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

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2019 [Japanese GAAP]

February 7, 2020

Company name: Oncolys BioPharma Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4588
URL: http://www.oncolys.com
Representative: Yasuo Urata, President & CEO
Contact: Keiji Yoshimura, Vice President & Management
Email: oncolys_information@oncolys.com
Scheduled date of Annual General Meeting of Shareholders: March 26, 2020
Scheduled date of commencing dividend payments: —
Scheduled date of filing annual securities report: March 27, 2020
Availability of supplementary briefing material on financial results: No
Schedule of financial results briefing session: Scheduled (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Fiscal Year Ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2019	1,303	673.5	(511)	-	(539)	-	(912)	-
December 31, 2018	168	(26.4)	(1,247)	-	(1,230)	-	(1,233)	-

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2019	(65.55)	-	(28.7)	(13.6)	-
December 31, 2018	(104.55)	-	(42.5)	(35.4)	-

(Reference) Equity in earnings of affiliates: Fiscal year ended December 31, 2019: ¥- million
Fiscal year ended December 31, 2018: ¥- million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	4,380	3,454	78.7	240.71
As of December 31, 2018	3,430	2,901	84.3	216.61

(Reference) Equity: As of December 31, 2019: ¥3,446 million
As of December 31, 2018: ¥2,890 million

TRANSLATION

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2019	(238)	(4)	1,123	3,097
December 31, 2018	(1,187)	342	1,147	2,218

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended December 31, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2020 (Forecast)	-	0.00	-	0.00	0.00		-	

*** Notes:**

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(2) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2019: 14,331,300 shares
December 31, 2018: 13,346,000 shares

2) Total number of treasury shares at the end of the period:
December 31, 2019: 15,000 shares
December 31, 2018: - shares

3) Average number of shares during the period:
Fiscal year ended December 31, 2019: 13,917,336 shares
Fiscal year ended December 31, 2018: 11,801,825 shares

* These financial results are outside the scope of audit by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

(Note regarding forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of the release of these materials and certain assumptions deemed reasonable, and do not represent a commitment from the Company that they will be achieved. In addition, actual financial results, etc. may differ significantly due to a wide range of factors. For the assumptions used in forecasting financial results and notes regarding the use of financial forecasts, please see "1. Overview of Business Results, etc. (1) Overview of Business Results for the Fiscal Year under Review" on page 2 of the supplementary material.

TRANSLATION

Table of Contents

1. Overview of Business Results, etc. 2
(1) Overview of Business Results for the Fiscal Year Under Review 2
(2) Overview of Financial Position for the Fiscal Year Under Review 3
(3) Overview of Cash Flows for the Fiscal Year Under Review 4
(4) Future Outlook 4
(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Under Review and Next Fiscal Year 4

2. Management Policies 5
(1) Basic Policy on Management 5
(2) Target Business Indicators 5
(3) Medium- to Long-term Management Strategies 5
(4) Issues to be Addressed 6

3. Basic Stance Concerning Choice of Accounting Standards 8

4. Financial Statements and Primary Notes 9
(1) Balance Sheets 9
(2) Statements of Income 11
(3) Detailed Schedule of Manufacturing Cost 12
(4) Statements of Changes in Equity 13
(5) Statements of Cash Flows 15
(6) Notes to Financial Statements 16
(Notes on going concern assumption) 16
(Notes in the case of significant changes in shareholders' equity) 16
(Changes in accounting policies) 16
(Significant accounting policies) 16
(Equity in earnings (losses) of affiliates if equity method is applied) 17
(Segment information, etc.) 17
(Per share information) 21
(Significant subsequent events) 21

5. Supplemental Information 22
(1) Research and development activities 22

TRANSLATION

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year Under Review

The global economy during the fiscal year ended December 31, 2019, showed a contraction in personal consumption owing to factors including the effects of trade friction between the U.S. and China, and despite positive topics for the Japanese economy such as the transition to the new "Reiwa" era and hosting the Rugby World Cup, the economic outlook continues to remain uncertain over concerns surrounding weakness in exports. Additionally, while the development of new cancer drugs has been active, drug prices were revised with the intent of reducing medical costs, leading to a harsh year in the pharmaceutical industry as well.

Amid these circumstances, the Company maintained a vision of "dedicating power to future cancer treatments, and leaving our footprint in the history of cancer treatment through those achievements," and promoted the research, development and business activities for OBP-301 (Telomelysin) virotherapy for cancer, and TelomeScan, a drug for detecting cancer.

For details of the Company's activities, please refer to "5. Supplemental Information (1) Research and development activities."

As a result, for the fiscal year ended December 31, 2019, net sales were ¥1,303,844 thousand (¥168,549 thousand in the previous fiscal year), and operating loss was ¥511,463 thousand (operating loss of ¥1,247,563 thousand in the previous fiscal year). In addition, the Company recorded interest income of ¥20,235 thousand and other items as non-operating income, and interest expenses of ¥3,947 thousand, amortization of restricted stock remuneration of ¥42,108 thousand, and foreign exchange losses of ¥2,115 thousand as non-operating expenses. As a result, ordinary loss was ¥539,177 thousand (ordinary loss of ¥1,230,105 thousand in the previous fiscal year). Liquid Biotech USA, Inc. (hereinafter "Liquid"), to which the Company granted rights for the OBP-401 cancer drug (TelomeScan) in the North American territory in November 2015, was conducting joint research with New York University and other institutions. However, as Liquid's business progress significantly delayed compared with the initial plan due to a delay in its financing from venture capital funds despite a progress in research and development, the Company recorded Liquid's convertible bonds of ¥359,597 thousand held by the Company as a loss on valuation of investment securities. Furthermore, the Company also recognized accrued interest on the convertible bonds of ¥9,818 thousand as bad debt expenses. As a result, loss was ¥912,346 thousand (loss of ¥1,233,846 thousand in the previous fiscal year). Going forward, the Company intends to make up for the delay in business progress through close collaboration with Liquid.

Financial results by segment were as follows.

1) Pharmaceutical business

In the pharmaceutical business, the Company signed a licensing agreement with Chugai Pharmaceutical Co., Ltd. (hereinafter "Chugai") for Telomelysin in April 2019 and received contractual upfront payments and first milestone revenue payments. The Company also received joint development revenue, etc., from Medigen Biotechnology Corp. (Taiwan; hereinafter "Medigen") in response to the development of Telomelysin. As a result, net sales were ¥1,292,363 thousand (net sales of ¥152,611 thousand in the previous fiscal year), and operating profit was ¥373,069 thousand (operating loss of ¥484,618 thousand in the previous fiscal year).

2) Diagnostic business

In the diagnostic business, revenue was recorded by sales of TelomeScan to Deciphera Pharmaceuticals, LLC (the U.S.; hereinafter "Deciphera"), etc. In November 2019, a contract with WONIK CUBE Corp. (South Korea; hereinafter "WONIK CUBE") was terminated, but the Company received revenue based on the license agreement, including a termination penalty. As a result, net sales were ¥11,481 thousand (net sales of ¥15,938 thousand in the previous fiscal year), and operating loss was ¥151,655 thousand (operating loss of ¥169,734 thousand in the previous fiscal year).

TRANSLATION

Additionally, Liquid, to which the Company granted the rights for the OBP-401 cancer detection drug (TelomeScan) in the North American territory in November 2015, was conducting joint research with New York University and other institutions. However, as Liquid's business progress significantly delayed compared with the initial plan due to a delay in its financing from venture capital funds despite a progress in research and development, the Company recorded Liquid's convertible bonds of ¥359,597 thousand held by the Company as a loss on valuation of investment securities. Going forward, the Company intends to make up for the delay in business progress through close collaboration with Liquid.

(2) Overview of Financial Position for the Fiscal Year Under Review

1) Status of Assets, Liabilities and Net Assets

Assets at the end of the fiscal year under review were ¥4,380,056 thousand (27.7% increase compared with the end of the previous fiscal year), owing partly to an increase in cash and deposits. Liabilities were ¥926,007 thousand (75.1% increase compared with the end of the previous fiscal year), owing partly to an increase in accounts payable - other. Net assets were ¥3,454,048 thousand (19.1% increase compared with the end of the previous fiscal year), owing to capital increase through issuance of new shares, loss incurred and other factors.

2) Status of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review were ¥3,097,514 thousand (39.6% increase compared with the end of the previous fiscal year). Cash flows for the fiscal year under review were as follows.

(Cash flows from operating activities)

Net cash flows used in operating activities were ¥238,228 thousand (a cash outflow of ¥1,187,579 thousand in the previous fiscal year). This is primarily attributable to loss before income taxes of ¥908,593 thousand, loss on valuation of investment securities of ¥359,597 thousand, share-based remuneration expenses of ¥125,928 thousand, an increase in notes and accounts receivable - trade of ¥119,244 thousand, and an increase in accounts payable - other of ¥182,144 thousand.

(Cash flows from investing activities)

Net cash flows used in investing activities were ¥4,442 thousand (a cash inflow of ¥342,040 thousand in the previous fiscal year). This is primarily attributable to outflows for the purchase of non-current assets of ¥4,290 thousand.

(Cash flows from financing activities)

Net cash flows provided by financing activities were ¥1,123,312 thousand (a cash inflow of ¥1,147,270 thousand in the previous fiscal year). This is primarily attributable to proceeds from issuance of common shares of ¥1,006,892 thousand and long-term loans payable of ¥200,000 thousand.

TRANSLATION

(3) Overview of Cash Flows for the Fiscal Year Under Review

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Equity ratio (%)	82.9	84.3	78.7
Equity ratio based on fair value (%)	245.5	402.3	628.5
Interest-bearing liabilities to cash flows (Note 4)	—	—	—
Interest coverage ratio (Note 4)	—	—	—

Equity ratio: Equity/Total assets

Equity ratio based on fair value: Total market value of shares/Total assets

Interest-bearing liabilities to cash flows: Interest-bearing liabilities /Cash flows

Interest coverage ratio: Cash flows/Interest payments

(Note 1) Total market value of shares was calculated by multiplying the closing price on the fiscal year-end date by the number of outstanding shares on the fiscal year-end date (excluding treasury shares).

(Note 2) Operating cash flows are used as cash flows.

(Note 3) Interest-bearing liabilities include all liabilities recorded on the balance sheets for which interests are paid.

(Note 4) Figures are not presented as operating cash flows were negative.

(4) Future Outlook

Focusing on furthering the development of Telomelysin, the Company actively promotes clinical trials, non-clinical trials, and the manufacture of investigational new drugs for various domestic and international pipelines in order to further improve corporate value. In April 2019, the Company concluded a license agreement worth more than ¥50 billion in total and a capital alliance agreement with Chugai. In November 2016, the Company concluded a license agreement on Telomelysin with Jiangsu Hengrui Medicine Co., Ltd. (hereinafter "Hengrui"). However, the Company's base of stable revenue is still small, and its financial results may fluctuate widely due to factors such as milestone revenue payments generated in tandem with achievements of events as stipulated in agreements with Chugai and Hengrui, the licensees of Telomelysin.

Given that there are currently many indeterminate factors that may influence financial results, the Company believes that it is unrealistic to attempt to calculate appropriate and realistic numerical values for financial results forecast, and therefore decided to refrain from disclosing any forecast of financial results.

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Under Review and Next Fiscal Year

As a research and development based venture, the Company has focused on upfront investments of business capital, etc., and has yet to distribute profits. However, the Company recognizes the return of profits to shareholders to be an important issue for management, and will determine its dividend policy that take the operating results of each fiscal year into account, while considering further strengthening of the management foundation and the enhancement of internal reserves in preparation for further proactive business development. In accordance with this basic policy, dividend distributions are not scheduled for the fiscal year under review or the next fiscal year.

TRANSLATION

2. Management Policies

(1) Basic Policy on Management

The Company conducts a research and development-oriented business as a biotech venture for drug discovery, and promotes the development and commercialization of novel cancer treatment drugs utilizing highly unique adenovirus genetic modification technology, and novel cancer detection drugs.

The Company has constructed a pipeline covering everything from the discovery to the treatment of cancer, with Telomelysin virotherapy for cancer, OBP-702 (next generation Telomelysin) for oncolytic gene therapy, and TelomeScan for early detection and prediction of recurrence for cancer. The Company will continue to work on expanding its gene modification adenovirus platform and developing new pipelines to help meet the needs of cancer treatment in the medical field. The basic policy of the Company is to provide essential drug discovery services such that "without Oncolys, there will be trouble for the medical field, and thus the patients," and the Company will contribute to early solutions to the challenges faced by the medical field.

(2) Target Business Indicators

The Company is a research and development based biotech venture involved in drug discovery, and profits are typically expected to increase when pipelines that are currently in development are placed on the market, and when royalty revenue is received from licensees. Therefore, at the present stage, while striving to improve pipelines for expanding contractual lump-sum payments from licensees and milestone revenue, and reducing financial risks to the revenue of the diagnostic business, the Company aims to use early-stage stability and profitability as business indicators.

(3) Medium- to Long-term Management Strategies

The basic strategy of the Company involves a fabless management model utilizing outsourcing in order to realize efficient progress from pre-clinical to clinical trials. Operations are performed with minimum personnel, and focus is placed on securing and cultivating personnel specializing in comprehensive project management. The Company will continue to work on securing and cultivating proactive personnel in the future, and will invest personnel in the pharmaceutical business and the diagnostic business.

The pharmaceutical business conducts proof of concept (POC) studies as an evaluation index for product value gained by achieving rapid progression to the next stage in development, and by licensing to major pharmaceutical companies and biotech companies, advocates a profit model of contractual payments from business partners and the generation of royalty revenue after products are launched in the market. In addition, the Company will work to introduce new pipelines for drugs used in the treatment of intractable diseases and rare diseases that are in high demand by the medical field.

The diagnostic business currently runs a profit model which focuses on license revenue and the sales of diagnostic viruses, and in the future, the Company aims to develop a profit model that is based on providing test kits to licensees, laboratories, and medical institutions through the actualization of mass processing for specimens that satisfies medical needs.

Going forward, the Company will continue to work on rapid progression to the next stages in development, and endeavor to construct a foundation of continuous profit by implementing multiple profit models.

TRANSLATION

(4) Issues to be Addressed

The following important issues are initiated in the organizational strategy of the Company.

a. Promoting the corporate philosophy

The vision of the Company is to dedicate its power to future cancer treatments, and leave its footprint in the history of cancer treatment through those achievements.

We are on an endless quest for medical “innovation.” To this end, we spare no efforts in our diligent studies of the medical sciences. One could say we are on an adventure to accomplish big things with a small number of people. We aim to challenge ourselves in projects that big companies cannot. We are focused on how many lives we can save, rather than on how much profit can be made, and we believe this mindset will bring us profit in turn. We share this mindset not only with management and employees, but also with our shareholders. We commit ourselves to transparency in management and regular information disclosure. We aspire to contribute to society, and fully comply with all laws and regulations governing our company’s behavior.

We consider it important for our management to promote our corporate philosophy among our officers and employees, and build an organization that flexibly and enthusiastically executes management strategies based on this corporate philosophy. To this end, we have formulated a code of conduct which embodies this corporate philosophy, and together with instructing officers and employees to comply with this code of conduct, we proactively create opportunities for top management to speak to our officers and employees about our corporate philosophy. On top of that, we are building an organization that places primary importance on the unified sharing of information by the research and development department and business development department. In addition, the management department that manages internal resources is constantly aware of the will of our stakeholders, and ensures thorough compliance. Furthermore, the internal audit department serves to enhance monitoring functions, starting with promotion of the corporate philosophy and the code of conduct.

b. Securing and cultivating personnel

The personal growth of each officer and employee is an essential element to the growth of the Company. In order to realize this, the Company actively promotes the recruitment and cultivation of personnel. Utilizing internal and external networks, the Company seeks to recruit personnel who have reliable technique, abilities, and ambitions to grow, in addition to cultivating personnel through OJT and various training programs to enhance the team structure. The Company also endeavors to improve financial results assessments and share-based remuneration systems in order to maximize the speed and quality of business operations.

c. Strengthening research and development structures

The research and development of the Company covers the whole process from the search and invention of prospective pharmaceuticals and detection drugs to pre-clinical trials and initial clinical trials. Therefore, it is an important issue to secure and cultivate personnel who take responsibility as project leaders engaging primarily in planning and progress management for research and development. In order to accomplish this, the Company continues to strive to enhance the quality and quantity of research and development department. Furthermore, along with incorporating advanced technologies through joint research and development with research institutions to improve technological levels, the Company actively utilizes outsourcing partners which share the corporate philosophy, and endeavors to construct low-cost and high-level research and development structures.

d. Strengthening business development department

In the field of cancer treatment drugs, the Company uses virus formulations, and aims for the commercialization of an exceedingly unique selection of products for this industry. Therefore, the Company will secure and cultivate business development staff knowledgeable in this field, strengthen its network with pharmaceutical companies around the world, and construct business development structures that contribute to increasing the Company’s cash flows.

TRANSLATION

e. Independent monetization of diagnostic business

In the diagnostic business, research and development activities on TelomeScan have been making progress domestically and overseas, but it is expected to take several years before the development progress can generate continuous sales. Towards establishing early-stage profitability in the diagnostic business on a fiscal year basis and realizing continuous independent profit, the Company will seek prompt expansion in global licensing territories and strive to secure future markets for test kits.

f. Outsourcing strategies

In the Company business that revolves around outsourcing, efficiency improvement is an important issue. In order to strengthen relationships with outsourcing companies such as CROs (Contract Research Organizations) and CMOs (Contract Manufacturing Organizations) in securing necessary and sufficient research, development, and manufacturing capabilities, the Company instructs the whole organization to ensure a dedicated contact system through making regular visits, etc. Also, in order to ensure ideal outsourcing structures at all times, the Company will search secondary contractors and build relationships so that operations do not become dependent on any specific company in each business field.

TRANSLATION

3. Basic Stance Concerning Choice of Accounting Standards

Since the Company has not prepared consolidated financial statements, the burden of establishing a system for preparing financial statements based on international accounting standards has been taken into consideration, and the financial statements have been prepared based on Japanese standards.

TRANSLATION

4. Financial Statements and Primary Notes

(1) Balance Sheets

(Thousand yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	2,463,138	3,342,585
Accounts receivable - trade	50,063	169,308
Finished goods	9,121	8,504
Work in process	—	3,898
Supplies	1,941	2,515
Advance payments - other	4,084	47,737
Prepaid expenses	29,438	202,709
Short-term loans receivable from subsidiaries and associates	—	10,954
Accounts receivable - other	27,843	37,069
Consumption taxes receivable	31,755	—
Other	726	1,146
Total current assets	2,618,115	3,826,429
Non-current assets		
Property, plant and equipment		
Buildings	2,794	2,794
Accumulated depreciation	(2,794)	(2,794)
Buildings, net	—	—
Tools, furniture and fixtures	68,772	73,673
Accumulated depreciation	(66,516)	(61,849)
Tools, furniture and fixtures, net	2,256	11,823
Total property, plant and equipment	2,256	11,823
Software	—	850
Total intangible assets	—	850
Investments and other assets		
Investment securities	668,201	329,333
Shares of subsidiaries and associates	101,153	101,153
Investments in capital	100	100
Long-term loans receivable from subsidiaries and associates	11,102	—
Lease and guarantee deposits	28,299	27,532
Long-term prepaid expenses	865	82,816
Other	19	19
Total investments and other assets	809,740	540,953
Total non-current assets	811,997	553,626
Total assets	3,430,112	4,380,056

(Thousand yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Short-term loans payable	83,336	127,776
Lease obligations	5,795	3,147
Accounts payable – other	71,012	253,275
Accrued expenses	11,845	12,338
Income taxes payable	35,933	43,859
Accrued consumption taxes	—	75,828
Deposits received	4,402	7,576
Total current liabilities	212,324	523,801
Non-current liabilities		
Long-term loans payable	311,104	388,880
Lease obligations	1,345	8,419
Provision for retirement benefits	4,185	4,906
Total non-current liabilities	316,634	402,205
Total liabilities	528,959	926,007
Net assets		
Shareholders' equity		
Capital stock	6,402,658	7,121,273
Capital surplus		
Legal capital surplus	6,395,158	7,113,773
Other capital surplus	—	9,650
Total capital surpluses	6,395,158	7,123,423
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(9,893,863)	(10,806,209)
Total retained earnings	(9,893,863)	(10,806,209)
Total shareholders' equity	2,903,953	3,438,488
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(13,108)	7,620
Total valuation and translation adjustments	(13,108)	7,620
Share acquisition rights	10,309	7,940
Total net assets	2,901,153	3,454,048
Total liabilities and net assets	3,430,112	4,380,056

TRANSLATION

(2) Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Net sales	168,549	1,303,844
Cost of sales		
Cost of service	119,656	112,891
Beginning finished goods	11,807	9,121
Cost of products manufactured	—	—
Total	11,807	9,121
Transfer to other account	1,011	606
Ending finished goods	9,121	8,504
Cost of finished goods sold	1,675	9
Gross profit	47,217	1,190,943
Selling, general and administrative expenses	1,294,781	1,702,406
Operating loss	(1,247,563)	(511,463)
Non-operating income		
Interest income	21,380	20,235
Dividend income	4	4
Other	30	217
Total non-operating income	21,415	20,457
Non-operating expenses		
Interest expenses	2,797	3,947
Amortization of restricted stock remuneration	—	42,108
Foreign exchange losses	1,160	2,115
Total non-operating expenses	3,957	48,171
Ordinary loss	(1,230,105)	(539,177)
Extraordinary losses		
Loss on valuation of investment securities	—	359,597
Bad debts expenses	—	9,818
Total extraordinary losses	—	369,415
Loss before income taxes	(1,230,105)	(908,593)
Income taxes - current	3,740	3,752
Total income taxes	3,740	3,752
Loss	(1,233,846)	(912,346)

TRANSLATION

(3) Detailed Schedule of Manufacturing Cost

		For the fiscal year ended December 31, 2018		For the fiscal year ended December 31, 2019	
Category	Note No.	Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
Ⅰ. Material cost		—		1,680	
Ⅱ. Labor cost		—		979	
Ⅲ. Expenses		—		1,238	
Total manufacturing cost		—		3,898	
Beginning work in process		4,931		—	
Other account received		—		—	
Total		4,931		—	
Ending work in process		—		3,898	
Transfer to other account		4,931		—	
Cost of products manufactured		—		—	

Calculation method of costs

Costs calculation methods vary based on the calculation of individual product costs.

TRANSLATION

(4) Statements of Changes in Equity

For the fiscal year ended December 31, 2018

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of current period	5,802,444	5,794,944	—	5,794,944	(8,660,016)	(8,660,016)	2,937,371
Changes of items during period							
Issuance of new shares	600,214	600,214		600,214			1,200,428
Gain on disposal of treasury stock				—		—	—
Loss					(1,233,846)	(1,233,846)	(1,233,846)
Net changes of items other than shareholders' equity							
Total changes of items during period	600,214	600,214	—	600,214	(1,233,846)	(1,233,846)	(33,418)
Balance at end of current period	6,402,658	6,395,158	—	6,395,158	(9,893,863)	(9,893,863)	2,903,953

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(15,786)	(15,786)	10,309	2,931,893
Changes of items during period				
Issuance of new shares				1,200,428
Gain on disposal of treasury stock				(1,233,846)
Loss				
Net changes of items other than shareholders' equity	2,677	2,677	—	2,677
Total changes of items during period	2,677	2,677	—	(30,740)
Balance at end of current period	(13,108)	(13,108)	10,309	2,901,153

TRANSLATION

For the fiscal year ended December 31, 2019

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Gain on disposal of treasury shares	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of current period	6,402,658	6,395,158	—	6,395,158	(9,893,863)	(9,893,863)	2,903,953
Changes of items during period							
Issuance of new shares	718,615	718,615		718,615			1,437,231
Gain on disposal of treasury stock			9,650	9,650		—	9,650
Loss					(912,346)	(912,346)	(912,346)
Net changes of items other than shareholders' equity							
Total changes of items during period	718,615	718,615	9,650	728,265	(912,346)	(912,346)	534,535
Balance at end of current period	7,121,273	7,113,773	9,650	7,123,423	(10,806,209)	(10,806,209)	3,438,488

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(13,108)	(13,108)	10,309	2,901,153
Changes of items during period				
Issuance of new shares				1,437,231
Gain on disposal of treasury stock				9,650
Loss				(912,346)
Net changes of items other than shareholders' equity	20,728	20,728	(2,369)	18,359
Total changes of items during period	20,728	20,728	(2,369)	552,895
Balance at end of current period	7,620	7,620	7,940	3,454,048

TRANSLATION

(5) Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Cash flows from operating activities		
Loss before income taxes	(1,230,105)	(908,593)
Depreciation	1,709	3,109
Bad debts expenses	—	9,818
Loss (gain) on valuation of investment securities	—	359,597
Share-based remuneration expenses	—	125,928
Increase (decrease) in provision for retirement benefits	472	721
Interest and dividend income	(21,384)	(20,239)
Interest expenses	2,797	3,947
Foreign exchange losses (gains)	6,088	1,349
Decrease (increase) in notes and accounts receivable - trade	38,672	(119,244)
Decrease (increase) in inventories	7,519	(3,855)
Decrease (increase) in prepaid expenses	21,930	56,471
Decrease (increase) in accounts receivable - other	(320)	320
Increase (decrease) in accrued consumption taxes	—	75,828
Decrease (increase) in advance payments - other	8,561	(43,652)
Increase (decrease) in accounts payable - other	(17,868)	182,144
Other, net	21,991	44,828
Subtotal	(1,181,864)	(231,521)
Interest and dividend income received	683	875
Interest expenses paid	(2,657)	(3,829)
Income taxes paid	(3,740)	(3,752)
Net cash provided by (used in) operating activities	(1,187,579)	(238,228)
Cash flows from investing activities		
Payments into time deposits	(6)	(6)
Proceeds from withdrawal of time deposits	700,000	—
Purchase of property, plant and equipment	(1,643)	(3,290)
Purchase of intangible assets	—	(1,000)
Purchase of investment securities	(356,310)	—
Payments for lease and guarantee deposits	—	(146)
Net cash provided by (used in) investing activities	342,040	(4,442)
Cash flows from financing activities		
Decrease in short-term loans payable	(10,000)	—
Proceeds from long-term loans payable	—	200,000
Repayments of long-term loans payable	(33,336)	(77,784)
Repayments of lease obligations	(9,822)	(5,795)
Proceeds from issuance of common shares	1,188,328	1,006,892
Proceeds from issuance of share acquisition rights	12,100	—
Net cash provided by (used in) financing activities	1,147,270	1,123,312
Effect of exchange rate change on cash and cash equivalents	(6,111)	(1,201)
Net increase (decrease) in cash and cash equivalents	295,619	879,440
Cash and cash equivalents at beginning of year	1,922,454	2,218,074
Cash and cash equivalents at end of period	2,218,074	3,097,514

(6) Notes to Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares in subsidiaries and associates

Stated at cost using the moving-average method.

(2) Other securities

Fair values available

Stated at fair value based on the market value, etc. on the closing date. (Any valuation differences are directly charged or credited to net assets in full, and cost of securities sold is calculated by the moving average method.)

Fair values not available

Stated at cost using the moving-average method.

2. Valuation standards and methods of inventories

Finished goods

Stated at cost using the specific indentation method (The balance sheet value is calculated using the method of reducing book value based on decreased profitability.)

Work in process

Stated at cost using the specific indentation method (The balance sheet value is calculated using the method of reducing book value based on decreased profitability.)

Supplies

Stated at cost using the specific indentation method (The balance sheet value is calculated using the method of reducing book value based on decreased profitability.)

3. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Buildings, and attached facilities and structures acquired on or after April 1, 2016 are depreciated under the straight-line method, and other property, plant and equipment are depreciated under the declining-balance method.

Major useful lives are as follows:

Buildings	3 – 15 years
Tools, furniture and fixtures	3 – 6 years

(2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is depreciated under the straight-line method based on their estimated useful lives (5 years).

(3) Leased assets

Depreciated over respective lease periods by the straight-line method without residual value.

4. Standard for translation of foreign-currency-denominated assets or liabilities into Japanese yen

Foreign currency denominated money claims and liabilities are translated into Japanese yen at the spot exchange rates on the closing date and any conversion difference is treated as profit or loss.

TRANSLATION

5. Accounting standards for reserves

(1) Allowance for doubtful accounts

To prepare for potential credit losses on receivables, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables, and based on the recoverability of individual cases for specified receivables such as doubtful receivables that may not be recoverable.

(2) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a simplified method is adopted, whereby an amount to be required at year-end for voluntary termination is regarded as a retirement benefit obligation in calculating provision for retirement benefits and retirement benefit expenses.

6. Capital covered by statements of cash flows

Capital as used in the statements of cash flows comprises cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months from the date of acquisition, which are easily convertible to cash and are subject to minimal risk of fluctuation in value.

7. Other important matters serving as the basis for preparing financial statements

Accounting of consumption tax, etc.

Consumption tax is accounted for by the tax exclusion method.

(Change of display method)

(Cash Flow Statement)

While the "decrease(increase) in prepaid expense" was included in "Other, net" of "Cash flow from operating activities" in previous fiscal year, "decrease(increase) in prepaid expense" is independently displayed due to significance of amount in this fiscal year. Cash flow statement in previous fiscal year is rearranged in order to reflect this change.

As a result, 21,991 in "Other, net" of "Cash flow from operating activities" is divided into 21,930 in "decrease(increase) in prepaid expense" and 61 in "Other, net"

(Equity in earnings (losses) of affiliates if equity method is applied)

The affiliated company owned by the Company is omitted because it is an affiliated company with little importance from the profit standards and retained earnings standards.

(Segment information, etc.)

a. Segment information

1. Overview of the reportable segments

Reportable segments of the Company are determined as segments whose separate financial information is available from among the constituent units of the Company, and are regularly used by the Board of Directors to determine the allocation of management resources and to evaluate performance.

The Company classifies business according to the products and services handled, and each business department develops a comprehensive strategy and performs business activities.

The Company is therefore composed of segments separated by business content, with two reportable segments classified as the "pharmaceutical business" and the "diagnostic business."

The pharmaceutical business involves the research, development, manufacturing, sales, etc. of pharmaceutical products. The diagnostic business involves the research, development, manufacturing, sales of diagnostic drugs and devices, as well as the provision of inspection services, etc.

2. Calculation method of the amounts of net sales, profit (loss), assets, liabilities and other items by reportable

TRANSLATION

segment

The accounting method used for reporting business segments is generally the same as the description in "Significant accounting policies."

Figures of profit presented in reportable segments are based on operating profit.

Assets are not allocated to business segments.

TRANSLATION

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended December 31, 2018

(Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in Financial Statements (Note 2)
	Pharmaceutical Business	Diagnostic Business	Total		
Net sales					
Net sales to outside customers	152,611	15,938	168,549	—	168,549
Inter-segment net sales or transfers	—	—	—	—	—
Total	152,611	15,938	168,549	—	168,549
Segment loss	(484,618)	(169,734)	(654,353)	(593,210)	(1,247,563)
Other items					
Depreciation	—	—	—	1,709	1,709

(Notes) 1. The adjustment to segment loss of negative ¥593,210 thousand is a corporate expense that has not been allocated to reportable segments, and is mainly expenses related to administrative department that do not belong to any reportable segment.

2. Segment loss has been adjusted with operating loss in financial statements.

For the fiscal year ended December 31, 2019

(Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in Financial Statements (Note 2)
	Pharmaceutical Business	Diagnostic Business	Total		
Net sales					
Net sales to outside customers	1,292,363	11,481	1,308,844	—	1,308,844
Inter-segment net sales or transfers	—	—	—	—	—
Total	1,292,363	11,481	1,308,844	—	1,308,844
Segment loss	373,069	(151,655)	221,414	(732,877)	(511,463)
Other items					
Depreciation	—	303	303	2,806	3,109
Increase in property, plant and equipment equality Intangible assets	—	10,237	10,237	3,290	13,527

(Notes) 1. The adjustment to segment loss of ¥732,877 thousand is a corporate expense that has not been allocated to reportable segments, and is mainly expenses related to administrative department that do not belong to any reportable segment.

2. Segment loss has been adjusted with operating loss in financial statements.

TRANSLATION

b. Related information

For the fiscal year ended December 31, 2018

1. Information by product and service

The information is omitted, as the segmentation of product and service is equivalent to the segmentation of reportable segments.

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	U.S.	Other Asia	Total
120	12,318	156,111	168,549

(Note) Net sales are classified by country or area, based on the locations of customers.

(2) Property, plant and equipment

There is no relevant information as the Company does not have property, plant and equipment located outside Japan.

3. Information by major customer

(Thousand yen)

Name of client	Net sales	Related segment
Company A	145,981	Pharmaceutical business

(Note) The Company refrains from disclosing company names due to confidentiality clauses present in the various contracts held with customers.

TRANSLATION

For the fiscal year ended December 31, 2019

1. Information by product and service

The information is omitted, as the segmentation of product and service is equivalent to the segmentation of reportable segments.

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	U.S.	Other Asia	Total
1,175,753	4,481	123,609	1,303,844

(Note) Net sales are classified by country or area, based on the locations of customers.

(2) Property, plant and equipment

There is no relevant information as the Company does not have property, plant and equipment located outside Japan.

3. Information by major customer

(Thousand yen)

Name of client	Net sales	Related segment
Company B	1,175,753	Pharmaceutical business
Company C	116,609	Pharmaceutical business

(Note) The Company refrains from disclosing company names due to confidentiality clauses present in the various contracts held with customers.

c. Information on impairment losses of non-current assets by reportable segment

There is no relevant information.

d. Information on amortization amount and unamortized balance of goodwill by reportable segment

There is no relevant information.

e. Information on gain on bargain purchase by reportable segment

There is no relevant information.

TRANSLATION

(Per share information)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Net assets per share	¥216.61	¥240.71
Loss per share	¥(104.55)	¥(65.55)

(Notes) 1. Diluted earnings per share are not presented because of the posting of loss per share, although there are residual shares.

2. The basis for the calculation of loss per share is as follows.

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Loss per share		
Loss (Thousand yen)	(1,233,846)	(912,346)
Amount not attributable to common shareholders (Thousand yen)	—	—
Loss relating to common shares (Thousand yen)	(1,233,846)	(912,346)
Average number of shares during the period (shares)	11,801,825	13,917,336

(Significant subsequent events)

There is no relevant information.

TRANSLATION

5. Supplemental Information

(1) Research and development activities

Research and development expenses of the Company in the fiscal year ended December 31, 2019 totaled ¥562,694 thousand, including ¥385,563 thousand for the pharmaceutical business, ¥130,276 thousand for the diagnostic business, and ¥46,854 thousand shared by both segments. Furthermore, the status of research and development activities during the fiscal year under review is as follows.

(1) Research and development structure

As of December 31, 2019, 13 persons belonged to research and development department, equivalent to 41.9% of the total number of employees.

(2) Research and development and business activities

The Company promoted research and development, and active business activities centered on the following projects.

(a) Pharmaceutical business

1) Activities related to the oncolytic adenovirus immunotherapy Telomelysin (OBP-301)

The Company concluded exclusive licensing and capital tie-up agreements concerning Telomelysin with Chugai on April 8, 2019. In these agreements, the Company granted to Chugai an exclusive license with sublicensing rights concerning the development, manufacturing, and marketing in Japan and Taiwan for Telomelysin. Furthermore, exclusive option rights concerning worldwide development, manufacturing, and marketing of Telomelysin that do not include China, Hong Kong, and Macau were also granted to Chugai. If a certain level of efficacy has been confirmed in the clinical trial of Telomelysin and if Chugai exercises its exclusive option rights, the total value of the licensing agreement the Company is entitled to receive will be ¥50 billion or more. In addition, after the launch of Telomelysin, the Company will receive sales royalties according to Chugai's amount of sales of Telomelysin, apart from the total value of the licensing agreement.

The company received ¥550 million in April 2019 for the contractual upfront payments of these agreements. In addition, the Company achieved its first milestone in December 2019 and recognized additional sales of ¥500 million.

In addition to the business activities, currently, four clinical trials are simultaneously in progress for the oncolytic adenovirus immunotherapy Telomelysin (OBP-301): i) Phase I sponsor-initiated clinical trial in combination with radiation therapy for esophageal cancer; ii) Phase I investigator-initiated clinical trial in combination with pembrolizumab, an anti-PD-1 antibody, for solid tumors; iii) Phase II investigator-initiated clinical trials in combination with pembrolizumab, an anti-PD-1 antibody for gastric cancer / gastroesophageal junction cancer; and iv) Phase I sponsor-initiated clinical trial for hepatocellular cancer (HCC). Furthermore, in the U.S., the Company is preparing for beginning a Phase I clinical trial on combination radiotherapy for esophageal cancer and Phase II clinical trials combining the anti-PD-1 antibody and radiation therapy for head and neck cancer. In addition, the Company has been conducting non-clinical trials for breast cancer.

In advance of the above i) "Phase I sponsor-initiated clinical trial in combination with radiation therapy for esophageal cancer," the "investigator-initiated clinical study in combination with radiation therapy" which was conducted at Okayama University has already completed an evaluation of the safety and efficacy of Telomelysin in combination with radiation therapy for esophageal cancer patients refractory to resection through surgery and definitive chemoradiotherapy, and at a meeting of the Japanese Society of Medical Oncology held in Kobe in July 2018, Dr. Toshiyoshi Fujiwara of the Department of Gastroenterological Surgery Transplant and Surgical Oncology, Okayama University Graduate School of Medicine, Dentistry and Pharmaceutical Sciences gave a presentation to the effect that "treatment effect on the area where Telomelysin had been administered was complete response (CR) in 8 among 13 patients and serious adverse events have not been reported." In addition, the same content was discussed in a plenary session at a meeting of the American Association for Cancer Research (AACR) held in Atlanta, the U.S. in April 2019.

Meanwhile, regarding the above i) "Phase I sponsor-initiated clinical trial in combination with radiation therapy for esophageal cancer," the safety evaluation in the Phase I sponsor-initiated clinical trial was completed by the Data and Safety Monitoring Committee in September 2019. Further development on the Phase II clinical trial in combination with radiation therapy for esophageal cancer, which is expected to commence in the future, will be led and financially borne by Chugai, the licensee.

TRANSLATION

In addition, in April 2019 it was recognized as a designated product under the "SAKIGAKE Designation System" introduced by the Ministry of Health, Labour and Welfare. With this designation, it will receive prioritized consultations prior to application for approval from the Pharmaceuticals and Medical Devices Agency (PMDA).

Regarding the above ii) "Phase I investigator-initiated clinical trial in combination with an anti-PD-1 antibody for various types of solid tumors" where combination with anti-PD-1 pembrolizumab is evaluated mainly for esophageal cancer, its administration to patients began in December 2017, and with the administration of Phase Ia being completed, it transitioned to Phase Ib. A progress report of this clinical trial was presented at the meeting of the AACR held in Atlanta, the U.S. in March 2019, and at the meeting of the Japan Society for Biological Therapy held in November 2019, reporting on the safety of Telomelysin's combination with anti-PD-1 pembrolizumab. Furthermore, systemic partial responses (PR) were observed in 3 among 9 patients at a preliminary efficacy evaluation for primary outcome measures.

Regarding the above iii) "Phase II investigator-initiated clinical trials in combination with pembrolizumab, an anti-PD-1 antibody for gastric cancer / gastroesophageal junction cancer" at Cornell University in the U.S., administration to the first patient began in May 2019. It will be administered to up to 37 patients, and an evaluation of the efficacy and safety of Telomelysin and pembrolizumab, an anti-PD-1 antibody, will be performed. The protocol of this clinical trial was presented at a meeting of the American Society of Clinical Oncology (ASCO) held in Chicago, the U.S. in June 2019.

Regarding iv) Phase I sponsor-initiated clinical trial for HCC, the final stage of Phase I, including single and repeated dose administration, is being conducted with Pusan National University (South Korea) and National Taiwan University (Taiwan) as the clinical trial facilities.

In addition, in the U.S., the Company is preparing for beginning a Phase I clinical trial on combination radiotherapy for esophageal cancer and Phase II clinical trials combining the anti-PD-1 antibody and radiation therapy for head and neck cancer. In addition, the Company has been conducting non-clinical trials for breast cancer.

Jiangsu Hengrui Medicine Co., Ltd., a licensee of research, development, manufacturing, and sales rights of Telomelysin in China, Hong Kong, and Macau, has established Good Manufacturing Practice (GMP) for Telomelysin and conducted pre-IND in October 2019, and is preparing to apply to the Chinese government (National Medical Products Administration: NMPA) to conduct clinical trials.

2) Activities related to next generation Telomelysin (OBP-702)

OBP-702, an oncolytic gene therapy, has two anti-tumor effects which combine the "gene therapy" of the p53 cancer suppressor gene with the "oncolytic functions" of Telomelysin (OBP-301). The Company positions OBP-702 as the "next generation Telomelysin" to follow Telomelysin itself, which has already been licensed to Chugai and Hengrui. In addition, a research group led by Professor Fujiwara of Okayama University conducted non-clinical trials on OBP-702 with the support of the Japan Agency for Medical Research and Development (AMED), reporting on results of those trials at the meeting of the AACR held in Atlanta, the U.S. in March 2019 and at the meeting of the Japan Society for Biological Therapy in November 2019. The Company is studying and developing methods for manufacturing and quality testing of OBP-702 on consignment from Okayama University. The Company will promote research and development and aim to begin clinical trials by 2022.

3) Other activities related to the pharmaceutical business

The Company started administration in the US for Phase I clinical trials in May 2015 for OBP-801, a histone deacetylase (HDAC) inhibitor licensed from Astellas Pharma Inc. in 2009, for patients with advanced solid tumors that show resistance to other forms of treatment. However, dose limiting toxicity was observed in cohort 3 and thus, at present, study enrollment of new patients was tentatively stopped, and the Company is considering the possibility of restarting with another protocol including combinations with other drugs. Furthermore, the Company applied for a patent concerning the ophthalmic field as a new area of indication for OBP-801 in July 2018 with an ophthalmology research group from Kyoto Prefectural University of Medicine and is continuing to conduct joint research with them. In the future, the Company plans to study conditions targeting the ophthalmology field.

The Company has lowered the development priority of the novel anti-HIV drug, OBP-601 (Censavudine),

TRANSLATION

taking into consideration the current status of the anti-HIV drug market, and is currently looking for development partners. However, the HIV market is still in a state of supersaturation and the possibility of new licenses being issued has declined considerably. In the future, if it is determined that it would be impossible to enter into any new license agreements, the Company will return rights for OBP-601 to Yale University, and proceed forward with the selection and concentration of pipeline products for effective utilization of management resources.

Regarding the project of OBP-AI-004, an antiviral agent for the hepatitis B virus (HBV), the Company intends to move forward with a joint research with an antiviral agent research group from Kagoshima University with a view towards the creation of new compounds.

TRANSLATION

The status of clinical trials in the Pharmaceutical Business is as follows.

Development code	Trademark or name	Indication	Development region	Development stage
OBP-301	Telomelysin (Virotherapy for cancer)	Esophageal cancer In combination with radiation therapy	Japan	Phase II (in preparation)
		Esophageal cancer (solid tumor) In combination with anti-PD-1 antibody	Japan	Phase I
		Esophageal cancer In combination with radiation therapy and chemotherapy	U.S.	Phase I (in preparation)
		Gastric / gastroesophageal junction cancer In combination with anti-PD-1 antibody	U.S.	Phase II
		Head and neck cancer In combination with anti-PD-1 antibody and radiation therapy	U.S.	Phase II (in preparation)
		HCC	South Korea and Taiwan	Phase I
OBP-801	HDAC inhibitor	Various types of solid tumor	U.S.	Phase I
OBP-601	Censavudine (anti-HIV drug)	HIV infection	Europe, America and others	Phase IIb (complete)

(b) Diagnostic business

Regarding TelomeScan, a cancer detection drug, the Company is continuing to consider clinical applications for circulating tumor cells (CTC) in the blood in the field of lung cancer with Juntendo University. Liquid Biotech USA, Inc. (the U.S.), to which rights were granted in the North American territory, is proceeding with joint research activities with universities and research institutions in the U.S.

In the future, the Company aims to continue actively proposing the utilization of TelomeScan in liquid biopsies for identifying cancer cells to operating companies, universities and research institutions, and expanding new license agreements and sales of the cancer detection drug TelomeScan in Japan, China, and Europe.

TRANSLATION