Consolidated Financial Results for the FY2017 (IFRS)

May 10, 2018

Company name:	Sosei Group Corporation		Listing: Tokyo Stock Exchange
Security code:	4565	URL: http://www.sosei.com/	
Representative:	Peter Bains Representative Executive Officer, CEO		
Contact person:	Chris Cargill Head of Investor Relations and Corporate Communications		Tel: +81-3-5210-3290
Scheduled date of annual general meeting	Undecided	Scheduled date of dividend payments:	-
Scheduled date of security report filing	Undecided		
Supplementary materials for financial results:	Yes		
Financial results briefing session:	Yes (for institutional investors and analysts)		

(Amounts less than 1 million yen have been rounded)

1. Consolidated results for FY2017 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results (Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	6,955	(63.2)	(2,291)	-	(3,702)	-	(2,654)	-	(2,654)	-	(1,227)	-
FY2016	18,901	131.9	12,389	-	12,483	-	9,152	-	9,311	-	4,634	-

	Earnings per share – basic	Earnings per share – diluted	Ratio of net income to equity attributable to owners of the parent company	Ratio of net income before income taxes to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY2017	(150.19)	(150.19)	(6.9)	(6.3)	(32.9)
FY2016	551.18	549.24	36.2	26.2	65.5

Note: Investment loss under equity method: 276 million yen for FY2017; and 229 million yen for FY2016

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity per share attributable to owners of the parents
	Million yen	Million yen	Million yen	%	Yen
FY2017	69,486	48,886	48,882	70.3	2,565.25
FY2016	48,087	28,359	28,354	59.0	1,676.19

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
FY2017	(2,167)	(6,148)	22,641	28,281
FY2016	12,856	(2,327)	(6,310)	13,899

2. Dividends

	Dividends per share					Total amount of dividends	Dividend payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the parent company (consolidated)
	End Q1	End Q2	End Q3	End Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2016	-	0.00	-	0.00	0.00	-	-	-
FY2017	-	0.00	-	0.00	0.00	-	-	-
FY2018 (E)	-	0.00	-	0.00	0.00		-	

3. Forecast for the FY2018 (from April 1, 2018 to December 31, 2018)

The Group's current revenues are largely reliant on milestone payments received in relation to partnered programs. The development strategies and timelines of these programs are controlled by our partners and it is difficult for the Group to accurately forecast when milestone payments will be received. Furthermore, since milestone payments are one-time events, there can be large differences in the

Group's revenues across financial years. We will continue to receive royalties from Novartis on sales of COPD products (Ultibro® and Seebri®).

Following the acquisition of Heptares Therapeutics, the Group became one of Japan's leading global bio-venture companies. Bio-venture businesses are cyclical, and the Group is currently prioritizing investment in the research and development of several proprietary drug candidates. The Group will aim to commercialize some of these candidates to generate direct sales to maximize value for shareholders. We will continue to partner specific programs to offset the costs involved in research and development and to reduce the risk of pharmaceutical clinical development borne by our shareholders.

In the 9 month period to 31 December 2018, consistent with the above strategy, the Group's research and development spend will increase, as we prioritize investment in our clinical development programs. Cash R&D expenses are expected to be in the range of US$70 to US$75 million. Cash G&A expenses are expected to be in the range of US$18 to US$23 million. During this period we do not expect to receive substantial milestones from our existing collaborations, nor do we expect to enter into any new revenue generating collaborations, unless any potential deal achieves an optimal balance of risk versus return. Consequently, our Cash Earnings loss for the 9 month period is expected to fall between US$(65) to US$(75) million.

We expect an improved outlook for the financial and calendar year ending 31 December 2019, where the Group will benefit from its risk balanced business model that diversifies bio-venture risk and broadens revenue opportunities from multiple partnered and proprietary programs. We expect to receive multiple milestone payments from existing partnered programs as they mature and potentially accelerate. In addition, we expect to receive milestone payments from new partnered programs.

The Group has sufficient cash to fund the business organically into 2020, with the possibility that the Group may become self-funding from that point.

At the ordinary general meeting of shareholders scheduled to be held in late June, 2018, the Group will formally propose to change its fiscal year end to 31 December from 31 March. Should this proposed change be approved by Shareholders, comparative and forecast periods will be adjusted accordingly.

* Notes
(1) Changes in the number of significant subsidiaries for the twelve-month period ended March 31, 2018 (changes of specified subsidiaries affecting the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates
1) Changes in accounting policies required by IFRS: Yes
2) Changes due to changes in accounting policies other than those of item 1: None
3) Changes in accounting estimates: None

(3) Number of common shares issued

1) Number of shares in issue at period end (including treasury shares)	FY2017	19,054,984 shares	FY2016	16,916,184 shares
2) Number of treasury shares at period end	FY2017	26 shares	FY2016	- shares
3) Average number of shares in issue for the period	FY2017	17,671,803 shares	FY2016	16,893,424 shares

* Quarterly consolidated financial results reports are not subject to audit.

* Explanation regarding the appropriate use of forecasts of business results and other points to be noted
1. The financial forecast is based on judgments and estimates that have been prepared on the basis of information available as at the time of disclosure of this material and assumptions about uncertain factors that could affect the forecasts of business results made as at the time of disclosure of this material. The actual business results may differ materially from the forecasts due to various factors in the future. For forecast assumptions and usage notes for earnings forecasts, please refer to "1. Analysis of Operating Results and Financial Position, (4) Earnings forecast".
2. The Group will hold a web conference for analysts on May 10, 2018 (Thursday). We will publish a recording of the event and put the materials used on the day on our website following the web conference.
3. In FY2017 balances have been rounded up or down to the nearest million yen, as appropriate. In FY2016 balances were rounded down.

○ Contents of Attached Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

The Group is a global bio-venture company focused on pharmaceutical research and development. Over the mid-to-long term, we aim to become a fully integrated bio-venture company, bringing our own commercialized medicines to patients, both in Japan and overseas.

Our risk balanced business model, which looks to optimize the balance between risk and return for shareholders, involves (1) partnering with major global pharmaceutical companies, (2) collaborating in joint research and development activities with other bio-venture companies, and (3) developing and advancing proprietary drug candidates with the goal to commercialize these candidates ourselves.

Financial results for the twelve-month period ended March 31, 2018 were revenue of 6,955 million yen (a decrease of 63.2% year on year), operating loss of 2,291 million yen, net loss before income taxes of 3,702 million yen, net loss and net loss attributable to owners of the parent company of 2,654 million yen.

<u>Revenue</u>

Milestone-related revenue for the twelve-month period ended March 31, 2018 amounted to 3,840 million yen. This was a decrease of 11,780 million yen compared to the twelve-month period ended March 31, 2017 (a decrease of 75.4%). The decrease is solely attributable to an upfront milestone of USD 125 million received from Allergan Pharmaceuticals International Limited. ("Allergan") in April 2016. Milestone-related revenue for the twelve-month period ended March 31, 2018 is predominantly attributable to milestones from AstraZeneca UK Limited ("AstraZeneca"), Teva Pharmaceutical Industries Ltd ("Teva") and Allergan.

- In April 2017, we received a USD 12 million milestone payment from our partner AstraZeneca due to the successful completion of a preclinical study that demonstrated a clear effect of AZD4635 in reversing adenosine-mediated T-cell suppression and enhancing anti-tumor immunity. Blockade of A_{2A} signaling with AZD4635 was found to reduce tumor growth when used alone and in combination with anti-PD-L1 checkpoint inhibitors. The first patient has been dosed in an expansion cohort in the Phase 1b segment of the Phase 1 study in advanced solid tumors. Furthermore, a new clinical study including AZD4635 to investigate novel combination therapies in EGFRm non-small cell lung cancer began in the first quarter 2018.

- In May 2017, we received a USD 5 million milestone payment from our partner Teva due to the nomination of a preclinical candidate, a calcitonin gene-related peptide (CGRP) antagonist, for advancement into further preclinical studies as an investigational treatment for migraine. In February 2018, we regained the rights to lead candidate HTL0022562 and other novel small molecule CGRP antagonists from Teva. We expect to commence a Phase 1 trial in Q2 2019.

- In September 2017, we received a USD 15 million milestone payment from our partner Allergan on the successful dosing of the first healthy subject with the first-in-class, selective muscarinic M4 receptor agonist HTL0016878 in a Phase 1 clinical study.

Revenue related to royalties in the fiscal year ended March 31, 2018 decreased by 357 million yen compared to the previous fiscal year (a decrease of 12.2%) and totaled 2,561 million yen. Most of this royalty revenue is related to the sales of Ultibro® Breezhaler® and Seebri® Breezhaler® by Novartis, our licensing partner. Annual sales of Ultibro® Breezhaler® as reported by Novartis were USD 411 million for the calendar year 2017, an increase of 12% cc. Annual sales of Seebri® Breezhaler® for the calendar year were USD 151 million, an increase of 3% cc. Royalty revenue decreased due to certain contractual adjustments made to previously received royalty revenue.

*cc (constant currency)

Cash Research and Development expenses

The fiscal year under review saw the continuation of the scale up of our StaR® technology and SBDD discovery platform, and preliminary spending for our clinical development activities. Our aim is to build a discovery platform capable of advancing three new drug candidates into human clinical trials each year. To date, most of our investment has been in research and this will continue to be the situation in the short term. Additionally, we are increasing spending on clinical development, as we add new drug candidates to our proprietary clinical development pipeline.

The majority of our research and development expenses are incurred in the UK and as reported in our group financial statements, they may be substantially impacted by exchange rate fluctuations caused by movements of the British Pound. Research and Development expenses, excluding non-cash costs, in the fiscal year under review increased by 1,696 million yen compared to the previous fiscal year (+54%; 51% constant currency basis), and totaled 4,818 million yen, which reflects the impact the strengthening British Pound had on reported results compared to the prior year, where reported results were positively impacted by a weakening British Pound resulting from the Brexit referendum. In the year under review, 97% of R&D expenditure was in the UK.

The majority of the increase in R&D costs are compound related, as our proprietary pipeline has made significant progress. This has been led by preparatory work for the dementia with Lewy bodies study with HTL0018318, our M1 muscarinic agonist, which is also being studied in Alzheimer's disease through our global collaboration agreement with Allergan. The increase in third party costs accounted for 67 percent of the increase and 73 percent of total R&D cash costs. Headcount related costs make up the remainder of spend and the year on year increase.

There were also a number of corporate actions that impacted both R&D, and G&A. In December 2016, the group paid 12 million Swiss Francs to acquire G7 Therapeutics, which has now been renamed as Heptares Therapeutics Zurich. The current year has the full year impact compared to approximately only one quarter of costs in the comparative period. Additionally, in November 2016, Jitsubo moved from being fully consolidated to being an affiliated company and lastly in August 2017, we disposed of Activus Pharma.

Cash General and Administrative expenses

General and administrative expenses, excluding non-cash costs, in the fiscal year under review increased by 598 million yen compared to the previous fiscal year, and totaled 2,972 million yen. This represented an increase of 25% on a reported basis and 23% on a constant currency basis. We have continued to invest in improving all aspects of our internal control and governance systems and processes including making a number of key senior hires in Finance, Strategy and Communications as we look to ensure we have the treasury, tax accounting, internal control and corporate communications capability at a group level to match our aspiration to build a Global Bio-venture leader, based in Japan.

The increase in headcount costs accounted for 40% of the total increase in cash general and administrative expenses. The balance of the increase was in third party costs and included preliminary expenditure related to the move of our U.K. operations to Cambridge, as well as professional fees associated with the acquisition of the 25.6% stake in MiNA (Holdings) Limited ("MiNA") and fees associated with recruitment of new personnel and Board Members.

Non-cash expenses

Non-cash expenses primarily consist of depreciation on property, plant and equipment, amortization of intangible assets and stock-based compensation expense. Non-cash expenses were 2,017 million yen in the fiscal year under review compared to 1,955 million yen in the previous fiscal year. The increase in amortization results from the acquisition of Heptares Zurich Therapeutics as well as a foreign exchange impact due to movements in the British Pound. In total, amortization amounted to 895 million yen compared to 802 million yen in the prior year. Depreciation expense for the year totaled 135 million yen compared to 105 million yen for the comparative period. Depreciation expense will increase significantly in the next financial year as a result of the move of our UK laboratories to Cambridge.

Stock-based compensation expense for the year was 597 million yen for this year compared to 373 million yen for the prior year. As we continue on our path towards becoming a global bio-venture company, the Group has identified the need to ensure that its compensation policies are sector competitive. This has included a new annual stock based compensation plan which was announced during the year. This will also ensure that employee compensation is aligned to the interests of our shareholders. The plan benchmarks favorably in terms of impact on dilution and earnings compared to peer global biotech companies.

Total non-cash costs included in reported R&D costs were 117 million yen in the current period under review compared to 96 million yen in the previous period. Included in General and Administrative expenses is 1,510 million yen this period and 1,199 million yen in the prior period.

Other income

Other income totaled 565 million yen, a decrease of 94 million yen. Other income includes grant income received predominantly in the UK (234 million compared to 218 million) and proceeds received from the disposal of Activus Pharma of 326 million yen.

Other expenses

Other expenses totaled 394 million yen, an increase of 14 million yen, and represents the impairment of Intangible assets recognized at the time of the acquisition of Heptares. These are programs that had an identified value at the time of acquisition and have been discontinued.

Operating income

Operating income in the fiscal year under review decreased by 14,680 million yen and totaled a loss of 2,291million yen. The decrease is primarily attributable to the upfront milestone received from Allergan in the previous year, as well as an increase in our cost base as we expand our pipeline.

Finance income

Finance income in this financial year totaled 104 million yen. This is mainly due to exchange gains on foreign currency denominated assets in our UK operations.

Finance costs

Finance costs in the fiscal year under review totaled 1,239 million yen. Of this amount 655 million yen is due to the fluctuation in the contingent consideration charge related to the acquisition of Heptares, 324 million yen is due to loss on foreign exchange and 259 million yen of the remaining amount is interest expense on interest bearing debt related to the acquisition of Heptares and MiNA.

Contingent consideration is in effect additional purchase consideration for the acquisition of Heptares. Under IFRS this is treated as a financing charge based on fair value determination. The current year charge was 655 million yen and compares to a charge in the prior year of 287 million yen and 3,816 million yen in FY 2015 year. As at the date of the acquisition the total maximum additional consideration payable was US$220 million. To date we have paid US$66 million. The IFRS fair value of the liability carried on the balance sheet is 4,634 million yen (approximately US$44 million).

Income tax expenses

Income tax benefit in this financial year totaled 1,048 million yen. This compares to an income tax expense recorded in the prior year of 3,331 million yen. During the current year we announced that we had corrected previous inadvertent incorrect tax filings. The Group took immediate and voluntary action to amend the previously filed tax returns, and made all necessary disclosures and payments to the relevant tax authorities. Following discussion with the Group's Auditors this resulted in a restatement of previous filed financial statements. The Group continues to work on optimizing its global tax structure.

Net (loss) income

Net loss in this financial year totaled 2,654 million yen, a decrease of 11,806 million yen from the previous financial year where a gain of 9,152 million yen was made.   The main factors behind the decrease have already been discussed; the upfront milestone received from Allergan in the prior year, increased investment in our proprietary pipeline, movements in the fair value determination of contingent consideration and the marked decrease in the British Pound in the prior year and its recovery in the current year offset by a switch from tax expense to benefit.

Net (loss) earnings per share

Net loss per share in this financial year totaled 150.19 yen, a significant decrease from net income per share of 551.18 yen recorded in the previous financial year. The average number of shares outstanding during financial period was 17,671,803 an increase from 16,893,424 shares in the previous financial year, as a result of the Global Equity offering in November of 2017.

(2) Analysis of balance sheet

Assets

Total assets at March 31, 2018 were 69,486 million yen, an increase of 21,399 million yen from the end of the previous fiscal year. The main reason for the rise in assets was an increase in cash and cash equivalents due to the issuance of common stock arising from the Global Equity Offering conducted in November 2017.

Liabilities

Total liabilities at March 31, 2018 were 20,600 million yen, an increase of 872 million yen from the end of the previous fiscal year. This is mainly due to the increase of interest-bearing debt of 4,890 million yen related to the company's acquisition of a 25.6% equity stake in MiNA. In addition, the Group made repayments of long-term interest-bearing debt of 2,750 million yen.

Equity

Total equity at March 31, 2018 was 48,886 million yen, an increase of 20,527 million yen from the end of the previous fiscal year. This was primarily due to the Global Equity Offering conducted in November 2017.

(3) Analysis of cash flows

Cash and cash equivalents at March 31, 2018 increased by 14,382 million yen from the beginning of the year and amounted to 28,281 million yen.

Cash flows from operating activities

Net cash used in operating activities for the fiscal year ended March 31, 2018 amounted to 2,167 million yen. This was predominantly due to the operating loss recorded for the period as well as tax payments.

Cash flows from investing activities

Net cash used in investing activities for the fiscal year ended March 31, 2018 amounted to 6,148 million yen. This was primarily due to the acquisition of a 25.6% stake in MiNA and additional investments by Sosei RMF1 Limited Partnership for Investment.

Cash flows from financing activities

Net cash provided by financing activities for the fiscal year ended March 31, 2018 was 22,641 million yen. This was primarily due to proceeds from issuance of common stock related to the Global Equity Offering conducted in November 2017.

(4) Earnings forecast

The Group's current revenues are largely reliant on milestone payments received in relation to partnered programs. The development strategies and timelines of these programs are controlled by our partners and it is difficult for the Group to accurately forecast when milestone payments will be received. Furthermore, since milestone payments are one-time events, there can be large differences in the Group's revenues across financial years. We will continue to receive royalties from Novartis on sales of COPD products (Ultibro® and Seebri®).

Following the acquisition of Heptares Therapeutics, the Group became one of Japan's leading global bio-venture companies. Bio-venture businesses are cyclical, and the Group is currently prioritizing investment in the research and development of several proprietary drug candidates. The Group will aim to commercialize some of these candidates to generate direct sales to maximize value for shareholders. We will continue to partner specific programs to offset the costs involved in research and development and to reduce the risk of pharmaceutical clinical development borne by our shareholders.

In the 9 month period to 31 December 2018, consistent with the above strategy, the Group's research and development spend will increase, as we prioritize investment in our clinical development programs. Cash R&D expenses are expected to be in the range of US$70 to US$75 million. Cash G&A expenses are expected to be in the range of US$18 to US$23 million. During this period we do not expect to receive substantial milestones from our existing collaborations, nor do we expect to enter into any new revenue generating collaborations, unless any potential deal achieves an optimal balance of risk versus return. Consequently, our Cash Earnings loss for the 9 month period is expected to fall between US$(65) to US$(75) million.

We expect an improved outlook for the financial and calendar year ending 31 December 2019, where the Group will benefit from its risk balanced business model that diversifies bio-venture risk and broadens revenue opportunities from multiple partnered and proprietary programs. We expect to receive multiple milestone payments from existing partnered programs as they mature and potentially accelerate. In addition, we expect to receive milestone payments from new partnered programs.

The Group has sufficient cash to fund the business organically into 2020, with the possibility that the Group may become self-funding from that point.

At the ordinary general meeting of shareholders scheduled to be held in late June, 2018, the Group will formally propose to change its fiscal year end to 31 December from 31 March. Should this proposed change be approved by Shareholders, comparative and forecast periods will be adjusted accordingly.

2. Basic Policy on selection of accounting standards

The Group has applied International Financial Reporting Standards since the year ended March 2014.

3. Consolidated financial statements and primary notes (IFRS)

1) Consolidated balance sheet

(Millions of yen)

	At March 31, 2018	At March 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	1,156	422
Goodwill	14,685	14,154
Intangible assets	16,670	16,970
Investments accounted for using the equity method	4,424	605
Deferred tax assets	6	4
Other financial assets	1,619	-
Other non-current assets	10	108
Total non-current assets	38,570	32,266
Current assets		
Trade and other receivables	753	1,382
Income taxes receivable	1,057	-
Other current assets	825	538
Cash and cash equivalents	28,281	13,899
Total current assets	30,916	15,821
Total assets	69,486	48,087
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	3,077	3,175
Contingent consideration in business combinations	4,634	5,230
Interest-bearing debt	6,178	4,910
Other financial liabilities	1,073	625
Other non-current liabilities	43	175
Total non-current liabilities	15,005	14,116
Current liabilities		
Trade and other payables	2,411	1,547
Deferred income	-	4
Income taxes payables	39	1,991
Interest-bearing debt	2,995	1,990
Other current liabilities	150	77
Total current liabilities	5,595	5,611
Total liabilities	20,600	19,728
Equity		
Capital stock	36,783	26,004
Capital surplus	25,608	14,632
Treasury stock	(0)	-
Retained earnings	(7,527)	(4,873)
Other components of equity	(5,982)	(7,409)
Equity attributable to owners of the parent	48,882	28,354
Non-controlling interests	4	4
Total equity	48,886	28,359
Total liabilities and equity	69,486	48,087

2) Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit or loss		
Revenue	6,955	18,901
Cost of sales	-	-
Gross profit	6,955	18,901
Research and development expenses	(4,935)	(3,218)
Selling, general and administrative expenses	(4,482)	(3,572)
Other income	565	659
Other expenses	(394)	(380)
Operating income	(2,291)	12,389
Finance income	104	1,521
Finance costs	(1,239)	(479)
Share of loss of associates accounted for using the equity method	(276)	(229)
Impairment loss on investments accounted for using the equity method	-	(718)
(Loss) profit before income taxes	(3,702)	12,483
Income tax benefits (expenses)	1,048	(3,331)
Net (loss) profit	(2,654)	9,152
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	1,427	(4,518)
Total items that may be reclassified subsequently to profit or loss	1,427	(4,518)
Total other comprehensive income	1,427	(4,518)
Total comprehensive income	(1,227)	4,634
Net (loss) profit for the year attributable to:		
Owners of the parent	(2,654)	9,311
Non-controlling interests	(0)	(158)
	(2,654)	9,152
Total comprehensive income attributable to:		
Owners of the parent	(1,227)	4,793
Non-controlling interests	(0)	(158)
	(1,227)	4,634
Earnings per share (yen)		
Basic (loss) earnings per share	(150.19)	551.18
Diluted (loss) earnings per share	(150.19)	549.24

3) Consolidated statement of changes in equity

(Millions of yen)

	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity Exchange differences on translating foreign operations	Equity attributable to owners of the parent
Balance at April 1, 2016	25,955	14,263	-	(14,184)	(2,891)	23,142
Net profit	-	-	-	9,311	-	9,311
Exchange differences on translation	-	-	-	-	(4,518)	(4,518)
Total comprehensive income (loss)	-	-	-	9,311	(4,518)	4,793
Issuance of new shares	49	6	-	-	-	55
Share-based payments	-	372	-	-	-	372
Changes in ownership interests in subsidiaries	-	1	-	-	-	1
Changes in the scope of consolidation	-	(11)	-	-	-	(11)
Total transactions with owners	49	369	-	-	-	418
Balance at March 31, 2017	26,004	14,632	-	(4,873)	(7,409)	28,354
Net loss	-	-	-	(2,654)	-	(2,654)
Exchange differences on translation	-	-	-	-	1,427	1,427
Total comprehensive (loss) income	-	-	-	(2,654)	1,427	(1,227)
Issuance of new shares	10,779	10,389	-	-	-	21,168
Share-based payments	-	587	-	-	-	587
Purchase of treasury stock	-	-	(0)	-	-	(0)
Total transactions with owners	10,779	10,976	(0)	-	-	21,755
Balance at March 31, 2018	36,783	25,608	(0)	(7,527)	(5,982)	48,882

	Non-controlling interests	Total equity
Balance at April 1, 2016	126	23,269
Net (loss) profit	(158)	9,152
Exchange differences on translation	-	(4,518)
Total comprehensive (loss) income	(158)	4,634
Issuance of new shares	-	55
Share-based payments	-	372
Changes in ownership interests in subsidiaries	4	6
Changes in the scope of consolidation	32	20
Total transactions with owners	36	455
Balance at March 31, 2017	4	28,359
Net loss	(0)	(2,654)
Exchange differences on translation	-	1,427
Total comprehensive (loss) income	(0)	(1,227)
Issuance of new shares	-	21,168
Share-based payments	-	587
Purchase of treasury stock	-	(0)
Total transactions with owners	-	21,755
Balance at March 31, 2018	4	48,886

4) Consolidated statement of cash flow

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Cash flows from operating activities		
(Loss) profit before income taxes	(3,702)	12,483
Adjustments for:		
Depreciation and amortization	1,028	923
Share-based payments	597	372
Grant income	(235)	(218)
Net foreign exchange loss (gain)	123	(1,271)
Gain on sale of investments in subsidiaries	(326)	-
Gain on loss of control of subsidiary	-	(417)
Share of loss of associates accounted for using the equity method	276	229
Impairment loss	390	373
Impairment loss on investments accounted for using equity method	-	718
Interest expense	259	192
Changes in fair value of contingent consideration	655	287
Increase in advances received	-	216
(Increase) in other accounts receivables	(149)	(121)
Decrease (increase) in trade and other receivables	640	(1,288)
Increase in trade payables	723	352
Other	(252)	(59)
Subtotal	27	12,772
Interest received	12	9
Interest paid	(162)	(129)
Grants received	186	201
Income tax refund	-	12
Income taxes paid	(2,230)	(10)
Net cash (used in) provided by operating activities	(2,167)	12,856
Cash flows from investing activities		
Purchase of property, plant and equipment	(880)	(332)
Payments related to the capitalized development costs	(88)	(211)
Payments for acquisition of consolidated subsidiaries	-	(1,188)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	378	-
Payments for acquisition of shares of associates	(3,973)	(500)
Payments for investment securities	(490)	-
Purchases of other financial assets	(1,084)	-
Other	(11)	(95)
Net cash used in investing activities	(6,148)	(2,327)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Proceeds from long-term interest-bearing debt	4,890	-
Repayments of long-term interest-bearing debt	(2,750)	(2,000)
Payment for settlement of contingent consideration	(1,156)	(5,032)
Proceeds from issuance of common stock	21,167	55
Proceeds from contributions from limited partners	495	660
Other	(5)	6
Net cash provided by (used in) financing activities	22,641	(6,310)
Effects of exchange rate changes on cash and cash equivalents	56	(387)
Net (decrease) increase in cash and cash equivalents	14,382	3,830
Cash and cash equivalents at the beginning of the year	13,899	10,068
Cash and cash equivalents at the end of the quarter	28,281	13,899

5) Notes on consolidated financial statements

Notes related to going concern assumptions
Not applicable.

Changes in accounting policies
New accounting policies applicable from this fiscal year

IFRS		Summary of New/Revision
IAS 7	Statement of Cash Flows	Adds disclosure related to changes in liabilities occurring from financial activities
IAS 12	Income Taxes	Clarifies requirements related to recognition of deferred tax assets connected with unrealized losses

There was no material impact on the consolidated statement of financial position due to these changes in accounting policies.

Operating segments

(1) Overview of reportable segments

The classification of segments was changed from the start of this fiscal year due to a revision to the group's management structure. The two former operating segments referred to as the "domestic pharmaceutical business" and the "overseas pharmaceutical business," have been integrated into a single segment referred to as the "pharmaceutical business." In line with this change, information by reportable segment has been omitted.

(2) Information regarding products and services

Since sales revenue to external customers in single products and service category exceeds 90% of sales revenue in the consolidated statement of comprehensive income, it has been omitted.

(3) Geographical information

The following table provides the Group's revenue from external customers by location and information about its non-current assets by location.

Revenues from external customers

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Japan	267	559
Switzerland	2,459	3,363
Ireland	1,917	13,544
UK	1,415	968
Israel	716	196
Other	181	269
Total	6,955	18,901

Revenues are classified by country or region based on the locations of customers.

Non-current assets

(Millions of yen)

	At March 31, 2018	At March 31, 2017
Japan	2,460	2,190
UK	34,516	30,071
Other	1,588	-
Total	38,564	32,261

Non-current assets do not include deferred tax assets.

(5) Information about major customers

(Millions of yen)

Name of customer	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Novartis International AG	2,459	3,363
Allergan Pharmaceuticals International Limited	1,917	13,544
AstraZeneca UK Limited	1,415	968
Teva Pharmaceutical Industries Limited	716	196

Earnings per share

(1) Basic earnings (loss) per share

The following table shows basic earnings per share and basis for the calculation.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Net (loss) profit attributable to owners of the parent (Millions of yen)	(2,654)	9,311
Weighted-average number of common shares outstanding (Shares)	17,671,803	16,893,424
Basic (loss) earnings per share (Yen)	(150.19)	551.18

(2) Diluted earnings (loss) per share

The following table shows diluted earnings per share and the basis for the calculation.

In the fiscal year ended March 31, 2018, there is no dilutive effect from potential common shares as partial conversion of stock options reduced the loss per share.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Net (loss) profit attributable to owners of the parent (Millions of yen)	(2,654)	9,311
Adjustment to net profit used in the calculation of diluted earnings per share (Millions of yen)	-	-
Net (loss) profit used in the calculation of diluted earnings per share (Millions of yen)	(2,654)	9,311
Weighted-average number of common shares outstanding (Shares)	17,671,803	16,893,424
Increases in number of common shares used in the calculation of diluted earnings per share (Shares)		
Increases in number of common shares due to the exercise of stock options (Shares)	-	59,604
Weighted-average number of common shares outstanding used in the calculation of diluted earnings per share (Shares)	17,671,803	16,953,028
Diluted (loss) earnings per share (Yen)	(150.19)	549.24

Significant subsequent events

Not applicable.