Consolidated Financial Results for the Third Quarter FY2015 (IFRS)

10 February 2016

Company name:	Sosei Group Corporation		Listing: Tokyo Stock Exchange
Security code:	4565	URL http://www.sosei.com/	
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Scheduled date of security report filing: 10 February 2016 Scheduled date of dividend payments: --
Supplementary materials for financial results: --
Financial results briefing session: --

(Rounded down to nearest million yen)

1. Consolidated results for Q3 FY2015 (from 1 April 2015 to 31 December 2015)

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

	Revenue		Operating income		Net income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 FY2015	7,741	713.7	3,449	--	2,754	618.2	2,217	745.5	2,293	774.7	2,299	241.7
Q3 FY2014	951	(48.2)	16	(98.2)	383	(60.4)	262	(72.8)	262	(72.8)	673	(42.9)

	Net income per share – basic	Net income per share – diluted
	Yen	Yen
Q3 FY2015	155.03	153.69
Q3 FY2014	19.06	18.87

(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
	Million yen	Million yen	Million yen	%
Q3 FY2015	48,342	29,849	29,684	61.4
FY2014	43,800	14,894	14,653	33.5

2. Dividends

	Dividends per share				
	End Q1	End Q2	End Q3	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2014	–	0.00	–	10.00	10.00
FY2015	–	0.00	–		
FY2015 (E)				0.00	0.00

(Note) Revision to the latest dividend forecasts: None

3. Forecast for the FY2015 (from 1 April 2015 to 31 March 2016)

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net income before income taxes		Net income attributable to owners of the parent company		Net basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2015	11,732	219.6	5,899	432	5,915	332.8	6,047	975.0	439.02

(Note) Revision to the latest financial forecasts: None

* Notes

(1) Changes in the number of significant subsidiaries in this consolidated cumulative quarter (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: None
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 issued at the end of financial period (including treasury shares)	Q3 FY2015	16,823,384 shares	FY2014	13,774,000 shares
2) Number of treasury shares at the end of financial period	Q3 FY2015	－ shares	FY2014	－ shares
3) Average number of shares issued during financial period (cumulative total)	Q3 FY2015	14,795,198 shares	Q3 FY2014	13,755,548 shares

* Implementation status of financial audit

The audit procedures of the financial statements pursuant to the Financial Instruments and Exchange Law have been completed.

* Explanation regarding the appropriate use of forecasts of business results and other points to be noted

(Note concerning forward-looking statements)

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. The actual business results may differ materially from the forecasts due to various factors.

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1．Analysis of Operating Results and Financial Position

1) Analysis of operating results

I. Current term operating results

The Group pursues pharmaceutical research and development mainly through its subsidiaries based in Japan and the UK. The main source of its revenue comes from the development milestones and royalties from the licensees and the sales from its pharmaceutical products. Overall expenses have increased as Heptares Therapeutics Ltd. ("Heptares"), acquired in February 2015, is now included in the Group's results.

The Group recorded the following consolidated cumulative financial results for Q3 2015.

Consolidated operating results

(JPY Million)

	Cumulative Q3 FY2014	Cumulative Q3 FY2015	Change
Revenue	951	7,741	6,789
Gross profit	905	7,741	6,835
Operating income (loss)	16	3,449	3,432
Net income (loss)	262	2,217	1,954

Revenue and gross profit

Revenue in this consolidated cumulative quarter totalled 7,741 million yen, an increase of 713.7% compared to the previous financial year. This was mainly due to milestones and increased royalty revenue from Seebri® (NVA237*) and Ultibro® (QVA149*), and receipt of upfront payments associated with the licensing of the Heptares pipeline.

Operating income

In this consolidated cumulative quarter the Group recorded operating income of 3,449 million yen, an increase of 3,432 million yen from the comparative period of the previous financial year. This is mainly due to increased revenue and gross profit (referred above).

Net income

In this consolidated cumulative quarter the Group recorded net income of 2,217 million yen, an increase of 1,954 million yen from the comparative period of the previous financial year. This was mainly because while operating income increased, there was an accrual of interest expenses related to borrowings, as well as income tax expenditure.

** Seebri®,Ultibro® and Breezhaler® are the registered trademarks of Novartis AG.*

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

(JPY Million)

	Cumulative Q3 FY2014	Cumulative Q3 FY2015	Change
Research and development expenses	222	2,737	2,515
Selling, general and administrative expenses	668	1,610	941
Personnel expenses	300	646	345
Outsourcing expenses	228	542	314
Other	139	421	281

Research and development expenses; selling, general and administrative expenses

R&D expenses in the third cumulative quarter increased 2,515 million yen from the previous financial year, and totalled 2,737 million yen. Selling, general and administrative expenses increased by 941 million yen from the previous financial year, and totalled 1,610 million yen. This is mainly because there were a number of costs incurred by expanding Heptares' pipeline.

Finance costs

Finance costs in the third cumulative quarter totalled 696 million yen. This is mainly due to interest on a 380 million yen loan and write-downs of 252 million yen due to changed fair value of the contingent consideration due to business mergers.

Income tax costs

Income tax costs in the third cumulative quarter totalled 537 million yen. This is mainly attributable to the pre-tax profit of Sosei R&D Ltd.

Information by business segment is as follows.

a) Domestic pharmaceutical business

Revenue in the domestic pharmaceutical business segment in the third cumulative quarter was 140 million yen, an increase of 32 million yen from the same period of the previous financial year. This is due to increased royalties recorded from NorLevo.
Operating loss in this segment totalled 354 million yen, an unfavourable change of 99 million yen from the comparative period of last year.

b) Overseas pharmaceutical business

Revenue in the overseas pharmaceutical business segment in the third cumulative quarter was 7,601 million yen, an increase of 6,758 million yen from the same period of the previous financial year. This was mainly due to milestones and increased royalty revenue from Seebri® (NVA237*) and Ultibro® (QVA149*), and receipt of upfront payments associated with the licensing of the Heptares pipeline.

Operating income in the third cumulative quarter was 3,694 million yen, a change of 3,396 million yen from the comparative period of last year.

II. Cash In (Out) Flow

(JPY Million)

	Cumulative Q3 FY2014	Cumulative Q3 FY2015	Change
Cash flows from operating activities	343	5,179	4,835
Cash flows from investing activities	(407)	(235)	171
Cash flows from financing activities	29	1,614	1,585

Cash flows from operating activities

Cash flows from operating activities in this cumulative quarter amounted to 5,179 million yen, due to milestones received upon US approval of Seebri® and Ultibro®, and other factors.

Cash flows from investing activities

Cash utilised in investing activities in this cumulative quarter was 235 million yen, mainly due to R&D expenses of 140 million yen that were recorded as an asset.

Cash flows from financing activities

Cash flows used in financing activities in this cumulative quarter were 1,614 million yen. The inflows were 9,800 million yen long-term interest bearing debt, and 12,792 million yen from issuance of new shares by way of public offering. This was offset by outflows of 20,500 million yen repayment of short-term interest bearing debt, and other factors.

III. Research and development

In the third cumulative quarter the Group made progress with the StaR® technology-based pipeline of Heptares. As a result, research and development costs were 2,737 million yen (increase of 1,130.3% from the comparative period of the previous year). The research and development expenses of the domestic and overseas pharmaceutical segments were 260 million yen and 2,477 million yen respectively. Part of research and development costs is recorded as an intangible asset.

Progress with the main products under development in each segment is as follows.

a) Domestic pharmaceutical business

In-licensing

■SO-1105 *Oropharyngeal Candidiasis: Phase III ongoing*

SO-1105 is an antifungal agent, administered as a muco-adhesive buccal tablet for the treatment of oropharyngeal candidiasis in immunocompromised patients. Oropharyngeal candidiasis is an inflammatory mucous membrane disease afflicting the oral cavity and pharynx. It is caused by infection due mainly to a fungus known as *Candida albicans*, and it is commonly found in patients suffering from chronic diseases such as diabetes and immunocompromised patients such as those suffering from HIV infection. This drug was originally developed by Onxeo SA ("Onxeo", ex-BioAlliance Pharma of France), and it has been approved for marketing in 24 European countries, the U.S., and Korea since first obtaining approval in October 2006 in France. The Group believes that this product can also contribute to patient compliance in Japan and thus obtained the exclusive development and marketing rights for SO-1105 in Japan from Onxeo in May 2011.

Presently, Phase III clinical trials for efficacy and safety of this product are in progress. The Group has already signed an exclusive domestic commercialisation agreement with FUJIFILM Pharma Co., Ltd.

Research and development based on platform technologies

■APNT (Activus Pure Nanoparticle Technology): *Nanoparticle technology*

APNT is technology that enables the generation of nanoparticles from poorly soluble compounds ranging from the 50-nm level to the 200-nm level while minimizing contamination. Making use of this feature, APNT demonstrates advantages in applications related to injections, ophthalmic solutions, and inhalations with poorly soluble compounds, which have been very difficult to achieve to date.

Pre-clinical trials are underway for two development candidates with APNT applications: APP13002 (infectious eye diseases) and APP13007 (inflammatory eye diseases).

■Molecular Hiving™: A new method of liquid-phase peptide synthesis

Molecular Hiving™ is a new liquid-phase peptide synthesis technology. Conventional peptide synthesis technologies include SPPS (solid-phase peptide synthesis) and liquid-phase peptide synthesis (LPPS) but in general, SPPS is expensive and produces a low volume; meanwhile LPPS is widely used for mass production but is unable of synthesizing long-chain peptides. Molecular Hiving™ is an innovative technology with advantages of both SPPS and LPPS, and can enable high-volume, low-cost synthesis. Unlike SPPS, Molecular Hiving™ enables monitoring of the peptide synthesis process, which leads to production of peptides of higher quality compared to those produced by conventional methods.

Pre-clinical trials are underway for two generic development candidates with Molecular Hiving™ applications: JIT-2001 (cardiovascular diseases) and JIT-1007 (orphan diseases).

■Peptune™: novel peptide modification technology
Peptune™ is peptide molecule modification technology that improves the efficacy and safety, as well as drug stability of peptide products, by improving their molecular configuration. Moreover, using this technology enables peptides and small molecule drugs to be synthesized, so it is expected that peptides with new features will be produced.
In addition, Peptune is expected to enable enhancement of the effectiveness and safety of lead peptides furnished by Heptares' technology.

b) Overseas pharmaceutical business

Pipeline and Products
■QVA149 COPD: Launched by Novartis in the EU, Japan, etc.
QVA149 (indacaterol maleate/glycopyrronium bromide); brand names: Ultibro® Breezhaler® (EU), Ultibro® Inhalation Capsules (Japan)) is a once-daily inhaled, fixed-dose combination of the LAMA (glycopyrronium bromide) and the LABA (indacaterol maleate), indicated as a maintenance bronchodilator treatment to relieve symptoms in patients with chronic obstructive pulmonary disease (COPD). Ultibro® is a once-daily LABA/LAMA approved as first-in-class in over 80 countries including EU, Japan, Canada, Mexico and Australia and launched in over 40 countries including Germany, Japan and Canada.
In the US, QVA149 was approved in October 2015 as a twice-daily inhaled, fixed-dose combination of indacaterol 27.5 mcg and glycopyrrolate 15.6 mcg, for the long-term maintenance treatment of airflow obstruction in patients with COPD, including chronic bronchitis and/or emphysema, and under the brand name Utibron™ Neohaler®.

■ NVA237 COPD: Launched by Novartis in the EU, Japan, etc.
NVA237 (glycopyrronium bromide; brand names: Seebri® Breezhaler® (EU), Seebri® Inhalation Capsules 50mcg (Japan)), is a once-daily inhaled long-acting muscarinic antagonist (LAMA) indicated as a maintenance bronchodilator treatment to relieve symptoms in patients with COPD that was exclusively licensed to Novartis in April 2005 by Sosei and its co-development partner Vectura. Seebri® has been approved in over 90 countries across Europe, Japan, Canada, Latin America, Asia, Australia and the Middle East.
In the US, NVA237 was approved in October 2015 as a twice-daily inhaled monotherapy for the long-term maintenance treatment of airflow obstruction in patients with COPD, including chronic bronchitis and/or emphysema, under the brand name Seebri™ Neohaler® (glycopyrrolate 15.6 mcg).

Under the terms of agreement with Novartis, the approval of both products in the US had triggered a milestone payment to Sosei of USD 22.5 million. In addition, Sosei is entitled to receive royalties on global net sales of both products. Royalties are recognized following the quarter in which the products are sold. On 27 October 2015, Novartis announced that sales of Ultibro® and Seebri® for Q3 2015 (July – September 2015) were USD 66 million and USD 38 million respectively.

Reference:
Sales of Ultibro® and Seebri®, announced at Novartis' Q3 results briefing (October – December 2015) on 27 January 2016.

	October to December		Change vs previous year (%)	January to December		Change vs previous year (%)
	2015	2014		2015	2014	
	USD million	USD million		USD million	USD million	
Ultibro® Breezhaler®	76	51	49	260	118	120
Seebri® Breezhaler®	37	42	△12	150	146	3

** Seebri®, Ultibro®, Breezhaler® and Neohaler® are registered trademarks of Novartis AG.*
Seebri™ and Utibron™ are trademarks of Novartis AG.

■ QVM149 Asthma

In December 2015 Novartis announced the first Phase III trial of QVM149, a new inhaled triple therapy for asthma.
QVM149 is a fixed dose, once daily combination of the long-acting muscarinic antagonist (LAMA) glycopyrronium bromide, the long-acting beta2-agonist (LABA) indacaterol, and the inhaled corticosteroid (ICS) mometasone fuorate.
Enrolment of the first patients into the trial programme has triggered the receipt of a milestone payment to Sosei of USD 3.75 million under the terms of the Licence Agreement. First regulatory filings of QVM149 are planned for 2018.

Research and development based on platform technologies

■ StaR® technology: GPCR structure based drug discovery technology

Heptares StaR® technology is the first in the world that is able to produce GPCRs with improved thermostability. GPCRs (G protein-coupled receptors) are proteins found embedded in the cell membrane. They act as a bridge between the interior and exterior environment of the cell. As such, they can transfer information in the form of biochemical signals, and play a role in many physiological and biological processes, including taste, vision, smell, autonomic nervous system function, behaviour, immunity etc. GPCRs are, therefore, the most important target molecules in medicine. However, when removed from the cell membrane, the molecular structure grows unstable and unclear, thus it has been difficult to perform structure-based discovery research. StaR® technology advances structural analysis of GPCRs and enables powerful and highly selective drug discovery based on molecular structure design that, to date, has been very difficult or impossible to do with confidence. Heptares has a broad and well-stocked pipeline targeting neurological, immuno-oncology, metabolic and rare disease areas. In research and development, Heptares is advancing multiple pipeline products starting with its Muscarinic M1 receptor agonist. The company is also actively engaged in partnerships harnessing its platform technology, and licensing of its in-house pipeline.

Progress in this third cumulative quarter is as follows.

- **Initiation of therapeutic antibody program with MorphoSys**
  In July last year, Heptares exercised an option to initiate a therapeutic antibody program arising from the alliance it entered with German company MorphoSys AG in February 2013. This means that the Heptares pipeline, hitherto focused on low-molecular-weight compounds, may expand to antibodies. Moreover, through these alliances, Heptares will continue to explore the possibility of wide-ranging applications of StaR® technology to antibody therapeutics, not just low-molecular-weight compounds.

- **Adenosine A_{2A} receptor antagonist with AstraZeneca**
  In terms of licensing its own pipeline, in August last year, Heptares entered into a licensing agreement with the UK company AstraZeneca to develop immuno-oncology treatments for cancer. AstraZeneca will acquire exclusive global rights to develop, manufacture and commercialise the adenosine A_{2A} receptor antagonist, HTL-1071, a small molecule immuno-oncology candidate, and potential additional A_{2A} receptor-blocking compounds. AstraZeneca will focus on exploring HTL-1071 and any additional compounds across a range of cancers, including in combination with its existing portfolio of immunotherapies. The companies will also collaborate to discover further A_{2A} receptor-blocking compounds for development in cancer immunotherapy. Under the terms of the agreement, Heptares has received an upfront payment of $10 million and is eligible to receive additional, significant near term milestone payments based on agreed pre-clinical and/or clinical events. Subject to successful completion of development and commercialisation milestones, Heptares is also eligible to receive more than $500 million, as well as up to double-digit tiered royalties on net sales.

- **Grant to develop Orexin-1 receptor antagonists**
  In September last year, Heptares was awarded a research and development grant of 5.5 million dollars from the National Institute on Drug Abuse (NIDA), one of the US National Institutes of Health, for the Orexin-1 receptor antagonist research project. The company will use the grant over the next three years for part of the operating costs of the project to adapt selective antagonists of the Orexin-1 receptor to treat cocaine abuse and addiction.

- **Agreement to Discover and Develop Novel Small Molecule CGRP Antagonists for Treatment of Migraine with Teva**
  In November 2015, Heptares and Teva Pharmaceutical Industries Ltd entered into a licensing and drug-discovery agreement under which Teva will receive exclusive global rights to develop, manufacture and commercialize novel, small molecule calcitonin gene-related peptide (CGRP) antagonists discovered by Heptares for the treatment of migraine.

Under the terms of the agreement, Heptares will receive an upfront payment of $10 million, research funding, and is eligible to receive additional research, development and commercialization milestone payments of up to $400 million. In addition, Heptares will be eligible to receive royalties on net sales of products resulting from the alliance.

- **Strategic Drug Discovery Collaboration with Pfizer**

  In November 2015, Heptares entered into a strategic drug discovery collaboration with Pfizer Inc. to research and develop potential new medicines directed at up to 10 G protein-coupled receptor (GPCR) targets across multiple therapeutic areas. Heptares will use its proprietary GPCR structure-guided platform to help deliver stabilised GPCRs (StaR® proteins), high-resolution crystal structures and other technologies to support the discovery of potential novel agents directed to the GPCR targets selected by Pfizer. Pfizer will be responsible for developing and commercialising any potential therapeutic agents (small molecules or biologics derived from StaR antigens) for each target and will have exclusive global rights to any potential resulting agents. Heptares is eligible to receive potential research, development, regulatory and commercial milestone payments of up to USD189 million per target. In addition, Heptares is eligible to receive potential tiered royalties on the net sales of any products that are commercialised by Pfizer.

  In addition, Sosei and Pfizer Seiyaku KK (“Pfizer KK”) have entered into an equity agreement under which Sosei allocate 471,284 Sosei common stock to Pfizer KK.

2) Analysis of financial position

Total assets at the end of the third quarter increased by 4,541 million yen, totalling 48,342 million yen.

Cash and cash equivalents at the end of the third quarter increased by 6,365 million yen and amounted to 11,939 million yen. The current asset to total asset ratio was 27.6%, and cash and cash equivalents to current assets ratio was 89.4%.

Total liabilities as of the end of this quarter amounted to 18,492 million yen, a decrease of 10,413 million yen from the end of previous financial year that mainly resulted from repaying 20,500 million yen short-term interest-bearing debt.

Total equity for the third quarter were 29,849 million yen, an increase of 14,954 million yen from the end of previous financial year that mainly resulted from a public offering in September 2015 and a third-party allotment of shares in December 2015 leading to a 12,792 million yen increase in shareholder equity. Ratio of equity attributable to owners of the parent company to total assets increased by 27.9 points to 61.4%.

3) Earnings forecast

No changes have been made from the earnings forecast announced in “Consolidated Financial Results for FY2014 (IFRS)” on 13 May 2015.

2. Matters related to summary information (notes)

1) Changes in the number of significant subsidiaries in this cumulative quarter

Not applicable.

2) Changes in accounting policies and changes in accounting estimates

Accounting policies applied to the summary quarterly consolidated financial statement are the same as those applied in the previous fiscal year.

Income tax expenses are calculated based on the estimated annual effective tax rate.

3. Consolidated Financial Statements (IFRS)

1) Consolidated statement of financial position

(JPY Million)

	FY2015 (31 December 2015)	FY2014 (31 March 2015)
Assets		
Non-current assets		
Property, plant and equipment	285	266
Goodwill	32,863	32,822
Intangible assets	1,422	1,285
Deferred tax assets	364	364
Other non-current assets	47	43
Total non-current assets	34,983	34,781
Current assets		
Trade and other receivables	479	2,481
Accrued corporate income tax	427	579
Other current assets	512	385
Cash and cash equivalents	11,939	5,573
Total current assets	13,358	9,019
Total assets	48,342	43,800
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred income	23	29
Deferred tax liabilities	368	369
Contingent consideration related to corporate acquisition	6,430	7,024
Interest-bearing liabilities	7,329	—
Other non-current liabilities	13	13
Total non-current liabilities	14,164	7,437
Current liabilities		
Trade and other payables	1,397	1,358
Deferred income	46	135
Income tax payables	850	34
Interest-bearing liabilities	1,990	19,877
Other current liabilities	42	63
Total current liabilities	4,327	21,468
Total liabilities	18,492	28,906
Equity		
Capital stock	25,925	19,478
Capital surplus	14,119	7,774
Retained earnings	(10,406)	(12,562)
Other components of equity	45	(37)
Equity attributable to owners of the parent company	29,684	14,653
Non-controlling interests	164	241
Total equity	29,849	14,894
Total liabilities and equity	48,342	43,800

2) Consolidated statement of comprehensive income

(JPY Million)

	Cumulative Q3 FY2015 (1 April 2015 – 31 December 2015)	Cumulative Q3 FY2014 (1 April 2014 – 31 December 2014)
Revenue	7,741	951
Cost of sales	–	45
Gross profit	7,741	905
Research and development expenses	2,737	222
Selling, general and administrative expenses	1,610	668
Other income	67	2
Other expenses	11	0
Operating income (loss)	3,449	16
Finance income	1	366
Finance costs	696	–
Income (loss) before income taxes for quarter	2,754	383
Income tax expenses	537	121
Net income(loss) for quarter	2,217	262
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	82	410
Total items that may be reclassified subsequently to profit or loss	82	410
Total other comprehensive income	82	410
Comprehensive income for quarter	2,299	673
Net income(loss) for the year attributable to:		
Owners of the parent company	2,293	262
Non-controlling interests	(76)	–
Net income (loss) for quarter	2,217	262
Comprehensive income for the year attributable to:		
Owners of the parent company	2,376	673
Non-controlling interests	(76)	–
Comprehensive income for quarter	2,299	673
Net income per share (yen)		
Basic net income (loss)	155.03	19.06
Diluted net income (loss)	153.69	18.87

3) Consolidated statement of changes in equity

Cumulative Q3 FY2014 (1 April 2014 – 31 December 2014)

(JPY Million)

	Capital stock	Capital surplus	Retained earnings	Other components of equity		Equity attributable to owners of the parent company
				Foreign currency translation adjustments on overseas operations	Other components of equity, total	
Balance as of 1 April 2014	19,453	21,573	(26,934)	261	261	14,354
Net income (loss) for quarter	—	—	262	—	—	262
Foreign currency translation adjustments	—	—	—	410	410	410
Total comprehensive income for quarter	—	—	262	410	410	673
Issuance of new shares	24	4	—	—	—	29
Deficit compensation	—	(13,803)	13,803	—	—	—
Fluctuation due to business combination	—	—	—	—	—	—
Total business transactions with owners	24	(13,799)	13,803	—	—	29
Balance as of 31 December 2014	19,478	7,774	(12,868)	672	672	15,057

	Non-controlling interests	Total equity
Balance as of 1 April 2014	—	14,354
Net income (loss) for quarter	—	262
Foreign currency translation adjustments	—	410
Total comprehensive income	—	673
Issuance of new shares	—	29
Deficit compensation	—	—
Fluctuation due to business combination	147	147
Total business transactions with owners	147	176
Balance as of 31 December 2014	147	15,204

Cumulative Q3 FY2015 (1 April 2015 – 31 December 2015)

(JPY Million)

	Capital stock	Capital surplus	Retained earnings	Other components of equity		Equity attributable to owners of the parent company
				Foreign currency translation adjustments on overseas operations	Other components of equity, total	
Balance as of 1 April 2015	19,478	7,774	(12,562)	(37)	(37)	14,653
Net income (loss) for quarter	—	—	2,293	—	—	2,293
Foreign currency translation adjustments	—	—	—	82	82	82
Total comprehensive income for quarter	—	—	2,293	82	82	2,376
Issuance of new shares	6,447	6,344	—	—	—	12,792
Dividends	—	—	(137)	—	—	(137)
Total business transactions with owners	6,447	6,344	(137)	—	—	12,654
Balance as of 31 December 2015	25,925	14,119	(10,406)	45	45	29,684

	Non-controlling interests	Total equity
Balance as of 1 April 2015	241	14,894
Net income (loss) for quarter	(76)	2,217
Foreign currency translation adjustments	—	82
Total comprehensive income for quarter	(76)	2,299
Issuance of new shares	—	12,792
Dividends	—	(137)
Total business transactions with owners	—	12,654
Balance as of 31 December 2015	164	29,849

4) Consolidated quarterly statement of cash flow

(JPY Million)

	Cumulative Q3 FY2015 (1 April 2015 – 31 December 2015)	Cumulative Q3 FY2014 (1 April 2014 – 31 December 2014)
Cash flows from operating activities		
Net income before income taxes (loss)	2,754	383
Depreciation and amortization	95	16
Subsidy income	(63)	–
Foreign exchange gains (loss)	65	(348)
Interest expense	380	–
Fluctuation in fair value in connection with contingent consideration	252	–
Increase (decrease) in accounts receivable	(143)	51
Increase (decrease) in accounts receivable – trade	2,094	47
Increase (decrease) in accounts payable – trade	(342)	264
Other	(130)	(58)
Subtotal	4,963	356
Interests and dividends received	1	6
Payments of interest	(271)	–
Subsidies received	13	–
Corporate income tax refund	508	–
Income taxes paid	(36)	(19)
Net cash from operating activities	5,179	343
Cash flows from investing activities		
Purchases of property, plant and equipment	(92)	(12)
Capitalized development costs	(140)	(191)
Payments to acquire control of subsidiaries	–	(202)
Other	(2)	(0)
Net cash used in investing activities	(235)	(407)
Cash flows from financing activities		
Repayment of short-term interest-bearing debt	(20,500)	–
Proceeds from borrowing long-term interest-bearing debt	9,800	–
Settlement of contingent consideration	(343)	–
Proceeds from issuance of common stock	12,792	29
Dividend payments	(135)	–
Net cash from financing activities	1,614	29
Effect of exchange rate changes on cash and cash equivalents	(192)	685
Increase (decrease) in cash and cash equivalents	6,365	650
Cash and cash equivalents at the beginning of year	5,573	7,214
Cash and cash equivalents at the end of quarter	11,939	7,865

5) Notes related to going concern assumptions

Not applicable.

6) Segment information

I. Overview of reportable segments

The Group's reportable segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by the Group's board of directors in order to make decisions about the allocation of the resources and assess performance. The Group has adopted the holding company structure, and the holding company is responsible for management and administration of the entire Group. The Group has two reportable segments (namely, domestic pharmaceutical business and overseas pharmaceutical business), based on the location of the legal entities. Both segments develop pharmaceutical products and their main business is outlicensing.

The following table shows major products in the major segments, with reportable segments established as described above.

Reportable segments	Company name	Main products
Domestic pharmaceutical business	・Sosei Co., Ltd. ・Activus Pharma Co., Ltd. ・Jitsubo Ltd.	・SO-1105 ・NorLevo ・APP13002 ・APP13007 ・JIT-2001 ・JIT-1007
Overseas pharmaceutical business	・Sosei R&D Ltd. ・Heptares Therapeutics Ltd.	・Seebri® ・Ultibro® ・Muscarinic M_1 agonist ・HTL-1071

II. Revenue, profit and loss and other financial information of reportable segments

Revenue, profit and loss and other financial information for each reportable segment are as shown below. The accounting policies the Group will apply to each segment are identical to the accounting policies applied to consolidated financial statements in the previous financial year.

Cumulative Q3 FY2014 (1 April 2014 to 31 December 2014)

(JPY Million)

	Reportable segments			Adjustments	Consolidated
	Domestic pharmaceuticals	Overseas pharmaceuticals	Total		
Revenue from third parties	107	843	951	―	951
Revenue between segments	―	―	―	―	―
Total	107	843	951	―	951
Operating income (loss)	(254)	298	43	(26)	16
Finance income/costs (net)					366
Net income (loss) before income taxes					383

The adjustment amount relates to the holding company, which does not belong to any reportable segment.

Cumulative Q3 FY2015 (1 April 2015 to 31 December 2015)

(JPY Million)

	Reportable segments			Adjustments	Consolidated
	Domestic pharmaceuticals	Overseas pharmaceuticals	Total		
Revenue from third parties	139	7,601	7,741	―	7,741
Revenue between segments	0	―	0	(0)	―
Total	140	7,601	7,741	(0)	7,741
Operating income (loss)	(354)	3,694	3,340	108	3,449
Finance income/costs (net)					(694)
Net income (loss) before income taxes					2,754

The adjustment amount relates to the holding company, which does not belong to any reportable segment.