

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

(Securities code: 4597)

March 15, 2018

To Our Shareholders:

Yoshihiro Arai,
President and Chief Executive Officer
Solasia Pharma K.K.
4F, SUMITOMO FUDOSAN SHIBA-
KOEN TOWER, 2-11-1, Shiba-koen,
Minato-ku, Tokyo

Notice of the 10th Annual General Meeting of Shareholders

You are cordially invited to attend the 10th Annual General Meeting of Shareholders of Solasia Pharma K.K. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you can exercise your voting rights by either of the following methods. Please exercise your voting rights after reviewing the enclosed Reference Documents for General Meeting of Shareholders.

[Voting by Mail]

Please indicate your approval or disapproval of the proposals in the enclosed voting form, and return it so that your vote is received by 5:30 p.m. on Thursday, March 29, 2018 (JST).

[Voting via the Internet]

Please access the website for the exercise of voting rights specified by the Company (<https://evote.tr.mufg.jp/>), enter the “login ID” and the “temporary password” printed in the enclosed voting form and follow the guidance on the screen to enter your vote of approval or disapproval of the proposals by 5:30 p.m. on Thursday, March 29, 2018 (JST).

Please refer to the “Guide to Exercising Voting Rights via the Internet” on page 3 for further details.

- 1. Date and Time:** Friday, March 30, 2018, at 10:00 a.m. (JST)
- 2. Venue:** NEW PIER HALL
1F, New Pier Takeshiba North Tower, 1-11-1, Kaigan, Minato-ku, Tokyo

3. Purpose of the Meeting:

Matters to be reported

The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 10th fiscal year (from January 1, 2017 to December 31, 2017), and the results of audits of the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board

Matters to be resolved

- Proposal No. 1:** Election of Six (6) Board Directors
Proposal No. 2: Election of One (1) Audit & Supervisory Board Member

- When you attend the meeting, you are kindly requested to submit the enclosed voting form at the reception. Please note that anyone who is not entitled to exercise voting rights, such as non-shareholding proxy, person accompanying the shareholder) will not be allowed to come inside the venue.
Please also bring this Notice for your reference.
- If the Reference Documents for General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements are to be revised, the Company shall post the revised content on the Company's website (<https://solasia.co.jp>).

Guide to Exercising Voting Rights via the Internet

If you exercise your voting rights via the Internet, please read and understand carefully the following matters.

If you intend to attend the Annual General Meeting of Shareholders, you don't need to exercise your voting rights either by mail (the voting form) or via the Internet.

1. Voting rights website and exercising your voting rights

- (1) To exercise your voting rights via the Internet, please access the website ("Voting Site") specified by the Company (<https://evote.tr.mufg.jp/>) via a PC, a smartphone or a mobile phone (i-mode, EZweb or Yahoo! Keitai)*. You can exercise your voting rights via the Internet only by accessing this Voting Site (Please be advised that this Voting Site is not available from 2:00 a.m. till 5:00 a.m. (JST) every day).

* i-mode, EZweb, and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI CORPORATION, and Yahoo! Inc. in the U.S., respectively.

- (2) Please be aware that, depending on your Internet environment, you may not be able to access this Voting Site (e.g., if you connect to the Internet via a firewall, have anti-virus software installed, use a proxy server, or if you don't choose TLS encrypted communication, etc.).
- (3) To exercise your voting rights by mobile phones, please use either i-mode, EZweb, or Yahoo! Keitai service. To ensure security, the Voting Site is not compatible with any models which don't enable TLS encrypted communication and transmission of terminal ID information.
- (4) You can exercise your voting rights on the Voting Site until 5:30 p.m. on Thursday, March 29, 2018 (JST). However, we respectfully request that you exercise your voting rights at your earliest convenience. If you have any questions, please contact the help desk.

2. Exercising your voting rights on the Voting Site

- (1) Please access to the Voting Site for the exercise of voting rights (<https://evote.tr.mufg.jp/>), use the "login ID" and the "temporary password" printed in the voting form and follow the guidance on the screen to enter your vote of approval or disapproval of the proposals.
- (2) Please note that, in order to prevent illegal online access (masquerading) and falsification by non-shareholders, you will be requested to change your "temporary password" on the Voting Site.
- (3) You will be notified of a new "login ID" and the "temporary password" every time a General Meeting of Shareholders is convened.

3. Multiple exercise of voting rights

- (1) Please note that your voting on the Voting Site shall prevail, if you exercise your voting rights both by mail and on the Voting Site.
- (2) If you exercise your voting rights more than once on the Voting Site, the last exercise shall be deemed effective. In addition, if you exercise your voting rights by plural devices, the last vote shall be deemed effective.

4. Fees incurred when accessing the voting rights website

Any fees (including connection fees to Internet providers, etc.) incurred when accessing the voting rights website shall be borne by shareholders. Similarly, if voting via a mobile phone, etc., any connection charges or other fees arising from the use of the mobile phone, etc. shall be borne by shareholders.

For inquiries about the system for exercising voting rights via the Internet
and other matters, please contact:
Stock Transfer Agency (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Telephone number in Japan: 0120-173-027 (9:00 to 21:00; toll free within Japan)

[Attachment]

Business Report

(From January 1, 2017 to December 31, 2017)

1. Current status of the Group

(1) Business progress and results

(i) Overview of business

The Company and its group company (collectively, the “Group”) have been developing drugs and other such products in the oncology field, and also promoting commercialization in that regard mainly in the Asian region. In addition to the existing three products (development codes SP-01, SP-02, SP-03), we acquired a license of a new drug candidate (development code SP-04) during the fiscal year ended December 31, 2017 (the fiscal year under review), and have been developing with those pipeline products.

■ 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, Hong Kong, Macau)
Lee’s Pharmaceutical (HK) Limited
- Rights in 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

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 and approved, 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 (in February 2018)

Business progress achieved during the fiscal year under review is as follows.

February: Entered into the sublicense agreement of commercial rights with Lee's Pharmaceutical (HK) Limited for Chinese marketing of SP-03 (territory other than Beijing, Shanghai and Guangzhou)

March: Listed shares on the Mothers Section of the Tokyo Stock Exchange

July: Obtained approval for manufacturing/marketing of SP-03 in Japan

September: Entered into the distributorship agreement with ITOCHU Corporation in preparation for Chinese marketing of SP-01 and SP-03

November: Entered into the license agreement for development and commercialization with PledPharma AB in order to acquire SP-04 rights in Japan, China (including Hong Kong and Macau), Korea and Taiwan

December: Launched phase I clinical study of SP-04 (subjects consisting of Japanese nationals residing in the U.S.)

In addition, we have been enhancing our operating infrastructure with the aim of promoting development and commercialization. This has involved establishing our own marketing structure in China geared to launch SP-01 and SP-03, as well as strengthening the internal control system suitable for a listed company.

We have achieved, to some degree, progress with respect to the developed pipeline as aforementioned, however, we still have no products launched on the market with continued advance investment. Accordingly, as with the previous fiscal year we once again incurred both operating loss and loss during the fiscal year under review, with respect to which our financial performance was as follows. Revenue for the fiscal year under review amounted to 410,851 thousand yen (501,319 thousand yen in the previous fiscal year), while operating loss amounted to 1,009,681 thousand yen (compared with an operating loss of 462,477 thousand yen in the previous fiscal year), loss before tax amounted to 1,016,285 thousand yen (compared with a loss before tax of 494,639 thousand yen in the previous fiscal year) and loss amounted to 1,007,481 thousand yen (compared with a loss of 474,436 thousand yen in the previous fiscal year). Revenue mainly consists of proceeds from milestone revenue owing to approval for manufacturing/marketing of SP-03 in Japan. A total of 1,283,517 thousand yen was invested in research and development activities, with 773,518 thousand yen in research and development expenses and the increase of 509,998 thousand yen in intangible assets due to research and development investment.

(ii) Status of capital investment

No items to report.

(iii) Status of financing

The Company fund-raised 3,273,397 thousand yen, upon having listed our shares on the Mothers Section of Tokyo Stock Exchange on March 24, 2017 by issuing new shares by means of public offering.

In addition, the Company also fund-raised total funds amounting to 494,457 thousand yen on April 25, 2017, upon issuing new shares by exercise of overallotment option in the initial public offering.

As part of achieving flexible financing, the Company entered into overdraft agreements with our two banks for a total amount of 2,600,000 thousand yen on November 20, 2017. Yet, as of the end of the fiscal year under review, the Company had no borrowings under any of the overdraft agreements.

(2) Changes in assets and profit (loss)

- (i) Status of assets and profit (loss) of the Group (under International Financial Reporting Standards (IFRS))

(Thousands of yen)

Classification	7th fiscal year ended December 31, 2014	8th fiscal year ended December 31, 2015	9th fiscal year ended December 31, 2016	10th fiscal year ended December 31, 2017 (Fiscal year under review)
Revenue	11,952	229,466	501,319	410,851
Loss attributable to owners of parent	(677,035)	(643,887)	(474,436)	(1,007,481)
Basic loss per share (Yen)	(26.90)	(24.83)	(18.46)	(12.24)
Total assets	1,878,615	4,119,217	3,704,995	6,655,092
Total equity	253,559	998,842	3,433,468	6,208,554

Note: The above amounts are based on the consolidated financial statements, which are prepared under International Financial Reporting Standards (IFRS).

- (ii) Status of assets and profit (loss) of the Company (under Japanese GAAP)

(Thousands of yen)

Classification	7th fiscal year ended December 31, 2014	8th fiscal year ended December 31, 2015	9th fiscal year ended December 31, 2016	10th fiscal year ended December 31, 2017 (Fiscal year under review)
Net sales	11,952	229,466	501,319	410,851
Loss	(845,310)	(1,380,530)	(1,058,150)	(1,565,543)
Loss per share (Yen)	(31.57)	(42.92)	(31.46)	(19.03)
Total assets	558,891	2,140,399	1,161,756	3,588,645
Net assets	(964,315)	(944,847)	960,034	3,213,677

(3) Status of significant parent company and subsidiary

- (i) Status of the parent company
Not applicable.
- (ii) Status of significant subsidiary
Solasia Medical Information Consulting (Shanghai) Co. Ltd. (wholly-owned subsidiary)

(4) Issues to be addressed

The Group is an enterprise that specializes in the development of drugs and other such products, and accordingly engages in management entailing the following issues to be addressed.

- (i) Progress in development of existing pipelines
The Group's future earnings hinge upon success of the development of the pipelines. Accordingly, we recognize it is critical for the Group to develop products including clinical studies, obtain

approvals and expands sales in order to increase corporate value. Please refer to “1. (1) (i) Overview of business for the current development status.

(ii) Management of marketing activities and marketing organization in China

The Group partly has our partners market our products and partly markets by ourselves, as a means of gaining profits in China. Proper management of marketing activities and the organizational structure in that regard is of key importance with respect to our marketing business model, and accordingly involves having our marketing teams build up brand images of the Group’s products, and working in conjunction with our regulatory affairs section, particularly in dealing with regulatory authorities on matters regarding our products. Furthermore, we plan a marketing strategy throughout China based on close communication with our licensors, and accordingly aim to promote sales by sharing the same strategy with our partners. In the major cities of Beijing, Shanghai and Guangzhou, with the Company’s Chinese subsidiary having established a marketing organization, we are poised to generate constantly sales volume through marketing activities that adhere to China’s regulations and business practices.

(iii) Expansion of new pipeline

For the Group, full pipeline directly links to corporate value and also greatly affect future profits. As our business model, the Group has our partners market or markets by ourselves the products with value-added through our developments including clinical studies. To make the most of clinical development functions which are the Group’s strength, we aim to strike a proper balance of portfolio spanning from the early stages of development just before initiation of clinical studies up through to the late stage of development with short period till approval. In addition, the Group will actively engage in efforts geared to discovery of candidates for development of new drugs and medical devices that hold promise of contributing to the overall treatment of cancer, thereby focusing its business resources on anti-malignant tumor drugs and cancer supportive drugs, as well as medical devices.

(iv) Building strong partnerships

The Group’s business model for gaining profits is to partly license out to partners, and partly market by ourselves products that have been developed by the Group. Accordingly, it is extremely important that we license out commercial rights to, and maintain solid partnership with, strong and trustworthy partners that have sales networks established in their countries/territories. In order to develop and enhance such earnings structure, the Group will actively promote collaboration with partners that have achieved good performance in respective fields of business.

(v) Strengthening the organization

The Group endeavors to hire and place in each section staff members who have knowledge and experience in their fields. Meanwhile, it is now important that we properly increase the workforce and form an efficient organization in order to address an increasing volume of development activity which has been brought about by pipeline expansion, as well as an increasing volume of marketing and sales activity in China. The Group strives to act as an entity that continually satisfies the expectations of its shareholders. Accordingly, we deem that this entails maintaining a well-balanced workforce with individuals given job assignments regardless of age or gender, while also communicating our accumulated knowledge and experience to the next generation. The Group will set its sights on building up its organization using a small staff of experts, rather than pursuing efforts geared to the size of organization. In so doing, from a medium- to long-term perspective, we will take active steps that entail securing the requisite workforce, training employees and strengthening the organization. In addition, alliances that involve the Group’s staff members working with outside specialists and external mandated organizations are an essential aspect of implementing the Group’s business model. Going forward, we will assemble optimal teams primarily comprising talent of the Group, focusing our efforts on building partnerships particularly with such specialists and organizations having top-notch expertise.

(vi) Strengthening internal control

The Group works to implement and sustain its business model. To that end, we will remain mindful of appropriateness, efficiency, corporate ethics and compliance in doing business,

depending on the Group's business and corporate scale. At the same time, with the aim of acting as a company that continually satisfies the expectations of its stakeholders, we will remain steadfastly committed to implementing internal controls particularly encompassing risk management and compliance practices.

(vii) Financing

As noted earlier, we must strengthen the pipeline in order to increase our corporate value. Meanwhile, we are ramping up our funding burden for the time being in order to finance advance investment particularly to cover development expenses and in-licensing expenses.

The Group has been fund-raising through sub-licensing of products to pharmaceutical companies and issuance of new shares. Going forward, we will keep considering options for fund-raising geared to strengthening our operating infrastructure, while also taking steps to ensure that our business activities continue unimpeded.

(5) Principal business (as of December 31, 2017)

The Group engages in drug development, specializing in the field of oncology.

(6) Principal offices (as of December 31, 2017)

(i) The Company

Headquarters: Minato-ku, Tokyo

(ii) Subsidiary

Solasia Medical Information Consulting (Shanghai) Co. Ltd.

Headquarters: Shanghai, China

Beijing Office: Beijing, China

(7) Status of employees (as of December 31, 2017)

Status of employees of the Group

Number of employees	Changes from the end of previous fiscal year	Average age	Average service years
21 (2)	Increase by 5 (Increase by 2)	45.6	3.6

Note: "Number of employees" indicates the number of full-time employees (incl. those seconded from outside the Company), excluding the number of part-time and temporary employees indicated in parenthesis next to the number of full-time employees.

(8) Status of borrowings (as of December 31, 2017)

No items to report.

(9) Other significant matter regarding current status of the Group

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 drugs 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 that there are uncertainties with respect to acquiring approvals

and product launches, the Group's financial status and business performance could be substantially affected in the event that its 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. Status of shares (as of December 31, 2017)

(1) Total number of authorized shares	Ordinary shares	165,000,000 shares
(2) Total number of issued shares	Ordinary shares	87,753,903 shares
(3) Number of shareholders	Ordinary shares	23,275
(4) Major Shareholders		

Name of shareholders	Number of shares held	Shareholding ratio (%)
	Ordinary shares	
ITOCHU Corporation	22,850,943	26.03
Meiji Seika Pharma Co., Ltd.	3,833,048	4.36
Shinsei Corporate Investment Limited	2,827,880	3.22
Lee's Pharmaceutical Holdings Limited	2,254,722	2.56
SBI SECURITIES Co., Ltd.	2,150,600	2.45
JAPAN SECURITIES FINANCE CO., LTD.	2,120,000	2.41
Rakuten Securities, Inc.	1,313,600	1.49
MSIVC2012V Venture Capital Limited Partnership	1,234,295	1.40
Nomura Securities Co., Ltd.	1,069,000	1.21
Kyoto Corporation	951,807	1.08

Note: The Company does not hold treasury shares.

(5) Other significant matters regarding shares

- (i) The total number of issued shares of the Company increased by 19,437,500 shares through issuance of new shares by means of public offering with a paid-in date of March 23, 2017.
- (ii) The total number of issued shares of the Company increased by 2,915,600 shares through issuance of new shares by means of third-party allocation of shares in association with exercise of overallotment option with a paid-in date of April 25, 2017.
- (iii) The total number of issued shares of the Company increased by 792,500 shares through exercise of share acquisition rights.

3. Status of share acquisition rights

(1) Status of share acquisition rights granted to and held by officers of the Company as consideration for performance of duties (as of December 31, 2017)

		No. 2 Share acquisition rights	No. 3 Share acquisition rights
Date of resolution on issuance		March 20, 2009	June 30, 2011
Total number of share acquisition rights granted		698,970 units	1,003,000 units
Class and number of shares to be issued upon exercise of share acquisition rights		Ordinary shares: 698,970 shares (1 share per unit of share acquisition rights)	Ordinary shares: 1,003,000 shares (1 share per unit of share acquisition rights)
Paid-in amount of share acquisition rights		No cash payment is required in exchange for share acquisition rights.	No cash payment is required in exchange for share acquisition rights.
Amounts to be paid upon exercise of share acquisition rights		18.0475447 yen per share	20.75467641 yen per share
Exercise period for share acquisition rights		From March 21, 2011 to March 20, 2019	From July 1, 2013 to June 30, 2021
Major conditions for exercise of share acquisition rights		(Note 1)	(Note 1)
Share acquisition rights held by officers of the Company	Board Directors (excluding outside Board Directors)	89,802 units (1 person)	248,500 units (1 person)

		No. 4 Share acquisition rights	No. 5 Share acquisition rights
Date of resolution on issuance		September 10, 2012	July 31, 2013
Total number of share acquisition rights granted		237,000 units	1,225,600 units
Class and number of shares to be issued upon exercise of share acquisition rights		Ordinary shares: 237,000 shares (1 share per unit of share acquisition rights)	Ordinary shares: 1,225,600 shares (1 share per unit of share acquisition rights)
Paid-in amount of share acquisition rights		No cash payment is required in exchange for share acquisition rights.	No cash payment is required in exchange for share acquisition rights.
Amounts to be paid upon exercise of share acquisition rights		20.75467641 yen per share	20.75467641 yen per share
Exercise period for share acquisition rights		From October 1, 2014 to September 30, 2022	From August 1, 2015 to July 31, 2023
Major conditions for exercise of share acquisition rights		(Note 1)	(Note 2)
Share acquisition rights held by officers of the Company	Board Directors (excluding outside Board Directors)	26,000 units (1 person)	271,600 units (1 person)
	Outside Board Directors	60,000 units (1 person)	—

		No. 6 Share acquisition rights	No. 7 Share acquisition rights
Date of resolution on issuance		September 17, 2013	October 3, 2014
Total number of share acquisition rights granted		1,045,000 units	950,000 units
Class and number of shares to be issued upon exercise of share acquisition rights		Ordinary shares: 1,045,000 shares (1 share per unit of share acquisition rights)	Ordinary shares: 950,000 shares (1 share per unit of share acquisition rights)
Paid-in amount of share acquisition rights		No cash payment is required in exchange for share acquisition rights.	No cash payment is required in exchange for share acquisition rights.
Amounts to be paid upon exercise of share acquisition rights		20.75467641 yen per share	20.75467641 yen per share
Exercise period for share acquisition rights		From March 20, 2016 to March 19, 2024	From October 11, 2016 to October 10, 2024
Major conditions for exercise of share acquisition rights		(Note 2)	(Note 3)
Share acquisition rights held by officers of the Company	Board Directors (excluding outside Board Directors)	440,000 units (1 person)	330,000 units (1 person)

		No. 8 Share acquisition rights	No. 9 Share acquisition rights
Date of resolution on issuance		February 4, 2016	April 30, 2016
Total number of share acquisition rights granted		3,415,000 units	100,000 units
Class and number of shares to be issued upon exercise of share acquisition rights		Ordinary shares: 3,415,000 shares (1 share per unit of share acquisition rights)	Ordinary shares: 100,000 shares (1 share per unit of share acquisition rights)
Paid-in amount of share acquisition rights		No cash payment is required in exchange for share acquisition rights.	No cash payment is required in exchange for share acquisition rights.
Amounts to be paid upon exercise of share acquisition rights		29 yen per share	29 yen per share
Exercise period for share acquisition rights		From February 5, 2018 to February 4, 2026	From May 3, 2018 to May 2, 2026
Major conditions for exercise of share acquisition rights		(Note 4)	(Note 3)
Share acquisition rights held by officers of the Company	Board Directors (excluding outside Board Directors)	1,090,000 units (2 persons)	–
	Outside Board Directors	140,000 units (2 persons)	100,000 units (1 person)
	Audit & Supervisory Board Members	170,000 units (2 persons)	–

- Notes:
1. When any holder of share acquisition rights dies or becomes unable to work for the Company due to permanent mental or physical health disorder, such holder's heir or proxy may exercise the share acquisition rights within one year from the date on which such holder dies or develops permanent mental or physical health disorder.
 2. When any holder of share acquisition rights dies or becomes unable to work for the Company or its subsidiary due to permanent mental or physical health disorder, such holder's heir or proxy may exercise the share acquisition rights within one year from the date on which such holder dies or develops permanent mental or physical health disorder.
 3. When any holder of share acquisition rights dies or becomes unable to work for the Company due to mental or physical health disorder, such holder's heir or proxy may exercise the share acquisition rights within one year from the date on which such holder dies or develops mental or physical health disorder.
 4. When any holder of share acquisition rights dies or becomes unable to work for the Company or its subsidiary due to mental or physical health disorder, such holder's heir or proxy may exercise the share acquisition rights within one year from the date on which such holder dies or develops mental or physical health disorder.
- (2) Status of share acquisition rights granted to employees, etc. as consideration for performance of duties during the fiscal year under review
Not applicable.

4. Status of officers of the Company

(1) Status of Board Directors and Audit & Supervisory Board Members (as of December 31, 2017)

Name	Position and responsibilities in the Company	Important concurrent positions
Yoshihiro Arai	President and Chief Executive Officer	
Toshio Miyashita	Board Director, CFO and Head of Administration Division	
Yasuhiro Abe	Board Director	Senior Officer, Chemicals Division, Manager, Medical Business Team, ITOCHU Corporation
Masahiro Michisuji	Board Director	
Stanley Lau	Board Director	Executive Partner, BizPro International LLC Senior Advisor, Wuxi SiFong Information Technology Co. Ltd Board Director, Xian Libang Pharmaceutical
Norikazu Eiki	Board Director	Board Director, AnGes, Inc. Advisor, CM Plus Corporation President, EIKI CONSULTING, LLC Board Director, TOWA PHARMACEUTICAL CO., LTD. Board Director, FunPep Co., Ltd.
Koichi Sagiya	Standing Audit & Supervisory Board Member	
Makoto Matsuo	Audit & Supervisory Board Member	Partner, Momo-o, Matsuo & Namba Board Director, Demel Japan Co., Ltd. Auditor, Nike Japan Corp. Board Director, Audit and Supervisory Committee Member, CAPCOM Co., Ltd. Auditor, Burberry Japan K.K. Auditor, CEOLIA Pharma Co., Ltd. Auditor, Katokichi Resort K.K.
Tasuku Toita	Audit & Supervisory Board Member	Affiliate Administration Section, Energy & Chemicals Company, ITOCHU Corporation Auditor, Chemical Logitec Co., Ltd. Auditor, ITOCHU Retail Link Corporation Auditor, Sanipak Company Of Japan, Ltd

- Notes:
1. Board Directors Yasuhiro Abe, Masahiro Michisuji, Stanley Lau and Norikazu Eiki are outside Board Directors.
 2. Audit & Supervisory Board Members Koichi Sagiya, Makoto Matsuo and Tasuku Toita are outside Audit & Supervisory Board Members
 3. There is no special interest between the Company and any of the corporate bodies etc., of which the above-mentioned outside Board Directors concurrently serve as an officer, etc.
 4. There is no special interest between the Company and any of the corporate bodies etc., of which the above-mentioned outside Audit & Supervisory Board Members concurrently serve as an officer, etc.
 5. The Company has designated Board Directors Masahiro Michisuji, Stanley Lau and Norikazu Eiki, Audit & Supervisory Board Members Koichi Sagiya and Makoto Matsuo as independent officers and notified of it to the Tokyo Stock Exchange.

(2) Remuneration, etc. for Board Directors and Audit & Supervisory Board Members

Classification	Number	Amount of remuneration, etc.
Board Directors (of which outside Board Directors)	6 (4)	94,253 thousand yen (13,500 thousand yen)
Audit & Supervisory Board Members (of which outside Audit & Supervisory Board Members)	3 (3)	10,750 thousand yen (10,750 thousand yen)
Total (of which outside officers)	9 (7)	105,003 thousand yen (24,250 thousand yen)

(3) Outside officers**(i) Status of major activities of outside officers**

Position	Name	Major activities
Board Director	Yasuhiro Abe	He attended 17 of 17 meetings of the Board of Directors held during the fiscal year under review. He made necessary remarks as appropriate from the standpoint of his comprehensive managerial experience and insight with respect to the pharmaceutical business.
Board Director	Masahiro Michisuji	He attended 17 of 17 meetings of the Board of Directors held during the fiscal year under review. He made necessary remarks as appropriate from the standpoint of his long managerial experience in the pharmaceutical industry.
Board Director	Stanley Lau	He attended 15 of 17 meetings of the Board of Directors held during the fiscal year under review. He made necessary remarks as appropriate from the standpoint of his long managerial experience in the pharmaceutical industry, and his familiarity with the business environment in China.
Board Director	Norikazu Eiki	He attended 17 of 17 meetings of the Board of Directors held during the fiscal year under review. He made necessary remarks as appropriate from the standpoint of his long managerial experience in the pharmaceutical industry.
Audit & Supervisory Board Member	Koichi Sagiya	He attended 17 of 17 meetings of the Board of Directors and 12 of 12 meetings of Audit & Supervisory Board held during the fiscal year under review. He made necessary remarks as appropriate based on his experience as an audit & supervisory board member at listed companies and from a comprehensive standpoint gained at financial institutions.
Audit & Supervisory Board Member	Makoto Matsuo	He attended 17 of 17 meetings of the Board of Directors and 12 of 12 meetings of Audit & Supervisory Board held during the fiscal year under review. He made necessary remarks as appropriate from his professional standpoint as an attorney at law.
Audit & Supervisory Board Member	Tasuku Toita	He attended 17 of 17 meetings of the Board of Directors and 12 of 12 meetings of Audit & Supervisory Board held during the fiscal year under review. He made necessary remarks as appropriate from the standpoint of his professional insight pertaining to risk management.

Note: In addition to the number of meetings of the Board of Directors held as indicated above, there were eight resolutions in writing which were deemed to have been resolved at the meetings of the Board of Directors.

(ii) Overview of the limited liability agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with each outside Board Directors and each outside Audit & Supervisory Board Members to limit the liability for damages under Article 423, Paragraph 1 of the said act. The maximum amount of liability for damages under the said agreements shall be the amount provided for by laws and regulations.

5. Status of Independent Auditor

- (i) Name of Independent Auditor
BDO Sanyu & Co.
- (ii) Amount of remuneration, etc. paid to Financial Auditor for the fiscal year under review
Amount of remuneration, etc. for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act 10,000 thousand yen
Total amount of cash and other property benefits to be paid to Independent Auditor by the Company and its subsidiary 11,000 thousand yen
- Notes: 1. Under the audit agreement between the Company and its Independent Auditor, audit remuneration, etc., for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not separated, and they cannot be separated in a practical way. Consequently, the above amounts reflect total audit remuneration, etc.
2. The Audit & Supervisory Board conducted necessary verifications to determine whether the details of the audit plan by the Independent Auditor, the status of performing the accounting audit, and the calculation basis for remuneration estimates are appropriate or not. Upon these verifications, the Board consented the amount of remuneration, etc. paid to the Independent Auditor.
- (iii) Details of non-auditing services
The Company makes payment to BDO Sanyu & Co. with respect to the preparation of comfort letters which constitutes a service other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.
- (iv) Policy on decision for dismissal or non-reappointment of Independent Auditor
The Audit & Supervisory Board shall determine the content of proposals for submission to the General Meeting of Shareholders of the Company relating to the dismissal or non-reappointment of Independent Auditor if it judges that the Independent Auditor is unable to carry out its duties appropriately.
In addition, when it is deemed that the Independent Auditor falls into the categories stipulated under each item of Article 340, Paragraph 1 of the Companies Act, the Independent Auditor will be dismissed based on the unanimous agreement of the Audit & Supervisory Board Members.
In this case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal of the Independent Auditor and the reason for dismissal at the first General Meeting of Shareholders to be convened after the dismissal.
- (v) Overview of the limited liability agreement
Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into the agreement with the Independent Auditor to limit the liability for damages under Article 423, Paragraph 1 of the said act.
The maximum amount of the liability for damages under the said agreement shall be the higher of 9,000 thousand yen, or the amount as provided for in Article 425, Paragraph 1 of the Companies Act.

6. System for Ensuring the Appropriateness of Operations and Operating Status of the System

- (1) The Board of Directors has resolved with regard to the development of systems necessary to ensure that the performance of the duties by Board Directors of the Company and its subsidiary complies with the laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the appropriateness of operations of the Company and its subsidiary as follows:
 - (i) System for Ensuring Compliance with Laws, Regulations and the Articles of Incorporation in the Performance of Duties by Directors and Employees
 - The Company is to promote the thorough understanding of the “Code of Conduct” by Directors and employees.
 - The Company is to establish and maintain the internal control system to ensure the reliability of financial reporting, and conduct its assessment appropriately.
 - The Company is to comprehend promptly and cope appropriately with any violation of the laws and any other material matters related to compliance in accordance with the “Rules of Whistleblowing System.”
 - The Company is to take decisive actions against anti-social forces, and promote efforts for cutting off any and all relationship with anti-social forces in accordance with the “Regulations regarding Anti-Social Forces.”
 - The Company is to regularly implement internal audit in accordance with the “Internal Audit Rules” and verify the above matters.
 - (ii) System for Preservation and Management of Information Relating to the Performance of the Duties by Directors

The documents and related materials concerning the Directors’ performance, including the minutes of board directors meeting, shall be properly preserved and managed in accordance with the laws and the “Document Management Rules,” and made accessible to the Directors and Corporate Auditors at any time.
 - (iii) Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

The Company is to take measures promptly and appropriately against the management risks affecting on the operation of the Company in accordance with the “Risk Management Rules.”
 - (iv) System for Ensuring Efficient Functioning of Directors
 - The midterm-business plan shall be formulated, under which the Directors are to perform their duties, and by which the internal control are to be implemented.
 - The Company is to have regular and extraordinary board director meetings as well as other meetings, using IT system, to make any decisions necessary for performing the duties in a timely manner.
 - (v) System for Ensuring the Adequacy of Operations of the Solasia Group (Consisting of Solasia and its Subsidiary)
 - (a) System for Ensuring Compliance with Laws, Regulations and the Articles of Incorporation in the Performance of Duties by Directors and Employees of the Subsidiary
 - The Company is to establish the Code of Conduct of Solasia Group covering the subsidiary and promote the thorough understanding of such Code by Directors and employees of the subsidiary.
 - All of the operations and activities of the subsidiary are to be subject to internal audit by the audit division.
 - (b) System for Reporting of the Matters Relating to Business Operation performed by Directors of the Subsidiary
 - The Company is to appoint Directors and Corporate Auditors as Directors of the subsidiary and to incorporate the subsidiary’s operations into the internal control system.
 - The Company is to clarify for any matters that require approval from, or report to, the Company and to comply with these criteria thoroughly.

- (c) Regulations of the Subsidiary Concerning the Management of the Risk of Loss and Other Relevant Risk Management System
 - The Company is to build the subsidiary risk management system which follows the “Risk Management Rule.”
 - (d) System for Ensuring Efficient Functioning of Directors of the Subsidiary
 - The operations of the subsidiary shall be covered by the mid-term business plan, under which the Directors of the subsidiary are to perform their duties, and by which the internal control are to be implemented.
- (vi) Matters Regarding Employees Assisting Corporate Auditors and the Independence of Such Employees from the Directors
The Corporate Auditors may instruct the employees assisting any matters required for the audit and such assistants shall be free from the command and control of other Directors and employees.
- (vii) System for Reporting by Directors and Employees to Corporate Auditors and other systems for reporting to the Corporate Auditors
- The Company is to ensure that the Corporate Auditors attend any and all of the company meetings and obtain any information relating to the effective internal control system appropriately.
 - The Directors and employees are to report their performance to the Corporate Auditors upon their request.
 - The Directors and employee are to report any and all the matters that infringe of laws and regulations and could have a major impact on the finance or business of the Company, directly to the Corporate Auditors immediately after such matters recognized.
 - The Company is to ensure that such Directors and employees will not be treated adversely on the ground that they have reported such matters to the Corporate Auditors.
 - Upon request by the Corporate Auditors, the Company is to proceed promptly with advanced payments arising from the duties performed by them unless such payment is deemed unnecessary.
- (viii) Other Relevant Systems for Ensuring the Proper Functioning of Audits
The Corporate Auditors are to maintain close communication and coordination with the division in charge of internal and independent auditors and the Company is to ensure that the representative director shall have meetings regularly with the Corporate Auditors to exchange opinions and information.
- (2) An overview of operating status of the system for ensuring the appropriateness of operations of the Company for the fiscal year under review is as follows.
- (i) Performance of Duties by Board Directors
Pursuant to the Regulations of the Board of Directors, in addition to monthly regular Board meetings, extraordinary Board meetings will be held by teleconference or written resolutions will be made as necessary to make important decisions relating to matters prescribed by laws and regulations, etc. or important matters relating to business operation. Moreover, the minutes of the Board meetings and other information pertaining to the performance of duties of the Directors shall be stored and managed appropriately in accordance with laws and regulations and the “Document Management Rules.”
 - (ii) Performance of Duties by Audit & Supervisory Board Members
The Audit & Supervisory Board Members, in addition to audits conducted in accordance with the auditing policy specified by the Audit & Supervisory Board, shall audit the performance of duties by Directors and confirm the status of establishment and operation of internal control by attending the Board meetings and other important internal meetings, and regularly exchanging information with the Representative Director, the Independent Auditor, and the internal audit section.
 - (iii) Implementation of internal audit
The Company’s internal audit shall be implemented in accordance with the Internal Audit Plan.

7. Policy regarding decisions on dividends of surplus, etc.

The Company regards as key managerial priorities the notion of generating capital gains through increases in corporate value, and accordingly returning profits to its shareholders through dividends of surplus. Meanwhile, the Company must make substantial investment in drug development spanning extended periods of time. Therefore, given that the Company relatively emphasizes on advance investment with respect to its business operations, it is not in a position financially to pay dividends under Japan's Companies Act. Going forward, we intend to consider the prospect of paying dividends with a focus on furthermore striking a balance between investment in development and returns to shareholder, upon having achieved commercialization of products currently under development and accordingly having attained an adequate financial standing.

The Company stipulates in the Articles of Incorporation that the payment of dividends shall be determined by a resolution of the Board of Directors and not by a resolution of the General Meeting of Shareholders, unless otherwise provided for by laws and regulations. The record date of the year-end dividends is December 31 of each year and the record date of the interim dividends is June 30 of each year.

Consolidated statement of financial position

(As of December 31, 2017)

(Thousands of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	3,525,359	Current liabilities	411,615
Cash and cash equivalents	3,370,150	Trade and other payables	372,381
Trade and other receivables	18,799	Other current liabilities	39,234
Inventories	93,291	Non-current liabilities	34,922
Other current assets	43,117	Deferred tax liabilities	34,216
Non-current assets	3,129,732	Other non-current liabilities	705
Property, plant and equipment	920	Total liabilities	446,538
Intangible assets	3,085,455	Equity	
Other non-current assets	43,356	Share capital	5,962,977
		Capital surplus	5,801,628
		Retained earnings	(5,553,661)
		Other components of equity	(2,389)
		Total equity	6,208,554
Total assets	6,655,092	Total liabilities and equity	6,655,092

Note: The above financial statement has been prepared under IFRS.

Consolidated statement of profit or loss

(From January 1, 2017 to December 31, 2017)

(Thousands of yen)

Assets	Amount
Revenue	410,851
Cost of sales	-
Gross profit	410,851
Research and development expenses	773,518
Selling, general and administrative expenses	647,015
Operating profit (loss)	(1,009,681)
Finance income	179
Finance costs	6,782
Other income	0
Profit (loss) before tax	(1,016,285)
Income taxes	(8,803)
Profit (loss)	(1,007,481)
Profit (loss) attributable to:	
Owners of parent	(1,007,481)

Note: The above financial statement has been prepared under IFRS.

Consolidated statement of changes in equity

(From January 1, 2017 to December 31, 2017)

(Thousands of yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity	Total equity
Balance at January 1, 2017	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)	385	(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

Note: The above financial statement has been prepared under IFRS.

Balance sheet

(As of December 31, 2017)

(Thousands of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	3,516,713	Current liabilities	374,262
Cash and deposits	3,364,091	Accounts payable - other	329,581
Current trade receivables	4,881	Income taxes payable	34,396
Merchandise	93,291	Other	10,284
Other	54,449	Non-current liabilities	705
Non-current assets	71,931	Other	705
Property, plant and equipment	953	Total liabilities	374,968
Tools, furniture and fixtures	247	Net assets	
Leased assets	705	Shareholders' equity	3,213,677
Investments and other assets	70,978	Capital stock	5,962,977
Investments in capital of subsidiaries and associates	30,000	Capital surplus	5,962,477
Lease and guarantee deposits	40,978	Legal capital surplus	5,962,477
		Retained earnings	(8,711,777)
		Other retained earnings	(8,711,777)
		Retained earnings brought forward	(8,711,777)
		Total net assets	3,213,677
Total assets	3,588,645	Total liabilities and net assets	3,588,645

Note: The above financial statement has been prepared under Japanese GAAP.

Statement of income

(From January 1, 2017 to December 31, 2017)

(Thousands of yen)

Account	Amount	
Net sales		410,851
Cost of sales		-
Gross profit		410,851
Selling, general and administrative expenses		1,932,126
Operating loss		(1,521,274)
Non-operating income		
Interest income	179	
Other	0	179
Non-operating expenses		
Interest expenses	7	
Commission fee	3,651	
Share issuance cost	37,004	
Foreign exchange losses	2,575	43,238
Ordinary loss		(1,564,333)
Loss before income taxes		(1,564,333)
Income taxes – current	1,210	1,210
Loss		(1,565,543)

Note: The above financial statement has been prepared under Japanese GAAP.

Statement of changes in equity

(From January 1, 2017 to December 31, 2017)

(Thousands of yen)

	Shareholders' equity				Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	
		Legal capital surplus	Other retained earnings		
			Retained earnings brought forward		
Balance at January 1, 2017	4,053,384	4,052,884	(7,146,234)	960,034	960,034
Changes of items during period					
Issuance of new shares	1,902,248	1,902,248	–	3,804,497	3,804,497
Exercise of share acquisition rights	7,344	7,344	–	14,688	14,688
Loss	–	–	(1,565,543)	(1,565,543)	(1,565,543)
Total changes of items during period	1,909,593	1,909,593	(1,565,543)	2,253,642	2,253,642
Balance at December 31, 2017	5,962,977	5,962,477	(8,711,777)	3,213,677	3,213,677

Note: The above financial statement has been prepared under Japanese GAAP.

Audit Report of Independent Auditor on Consolidated Financial Statements (Copy)

**Independent Auditor’s Report
(translation)**

February 19, 2018

To the Board of Directors of
Solasia Pharma K.K.

BDO Sanyu & Co.			
Senior Partner	Certified Public Accountant	Tomohiro Koto	(Seal)
Engagement Partner			
Senior Partner	Certified Public Accountant	Hiroshi Saito	(Seal)
Engagement Partner			
Engagement Partner	Certified Public Accountant	Koji Kumagai	(Seal)

We have audited, pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, the consolidated financial statements, which consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to consolidated financial statements of Solasia Pharma K.K. for the fiscal year from January 1, 2017 to December 31, 2017.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions set forth in the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting that allow the partial omission of the disclosure items required under International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditor’s judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making the risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of an audit is not to express an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the above consolidated financial statements prepared by partially omitting the disclosure items required under International Financial Reporting Standards in accordance with the provisions set forth in the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting present fairly, in all material respects, the financial position and the results of operations of the Group which consists of Solasia Pharma K.K. and its consolidated subsidiary for the period covered by the consolidated financial statements.

Conflict of interest

Our firm and the engagement partners have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report of Independent Auditor on Non-consolidated Financial Statements (Copy)

Independent Auditor's Report (translation)

February 19, 2018

To the Board of Directors of
Solasia Pharma K.K.

BDO Sanyu & Co.			
Senior Partner	Certified Public Accountant	Tomohiro Koto	(Seal)
Engagement Partner			
Senior Partner	Certified Public Accountant	Hiroshi Saito	(Seal)
Engagement Partner			
Engagement Partner	Certified Public Accountant	Koji Kumagai	(Seal)

We have audited, pursuant to Article 436, Paragraph 2, item 1 of the Companies Act, the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity and the notes to non-consolidated financial statements, and the supplementary schedules of Solasia Pharma K.K. for the 10th fiscal year from January 1, 2017 to December 31, 2017.

Management's responsibility for the non-consolidated financial statements and others

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with Japanese generally accepted accounting principles, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected and applied depend on the auditor's judgment, including the assessment of the risk of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making the risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Solasia Pharma K.K. for the period covered by the non-consolidated financial statements and the supplementary schedules in conformity with accounting principles generally accepted in Japan.

Conflict of interest

Our firm and the engagement partners have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report of the Audit & Supervisory Board (Copy)

Audit Report

We, the Audit & Supervisory Board, have prepared upon consultation this Audit Report based on reports compiled by each Audit & Supervisory Board Member with respect to the performance of duties by Board Directors during the 10th fiscal year from January 1, 2017 to December 31, 2017, hereby report as follows:

1. Auditing methods and contents used by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board specified an audit policy, an audit plan, etc., and received reports from each Audit & Supervisory Board Member on the status of implementation and results of audit as well as received reports from Board Directors, etc. and Independent Auditor on the status of the performance of their duties and asked them for explanations as needed.
- (2) Each Audit & Supervisory Board Member has, according to the audit policy, audit plan, etc., maintained good communications with Board Directors, the internal audit division and other employees, etc., and strived to collect information and improve the audit environment. We have conducted the audits based on the following methods.
 - (i) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received reports on the performance of duties by Board Directors, employees, etc. asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the headquarters and its principal branches. Also, in terms of the subsidiary of the Company, we have maintained good communications and exchanged information with Board Directors, Audit & Supervisory Board Members and other personnel of the subsidiary, and received reports on business conditions from the subsidiary as needed.
 - (ii) Each Audit & Supervisory Board Member received reports on a regular basis from the Board Directors and employees, etc., requested explanations as necessary, and provided opinions with respect to matters mentioned in the business report. Such matters consist of the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Board Directors' performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of a joint stock company (*kabushiki kaisha*) and the group which consists of the company's subsidiary, and the systems developed and maintained based on such resolutions (internal control systems).
 - (iii) We have also monitored and verified whether the Independent Auditor maintains independency and properly conducts audits, received from the Independent Auditor's reports on the performance of their duties and asked them for explanations as necessary. We were reported by the Independent Auditor that "systems for ensuring that the performance of the duties is being carried out correctly" (listed in each item of Article 131 of the Rules of Corporate Accounting) have been established in accordance with the "Standards for Quality Control of Audits" (Business Accounting Council, October 28, 2005), etc., and asked them for explanations as necessary.

Based on the methods mentioned above, we have reviewed the Business Report, their supplementary schedules, non-consolidated financial statements (balance sheet, statement of income, statement of changes in equity and notes to non-consolidated financial statements), their supplementary schedules and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) for the said fiscal year.

2. Results of audits

- (1) Results of audit of the Business Report, etc.
 - (i) We consider that the Business Report and their supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Article of Incorporation.
 - (ii) With respect to the performance of duties by Board Directors, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Article of Incorporation.
 - (iii) We consider that the details of the resolution made by the Board of Directors concerning internal control systems are proper. With respect to the details described in the Business Report and the performance of duties by Board Directors regarding the said internal control systems, we have found no items to be pointed out.
- (2) Results of audit of non-consolidated financial statements and their supplementary schedules
We consider that the auditing methods and results of audits conducted by the Company's Independent Auditor, BDO Sanyu & Co., are proper.
- (3) Results of audit of consolidated financial statements and their supplementary schedules

We consider that the auditing methods and results of audits conducted by the Company's Independent Auditor, BDO Sanyu & Co., are proper.

February 21, 2018

	Solasia Pharma K.K.	Audit & Supervisory Board
Standing Audit & Supervisory Board Member		Koichi Sagiya (Seal)
Audit & Supervisory Board Member		Makoto Matsuo (Seal)
Audit & Supervisory Board Member		Tasuku Toita (Seal)

Reference Documents for General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1: Election of Six (6) Board Directors

The terms of office of all six (6) incumbent Board Directors of the Company will expire at the conclusion of this Annual General Meeting of Shareholders. Therefore, the Company proposes the election of six (6) Board Directors.

The candidates for Board Director are as follows:

No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Yoshihiro Arai (July 27, 1960)	Apr. 1985 Searle Yakuhin K.K. (currently Pfizer Japan Inc.) Feb. 1994 Director, Clinical Development, Amgen Ltd Apr. 2007 Director, Head of Product Planning, Development, Amgen Ltd. Sept. 2007 Executive Vice President, Head of Development, JapanBridge Inc. (currently Solasia Pharma K.K.) Feb. 2013 President and Chief Executive Officer, Board Director, Solasia Pharma K.K. (present)	200,000
2	Toshio Miyashita (Nov. 25, 1967)	Sept. 1997 Innotech Corporation Jan. 1999 Administration Director, Admon Science Inc. (Transferred) May 2003 Administration Director, Sosei Co. Ltd. (currently Sosei Group Corporation) Nov. 2005 VP Corporate Planning, Director, Arakis Limited (Transferred) Mar. 2007 Partner & Board Director, HIBIKI Partners Co., Ltd. May 2007 Auditor, ATANI LIMITED Apr. 2008 Auditor, Value Pharma Co., Ltd. Aug. 2009 CFO, J-Pharma Co., Ltd. Nov. 2011 Acting CFO, Solasia pharma K.K. Apr. 2012 Board Director, CFO, J-Pharma Co., Ltd Jan. 2014 CFO, Solasia Pharma K.K. Dec. 2015 Board Director, CFO, Solasia Pharma K.K. (present)	150,000
3	Masahiro Michisuji (Nov. 20, 1935)	Apr. 1959 Essex Japan K.K. (currently MSD K.K.) Jan. 1986 Vice President & Board Director, Searle Yakuhin K.K. (currently Pfizer Japan Inc.) May 1988 Vice President & Board Director, Bristol-Myers Squibb K.K. Apr. 1991 President and Representative Director, Monsanto Japan Ltd. Jan. 1999 President & CEO, Novartis Pharma K.K. Apr. 2002 Board Director, JOHNSON COMPANY, LIMITED Feb. 2005 Board Director and Vice Chairman, Novartis Pharma AG Oct. 2006 Advisor, Novartis Pharma K.K. Apr. 2008 Board Director, JapanBridge Inc. (currently Solasia Pharma K.K.) (present)	-

No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Stanley Lau (Aug. 30, 1954)	<p>June 1981 Pfizer Corp. Hong Kong Apr. 1987 Managing Director, Merck & Co. Oct. 1994 General Manager, Schering Plough China Ltd. Oct. 1998 Vice President, Pharmacia / Searle Asia Area July 2002 General Manager, Baxter Healthcare International China Apr. 2009 Managing Director, Haopy Pharmaceuticals Co., Ltd. Nov. 2010 President, China Biologic Products, Inc. Mar. 2012 COO, Eddingpharm Ltd. Mar. 2013 CEO, Amsino Medical Group Dec. 2014 Board Director, Solasia Pharma K.K. (present) Mar. 2015 Executive Partner, BizPro International LLC (present) May 2015 Senior Advisor, Wuxi SiFong Information Technology Co., Ltd (present) June 2017 Board Director, Xian Libang Pharmaceutical (present)</p> <p><Significant concurrent positions> Executive Partner, BizPro International LLC Senior Advisor, Wuxi SiFong Information Technology Co., Ltd Board Director, Xian Libang Pharmaceutical</p>	-
5	Norikazu Eiki (Apr. 17, 1948)	<p>Apr. 1969 Shell Oil Co., Ltd. (currently Showa Shell Sekiyu K.K.) June 1973 Matsushita Electric Works Ltd. (currently Panasonic Corporation) Aug. 1979 General Manager, Corporate Planning, Ciba-Geigy Japan Ltd. (currently Novartis Pharma K.K.) Jan. 1994 General Manager, Technical Operation Division, Bayer Yakuhin Ltd. Mar. 1997 Board Director, Head of Shiga Factory, Bayer Yakuhin Ltd. July 2002 President and CEO, Bayer Yakuhin Ltd. Jan. 2007 Chairman and Representative Director, Bayer Yakuhin Ltd. Apr. 2010 Chairman, Director, Bayer Yakuhin Ltd. May 2014 Board Director, AnGes MG, Inc. (currently AnGes, Inc.) (present) June 2014 Advisor, CM Plus Corporation (present) Jan. 2015 President, EIKI CONSULTING, LLC (present) Mar. 2015 Board Chairman, FunPep Co., Ltd. June 2015 Board Director, TOWA PHARMACEUTICAL CO., LTD. (present) Apr. 2016 Board Director, Solasia Pharma K.K. (present) Jan. 2017 Board Director, FunPep Co., Ltd. (present)</p> <p><Significant concurrent positions> Board Director, AnGes, Inc. Advisor, CM Plus Corporation President, EIKI CONSULTING, LLC Board Director, TOWA PHARMACEUTICAL CO., LTD. Board Director, FunPep Co., Ltd.</p>	-

No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
*6	Tajio Enoki (Oct. 24, 1966)	<p>Apr. 1991 ITOCHU Corporation</p> <p>Mar. 2011 Managing Director, Remeje Pharmaceuticals (China) Co., Ltd.</p> <p>Dec. 2012 Senior Officer, China Energy & Chemicals Div., East Asia Bloc, ITOCHU SHANGHAI LTD. (present)</p> <p>Dec. 2012 Deputy General Manager, PTAGENT CORPORATION CO.,LTD (present)</p> <p>Oct. 2015 Vice Chairman, BEIJING ITOCHU-HUATANG COMPREHENSIVE PROCESSING CO.,LTD. (present)</p> <p><Significant concurrent positions></p> <p>Senior Officer, China Energy & Chemicals Div., East Asia Bloc, ITOCHU SHANGHAI LTD.</p> <p>Deputy General Manager, PTAGENT CORPORATION CO.,LTD</p> <p>Vice Chairman, BEIJING ITOCHU-HUATANG COMPREHENSIVE PROCESSING CO.,LTD.</p>	–

- Notes:
1. The candidate marked with an asterisk (*) is a new candidate.
 2. There is no special interest between any of the candidates and the Company.
 3. Among the candidates for Board Director, Masahiro Michisuji, Stanley Lau, Norikazu Eiki and Tajio Enoki are candidates for outside Board Director.
 4. The Company has nominated Masahiro Michisuji as a candidate for outside Board Director because it expects him to contribute to the management of the Company with his extensive experience and his abundant knowledge as corporate management. At the conclusion of this Annual General Meeting of Shareholders, the tenure as outside Board Director will have been nine years and eleven months.
 5. The Company has nominated Stanley Lau as a candidate for outside Board Director because it expects him to contribute to the management of the Company with his extensive experience and his abundant knowledge as corporate management in China. At the conclusion of this Annual General Meeting of Shareholders, the tenure as outside Board Director will have been three years and three months.
 6. The Company has nominated Norikazu Eiki as a candidate for outside Board Director because it expects him to contribute to the management of the Company with his extensive experience and his abundant knowledge as corporate management. At the conclusion of this Annual General Meeting of Shareholders, the tenure as outside Board Director will have been one year and eleven months.
 7. The Company has nominated Tajio Enoki as a candidate for outside Board Director because it expects him to contribute to the management of the Company with his extensive experience and abundant knowledge in the field of China business.
 8. The Company stipulates, in Article 28, Paragraph 2 of the Articles of Incorporation of the Company, that it may enter into limited liability agreements pursuant to Article 427, Paragraph 1 of the Companies Act with Directors (excluding executive Directors, etc.). The maximum amount of liability for damages under the agreement is the liability amount provided for under laws and regulations. If the election of Masahiro Michisuji, Stanley Lau, and Norikazu Eiki, candidates for outside Board Director, is approved, the Company plans to renew the limited liability agreement with each one of them. If the election of Mr. Enoki, a candidate for outside Board Director, is approved, the Company will enter into limited liability agreement with him.
 9. The Company has reported Masahiro Michisuji, Stanley Lau, and Norikazu Eiki as independent officers under the provisions set forth by the Tokyo Stock Exchange.

Proposal No. 2: Election of One (1) Audit & Supervisory Board Member

At the conclusion of this General Meeting of Shareholders, Audit & Supervisory Board Member Tasuku Toita will resign. Therefore, the Company proposes the election of one (1) Audit & Supervisory Board Member as his substitute.

As provided for in Article 31, Paragraph 2 of the Articles of Incorporation of the Company, the term of office for the Audit & Supervisory Board Member to be selected as substitute will be until the expiration date of the retiring Audit & Supervisory Board Member's term of office.

In addition, the consent of the Audit & Supervisory Board has been obtained for this proposal.

The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
Jiro Fujiyama (June 22, 1969)	Apr. 1993 ITOCHU Corporation Jul. 2008 Auditor, ITOEN.ITOCHU MINERAL WATERS Co., LTD. Dec. 2008 Auditor, ITOCHU-SHOKUHIN Co., Ltd. July 2013 Manager, Affiliate & Credit Risk Administration Department No.2, Global Risk Management Division, ITOCHU Corporation Apr. 2017 Manager, Affiliate Administration Section, Energy & Chemicals Company, ITOCHU Corporation (present) Apr. 2017 Auditor, ITOCHU CHEMICAL FRONTIER Corporation (present) June 2017 Auditor, ITOCHU PLASTICS INC. June 2017 Auditor, TOHO EARTHTECH, INC. (present) June 2017 Auditor, Nissho Petroleum Gas Corporation (present) Oct. 2017 Auditor, YOKKAICHI L.P.G TERMINAL CO.,LTD (present) <Significant concurrent positions> General Manager, Affiliate Administration Section, Energy & Chemicals Company, ITOCHU Corporation Auditor, ITOCHU CHEMICAL FRONTIER Corporation Auditor, ITOCHU PLASTICS INC. Auditor, TOHO EARTHTECH, INC. Auditor, Nissho Petroleum Gas Corporation Auditor, YOKKAICHI L.P.G TERMINAL CO.,LTD	-

- Notes:
1. Jiro Fujiyama is candidate for outside Audit & Supervisory Board Member.
 2. There is no special interest between Jiro Fujiyama and the Company.
 3. The Company has nominated Jiro Fujiyama as candidate for outside Audit & Supervisory Board Member because it expects him to contribute to audit of the Company with his extensive experience and broad discernment regarding risk management.
 4. The Company stipulates, in Article 36, paragraph 2 of the Articles of Incorporation of the Company, that it may enter into limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with Audit & Supervisory Board Member. The maximum amount of liability for damages under the agreement is the liability amount provided for under laws and regulations. If the election of candidate for outside Audit & Supervisory Board Member Jiro Fujiyama is approved, the Company will enter into the limited liability agreement with him.