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February 9, 2018

**Consolidated Financial Results for the  
Fiscal Year Ended December 31, 2017  
(under IFRS)**

Company name: Solasia Pharma K.K.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4597  
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Scheduled date of ordinary general meeting of shareholders: March 30, 2018  
 Scheduled date to commence dividend payments: –  
 Scheduled date to file annual securities report: March 30, 2018  
 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, 2017 (from January 1, 2017 to December 31, 2017)**

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2017	410	(18.0)	(1,009)	–	(1,016)	–	(1,007)	–
December 31, 2016	501	118.5	(462)	–	(494)	–	(474)	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended December 31, 2017	(1,007)	–	(1,007)	–	(12.24)	(12.24)
December 31, 2016	(474)	–	(476)	–	(18.46)	(18.46)

	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, 2017	(20.9)	(19.6)	(245.8)
December 31, 2016	(21.4)	(12.6)	(92.3)

(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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2017	6,655	6,208	6,208	93.3	70.75
December 31, 2016	3,704	3,433	3,433	92.7	53.14

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2017	(911)	(537)	3,781	3,370
December 31, 2016	(464)	(557)	(33)	1,038

## 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, 2016	–	0.00	–	0.00	0.00	0	0.0	0.0
Fiscal year ended December 31, 2017	–	0.00	–	0.00	0.00	0	0.0	0.0
Fiscal year ending December 31, 2018 (Forecast)	–	0.00	–	0.00	0.00		0.0	

## 3. Consolidated earnings forecasts for the fiscal year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

(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, 2018	100	(75.7)	(3,200)	–	(3,200)	–	(3,200)	–	(3,200)	–	(36.47)
	~	~	~	~	~	~	~	~	~	~	~
	600	146.0	(3,000)	–	(3,000)	–	(3,000)	–	(3,000)	–	(34.19)

\* Notes

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

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

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

(3) Number of issued shares (ordinary shares)

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

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

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

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

3) Average number of shares during the period

Fiscal year ended December 31, 2017	82,283,510 shares
Fiscal year ended December 31, 2016	41,282,187 shares

\* 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.

The Company plans to hold a financial results presentation meeting for institutional investors and analysts on Tuesday, February 13, 2018.

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

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## 1. Overview of operating results

### (1) Overview of operating results for the fiscal year ended December 31, 2017

#### 1) Overview of results

##### Operating results

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Year-on-year
Revenue	501,319	410,851	(90,468)
Gross profit	501,319	410,851	(90,468)
Operating profit (loss)	(462,477)	(1,009,681)	(547,204)
Profit (loss)	(474,436)	(1,007,481)	(533,045)

(Thousands of yen)

In the fiscal year ended December 31, 2017, 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. We achieved a certain amount of progress with respect to the development pipeline as described below in section “3) Research and development activities,” but continue making advance investment amid a situation where we still have an absence of products on the market. Amid these circumstances, our financial performance during the fiscal year ended December 31, 2017, was as follows.

#### [Revenue, gross profit]

During the fiscal year ended December 31, 2017, pipeline product SP-03 generated 400,000 thousand yen in milestone revenue owing to manufacturing/marketing approval we obtained in Japan, and pipeline product SP-01 generated net proceeds on product sales of 10,851 thousand yen. Consequently, there was revenue and gross profit of that same amount. Revenue in the fiscal year ended December 31, 2016 amounted to 501,319 thousand yen, which is largely attributable to up-front payments generated on the basis of out-licensing the Japan rights of pipeline product SP-03 and milestone payments generated by pipeline product SP-02. Revenue and gross profit both decreased by 90,468 thousand yen year on year.

#### [Operating profit (loss)]

In the fiscal year ended December 31, 2017, we incurred an operating loss of 1,009,681 thousand yen, which is an increase of 547,204 thousand yen year on year. In addition to gross profit having remained at aforementioned levels, the operating loss is attributable both to having posted 773,518 thousand yen in research and development expenses which are a component of development investment undertaken to enhance pipeline development, and to having posted 647,015 thousand yen in selling, general and administrative expenses incurred for establishing a framework geared to promoting such development and to the Company’s initial public offering. The breakdown of selling, general and administrative expenses are as presented in the table titled, “Breakdown of research and development expenses and selling, general and administrative expenses.”

#### [Profit (loss)]

In the fiscal year ended December 31, 2017, we incurred an overall loss of 1,007,481 thousand yen mainly as a consequence of having posted the aforementioned operating loss.

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

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Year-on-year
Research and development expenses	475,419	773,518	298,098
Selling, general and administrative expenses	488,377	647,015	158,637
Total	963,797	1,420,533	456,736
(Breakdown)			
Personnel expenses	294,267	364,431	70,164
Outsourcing expenses / Subcontract expenses	511,902	859,446	347,543
Other	157,626	196,655	39,029

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

In the fiscal year ended December 31, 2017, research and development expenses amounted to 773,518 thousand yen, which is an increase of 298,098 thousand yen year on year. This amount is mainly attributable to expenses incurred for multinational phase II clinical study (pivotal study) of SP-02. Selling, general and administrative expenses amounted to 647,015 thousand yen, which is an increase of 158,637 thousand yen year on year, as a result of strengthening corporate structure.

[Capitalized costs included in intangible assets]

In the fiscal year ended December 31, 2017, there was a 509,998 thousand yen increase recorded 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, 2017, investment in pipeline development amounted to 1,283,517 thousand yen in total, which consists of the 509,998 thousand yen in such intangible assets and 773,518 thousand yen in research and development expenses. The balance of intangible assets amounted to 3,085,455 thousand yen as of December 31, 2017.

2) Cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Year-on-year
Net cash provided by (used in) operating activities	(464,989)	(911,394)	(446,405)
Net cash provided by (used in) investing activities	(557,735)	(537,221)	20,514
Net cash provided by (used in) financing activities	(33,618)	3,781,918	3,815,536

[Cash flows from operating activities]

During the fiscal year ended December 31, 2017, net cash used in operating activities amounted to 911,394 thousand yen (in comparison with net cash used in operating activities of 464,989 thousand yen during the fiscal year ended December 31, 2016), which was mainly attributable to loss before tax of 1,016,285 thousand yen.

[Cash flows from investing activities]

During the fiscal year ended December 31, 2017, net cash used in investing activities amounted to 537,221 thousand yen (in comparison with net cash used in investing activities of 557,735 thousand yen during the fiscal year ended December 31, 2016), which was mainly attributable to 498,887 thousand yen in outflows related to capitalized development investment.

[Cash flows from financing activities]

During the fiscal year ended December 31, 2017, net cash provided by financing activities amounted to 3,781,918 thousand yen (in comparison with net cash used in financing activities of 33,618 thousand yen during the fiscal year ended December 31, 2016), which was mainly attributable to 3,782,182 thousand yen in proceeds from issuance of new shares associated with initial public offering, etc.

3) Research and development activities

In the fiscal year ended December 31, 2017, research and development expenses amounted to 773,518 thousand yen. In addition, intangible assets increased by 509,998 thousand yen, which is development costs recognized as assets out of total pipeline investment. Meanwhile, total investment in pipeline development amounted to 1,283,517 thousand yen for the fiscal year ended December 31, 2017, and the balance of intangible assets amounted to 3,085,455 thousand yen as of December 31, 2017.

Details regarding progress achieved with pipeline are as follows.

■ SP-01 Sancuso®

Granisetron transdermal delivery system

Indication: Chemotherapy-induced nausea and vomiting

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

Licensee of commercial rights, etc.:

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

Status of development and commercialization:

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

■ SP-02 darinaparsin

Mitochondria-targeted apoptosis inducer

Indication: Peripheral T-cell lymphoma

Company's rights: Worldwide rights

Licensee of commercial rights, etc.:

- Japan rights Meiji Seika Pharma Co., Ltd.

Status of development and commercialization:

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

■ SP-03 episil®

Substance for covering oral lesions (brand name in Japan: episil® (oral liquid))

Indication: The protection and relief of oral pain associated with oral mucositis/stomatitis caused by chemotherapy and radiotherapy for cancer

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

Licensee of commercial rights, etc.:

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

Status of development and commercialization:

- Japan Development completed, approved (in July 2017), Listing of Reimbursement (scheduled in April 2018)
- China Development completed, application for approval filed (filed in May 2016)

■ SP-04 PledOx®

Intracellular superoxide removing agent (Iron chelating agent)

Indication: Chemotherapy induced peripheral neuropathy

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

Status of development and commercialization:

- Japan Phase I clinical study (subjects of the trial have consisted of Japanese nationals residing in the U.S.) terminated (as of today)

(2) Overview of financial position for the fiscal year ended December 31, 2017

As of December 31, 2017, total assets amounted to 6,655,092 thousand yen, for an increase of 2,950,097 thousand yen in comparison with assets held at the end of the previous fiscal year. Current assets amounted to 3,525,359 thousand yen, which includes 3,370,150 thousand yen in cash and cash equivalents. Non-current assets amounted to 3,129,732 thousand yen, which includes 3,085,455 thousand yen in intangible assets recorded out of development investment.

As of December 31, 2017, total liabilities amounted to 446,538 thousand yen, for an increase of 175,011 thousand yen in comparison with liabilities held at the end of the previous fiscal year. Current liabilities amounted to 411,615 thousand yen, which includes 372,381 thousand yen in trade and other payables. Non-current liabilities amounted to 34,922 thousand yen, which mainly consists of 34,216 thousand yen in deferred tax liabilities.

As of December 31, 2017, total equity amounted to 6,208,554 thousand yen, for an increase of 2,775,086 thousand yen in comparison with equity held at the end of the previous fiscal year. The increase was mainly attributable to issuance of new shares amounting to 3,782,182 thousand yen.

The Company has entered into some bank overdraft agreements (unsecured) for an amount of 2,600,000 thousand yen in order to secure sources of funding. As of December 31, 2017, the Company neither borrowed under the agreements nor has otherwise interest-bearing liabilities.

(3) Future outlook

On the premise of the following business progress, we forecast that for the fiscal year ending December 31, 2018, revenue would range from 100 million to 600 million yen, and operating loss, loss before tax and loss from 3,000 million to 3,200 million yen, respectively.

In the fiscal year ending December 31, 2018, although we expect to launch SP-01 and SP-03 and accordingly generate results from the development investment we have undertaken thus far, the extent of market penetration achieved in the initial phase of sales will most likely remain limited relative to the potential size of the market. On the other hand, we aim to promote late-stage of clinical studies of SP-02 and SP-04, which accordingly entails considerable development investment in those pipeline products. Advance



investment towards the entire Group continues, including investment in upgrading our business framework, particularly development of our own marketing structure in China, which would cause operating loss, loss before tax and loss.

SP-01 (China):	Approval in 1H 2018; Launch in 2H 2018 – 1H 2019
SP-02 (Japan, other):	Closing of Multinational Phase II clinical study (pivotal study) in 2018
SP-03 (Japan):	Launch in 1H 2018
SP-03 (China):	Approval in 2018; Launch in 2H 2018 – 1H 2019
SP-04 (Japan, other):	Completion of Phase I clinical study in 1H 2018; Initiation of next phase clinical study in 2H 2018
SP-04 (China):	Preparation for clinical study in 2018

SP-01 and SP-03 are poised to generate profits upon their approval from the regulatory authorities and launch. However, the timing of regulatory approvals and launches by the licensees remains uncertain. Further, clinical studies of SP-02 and SP-04 are also beset with uncertainties as to their start and end dates, and also with respect to amounts earmarked for development investment, particularly because those factors are contingent on talks with regulatory authorities, trial sites and enrollment of subjects for clinical studies. It would therefore be difficult to specify those dates at this stage, and these situations affect the amounts of earnings and expenses the Company overall is likely to experience within this fiscal year. As such, we have released the range-based projections as above with respect to our forecasts of consolidated performance for the fiscal year ending December 31, 2018.

#### (4) Significant events regarding premise of going concern

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

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

Having analyzed and reviewed the operating environment as presented above, the Company finds no significant uncertainty regarding the premise of going concern given that it is carrying out the aforementioned measures.

## 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

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,038,996	3,370,150
Trade and other receivables	1,628	18,799
Inventories	67,685	93,291
Other current assets	14,755	43,117
Total current assets	1,123,066	3,525,359
Non-current assets		
Property, plant and equipment	1,236	920
Intangible assets	2,575,456	3,085,455
Other non-current assets	5,236	43,356
Total non-current assets	2,581,928	3,129,732
Total assets	3,704,995	6,655,092
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	199,596	372,381
Other current liabilities	27,447	39,234
Total current liabilities	227,044	411,615
Non-current liabilities		
Deferred tax liabilities	43,020	34,216
Other non-current liabilities	1,461	705
Total non-current liabilities	44,482	34,922
Total liabilities	271,526	446,538
<b>Equity</b>		
Share capital	4,053,384	5,962,977
Capital surplus	3,929,039	5,801,628
Retained earnings	(4,546,179)	(5,553,661)
Other components of equity	(2,775)	(2,389)
Total equity	3,433,468	6,208,554
Total liabilities and equity	3,704,995	6,655,092

(2) Consolidated statement of profit or loss

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Revenue	501,319	410,851
Cost of sales	—	—
Gross profit	501,319	410,851
Research and development expenses	475,419	773,518
Selling, general and administrative expenses	488,377	647,015
Operating profit (loss)	(462,477)	(1,009,681)
Finance income	842	179
Finance costs	33,008	6,782
Other income	3	0
Profit (loss) before tax	(494,639)	(1,016,285)
Income taxes	(20,203)	(8,803)
Profit (loss)	(474,436)	(1,007,481)
Profit (loss) attributable to:		
Owners of parent	(474,436)	(1,007,481)
Earnings (loss) per share		
Basic earnings (loss) per share [yen]	(18.46)	(12.24)
Diluted earnings (loss) per share [yen]	(18.46)	(12.24)

(3) Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Profit (loss)	(474,436)	(1,007,481)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,897)	385
Subtotal	(1,897)	385
Total other comprehensive income	(1,897)	385
Comprehensive income	(476,333)	(1,007,095)
Comprehensive income attributable to:		
Owners of parent	(476,333)	(1,007,095)

## (4) Consolidated statement of changes in equity

(Thousands of yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity	Total equity
Balance at January 1, 2016	2,571,868	2,499,595	(4,071,743)	(878)	998,842
Comprehensive income					
Profit (loss)	–	–	(474,436)	–	(474,436)
Other comprehensive income	–	–	–	(1,897)	(1,897)
Total comprehensive income	–	–	(474,436)	(1,897)	(476,333)
Transactions with owners					
Issuance of new shares	1,481,515	1,429,443	–	–	2,910,959
Total transactions with owners	1,481,515	1,429,443	–	–	2,910,959
Balance at December 31, 2016	4,053,384	3,929,039	(4,546,179)	(2,775)	3,433,468
Comprehensive income					
Profit (loss)	–	–	(1,007,481)	–	(1,007,481)
Other comprehensive income	–	–	–	385	385
Total comprehensive income	–	–	(1,007,481)	(2,389)	(1,007,095)
Transactions with owners					
Issuance of new shares	1,902,248	1,865,605	–	–	3,767,854
Exercise of share acquisition rights	7,344	6,983	–	–	14,327
Total transactions with owners	1,909,593	1,872,588	–	–	3,782,182
Balance at December 31, 2017	5,962,977	5,801,628	(5,553,661)	(2,389)	6,208,554

## (5) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit (loss) before tax	(494,639)	(1,016,285)
Depreciation	882	527
Finance income	(842)	(179)
Finance costs	33,008	6,782
Decrease (increase) in trade and other receivables	8,635	(17,353)
Decrease (increase) in inventories	(67,685)	(25,606)
Increase (decrease) in trade and other payables	56,112	161,357
Other	(771)	(20,817)
Subtotal	(465,300)	(911,574)
Interest received	310	179
Net cash provided by (used in) operating activities	(464,989)	(911,394)
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(212)
Purchase of intangible assets	(557,625)	(498,887)
Other	(110)	(38,120)
Net cash provided by (used in) investing activities	(557,735)	(537,221)
Cash flows from financing activities		
Proceeds from issuance of new shares	6,722	3,782,182
Payments for issuance of new shares	(14,577)	–
Payments of commitment fees	(25,500)	–
Other	(264)	(264)
Net cash provided by (used in) financing activities	(33,618)	3,781,918
Net increase (decrease) in cash and cash equivalents	(1,056,343)	2,333,302
Cash and cash equivalents at beginning of period	2,099,547	1,038,996
Effect of exchange rate changes on cash and cash equivalents	(4,206)	(2,147)
Cash and cash equivalents at end of period	1,038,996	3,370,150

(6) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(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, 2016	Fiscal year ended December 31, 2017
Profit (loss) attributable to ordinary equity holders of parent		
Profit (loss) attributable to owners of parent (Thousands of yen)	(474,436)	(1,007,481)
Amount not attributable to ordinary equity holders of parent (Thousands of yen)	287,709	–
Profit (loss) attributable to ordinary equity holders of parent (Thousands of yen)	(762,145)	(1,007,481)
Average number of ordinary shares during the period (shares)	41,282,187	82,283,510

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 and convertible bonds with share acquisition rights.

(Significant subsequent events)

No items to report.