rights by resolution of the Board of Directors meeting on August 9, 2017
Number of stock acquisition rights	88,000
Number of shares to be issued upon the exercise of stock acquisition rights	8,800,000
Amount paid for stock acquisition rights	370 yen per unit
Value of property to be contributed upon the exercise of each stock acquisition right	215 yen per share
Period in which exercise of stock acquisition rights is possible	From: August 26, 2017 To: August 27, 2018

(Note) All of the stock acquisition rights mentioned above were exercised on January 22, 2018.

4. The Company's Directors and Auditors (as of December 31, 2017)

(1) Names of Directors and Audit & Supervisory Board Members

Company Position	Name	Responsibility / Significant Concurrent Position
Representative Director	Fuminori Yoshida	Chief Executive Officer
Representative Director	Kazuo Asakawa	Corporate Officer, Executive Vice President (COO) and Head of the Japan Business Unit
Director	Sumio Ariyoshi	
Director	Naoko Iino	Cuorips Inc. Representative Director
Director	George Morstyn	G&R Morstyn Pty Ltd. CEO Cooperative Research Centre for Cancer Therapeutics Member of the Board of Directors Biomedical Research Victoria Chairman Actinogen Medical Ltd. Members of the Board of Directors
Director	Milton Grannatt	ARKAY Therapeutics LLC. Member of the Board of Directors Myostin Therapeutics Pty Ltd. Members of the Board of Directors
Full-time Audit & Supervisory Board Member	Kiyoshi Watanabe	Toho Acetylene Co., Ltd. Outside Member of the Audit & Supervisory Board
Audit & Supervisory Board Member	Saneaki Ichijo	Lawyer at Anderson Mori & Tomotsune
Audit & Supervisory Board Member	Shigetoshi Matsumoto	

(Notes)1. Of the Directors, Sumio Ariyoshi, Naoko Iino, George Morstyn, and Milton Grannatt are Outside Directors.

2. Kiyoshi Watanabe, Saneaki Ichijo, and Shigetoshi Matsumoto are outside members of the Audit & Supervisory Board.

3. Kiyoshi Watanabe and Shigetoshi Matsumoto have been designated as independent officers pursuant to the provisions of the Tokyo Stock Exchange and registered as such with the Tokyo Stock Exchange.

4. Kiyoshi Watanabe has years of experience as a corporate Audit & Supervisory Board Member at listed companies, and possesses deep insight in finance and accounting.
5. Changes in Directors and Audit & Supervisory Board Members during the current fiscal year are as follows:
   - Directors Lowell Sears and George Vandeman resigned upon expiration of their terms of office at the closing of the 12th Ordinary General Meeting of Shareholders held on March 29, 2017.
   - Audit & Supervisory Board Members Takeshi Masuda and Chikara Shimazaki resigned at the closing of the 12th Ordinary General Meeting of Shareholders held on March 29, 2017.
   - Kazuo Asakawa and Sumio Ariyoshi were newly appointed as Directors at the 12th Ordinary General Meeting of Shareholders held on March 29, 2017.
   - Kiyoshi Watanabe and Shigetoshi Matsumoto were newly appointed as Audit & Supervisory Board Members at the 12th Ordinary General Meeting of Shareholders held on March 29, 2017.
6. The Company has adopted the Corporate Officer System. A Corporate Officer who does not hold a concurrent position as a Director is as follows:

Corporate Officer	Tsutomu Abe

(2) Summary of the contents of the liability limitation agreement

The Company has executed an agreement with each Director (excluding those who engage in business execution) and each member of the Audit & Supervisory Board with respect to the liability in Article 423, Paragraph 1 of the Companies Act, setting forth that director liability will be limited to the higher of 1,000,000 yen or the maximum liability amount set forth in laws and regulations in cases where the Director or member of the Audit & Supervisory Board has performed their duties in good faith and without gross negligence.

(3) Compensation of members of the Board of Directors and the Audit & Supervisory Board

Company Board	Number of Directors/Board Members Paid	Total Amount of Compensation (thousands of yen)
Board of Directors	8 (Outside: 6)	146,750 (Outside: 47,995)
Audit & Supervisory Board	5 (Outside: 5)	19,542 (Outside: 19,542)
Total	13 (Outside: 11)	166,292 (Outside: 67,537)

(Notes)1. Salary in the event of a Director doubling as an employee is not included in the above compensation for Directors.

2. The maximum amount of compensation for Directors was resolved as an annual amount of 130 million yen at the Extraordinary General Meeting of Shareholders held on August 3, 2005. In addition to the aforementioned compensation, it was resolved that compensation for Directors in the form of stock acquisition rights as stock options be granted up to a maximum annual amount of 80 million yen at the 9th Ordinary General Meeting of Shareholders held on March 27, 2014. (Of 80 million yen, 30 million yen was granted for Outside Directors, which was resolved at the 11th Ordinary General Meeting of Shareholders held on March 30, 2016.)
3. The maximum amount of compensation for Audit & Supervisory Board Members was resolved as an annual amount of 30 million yen at the Extraordinary General Meeting of Shareholders held on June 30, 2011.
4. The number of Directors/Board Members paid as stated above includes two (2) Directors and two (2) Audit & Supervisory Board Members who resigned at the closing of the 12th Ordinary General Meeting of Shareholders held on March 29, 2017.
5. The total compensation paid includes expenses (for eight (8) Directors, a total of 70,306 thousand yen) in connection with stock acquisition rights as stock options for the current fiscal year.

(4) Matters Concerning Outside Directors and outside members of the Audit & Supervisory Board

(i) Status of concurrent positions as an executive at other companies, and the relationship between such companies and the Company

Position	Name	Responsibility at the Company and significant concurrent positions
Director	Naoko Iino	Cuorips Inc. - Representative Director
Director	George Morstyn	G&R Morstyn Pty Ltd. - CEO

(Note) There are no significant transactions between any of the above companies and the Company.

(ii) Status of concurrent positions as an outside officer at other companies and the relationship between such companies and the Company

Position	Name	Responsibility and significant concurrent positions
Director	George Morstyn	Cooperative Research Centre for Cancer Therapeutics - Member of the Board of Directors Biomedical Research Victoria - Chairman Actinogen Medical Ltd. - Member of the Board of Directors
Director	Milton Grannatt	ARKAY Therapeutics LLC. - Member of the Board of Directors Myostin Therapeutics Pty Ltd. - Member of the Board of Directors
Audit & Supervisory Board Member	Kiyoshi Watanabe	Toho Acetylene Co., Ltd. - Outside Member of the Audit & Supervisory Board

(Note) There are no significant transactions between any of the above companies and the Company.

(iii) Status of main activities during the current fiscal year

Position	Name	Status of attendance at the Board of Directors meetings	Status of attendance at the Audit & Supervisory Board meetings	Opinions at the Board of Directors meetings and the Audit & Supervisory Board meetings
Director	Sumio Ariyoshi	11 out of 11 (100%)	-	Mr. Ariyoshi expressed opinions from an objective perspective independent from the Company's management engaged in business operations, leveraging his extensive knowledge and experience in senior management.
Director	Naoko Iino	15 out of 15 (100%)	-	Ms. Iino expressed opinions from an objective perspective independent from the Company's management engaged in business operations, leveraging her extensive knowledge and experience in senior management.
Director	George Morstyn	14 out of 15 (93%)	-	Dr. Morstyn expressed opinions from an objective perspective independent from the Company's management engaged in business operations, leveraging his extensiveknowledge and experience as a doctor.

Position	Name	Status of attendance at the Board of Directors meetings	Status of attendance at the Audit & Supervisory Board meetings	Opinions at the Board of Directors meetings and the Audit & Supervisory Board meetings
Director	Milton Grannatt	15 out of 15 (100%)	-	Dr. Grannatt expressed opinions from an objective perspective independent from the Company's management engaged in business operations, leveraging his extensive healthcare industry knowledge and experience.
Full-time Audit & Supervisory Board Member	Kiyoshi Watanabe	11 out of 11 (100%)	11 out of 11 (100%)	Mr. Watanabe proactively expressed opinions in an effort to fulfill his duty of supervising management from a fair and objective standpoint and to carry out highly effective audits by leveraging his extensive experience and knowledge as a corporate Audit & Supervisory Board Member at listed companies.

Position	Name	Status of attendance at the Board of Directors meetings	Status of attendance at the Audit & Supervisory Board meetings	Opinions at the Board of Directors meetings and the Audit & Supervisory Board meetings
Audit & Supervisory Board Member	Saneaki Ichijo	15 out of 15 (100%)	16 out of 16 (100%)	Mr. Ichijo proactively expressed opinions in an effort to fulfill his duty of supervising management from a neutral standpoint and to carry out highly effective audits by leveraging his expertise and extensive experience as an attorney.
Audit & Supervisory Board Member	Shigetoshi Matsumoto	11 out of 11 (100%)	11 out of 11 (100%)	Mr. Matsumoto proactively expressed opinions in an effort to fulfill his duty of supervising management from a fair and objective standpoint and to carry out highly effective audits by leveraging his audit experience at a company in the same industry as well as his knowledge and many years of experience as a corporate Audit & Supervisory Board Member.

(Notes) 1. With regard to Director Sumio Ariyoshi and Audit & Supervisory Board Members Kiyoshi Watanabe and Shigetoshi Matsumoto, their status of attendance at the meetings is calculated from the Board of Directors meetings and the Audit & Supervisory Board meetings held after their appointment in March 2017.

2. In addition to the Board of Directors meetings mentioned above, one resolution was approved by written consent without a meeting, pursuant to Article 370 of the Companies Act and Article 26, Paragraph 2 of the Articles of Incorporation of the Company.

5. Status of accounting auditor

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

(2) Summary of the contents of the liability limitation agreement
Not applicable.

(3) Amount of compensation

	Amount paid
Amount of compensation paid to the accounting auditor concerning the current fiscal year	15,500 thousand yen
Total amount of monetary and other property benefits to be paid by the Company	15,500 thousand yen

(Notes) 1. Reasons for the Audit & Supervisory Board's approval of the amount of compensation to be paid to the accounting auditor
The Audit & Supervisory Board verified the contents of the audit planning by the accounting auditor, performance of its duties in previous years, and status of planning and actual performance, and as a result of a careful review on the adequacy of the amount of compensation for this fiscal year, has approved the amount of compensation to be paid to the accounting auditor, pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act.
2. The amounts of compensation for audits paid in accordance with the Companies Act, and the audits conducted in accordance with the Financial Instruments and Exchange Act, are not distinguished in the contract agreement between the Company and the accounting auditor. It is not possible to distinguish between compensation paid for these two types of audits; therefore the total amount thereof is stated.

(4) Policies for dismissal or non-reappointment of the accounting auditor
When it is deemed necessary to dismiss (or not reappoint) the accounting auditor for reasons relating to the accounting auditor's execution of duties, the Audit & Supervisory Board shall determine the contents of a proposal to be presented to a General Meeting of Shareholders in respect of the dismissal (or non-reappointment). In addition, when the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor with the consent of all members of the Audit & Supervisory Board. If this is the case, an Audit & Supervisory

Board Member selected by the Audit & Supervisory Board shall report the dismissal of the accounting auditor and the reasons for such dismissal at the first General Meeting of Shareholders convened after the dismissal.

(5) Matters concerning suspension of business imposed on the accounting auditor during the past two years

(i) Entity on which the suspension was imposed

Ernst & Young ShinNihon LLC

(ii) Description of the suspension

- Suspension of business related to concluding new engagement contracts: three months (from January 1, 2016 to March 31, 2016)
- Order to improve business operations (improvement of the operation management system)
- Administrative surcharge payment order (in the amount of 2,111 million yen)

(iii) Reason for the suspension

- Negligence of due care in attesting to financial statements (of the Toshiba Corporation) that contained material misstatements.
- The audit firm's procedures were found to be materially deficient.

6. System to ensure the appropriateness of operations

(1) The corporate system to ensure that Directors, officers, and employees comply with laws and ordinances, as well as the Articles of Incorporation, in the process of performing their duties

(i) The Company has its Representative Director and President instill in all Directors, Audit & Supervisory Board Members, and employees, the Company's policy that any and all corporate activities must be based on compliance with laws and maintenance of ethical standards (hereinafter "Compliance") and must abide by the spirit of the Corporate Action Charter.

(ii) The Company promotes a culture of Compliance through a compliance committee comprised of the head or senior managers of relevant departments and chaired by the senior manager in charge of the corporate division.

(iii) The Company has established compliance reporting hot-lines both internal to and outside the Company, and has designated compliance liaisons to respond to requests for consultation from employees and aim to identify and resolve any unfair acts or practices at the earliest stage possible.

(iv) The Company has established an internal audit office as an independent organizational unit which conducts regular audits and acts under the direct authority of the Representative Director and President. Through such audits, objective assessments are made as to the effectiveness and efficiency of business, the reliability of various financial reports, safeguarding of assets, compliance status of operations, and the appropriateness and effectiveness of corporate risk management policies, and when necessary, the Company obtains appropriate assurances regarding the recommended improvements to the maintenance and operation of internal controls.

(v) The Company resolutely opposes antisocial forces and organizations that present a risk to the order or safety of society.

(2) Corporate system for maintenance and control of information regarding the performance of duties by Directors

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

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

The Company practices risk control under its basic risk control policy and related rules. In normal circumstances, the Company's permanent risk-management committee, which is chaired by its Representative Director and President, monitors the conditions of risk control and will take appropriate measures on a company-wide basis as necessary. In emergency situations, the Company will temporarily set up a headquarters with its Representative Director and President acting as chairman thereof, and take necessary measures in accordance with decisions made at this temporary headquarters.

(4) Corporate system to ensure the efficient performance of duties by Directors

(i) Directors, officers, and employees perform their duties pursuant to the procedural rules for appropriate decision-making under the "Rules for the Board of Directors" and "Rules for the Internal Approvals" and other related regulations.

(ii) The Company regularly holds Executive Management Committee meetings pursuant to the "Rules for the Executive Management Committee" for the purpose of contributing to sound and appropriate decision-making by the Representative Director and President.

(iii) The Company develops long-term business plans, and operates and expands its business in accordance with such long-term plans. The Company also sets quantifiable targets for each business year for inclusion in long-term plans, and evaluates business results and budget control based on these targets. The Company reports to the Board of Directors monthly on the status of achieving the targets.

(5) Assistant to Audit & Supervisory Board Members

Audit & Supervisory Board Members may request that the Representative Director and President appoint an employee to act as an assistant to Audit & Supervisory Board Members, and if deemed to be necessary, the Representative Director and President shall appoint such an assistant.

(6) Independence of employees who assist the Audit & Supervisory Board Members in executing their duties

If any employee is given instructions by an Audit & Supervisory Board Member in the performance of audit-related tasks, such employee shall not receive any instruction or direction from the Director in charge, the internal audit section or any other section, and any further instruction or direction is to be received from the Audit & Supervisory

Board Member.

(7) Ensuring the effectiveness of the Audit & Supervisory Board Members' instructions to employees

Matters such as personnel evaluation and transfer and disciplinary actions concerning the staff that assist the Audit & Supervisory Board Members shall be subject to the prior consent of the Audit & Supervisory Board.

(8) Corporate system for Directors and employees to report to the Audit & Supervisory Board; corporate system for other reports to the Audit & Supervisory Board to ensure the efficient performance of audits by the Audit & Supervisory Board

(i) Any Director or employee shall, if and when he/she becomes aware of any fact which threatens to cause any significant damage or could adversely affect the Company, promptly inform the Audit & Supervisory Board.

(ii) Audit & Supervisory Board Members may attend Board of Directors meetings, Executive Management Committee meetings, and any other important meetings for the purpose of gaining a better understanding of the decision-making process and the conditions or status of the business.

(iii) The Audit & Supervisory Board provides an opportunity for all Directors and employees having significant work responsibilities to consult on an individual basis.

(iv) The Audit & Supervisory Board holds meetings for the mutual exchange of views and opinions with the Representative Director and President, and independent Audit & Supervisory Board Members.

(9) Corporate system to prevent retaliation against a person who made a report to the Audit & Supervisory Board Members

The Company establishes a whistleblowing system with points of contact inside as well as outside the Company, as part of the framework for early detection of violations of laws or regulations, while ensuring prevention of prejudicial treatment of whistleblowers.

(10) Matters related to the treatment of expenses or obligations associated with the execution of duties of Audit & Supervisory Board Members, including the procedures for prepayment or reimbursement of such expenses

(i) With respect to a claim for prepayment of expenses based on Article 388 of the Companies Act, made by an Audit & Supervisory Board Member in association with the execution of his or her duties, the Company processes settlement of such expenses

or obligations without delay, unless such expenses or obligations are recognized as unnecessary for the execution of duties of such Audit & Supervisory Board Member based on thorough review by responsible departments.

(ii) The Company authorizes expenses for seeking opinions and advice from external experts including attorneys and certified public accountants, if it is found necessary for the Audit & Supervisory Board Members to execute their duties.

7. Summary of the status of system to ensure the appropriateness of operations

(1) The Company is striving to instill a culture of compliance across the organization through its communications with Directors and employees, and through publication of information such as the corporate compliance conduct policy and the whistleblowing system manual on the Company's intranet bulletin board.

(2) The Board of Directors of the Company is composed of six (6) Directors (including four (4) Outside Directors). Outside Directors participate in resolutions from an independent standpoint and monitor and supervise the management. Each Audit & Supervisory Board Member carries out management audits as well.

(3) Full-time Audit & Supervisory Board Members attend important meetings such as the Board of Directors meetings as well as Executive Management Committee meetings, and exchange views with the Representative Director monthly.

Balance Sheet

(As of December 31, 2017)

(Unit: thousands of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	**4,036,522**	**Current liabilities**	**1,011,490**
Cash and deposits	2,947,059	Accounts payable-trade	604,382
Accounts receivable-trade	489,874	Accounts payable-other	330,867
Merchandise and finished goods	362,514	Income taxes payable	54,813
Supplies	558	Other	21,427
Prepaid expenses	73,720	**Non-current liabilities**	**1,392**
Advances paid	18,760	Provision for retirement benefits	1,392
Consumption taxes receivable	98,440		
Forward exchange contracts	15,844		
Other	29,749		
Non-current assets	**215,761**	**Total liabilities**	**1,012,882**
		(Net assets)	
Property, plant and equipment	**46,873**	**Shareholders' equity**	**2,702,629**
Buildings	35,521	**Common stock**	**10,761,676**
Tools, furniture and fixtures	49,291	**Capital surplus**	**10,731,676**
(Accumulated depreciation)	(38,003)	Legal capital surplus	10,731,676
Construction in progress	64	**Retained earnings (Accumulated deficits)**	**(18,790,705)**
Intangible assets	**68,878**	Other retained earnings	(18,790,705)
Software	65,583	Retained earnings (Accumulated deficits) brought forward	(18,790,705)
Software in progress	3,295	**Treasury stock**	**(17)**
Investments and other assets	**100,008**	**Stock acquisition rights**	**536,772**
Shares of subsidiaries	0		
Long-term prepaid expenses	14,209		
Lease and guarantee deposits	85,799	**Total net assets**	**3,239,402**
Total assets	**4,252,284**	**Total liabilities and net assets**	**4,252,284**

(Note) Amounts less than one thousand yen have been omitted.

Statement of Operations

(From January 1, 2017 to December 31, 2017)

(Unit: thousands of yen)

Item	Amount	
I. Net sales		**3,444,206**
II. Cost of goods sold		**2,412,940**
Gross profit		**1,031,266**
III.Selling, general and administrative expenses		**4,978,327**
Operating loss		**(3,947,061)**
IV. Non-operating income		
Interest income	3,092	
Dividend income from insurance	1,339	
Other	75	4,506
V. Non-operating expenses		
Commission fees	9,090	
Stock issuance costs	14,477	
Foreign exchange loss	10,421	
Other	240	34,229
Ordinary loss		**(3,976,784)**
VI. Extraordinary gain		
Gain on reversal of stock acquisition rights	17,414	17,414
VII. Extraordinary loss		
Impairment loss	14,692	14,692
Loss before income taxes		**(3,974,062)**
Income taxes – current	3,800	3,800
Net loss		**(3,977,862)**

(Note) Amounts less than one thousand yen have been omitted.

Statement of Changes in Net Assets

(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	Other retained earnings: Retained earnings (Accumulated deficits) brought forward		
Balance at the beginning of year	9,948,298	9,918,298	(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			1,626,756
Net loss			(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	(3,977,862)	–	(2,351,105)
Balance at the end of year	10,761,676	10,731,676	(18,790,705)	(17)	2,702,629

	Stock acquisition rights	Total net assets
Balance at the beginning of 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 year	536,772	3,239,402

(Note) Amounts less than one thousand yen have been omitted.

Notes on Financial Statements

(Significant accounting policies)

(1) Valuation basis and method of assets

Marketable and investment securities

Shares of subsidiaries	Shares of subsidiaries are stated at cost determined by the moving average method.
Available-for-sale securities	
Available-for-sale securities with determinable market value	Available-for-sale securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of applicable income taxes, included directly in shareholders' equity. Cost of securities sold is calculated by the moving-average method.
Available-for-sale securities without determinable market value	Available-for-sale securities without determinable market value are stated at cost determined by the moving-average method.
Derivative transactions	Derivative financial instruments are stated at fair value.
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.

(2) Depreciation of non-current assets

Property, plant and equipment (excluding lease assets)	Straight-line method The useful lives of major property, plant and equipment are summarized as follows:	
	Building	3 to 18 years
	Tools, furniture and fixtures	5 to 15 years
Intangible assets (excluding lease assets)	Straight-line method Capitalized software costs are being amortized over the period of the internal use of 5 years.	
Lease assets	Depreciation of lease assets is computed by the straight-line method over the lease term with no residual value.	

(3) Deferred assets

Stock issuance costs and bond issuance costs	Stock issuance costs and bond issuance costs are charged to income when incurred.

(4) Foreign currency translation

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

(5) Basis for reserves and provisions

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.
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.

(6) Accounting for consumption taxes

Transactions are recorded at amounts exclusive of consumption taxes.

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred tax Assets)

The Company has applied "Implemenation 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.

(Notes on balance sheet)

Monetary assets receivable from subsidiaries are as follows.

Short-term monetary assets receivable 466 thousand yen

(Notes on statement of operations)

R&D expenses included in general and administrative expenses 3,017,812 thousand yen

(Notes on statement of changes in net assets)

(1) Shares issued and outstanding / Treasury stock

(Unit: number of shares)

		At the beginning of the year	Increase	Decrease	At the end of the year
Common stock	Shares issued	46,530,824	7,518,400	-	54,049,224
	Treasury stock	75	-	-	75

(Note) The increase of 7,518,400 shares in common stock is due to exercise of stock acquisition rights.

(2) Number of shares to be issued upon exercise of stock acquisition rights issued at the end of the current fiscal year

Common stock 10,065,175 shares

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

(Notes on deferred tax accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets:	(thousands of yen)
Excess depreciation for lump-sum depreciable assets	2,125
Excess amortization for deferred assets	1,080,219
Research and development expenses	735,170
Accounts payable-other	1,189
Provision for retirement benefits	426
Enterprise tax payable	16,329
Asset retirement obligation	933
Share-based compensation expense	127,971
Impairment loss	3,653
Loss carried forward	2,925,912
Subtotal	4,893,931
Valuation allowance	(4,893,931)
Total deferred tax assets	–

(Notes on financial instruments)

(1) Financial instruments

(i) 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.

(ii) 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, such 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.

(iii) Risk management for financial instruments

1. 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.

2. 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.

3. 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.

(iv) 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.

(v) 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 value and their difference as of December 31, 2017 are as follows.

(Unit: thousands of yen)

	Carrying value	Fair value	Difference
(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.

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

Assets

(1) Cash and deposits, (2) Accounts receivable-trade 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

Forward exchange contract

The fair value of forward exchange contracts is measured based on market quotes obtained from financial institutions.

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

Lease and guarantee deposits (carrying value of 85,799 thousand yen) are not included in the above tables since no market quote is available and their fair value is extremely difficult to determine.

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

(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	–	–	–

(Notes on per-share information)

(1) Net assets per share	50.00 yen
(2) Net loss per share	(79.78) yen
Average number of shares outstanding during the year	49,857,917 shares

(Other notes)

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 the current fiscal year is as follows:

(Unit: thousands of yen)

Total amounts of bank overdraft limit and loan commitment line	1,350,000
Balance of borrowing outstanding	–
Unused balance	1,350,000

(Significant subsequent events)

None to be reported.

Independent Auditor's Report

February 26, 2018
The Board of Directors
SymBio Pharmaceuticals Limited

Ernst & Young ShinNihon LLC

Hironao Yazaki
Certified Public Accountant
Designated and Engagement Partner

Kazuto Shiratori
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of SymBio Pharmaceuticals Limited (the "Company") applicable to the 13th fiscal year from January 1, 2017 through December 31, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of SymBio Pharmaceuticals Limited applicable to the 13th fiscal year ended December 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Report of the Audit & Supervisory Board

We, Audit & Supervisory Board Members, prepare this report of audit with regard to the execution of Directors' duties during the 13th Term of the Company from January 1, 2017 to December 31, 2017, as the unanimous opinion of all the Audit & Supervisory Board Members after careful discussion based on the audit reports prepared by respective Audit & Supervisory Board Members, and report as follows.

1. Method and Contents of the Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board formulated the audit policy and plan for the Term reported, and received reports from the respective Audit & Supervisory Board Members with regard to the state of implementation and results of audits as well as received the reporting from Directors and the accounting auditor with regard to the state of execution of their duties, and requested additional explanations as deemed necessary.

The respective Audit & Supervisory Board Members, in conformity with the standards for audits by Audit & Supervisory Board Members that the Audit & Supervisory Board set forth and in accordance with the audit policy and plan for the Term, strove to collect information and improve audit environments by communicating with Directors, the internal audit section, and other employees. We also attended Board of Directors meetings and other important meetings, received the reporting from Directors and employees with regard to the state of execution of their duties, requesting additional explanations as deemed necessary, reviewed documents for important settlements, and researched the situation of operations and assets. Moreover, with regard to the system to ensure that the execution of Directors' duties described in the business report was compliant with laws and ordinances and the Company's Articles of Incorporation and other systems required to secure the appropriateness of operations as a stock company maintained based on the contents of resolution by the Board of Directors with regard to the maintenance of systems stipulated by the Ordinance for Enforcement of Article 100, Paragraph 1 and 3 of the Companies Act (hereinafter the "Internal Control System"), we received reporting on the status of their establishment and operation from Directors and employees, requested additional explanation as deemed necessary, and expressed our opinion. Based on the method described above, we reviewed the business report and supplementary documents with regard to the Term reported.

In addition, we monitored and inspected the independent position of the accounting auditor and the execution of appropriate audits by the accounting auditor, and also received the reporting from the accounting auditor with regard to the state of execution of its duties, requesting

additional explanation as deemed necessary. Furthermore, we received the notification from the accounting auditor that "the system to ensure that its duties are executed as appropriate (the items listed by the respective paragraphs of Article 131 of the Ordinance on the Accounting of Companies)" is maintained in accordance with "the standards for quality control of audits (Business Accounting Council, October 28, 2005)," requesting additional explanation as deemed necessary. Based on the method described above, we reviewed the financial report (including balance sheet, statement of operations, statement of changes in net assets, and notes on non-consolidated financial statements) and supplementary statements for the Term reported.

2. Results of audit

(1) Results of the audit of the business report

a. The business report and supplementary statements fairly present the Company's situation in accordance with laws and ordinances and the Company's Articles of Incorporation.

b. No misconduct in the execution of Directors' duties or any material facts in violation of laws or ordinances or the Company's Articles of Incorporation was observed.

c. The contents of resolution by the Board of Directors with regard to the Internal Control System are appropriate. Also, there is no matter to be noted as for the descriptions in the business report regarding such Internal Control System and the execution of Directors' duties.

(2) Results of the audit of the financial statements and related supplementary statements

The method used to conduct and the result of the audit conducted by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

February 26, 2018

Audit & Supervisory Board,

SymBio Pharmaceuticals Limited

Kiyoshi Watanabe, (seal)
Full-time Audit & Supervisory Board Member (Outside)

Saneaki Ichijo, (seal)
Audit & Supervisory Board Member (Outside)

Shigetoshi Matsumoto, (seal)
Audit & Supervisory Board Member (Outside)

End of Report

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