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November 14, 2017

**Consolidated Financial Results for the Nine Months of
the Fiscal Year Ending December 31, 2017
(under IFRS)**

Company name: Solasia Pharma K.K.
 Listing: Tokyo Stock Exchange
 Securities code: 4597
 URL: <https://www.solasia.co.jp/en/>
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Scheduled date to file quarterly securities report: November 14, 2017

Scheduled date to commence dividend payments: –

Preparation of supplementary material on quarterly financial results: None

Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
September 30, 2017	409	103.4	(424)	–	(430)	–	(411)	–
September 30, 2016	201	–	(455)	–	(470)	–	(458)	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended						
September 30, 2017	(411)	–	(411)	–	(5.11)	(5.11)
September 30, 2016	(458)	–	(459)	–	(17.46)	(17.46)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2017	6,997	6,804	6,804	97.2	77.54
December 31, 2016	3,704	3,433	3,433	92.7	53.14

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2016	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2017	–	0.00	–		
Fiscal year ending December 31, 2017 (Forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2017	423	(15.6)	(1,787)	–	(1,793)	–	(1,798)	–	(1,798)	–	(23.36)

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2017	87,753,903 shares
As of December 31, 2016	64,608,303 shares

2) Number of treasury shares at the end of the period

As of September 30, 2017	– shares
As of December 31, 2016	– shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the nine months ended September 30, 2017	80,426,425 shares
For the nine months ended September 30, 2016	38,963,233 shares

* Quarterly consolidated financial results reports are not subject to quarterly review procedures by the Company's independent auditor.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ from the statements herein due to various factors.

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1. Qualitative information regarding results for the nine months

(1) Explanation of operating results

1) Overview of results

Operating results

(Thousands of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017	Year-on-year
Revenue	201,319	409,507	208,187
Gross profit	201,319	409,507	208,187
Operating profit (loss)	(455,950)	(424,459)	31,490
Profit (loss)	(458,211)	(411,394)	46,817

In the nine months ended September 30, 2017, Solasia Pharma K.K. (the “Company”) and its group company (collectively, the “Group”) have been focusing on strengthening the drug development pipeline and commercializing products, through efforts centered on conducting clinical trials. We achieved a certain amount of progress with respect to the development pipeline as described below in section “3) Research and development activities,” but continue making upfront investment amid a situation where we still have an absence of products on the market. Amid these circumstances, our financial performance during the nine months ended September 30, 2017, was as follows.

[Revenue, gross profit]

During the nine months ended September 30, 2017, pipeline product SP-03 generated 400,000 thousand yen in milestone payments owing to manufacturing/marketing approval we obtained in Japan, and pipeline product SP-01 generated net proceeds on product sales of 9,507 thousand yen. Consequently, there was revenue and gross profit of that same amount. Revenue in the nine months ended September 30, 2016 was mainly attributable to 200,000 thousand yen in milestone payments generated by pipeline product SP-02. Revenue and gross profit both increased by 208,187 thousand yen year on year.

[Operating profit (loss)]

In the nine months ended September 30, 2017, we incurred an operating loss of 424,459 thousand yen, which is a decrease of 31,490 thousand yen year on year. In addition to gross profit having remained at aforementioned levels, the operating loss is attributable both to having posted 391,058 thousand yen in research and development expenses which are a component of development investment undertaken to enhance pipeline development, and to having posted 442,908 thousand yen in selling, general and administrative expenses incurred for establishing a framework geared to promoting such development and to the Company’s initial public offering. The breakdown of selling, general and administrative expenses are as presented in the table titled, “Breakdown of research and development expenses and selling, general and administrative expenses.”

[Profit (loss)]

In the nine months ended September 30, 2017, we incurred an overall loss of 411,394 thousand yen mainly as a consequence of having posted the aforementioned operating loss.

Breakdown of research and development expenses and selling, general and administrative expenses

(Thousands of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017	Year-on-year
Research and development expenses	354,767	391,058	36,290
Selling, general and administrative expenses	302,502	442,908	140,406
Total	657,270	833,967	176,696
(Breakdown)			
Personnel expenses	165,836	201,831	35,994
Outsourcing expenses	382,239	487,958	105,718
Other	109,193	144,177	34,983

[Research and development expenses, selling, general and administrative expenses]

In the nine months ended September 30, 2017, research and development expenses amounted to 391,058 thousand yen, which is an increase of 36,290 thousand yen year on year. This amount is mainly attributable to expenses incurred for multinational phase II clinical study (pivotal study) of SP-02. Selling, general and administrative expenses amounted to 442,908 thousand yen, which is an increase of 140,406 thousand yen year on year, as a result of strengthening corporate structure.

[Capitalized costs included in intangible assets]

In the nine months ended September 30, 2017, there was a 374,435 thousand yen increase recorded in intangible assets attributable to development costs and in-licensing expenses recognized as assets among pipeline investment outlays. In the nine months ended September 30, 2017, pipeline investment amounted to 765,493 thousand yen in total, which consists of the 374,435 thousand yen in intangible assets derived from capitalization of such outlays and 391,058 thousand yen in research and development expenses. The balance of intangible assets amounted to 2,949,891 thousand yen as of September 30, 2017.

2) Cash flows

(Thousands of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017	Year-on-year
Net cash provided by (used in) operating activities	(568,371)	(522,932)	45,438
Net cash provided by (used in) investing activities	(526,240)	(397,976)	128,264
Net cash provided by (used in) financing activities	(198)	3,781,984	3,782,182

[Cash flows from operating activities]

During the nine months ended September 30, 2017, net cash used in operating activities amounted to 522,932 thousand yen (in comparison with net cash used in operating activities of 568,371 thousand yen during the nine months ended September 30, 2016), which was mainly attributable to loss before tax of 430,457 thousand yen.

[Cash flows from investing activities]

During the nine months ended September 30, 2017, net cash used in investing activities amounted to 397,976 thousand yen (in comparison with net cash used in investing activities of 526,240 thousand yen during the nine months ended September 30, 2016), which was mainly attributable to 377,958 thousand yen in outflows related to capitalized development investment.

[Cash flows from financing activities]

During the nine months ended September 30, 2017, net cash provided by financing activities amounted to 3,781,984 thousand yen (in comparison with net cash used in financing activities of 198 thousand yen during the nine months ended September 30, 2016), which was mainly attributable to 3,782,182 thousand yen in proceeds from issuance of new shares associated with initial public offering, etc.

3) Research and development activities

In the nine months ended September 30, 2017, research and development expenses amounted to 391,058 thousand yen. In addition, there was a 374,435 thousand yen increase recorded in intangible assets attributable to SP-01 and SP-03 development costs which have been recognized as assets from among pipeline investment outlays. Meanwhile, during the nine months ended September 30, 2017, total pipeline investment amounted to 765,493 thousand yen, and the balance of intangible assets amounted to 2,949,891 thousand yen as of September 30, 2017.

Details regarding progress achieved with pipeline products are as follows.

■ SP-01 Sancuso®

Granisetron transdermal delivery system

Indication: Chemotherapy-induced nausea and vomiting

Company's rights: China (including Hong Kong and Macau), Taiwan, Malaysia and Singapore

Licensee of commercial rights, etc.:

- China rights (excluding Beijing, Shanghai and Guangzhou) Lee's Pharmaceutical (HK) Limited
- Rights for Hong Kong, Macau, Taiwan, Malaysia and Singapore Kyowa Hakko Kirin Co., Ltd.

Status of development and commercialization:

- China Phase III clinical study completed, application for approval filed and pending approval (filed in June 2014)

■ SP-02 darinaparsin

Mitochondria-targeted apoptosis inducer

Indication: Peripheral T-cell lymphoma

Company's rights: Worldwide rights

Licensee of commercial rights, etc.:

- Japan rights Meiji Seika Pharma Co., Ltd.

Status of development and commercialization:

- Japan, Korea, Taiwan and Hong Kong Multinational phase II clinical study (final clinical study) in progress
- U.S. Phase II clinical study completed (conducted by licensor ZIOPHARM Oncology, Inc.)

■ SP-03 episil[®]

Substance for covering oral lesions

Indication: Mechanically acts for the protection and relief of oral pain associated with oral mucositis/stomatitis and other inflammatory conditions of the mouth caused by chemotherapy and radiotherapy

Company's rights: Japan and China (including Hong Kong and Macau)

Licensee of commercial rights, etc.:

- Japan rights Meiji Seika Pharma Co., Ltd.
- China rights (excluding Beijing, Shanghai and Guangzhou) Lee's Pharmaceutical (HK) Limited

Status of development and commercialization:

- Japan Development completed, approved (approval obtained in July 2017)
- China Development completed, application for approval filed and pending approval (filed in May 2016)

(2) Explanation of financial position

As of September 30, 2017, total assets amounted to 6,997,986 thousand yen, for an increase of 3,292,990 thousand yen in comparison with assets held at the end of the previous fiscal year. Current assets amounted to 4,022,029 thousand yen, which includes 3,897,870 thousand yen in cash and cash equivalents. Non-current assets amounted to 2,975,957 thousand yen, which includes 2,949,891 thousand yen in intangible assets constituting the capitalized amount of development investment.

As of September 30, 2017, total liabilities amounted to 193,518 thousand yen, for a decrease of 78,008 thousand yen in comparison with liabilities held at the end of the previous fiscal year. Current liabilities amounted to 168,791 thousand yen, which includes 135,769 thousand yen in trade and other payables. Non-current liabilities amounted to 24,727 thousand yen, which mainly consists of 23,957 thousand yen in deferred tax liabilities.

As of September 30, 2017, total equity amounted to 6,804,467 thousand yen, for an increase of 3,370,999 thousand yen in comparison with equity held at the end of the previous fiscal year. The increase was mainly attributable to issuance of new shares amounting to 3,782,182 thousand yen.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The consolidated earnings forecasts are unchanged from the forecasts announced on March 24, 2017.

2. Condensed quarterly consolidated financial statements and significant notes thereto

(1) Condensed consolidated statement of financial position

(Thousands of yen)

	As of December 31, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	1,038,996	3,897,870
Trade and other receivables	1,628	16,717
Inventories	67,685	93,291
Other current assets	14,755	14,148
Total current assets	1,123,066	4,022,029
Non-current assets		
Property, plant and equipment	1,236	1,024
Intangible assets	2,575,456	2,949,891
Other non-current assets	5,236	25,041
Total non-current assets	2,581,928	2,975,957
Total assets	3,704,995	6,997,986
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	199,596	135,769
Other current liabilities	27,447	33,021
Total current liabilities	227,044	168,791
Non-current liabilities		
Deferred tax liabilities	43,020	23,957
Other non-current liabilities	1,461	769
Total non-current liabilities	44,482	24,727
Total liabilities	271,526	193,518
Equity		
Share capital	4,053,384	5,962,977
Capital surplus	3,929,039	5,801,628
Retained earnings	(4,546,179)	(4,957,574)
Other components of equity	(2,775)	(2,563)
Total equity	3,433,468	6,804,467
Total liabilities and equity	3,704,995	6,997,986

(2) Condensed consolidated statement of profit or loss

(Thousands of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Revenue	201,319	409,507
Cost of sales	—	—
Gross profit	201,319	409,507
Research and development expenses	354,767	391,058
Selling, general and administrative expenses	302,502	442,908
Operating profit (loss)	(455,950)	(424,459)
Finance income	304	114
Finance costs	14,648	6,112
Other income	3	0
Profit (loss) before tax	(470,290)	(430,457)
Income taxes	(12,079)	(19,063)
Profit (loss)	(458,211)	(411,394)
Profit (loss) attributable to:		
Owners of parent	(458,211)	(411,394)
Earnings (loss) per share		
Basic earnings (loss) per share [yen]	(17.46)	(5.11)
Diluted earnings (loss) per share [yen]	(17.46)	(5.11)

(3) Condensed consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Profit (loss)	(458,211)	(411,394)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,746)	211
Subtotal	(1,746)	211
Total other comprehensive income	(1,746)	211
Comprehensive income	(459,957)	(411,182)
Comprehensive income attributable to:		
Owners of parent	(459,957)	(411,182)

(4) Condensed consolidated statement of changes in equity

(Thousands of yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity	Total equity
Balance at January 1, 2016	2,571,868	2,499,595	(4,071,743)	(878)	998,842
Comprehensive income					
Profit (loss)	–	–	(458,211)	–	(458,211)
Other comprehensive income	–	–	–	(1,746)	(1,746)
Total comprehensive income	–	–	(458,211)	(1,746)	(459,957)
Balance at September 30, 2016	2,571,868	2,499,595	(4,529,954)	(2,624)	538,884
Balance at January 1, 2017	4,053,384	3,929,039	(4,546,179)	(2,775)	3,433,468
Comprehensive income					
Profit (loss)	–	–	(411,394)	–	(411,394)
Other comprehensive income	–	–	–	211	211
Total comprehensive income	–	–	(411,394)	211	(411,182)
Transactions with owners					
Issuance of new shares	1,902,248	1,865,605	–	–	3,767,854
Exercise of share acquisition rights	7,344	6,983	–	–	14,327
Total transactions with owners	1,909,593	1,872,588	–	–	3,782,182
Balance at September 30, 2017	5,962,977	5,801,628	(4,957,574)	(2,563)	6,804,467

(5) Condensed consolidated statement of cash flows

(Thousands of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Cash flows from operating activities		
Profit (loss) before tax	(470,290)	(430,457)
Depreciation	693	424
Finance income	(304)	(114)
Finance costs	14,648	6,112
Decrease (increase) in trade and other receivables	(237)	(15,272)
Decrease (increase) in inventories	(67,685)	(25,606)
Increase (decrease) in trade and other payables	(44,582)	(60,073)
Other	(916)	1,939
Subtotal	<u>(568,676)</u>	<u>(523,047)</u>
Interest received	304	114
Net cash provided by (used in) operating activities	<u>(568,371)</u>	<u>(522,932)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(212)
Purchase of intangible assets	(526,282)	(377,958)
Other	41	(19,805)
Net cash provided by (used in) investing activities	<u>(526,240)</u>	<u>(397,976)</u>
Cash flows from financing activities		
Proceeds from issuance of new shares	-	3,782,182
Other	(198)	(198)
Net cash provided by (used in) financing activities	<u>(198)</u>	<u>3,781,984</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,094,810)</u>	<u>2,861,074</u>
Cash and cash equivalents at beginning of period	<u>2,099,547</u>	<u>1,038,996</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(12,281)</u>	<u>(2,200)</u>
Cash and cash equivalents at end of period	<u><u>992,455</u></u>	<u><u>3,897,870</u></u>

(6) Notes to condensed quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

3. Significant events regarding premise of going concern

The Group is in the business of engaging in research, development and ultimately sales of pharmaceuticals and other such products. Our research and development with respect to pharmaceuticals and other such products requires substantial upfront investment along with a medium- to long-term time horizon. Consequently, securing profits and recovering invested funds also entails considerable periods of time. As it now stands, we have yet to commercially launch a pipeline product, and consequently our overall business remains at the upfront investment stage. Therefore, our operations continue to incur negative earnings, net operating cash outflows, and a retained earnings deficit.

Upfront investment made thus far has enabled us to maintain a portfolio of pipeline products in the late stages of the commercialization process therefor, including a pipeline product that has obtained approval from the regulatory authorities, pipeline products whose application have been submitted to the authorities for approval, and pipeline products for which proof of concept (POC) has been confirmed. Moreover, we have been raising funds on the basis of positive assessments of progress that has been achieved with respect to developing such products. We issued new shares at the initial public offering in March 2017, and as such have secured operating funds sufficient for the time being. Going forward, we plan to further improve our financial status by getting products approved and placing them on the market. However, given uncertainties with respect to product launches, the Group's financial status and business performance could be substantially affected where product development and commercialization fails to make progress as planned.

Having analyzed and reviewed the operating environment as presented above, the Company finds no significant uncertainty regarding the premise of going concern.