NB: this is a summary translation of the press release original drafted in Japanese for the disclosure required in compliance with the TSE regulations.

2 August 2019

Oncolys BioPharma Inc.

Announcement of Strategic Changes in Development of Oncolytic Viral Immunotherapy Telomelysin and Use of Proceeds from Issuance of Shares

Oncolys BioPharma ("Oncolys") today announces that it has decided to implement strategic changes in development of oncolytic viral immunotherapy Telomelysin, and use of the proceeds procured by the issuance of shares to date as follows:

1. Reasons for strategic changes in development of Telomelysin

Since foundation of the company in 2004, we have strived to advance development of innovative medicinal and diagnostic drug candidates with a particular focus on an oncolytic viral immunotherapy Telomelysin of which multiple clinical trials are currently in progress in Japan and overseas.

With successful conclusions of license agreement with Jiangsu Hengrui in November 2017 and Chugai Pharmaceutical Co., Ltd. ("Chugai") in April 2019 for Telomelysin, it is now deemed that its global exclusive rights for development, manufacturing and marketing are fully licensed out, should relevant option rights granted to Chugai are executed.

From business and pharmaceutical affairs viewpoint, in April 2019, Telomelysin received the "Sakigake Designation" which is a way of government-supported fast-track system given to innovative medical products developed in Japan, from the Ministry of Health, Labour, and Welfare (MHLW) of Japan. Following the Sakigake Designation of Telomelysin, Oncolys is entitled to receive priority consultation and review by the Pharmaceuticals and Medical Devices Agency (PMDA) regarding manufacturing and marketing approval.

Given these circumstances, we have decided to implement strategic changes to the development of Telomelysin as below, accelerating clinical trials for Telomelysin-immune checkpoint inhibitor combination therapy in the US and Europe, with a scope to prepare ourselves for the further growth in the coming years.

（1）Termination of melanoma clinical trial

Melanoma Phase 2 clinical trial for Telomelysin monotherapy started in July 2017 with an aim to research the efficacy, safety and tumor immunity response. However, due to unexpectedly intense competitions, patient recruitment and enrollment have been considerably delayed, while a number of immune checkpoint inhibitors and molecular target therapies are approved therefore, we see needs for melanoma treatments in medical settings have

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becoming satisfied.

Considering such situation and positioning of melanoma trial from our business and clinical perspectives, together with our alliance partner Chugai's current interest in this indication, we have decided to terminate melanoma Phase 2 clinical trial for strategic reason.

（2）Development of Telomelysin

Based on the license agreement concluded in April 2019, Chugai is to lead the development and commercialization of Telomelysin in Japan and Taiwan from now on. Whereas Oncolys, in addition to terminating melanoma study as mentioned above, will shift to promote clinical trials in the US and Europe with a focus on Telomelysin-immune checkpoint inhibitor combination therapy.

As announced in May 2019, an investigator-initiated Phase II clinical trial for Telomelysin in combination with Pembrolizumab in advanced gastric and gastroesophageal junction adenocarcinoma is in progress at the Weill Cornell Medicine. Concurrently, Oncolys is preparing for a head and neck cancer Phase 2 clinical trial for Telomelysin in combination with immune checkpoint inhibitor and radiation in the US. Furthermore, we are determined to continue to take on challenges in the new realm of cancer treatments to maximize the value of Telomelysin.

2. Changes in the use of proceeds

（1） Reason of the changes

Along with the circumstances Oncolys is currently placed as described above, it is also expected that research and development costs will decrease while some specific use we planned at the time of the issuance of shares in the past will not occur, as Chugai is to lead the development of Telomelysin in Japan and Taiwan at certain development stage. We also plan to repay debts in order to enhance our financial strength.

For these reasons, we have concluded to change the use of proceeds from the issuance of shares to date as below.

（2）Details of changes

Details on the change of proceeds pertaining to the previous share issuance by Oncolys are as below:

1) The 17th stock acquisition rights by third-party allotment (resolution of issuance: June 2018)

【Before change】

Specific Purpose	Planned Amount （JPY million ）	Expected Timing of Disbursement
① Esophageal cancer Phase II/III clinical trial for Telomelysin and radiation combination therapy (Japan)	647	October 2018～ December 2021
② Investigator-led esophageal cancer PhaseII clinical trial for Telomelysin and anti PD-1 antibody combination therapy (US)	800	August 2018～ December 2021

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【After change】

Specific Purpose	Planned Amount （JPY million ）	Expected Timing of Disbursement
① Esophageal cancer Phase II clinical trial for Telomelysin and radiation combination therapy (Japan)	80	October 2018～ December 2019
② Investigator-led gastric/gastroesophageal junction cancer PhaseII clinical trial for Telomelysin and anti PD-1 antibody combination therapy (US), and related supportive activities and business operations by Oncolys USA Inc.	800	August 2018～ December 2023
③ Expenditures related to research and development and others.	300	August 2019～ December 2022

2) The 15th stock acquisition rights by third-party allotment (resolution of issuance: December 2016)

【Before change】

Specific Purpose	Planned Amount （JPY million ）	Expected Timing of Disbursement
① Execution of clinical trials for Telomelysin monotherapy and immune checkpoint inhibitor combination therapy	1,635	December 2016 ～December 2019
② Additional manufacturing of Telomelysin for clinical trials in compliance with GMP requirements	Remaining balance	March 2018 ～September 2019

【After change】

Specific Purpose	Planned Amount （JPY million ）	Expected Timing of Disbursement
① Execution of clinical trials for Telomelysin monotherapy	474	December 2016 ～December 2019
② Additional manufacturing of Telomelysin for clinical trials in compliance with GMP requirements	107	Disbursed

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③ Investigator-led head and neck cancer Phase II for Telomelysin and immune checkpoint inhibitor combination therapy	370	August 2019 ～December 2021
④ Repayment of debts	450	August 2019 ～July 2023

3) New issuance of shares (resolution of issuance: October 2013)

【Before change】

Specific Purpose	Planned Amount (JPY million)	Expected Timing of Disbursement
① Funding for research and development in Pharmaceutical Business	3,903,037	January 2014 ～December 2018
② Funding for research and development in Diagnostic Business	720,156	January 2014 ～December 2018
③ Funding for research and development from January 2019 onward	Remaining balance	From January 2019 onward

【After change】

Specific Purpose	Planned Amount (JPY million)	Expected Timing of Disbursement
① Funding for research and development in Pharmaceutical Business	1,913	Disbursed
② Funding for research and development in Diagnostic Business	591	Disbursed
③ Funding for business operations and creation of new pipeline	2,645	August 2019 ～December 2022

As we announced on February 8, 2019 by the summary of financial results for fiscal year of 2018, we do not disclose financial forecast this year, since it is unrealistic to attempt to calculate appropriate and realistic numerical values for financial results at this current situation of the Company.

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About Telomelysin (OBP-301)

Telomelysin or OBP-301 is genetically modified type 5 adenovirus which can specifically replicate in and destroy cancer cells. Type 5 adenovirus causes common cold symptoms and exists in nature. We are anticipating that Telomelysin may induce strong anti-tumor activity after causing oncolysis by specific replication in cancer cells and may be safe because of its low replication ability in normal cells. In addition, serious adverse reactions such as vomiting, hair loss and hematopoietic disorders have not been reported in clinical studies we conducted so far, and thus it is expected to improve patients' Quality of Life (QOL). Furthermore, recent publication in clinic showed that cancer cells destroyed by virotherapy may enhance cancer immunity by directly transmitting the signal of their specific antigen to immune cells such as dendritic cells. Therefore, we are expecting that Telomelysin in combination with an immune checkpoint inhibitor such as anti-PD-1 antibody may have a systemic anti-cancer efficacy together with good local control.

About Oncolys BioPharma Inc.

Oncolys BioPharma develops novel cancer therapeutics and diagnostic products using gene modified viral technologies and aims to contribute to fulfill unmet medical needs for cancer and severe infectious diseases.

Especially in oncology area, we utilize technology platform for oncolytic virus and develop Telomelysin and its next-generations for cancer treatment and TelomeScan for early detection of cancer and recurrence monitoring after surgery. We have established broad range of product pipeline to cover early detection of cancer, early treatment of local cancer, post-operative examination, and treatment of metastatic cancer. For more information, please visit http://www.oncolys.com/en/

Oncolys BioPharma Inc.	
Tel: +81 (0) 5472 1578 Email: oncolys_information@oncolys.com	

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