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February 13, 2020

Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (under IFRS)

Company name: Solasia Pharma K.K.
Listing: Tokyo Stock Exchange
Securities code: 4597
URL: https://www.solasia.co.jp/en/
Representative: Yoshihiro Arai, President and Chief Executive Officer
Contact: Toshio Miyashita, Chief Financial Officer, Director
TEL: +81-3-5843-8049
Scheduled date of ordinary general meeting of shareholders: March 30, 2020
Scheduled date to commence dividend payments: –
Scheduled date to file annual securities report: March 30, 2020
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	1,310	311.1	(1,762)	–	(1,797)	–	(1,867)	–
December 31, 2018	318	(22.4)	(2,420)	–	(2,445)	–	(2,422)	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
December 31, 2019	(1,867)	–	(1,868)	–	(17.75)	(17.75)
December 31, 2018	(2,422)	–	(2,423)	–	(25.98)	(25.98)

	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
Fiscal year ended	%	%	%
December 31, 2019	(26.7)	(22.9)	(134.5)
December 31, 2018	(36.4)	(34.0)	(759.3)

(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
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2019	7,946	6,917	6,917	87.0	59.43
December 31, 2018	7,728	7,087	7,087	91.7	67.69

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2019	(828)	(735)	1,641	4,116
December 31, 2018	(2,323)	(256)	3,260	4,046

2. Cash dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2018	–	0.00	–	0.00	0.00	0	0.0	0.0
Fiscal year ended December 31, 2019	–	0.00	–	0.00	0.00	0	0.0	0.0
Fiscal year ending December 31, 2020 (Forecast)	–	0.00	–	0.00	0.00		0.0	

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(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 31,2020	500 ~ 2,000	(61.8) ~ 52.6	(2,900) ~ (2,000)	– ~ –	(2,900) ~ (2,000)	– ~ –	(2,900) ~ (2,000)	– ~ –	(2,900) ~ (2,000)	– ~ –	(24.91) ~ (17.18)

* 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: Yes
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 December 31, 2019	116,835,795 shares
As of December 31, 2018	105,022,169 shares

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

As of December 31, 2019	440,000 shares
As of December 31, 2018	320,000 shares

3) Average number of shares during the period

Fiscal year ended December 31, 2019	105,200,395 shares
Fiscal year ended December 31, 2018	93,238,825 shares

(**Reference) Summary of Non-consolidated Results**

1. Non-Consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Non-Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	1,310	311.1	(2,150)	–	(2,203)	–	(2,204)	–
December 31, 2018	318	(22.4)	(2,476)	–	(2,531)	–	(2,532)	–

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
December 31, 2019	(20.96)	(20.96)
December 31, 2018	(27.16)	(27.16)

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal year ended	Millions of yen	Millions of yen	%	yen
December 31, 2019	4,365	3,465	79.4	29.77
December 31, 2018	4,589	3,970	86.5	37.92

(Reference) Shareholders' equity: Fiscal year ended December 31, 2019: 3,465millions of yen
: Fiscal year ended December 31, 2018: 3,970millions of yen

* Consolidated financial results reports are not subject to audit procedures by the Company's independent auditor.

* Proper use of earnings forecasts, and other special matters

For the Group's consolidated earnings forecasts contained in these materials, disclosure is made with a range because it is difficult to estimate specific figures.

The forecasts are based on judgments and assumptions derived from information available to the Company as of the date of disclosure of these materials, and actual results may differ from such forecasts due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to the section of "(3) Future outlook" on page 5 of the attached material.

In the past, the Company posted amounts for the line items in its consolidated financial statements and other matters in thousands of yen. From the first three months under review, we have changed this notation to millions of yen.

The Company plans to hold a financial results presentation meeting for institutional investors and analysts on Friday, February 14, 2020.

The materials used at this meeting shall be posted on the Company's website promptly after the meeting is held.

[Attached Material]

Index

1. Overview of operating results

(1) Overview of operating results for the fiscal year ended December 31, 2019

1) Overview of results

Operating results

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Year-on-year
Revenue	318	1,310	991
Gross profit	105	1,244	1,139
Operating profit (loss)	(2,420)	(1,762)	657
Profit (loss)	(2,422)	(1,867)	554

In the fiscal year ended December 31, 2019, Solasia Pharma K.K. (the “Company”) and its group company (collectively, the “Group”) have been focusing on strengthening the drug pipeline, through efforts centered on conducting clinical trials. In China, we launched (provided to clinical sites) Sancuso®(SP-01) in March 2019, and episil®(SP-03; launched in Japan in 2018) in July 2019 following approval from the regulatory authority in February 2019. In South Korea, we received approval for episil®(SP-03) in October 2019.

Aside from products that have been successfully commercialized, two pipeline products reached the final stages of clinical development. Patient registration reached the target number of cases for the Phase II clinical trial (pivotal study) of our pipeline product SP-02 in September 2019, and for the POLAR-A study (one of two studies) of the Phase III clinical trials of our pipeline product SP-04 in December 2019. Further, we updated our license agreement for pipeline product SP-04 to explore indication expansion to chemotherapy-induced peripheral neuropathy (CIPN) caused by cancer chemotherapy other than oxaliplatin in October 2019, and entered into an exclusive out-licensing agreement for commercialization of SP-04 in Japan with Maruho Co., Ltd. in December 2019. Under the agreement, Maruho will commercialize the product exclusively in Japan after development is completed.

We achieved a certain amount of progress with respect to the aforementioned development pipeline. On the financial front, however, we continue making up-front investments, as product sales have just entered the initial stages. Given these circumstances, our financial performance during the fiscal year ended December 31, 2019, was as follows.

[Revenue, gross profit]

In the fiscal year ended December 31, 2019, revenue totaled 1,310 million yen, up 991 million yen from the preceding fiscal year. The growth mainly reflected a lump-sum contract payment of 1,000 million yen from the out-licensing of exclusive sales rights for SP-04 in Japan, and revenue from product sales of Sancuso® and episil®. In addition, gross profit amounted to 1,244 million yen, up 1,139 million yen from the preceding fiscal year. The increase was attributable to the aforementioned growth in revenue.

Breakdown of R&D and SG&A expenses

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Year-on-year
R&D expenses	1,463	1,138	(325)
SG&A expenses	1,061	1,868	806
Total	2,525	3,006	481

(Breakdown) Personnel expenses	484	648	163
Outsourcing expenses / Subcontract expenses	1,515	1,415	(100)
Depreciation and amortization of intangible assets	153	475	321
Other	372	468	96

[R&D expenses, SG&A expenses, Operating profit (loss)]

R&D expenses amounted to 1,138 million yen. This amount is mainly attributable to expenses incurred for a phase II clinical study (pivotal study) of SP-02 and a phase III clinical study (pivotal study) of SP-04. SG&A expenses amounted to 1,868 million yen, up 806 million yen year on year, as a result of building of an independent sales structure in China by strengthening organization of personnel and amortization of intangible assets.

The Company incurred an operating loss of 1,762 million yen, which is a decrease of 657 million yen year on year.

[Profit (loss)]

The Company incurred an overall loss of 1,867million yen, mainly as a consequence of having posted the aforementioned operating loss.

[Capitalized costs included in intangible assets]

The Group posted a 780 million yen increase in intangible assets attributable to development costs and in-licensing expenses recognized as assets among pipeline investment outlays. In the fiscal year ended December 31, 2019, pipeline investment amounted to 1,919 million yen. This figure includes the 780 million yen in intangible assets derived from capitalization of such outlays and 1,138 million yen in R&D expenses. However, a June 2019 products shipment triggered the amortization of intangible assets related to the Chinese business for pipeline product episil®(SP-03). Also, the amortization of intangible assets related to the Japanese business for pipeline product episil®(SP-03) and of intangible assets related to pipeline product Sancuso®(SP-01) started in the previous year. The amortization amounted 418 million yen. As a result, the balance of intangible assets was 3,485 million yen as of December 31, 2019.

(Forecast versus actual results)

(Millions of yen)

	Forecast for the fiscal year ended December 31, 2019	Results for the fiscal year ended December 31, 2019	Difference between forecast and actual
Revenue	500–1,700	1,310	810–(390)
Operating profit (loss)	(3,000)–(2,000)	(1,762)	1,237–237
Profit (loss) before tax	(3,000)–(2,000)	(1,797)	1,202–202
Profit (loss)	(3,000)–(2,000)	(1,867)	1,132–132

Mainly supported by a lump-sum contract payment from the out-licensing of exclusive sales rights for SP-04 in Japan and by revenue from product sales of Sancuso® and episil®, revenue finished within our forecast range (500–1,700 million yen) at 1,310 million yen.

The operating loss, loss before tax, and loss all came in below our respective forecast ranges (3,000–2,000 million yen) due to lower-than-expected R&D expenses mainly because the conclusion of the Phase II clinical trial (pivotal study) for SP-02 fell behind schedule and was pushed back to 2020.

2) Cash flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Year-on-year
Net cash provided by (used in) operating activities	(2,323)	(828)	1,494
Net cash provided by (used in) investing activities	(256)	(735)	(479)
Net cash provided by (used in) financing activities	3,260	1,641	(1,619)

[Cash flows from operating activities]

Net cash used in operating activities amounted to 828 million yen (compared with 2,323 million yen in net cash used in these activities in the corresponding period of the previous fiscal year), which was mainly attributable to loss before tax of 1,797 million yen (negative factor) and amortization of intangible assets of 418 million yen (positive factor).

[Cash flows from investing activities]

Net cash used in investing activities amounted to 735 million yen (down from 256 million yen used in these activities in the corresponding period of the previous fiscal year), mainly attributable to 730 million yen in outflows related to capitalized development investment.

[Cash flows from financing activities]

Net cash provided by financing activities amounted to 1,641 million yen (down from 3,260 million yen provided by these activities in the same period of the previous year). This figure was mainly attributable to 1,704 million yen in proceeds from issuance of new shares by third-party allocation, etc.

3) Research and development activities

R&D expenses amounted to 1,138 million yen. In addition, the Company recorded a 780 million yen increase in intangible assets attributable to development costs, which have been recognized as assets from among pipeline investment outlays. Meanwhile, total pipeline investment amounted to 1,919 million yen.

Summaries regarding progress achieved with pipeline products are as follows.

	As of January 1, 2019	Fiscal year ended December 31, 2019	As of today
SP-01 Sancuso® China	Preparing for launch	Launch (in March 2019)	Ongoing sale
SP-02 darinaparsin Japan etc.	Multinational phase II clinical study (final clinical study) in progress	Multinational phase II clinical study (final clinical study) in progress; Completion of subject-enrollment	Multinational phase II clinical study (final clinical study) in progress; Completion of subject-enrollment
SP-03 episil® Japan	Ongoing sale	Ongoing sale	Ongoing sale
SP-03 episil® China	Application for approval filed	Obtained approval (in February 2019), Launch (in July 2019)	Ongoing sale

SP-04 PledOx® Japan etc.	Multinational phase III clinical study (final clinical study) in progress	Multinational phase III clinical study (completion of subject-enrollment for POLAR-A study) in progress	Multinational phase III clinical study (completion of subject-enrollment for POLAR-A study) in progress

Details regarding progress achieved with pipeline products are please refer to today's news release, entitled "Business Overview of Pipeline Products".

(2) Overview of financial position for the fiscal year ended December 31, 2019

As of December 31, 2019, total assets amounted to 7,946 million yen, up 217 million yen from the previous year-end. Current assets were 4,302 million yen, including 4,116 million yen in cash and cash equivalents. Non-current assets came to 3,644 million yen. This figure includes 3,485 million yen in intangible assets constituting the capitalized amount of development investment.

Total liabilities totaled 1,029 million yen, up 387 million yen from the previous year-end. Current liabilities were 925 million yen, including 800 million yen in trade and other payables. Non-current liabilities amounted to 103 million yen, mainly due to 65 million yen in deferred tax liabilities.

As of today, the overdraft and committed credit line with domestic banks total 3.5 billion yen. The entire amount is unused.

Total equity equaled 6,917 million yen, down 170 million yen from the previous year-end. The increase was mainly attributable to 1,704 million yen in proceeds from issuance of third-party allocation, etc. The decrease was mainly attributable to the overall loss of 1,867 million yen.

We aim to compensate for deficits and prepare ourselves for a future in which we will be able to provide shareholder returns through the payment of dividends from surplus and the acquisition of treasury stock. To make our capital policies more flexible and expeditious as our financial condition moves closer to this scenario, at a meeting on February 27, 2019 the Board of Directors resolved to reduce the legal capital surplus (3,712 million yen) and appropriate the surplus (compensating for a shortfall in retained earnings brought forward of 11,244 million yen) (includes increases stemming from reductions in the legal capital surplus and share capital). At an ordinary general meeting of shareholders on March 29, 2019, a reduction in the share capital (7,532 million yen) was approved. Thereafter, following procedures for protection of creditors, the said share capital amount and reduction in the legal capital surplus became effective and the surplus was appropriated as of May 10, 2019. In this process, amounts were transferred between certain net asset line items, but the Company's net assets and number of issued shares were unaffected.

(3) Future outlook

On the premise of the following business progress, we forecast that for the fiscal year ending December 31, 2020, revenue would range between 500 million to 2 billion yen, and operating loss, loss before tax, and final loss between 2.0 billion and 2.9 billion yen, respectively.

1) Business progress on pipeline products

SP-01 China:	Ongoing sale
SP-02 Japan, other:	Conclusion of multinational phase II clinical study (pivotal study), announcement of clinical study results, New Drug Application to the regulatory authority
SP-03 Japan:	Ongoing sale
SP-03 China:	Ongoing sale
SP-04 Japan, other:	Conclusion of multinational phase III clinical study (announcement of clinical study results in 2021)

For details, please refer to today's news release, entitled "Business Overview of Pipeline Products (Fiscal Year Ended December 31, 2019)."

2) Key assumptions behind the revenue forecast (500 million yen to 2 billion yen)

We expect to generate revenue from product sales of episil®(SP-03 (Japan)), which launched in the fiscal year ended December 31, 2018, and product sales of Sancuso®(SP-01 (China)) and episil®(SP-03 (China)), which launched in the fiscal year ended December 31, 2019. However, as sales of these products are still in the initial phase, we believe their market penetration will be limited relative to the potential size of the market. We have also factored in to a certain degree the impact of the novel coronavirus (2019-nCoV) outbreak, considering that China is one of our main sales regions. We also anticipate some revenues from the out-licensing of pipeline products, derived from the partial out-licensing of SP-02 and SP-04, etc.

3) Key assumptions behind the operating expense forecast (3.4 billion to 4.0 billion yen)
We will incur cost of sales due to product sales of Sancuso®(SP-01) and episil®(SP-03).
For Sancuso®(SP-01) and episil®(SP-03), we will operate an in-house sales structure in China and invest in marketing activities, including post-marketing surveillance.
We will continue investing in a phase II clinical study on SP-02, which we are positioning as a pivotal study, prior to applying to approval. If the study is successful, we will invest in preparatory activities necessary to apply to the regulatory authority.
We will continue investing in a phase III clinical study on SP-04, which we are positioning as a pivotal study, prior to applying to approval.
After in-license new pipeline (SP-05), we will invest its development.
We will incur amortization expenses on intangible assets of Sancuso®(SP-01) and episil®(SP-03) for the full year.

Because the overall Group expects to continue making upfront investments as described above, we forecast an operating loss, loss before tax, and final loss of between 2.0 billion and 2.9 billion yen, respectively.

With regard to revenues for Sancuso®(SP-01(China)) and episil®(SP-03 (Japan and China)), we believe market penetration will be limited relative to the potential size of the market as sales are still in the initial phase. Further, a significant degree of uncertainty exists with respect to the revenues generated by sales via out-licensing partners in regions outside the cities of Beijing, Shanghai, and Guangzhou, and the impact of the outbreak of the novel coronavirus on the Chinese market is another concern. Substantial uncertainty also exists with respect to revenues from the out-licensing of SP-02 and SP-04, etc., as whether out-licensing is possible and what the scale of upfront payments might be depends on the outcome of clinical studies on these pipeline products. In addition, there is some ambiguity in the results of clinical studies of SP-02, and clinical studies of SP-04 are also beset with uncertainties about trial sites and the enrollment of patients for clinical studies. Development investment is similarly uncertain. It would therefore be difficult to specify individual revenue and expense amounts at this stage, so we have released the range-based projections as above with respect to our forecasts of consolidated performance for the fiscal year ending December 31, 2020.

2. Basic rationale for selecting the accounting standard

The Group adopted International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2015, in order to improve international comparability and the convenience of financial information in capital markets.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	4,046	4,116
Trade and other receivables	193	10
Inventories	122	3
Other current assets	143	172
Total current assets	4,504	4,302
Non-current assets		
Property, plant and equipment	58	46
Light-of-use asset	―	66
Intangible assets	3,123	3,485
Other non-current assets	42	45
Total non-current assets	3,224	3,644
Total assets	7,728	7,946
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	580	800
Lease liabilities	―	41
Other current liabilities	39	84
Total current liabilities	619	925
Non-current liabilities		
Deferred tax liabilities	11	65
Lease liabilities	―	27
Other non-current liabilities	10	10
Total non-current liabilities	21	103
Total liabilities	641	1,029
Equity		
Share capital	7,632	960
Capital surplus	7,483	4,630
Retained earnings	(7,975)	1,400
Treasury stock	(48)	(70)
Other components of equity	(3)	(4)
Total equity	7,087	6,917
Total liabilities and equity	7,728	7,946

(2) Consolidated statement of profit or loss

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Revenue	318	1,310
Cost of sales	213	65
Gross profit	105	1,244
Research and development expenses	1,463	1,138
Selling, general and administrative expenses	1,061	1,868
Operating profit (loss)	(2,420)	(1,762)
Finance income	0	0
Finance costs	25	35
Other income	0	0
Profit (loss) before tax	(2,445)	(1,797)
Income taxes	(23)	70
Profit (loss)	(2,422)	(1,867)
Profit (loss) attributable to:		
Owners of parent	(2,422)	(1,867)
Earnings (loss) per share		
Basic earnings (loss) per share [yen]	(25.98)	(17.75)
Diluted earnings (loss) per share [yen]	(25.98)	(17.75)

(3) Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit (loss)	(2,422)	(1,867)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1)	(0)
Subtotal	(1)	(0)
Total other comprehensive income	(1)	(0)
Comprehensive income	(2,423)	(1,868)
Comprehensive income attributable to:		
Owners of parent	(2,423)	(1,868)

(4) Consolidated statement of changes in equity

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity
Balance at January 1, 2018	5,962	5,801	(5,553)	—	(2)	6,208
Comprehensive income						
Profit (loss)	–	–	(2,422)	—	–	(2,422)
Other comprehensive income	–	–	–	—	(1)	(1)
Total comprehensive income	–	–	(2,422)	—	(1)	(2,423)
Transactions with owners						
Issuance of new shares	1,643	1,614	–	—	–	3,257
Exercise of share acquisition rights	26	25	–	—	–	51
Acquisition of treasury shares	–	–	–	(48)		(48)
Share-based payments	–	41	–	—		41
Total transactions with owners	1,669	1,681	–	(48)	–	3,301
Balance at December 31, 2018	7,632	7,483	(7,975)	(48)	(3)	7,087
Comprehensive income						
Profit (loss)	–	–	(1,867)	—	–	(1,867)
Other comprehensive income	–	–	–	—	(0)	(0)
Total comprehensive income	–	–	(1,867)	—	(0)	(1,868)
Transactions with owners						
Issuance of new shares	854	838	–	—	–	1,693
Exercise of share acquisition rights	5	5	–	—	–	11
Capital reduction	(7,532)	(3,712)	11,244	–	–	–
Acquisition of treasury shares	–	–	–	(22)	–	(22)
Share-based payments	–	15	–	–	–	15
Total transactions with owners	(6,671)	(2,852)	11,244	(22)	–	1,698
Balance at December 31, 2019	960	4,630	1,400	(70)	(4)	6,917

(5) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit (loss) before tax	(2,445)	(1,797)
Depreciation and amortization	153	475
Finance income	(0)	(0)
Finance costs	25	35
Decrease (increase) in trade and other receivables	(174)	182
Decrease (increase) in inventories	(28)	118
Increase (decrease) in trade and other payables	217	151
Other	(71)	7
Subtotal	(2,323)	(826)
Interest received	0	0
Interest paid	(0)	(1)
Income taxes paid	(0)	(1)
Net cash provided by (used in) operating activities	(2,323)	(828)
Cash flows from investing activities		
Purchase of property, plant and equipment	(52)	(2)
Purchase of intangible assets	(205)	(730)
Other	0	(3)
Net cash provided by (used in) investing activities	(256)	(735)
Cash flows from financing activities		
Proceeds from issuance of new shares	3,309	1,704
Payments for issuance of new shares	(0)	(41)
Acquisition of treasury shares	(48)	(22)
Other	(0)	–
Net cash provided by (used in) financing activities	3,260	1,641
Net increase (decrease) in cash and cash equivalents	680	76
Cash and cash equivalents at beginning of period	3,370	4,046
Effect of exchange rate changes on cash and cash equivalents	(4)	(6)
Cash and cash equivalents at end of period	4,046	4,116

(6) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Change in Accounting Policies)

In the fiscal year ended December 31, 2019, the Group adopted IFRS 16 “Leases” (announced in January 2016), in compliance with each transitional provision.

The Group has retroactively applied IFRS 16 in compliance with the transitional provisions. To determine whether arrangements included leases, when transitioning to IFRS 16 the Group selected the practical expedients in Paragraph C3 of IFRS 16, and maintained its judgments based on IAS 17 “Leases” (hereinafter, “IAS 17”), and IFRIC 4 “Determining Whether an Arrangement Contains a Lease.” For leases categorized as operating leases, to which the Group previously applied IAS 17, lease obligations were recognized on the date the application of IFRS 16 began. For lease obligations, the remaining lease fees were measured at present value, discounted by the borrower’s additional borrowing rate as of the date when application began. The weighted average of the borrower’s additional borrowing rate applied to lease obligations recognized in the consolidated statement of financial position as of the date when application began is 1.4%.

(Segment information)

Disclosure is omitted as the Group has a single reportable segment.

(Per share information)

The basis for calculating basic earnings (loss) per share is as follows.

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit (loss) attributable to ordinary equity holders of parent		
Profit (loss) attributable to owners of parent (Millions of yen)	(2,422)	(1,867)
Amount not attributable to ordinary equity holders of parent (Millions of yen)	–	–
Profit (loss) attributable to ordinary equity holders of parent (Millions of yen)	(2,422)	(1,867)
Average number of ordinary shares during the period (shares)	93,238,825	105,200,395

The figure for diluted earnings (loss) per share has been presented at an amount equal to that of basic earnings (loss) per share due to antidilutive effects of the share options with share acquisition rights.

(Significant subsequent events)

No items to report.