Chiome Bioscience Inc.
4583 TSE Mothers

27-Apr.-15

Important disclosures
and disclaimers appear
at the end of this document.

FISCO Ltd. Analyst
Yuzuru Sato

Strengthening the R&D framework in the field of pandemic contagious diseases

Chiome Bioscience Inc. <4583> (subsequently, "the company") is a biotechnology company that discovers antibodies for medical applications using a proprietary technology discovered by RIKEN. It also supports the research and development of such antibodies by other entities. This technology, called the ADLib® (Autonomously Diversifying Library) system, has three distinct features: 1) it can generate antibodies for a wider range of antigens than most conventional methods, 2) it generates antibodies faster than other methods, and 3) it can be applied to tough antigens for which it is tough to generate antibodies by other methods.

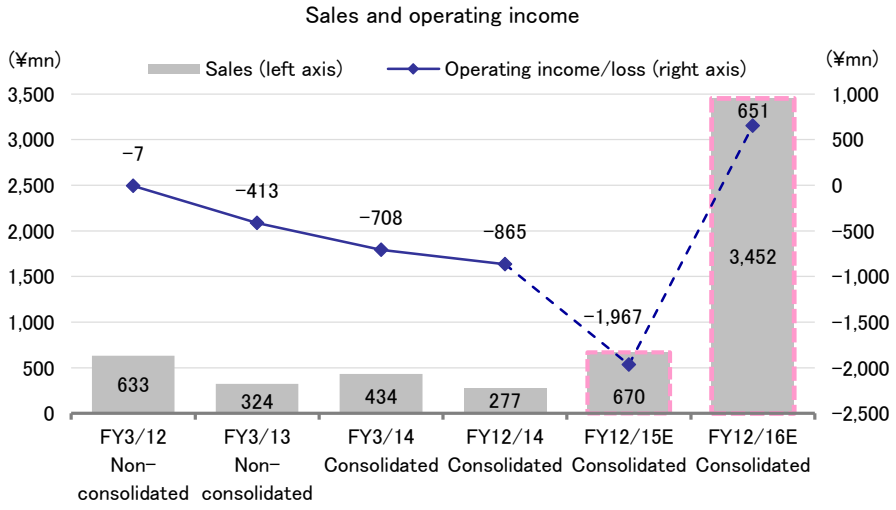
In its consolidated operating results for the nine-months ended December 31, 2014 (FY12/14, an irregular nine-month fiscal year), Chiome Bioscience reported consolidated net sales of ¥277 million and an operating loss of ¥865 million, mostly in line with the company's plan. Net sales were ¥253 million in the drug discovery alliance business and ¥23 million in the licensing out platform technology business. On the development front, the company worked to develop antibodies for pandemic contagious diseases using its original ADLib® system. It is drawing attention for successfully generating antibodies that demonstrate reactivity to specific antigens of the influenza and Ebola viruses.

For FY12/15, the company is forecasting net sales of ¥670 million and an operating loss of ¥1,967 million. The projected net sales include ¥300 million planned for the licensing out anti-semaphorin 3A, the first project of the lead antibody licensing business. On the other hand, the increase in operating loss is based on an expected significant increase in R&D costs from ¥574 million in FY12/14 to ¥1,489 million in FY12/15 due to strengthening of the R&D framework, including in the area of pandemic contagious diseases.

To strengthen its R&D framework, from June 2015 the company will launch operations at a new research facility in KING SKYFRONT, an area of Tonomachi, Kawasaki City that has been designated as a National Strategic Zone. R&D personnel will be boosted with 40 new staff, and development efficiency improved by setting up a framework that includes animal testing. In the domain of pandemic contagious diseases, the company is developing its business with an eye on joint research with specialist U.S. institutions and the future movement in this area will be a point of focus. By strengthening its R&D framework, the company aims to license out the fully human ADLib® system in FY12/16 to achieve profitability for the first time with net sales of ¥3,452 million and operating income of ¥651 million.

Check Point

- Consolidated operating performance for FY12/14 mostly in line with company plans
- Significantly increase R&D costs to accelerate R&D activity aimed at realizing the management vision
- Profitability to be achieved in FY12/16 by licensing out the fully human ADLib® system



*Reflecting a change of fiscal year, FY12/14 contains nine months

Company Description

Technology for producing fully human antibodies now completed to the level of practical implementation

(1) ADLib® System

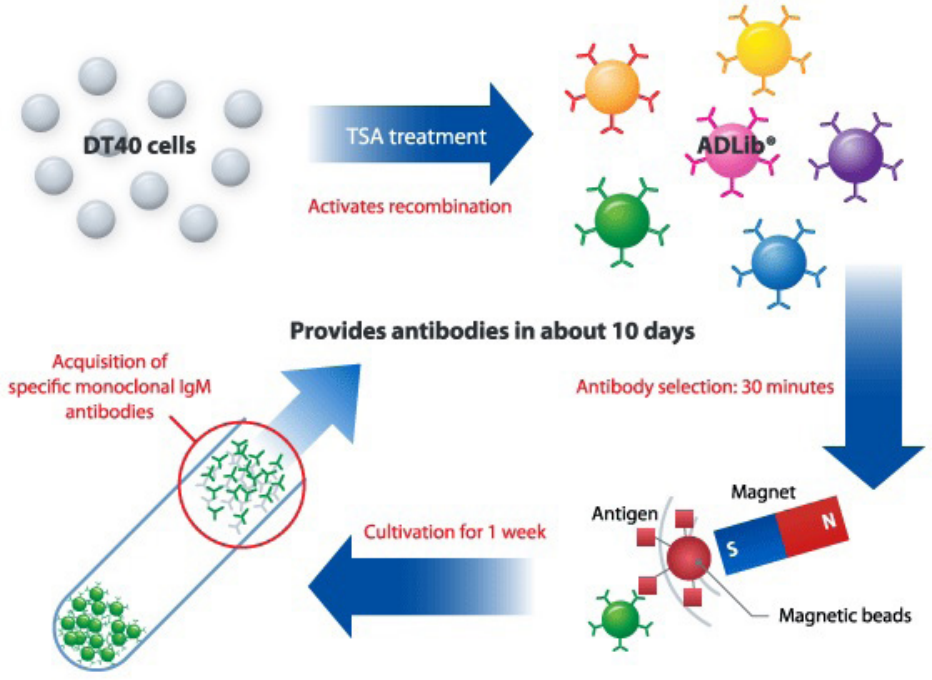
The ADLib® system, the company's core technology, was developed by RIKEN as a method for antibody discovery in 2002. Today, the patent rights to it are shared equally by the company and RIKEN. Simply stated, the ADLib® system promotes DNA recombination (gene conversion) in the antibody locus of DT40 cells, a cultured cell line derived from chickens, to generate the antibody protein library. Then, using magnetic beads, the system collects only the cells that bind to the target antigen. Antigen-specific antibodies can be harvested by culturing those cells for about a week.

FISCO

Chiome Bioscience Inc.
4583 TSE Mothers

27-Apr.-15

Diagram Showing How the ADLib® System Generates Antibodies



Most of the therapeutic monoclonal antibodies now on the market were discovered by one of two conventional methods; the mouse hybridoma method or the phage display method. The table below shows the differences between these existing technologies and the ADLib® system.

Comparison of the ADLib® System with the Mouse Hybridoma Method and the Phage Display Method

Built a strong competitive advantage through the establishment of the fully human ADLib® system

	ADLib® system	Hybridoma	Phage display
Tough antigens*	Applicable	Applicable to some	Applicable to some
Antibody generation time	About 10 days	About 6 months	2.5 to 3.5 months
Amount of antigen required	10μg~100μg	~mg	~500μg
Automation	Yes	No	Yes
Fully human antibody	Practical ⇒ Fully workable	Fully workable	Fully workable

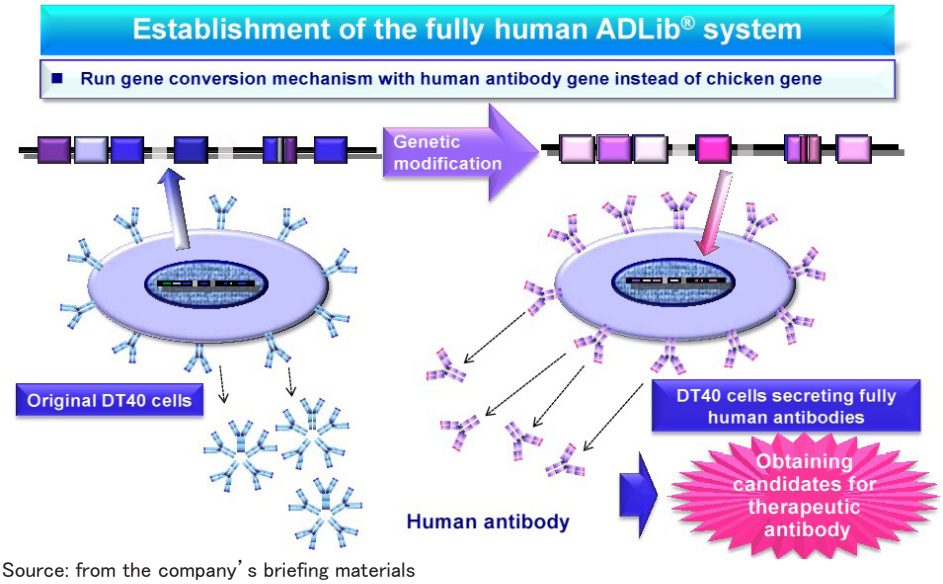
: a competitive advantage to other methods

* Tough antigen: an antigen for which antibodies are difficult to obtain

Source: from the company's briefing materials

The generation of fully human antibodies has been a big challenge in the past. However, on March 2014, the company announced that it had completed its technology for producing fully human antibodies and this appears to have opened the way for full-scale commercialized use of human ADLib® system. The fully human ADLib® system is able to generate human antibodies as drug candidates by humanizing chicken antibodies by replacing antibody genes in a DT40 cell line established from chicken lymphocytes with artificial human genes. As it only lags behind compared to existing methods in terms of its practical use for generating fully human antibodies, this achievement has been seen as extremely significant toward the company developing its business in the future.

Structure of the Fully Human ADLib® System (outline)



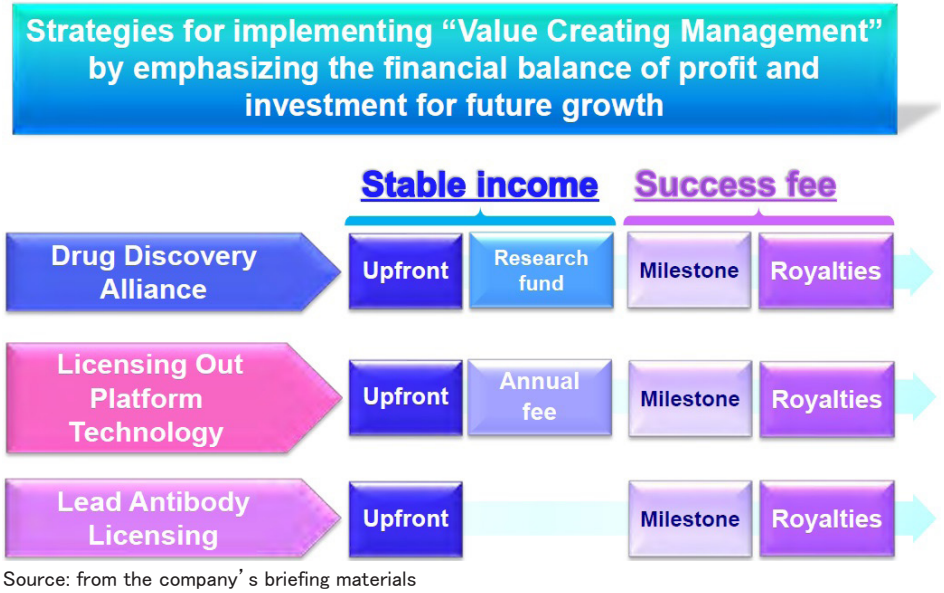
Source: from the company's briefing materials

Development of three business models centered on the Fully Human ADLib® System as a core technology

(2) Overview of Business Structure

With the ADLib® system as its core technology, the company operates three business models.

Revenue Source by Business



Source: from the company's briefing materials

The drug discovery alliance business generates new antibodies using the ADLib® system, mainly for therapeutic drugs, in collaboration with pharmaceutical companies around the world. The company's sales consist of upfront income when a joint R&D contract is concluded, milestone income reflecting R&D expenses and progress, and royalty income after a drug is marketed. In this business, in principle the company retains at least a 50% share of the right to a developed antibody, so it provides greater added value than conventional consigned or commissioned drug development. The Chugai Pharmaceutical <4519> Group is the main collaborative research partner for this segment (business with this group accounted for 56.9% of the company's total sales in FY12/14).

The licensing out platform technology business is the second pillar. Here, the company licenses the ADLib® system to other companies, which use this technology to generate antibodies. From this business, it obtains upfront income when a licensing contract is concluded, annual license fees, milestone income reflecting the progress in the development of antibodies discovered using the ADLib® system, and royalty income after a drug is marketed. Currently, Fujirebio Inc. is the only licensee, having a license to use the ADLib® system for the discovery of antibodies for in-vitro diagnostic agents.

The third pillar, the lead antibody licensing business, is the licensing of antibodies that have been developed by the company in the discovery or pre-clinical stage. These antibodies are generated using the ADLib® system for target antigens obtained through joint R&D or business agreements with universities, public medical institutes and companies with proprietary technology, such as Biotecnol,Ltd.* In the future, this business model will generate upfront income from licensing agreements, milestone income reflecting progress in antibody development, and royalty income after a drug is marketed, supplementing the company's revenue from the other two businesses.

The ADLib® system is patented in Japan, the U.S., Europe, and China. The patent rights are shared equally by the company and RIKEN and it pays royalties to RIKEN. This patent will expire in Japan, Europe and China in 2023, and in the U.S. in 2025. But the company has been applying for relevant patents, including the patenting of the fully human ADLib® system. Thus it should retain a competitive advantage for the ADLib® system even after the existing patent expires.

The table below shows the main partners in each business and the purposes of the agreements.

Main Partners of Each Business

Partner	Agreement term	Purpose of agreement
○Drug discovery alliance business		
Chugai Pharmaceutical Co., Ltd.	11/2008 - 12/2015	Joint R&D using the ADLib® system to generate antibodies (contract renews yearly).
Chugai Pharmaceutical Co., Ltd.	7/2011 - 12/2016	Service agreement to support R&D using the ADLib® system to generate antibodies (renewed biannually).
Chugai Pharmabody Research Pte. Ltd.	8/2012 - undisclosed	Service agreement on the procurement of research materials necessary for efficient antibody drug development.
○Licensing out platform technology business		
Fujirebio Inc.	For life of patent	Generate and sell in-vitro diagnostic agents, including antibody generated using the ADLib® system to measure vitamin D.
Fujirebio Inc.	For life of patent	Joint R&D and the non-exclusive right to use the ADLib® system.
○Lead antibody licensing business		
Yokohama City University	10/2008 -	Develop a specific antibody to recognize the semaphorin molecule.
Biotecnol,Ltd.	2/2013 -	Research and develop high value-added therapeutic antibodies that cannot be generated from conventional technologies.

Source: Company materials and Japanese Securities Report

* The company concluded a joint research agreement with Biotecnol,Ltd. in February 2013. Under the agreement, the two parties aim to leverage the company's strengths in its TribodyTM technology and ADLib® system to research and develop high-value-added antibody drugs that could not be discovered with conventional technologies.

Integrated Expertise from LivTech Expected to Promote Development of Novel Therapeutic Antibodies

(3) Subsidiary LivTech, Inc.

In December 2013, the company invested about ¥90 million for a 52.9% stake in LivTech, Inc., making the company a subsidiary. LivTech has been developing antibodies for cancer stem cell antigens and has two development pipelines. For one pipeline, it licensed one of these lead antibodies to Yakult Honsha Co., Ltd. <2267> in 2011 for use in cancer therapy and is conducting joint R&D. For another, LivTech is now seeking a pharmaceutical company as a partner for the development of a medicine based on its other lead antibody.

The company acquired LivTech to obtain its expertise in the pre-clinical stage development of antibodies and its expertise from its experience in actual licensing of antibodies, and it also gained access to LivTech's animal facility. By combining LivTech's expertise with its antibody production technology based on the ADLib® system, the company will be able to accelerate its development of antibodies to counter the antigens.

At a Board of Directors' meeting held on March 13, 2015, the company resolved to make LivTech a wholly-owned subsidiary, with the goal of strengthening the Group management framework and speeding up decision-making.

■ Business trends

Consolidated operating performance for FY12/14 mostly in line with company plans

(1) FY12/14 Results

On February 13, 2015, the company announced its consolidated results for FY12/14 (April to December) reporting sales of ¥277 million, an operating loss of ¥865 million, an ordinary loss of ¥883 million, and a net loss of ¥863 million, and the results were roughly in line with company forecasts. As the period was an irregular nine-month fiscal year, year-on-year comparisons are not possible, however, looking at a comparison for the same period of the previous fiscal year, net sales declined by ¥57 million and operating loss increased by ¥416 million. The decline in net sales reflected a decline in income in the drug discovery alliance business, while the increase in operating loss reflected increases in R&D costs and other SG&A expenses.

Trends according to business segment were as follows.

Consolidated operating results for FY12/14

(¥ million)

	Apr.-Dec. 2013		FY12/14 (9 months)			
	Result	% of sales	Company forecast	Result	% of sales	y-o-y
Sales	334	-	277	277	-	-17.0%
Cost of sales	116	34.8%	-	89	32.1%	-23.6%
SG&A costs	667	199.4%	-	1,054	379.6%	57.9%
R&D costs	292	87.5%	-	574	206.8%	96.1%
Other	374	111.9%	-	479	172.7%	28.0%
Operating income	-449	-	-907	-865	-	-
Ordinary income	-449	-	-907	-883	-	-
Extraordinary income	-37	-	-	-2	-	-
Net income	-504	-	-891	-863	-	-

FISCO

Chiome Bioscience Inc.
4583 TSE Mothers

27-Apr.-15

＊LIV-2008 is a humanized monoclonal antibody that binds to specific antigens (target molecules) expressed on the cell surface of solid tumors, including breast, lung, pancreatic, and colorectal cancers, thereby inhibiting proliferation of the cancer cells.

○Drug discovery alliance business

In FY12/14 (April to December), sales were ¥253 million (compared to ¥324 million in the same period last year) and segment income was ¥164 million (208 ¥million). Sales to the Chugai Pharmaceutical Group declined y-o-y, but R&D activities are going ahead steadily in line with the plan, and in December 2014 the company extended its agreements for both contract research and joint research. Also, the subsidiary LivTech, which is involved in joint research on cancer treatment antibody LIV-2008* with Yakult Honsha, succeeded in reaching the development milestone and so received milestone income from Yakult Honsha in 3Q FY12/14 (October-December 2014; the amount is undisclosed).

The company also started to sales activities in FY12/14 towards concluding a verification agreement relating to the fully human ADLib® system in addition to the conventional ADLib® system.

○Lead antibody licensing business

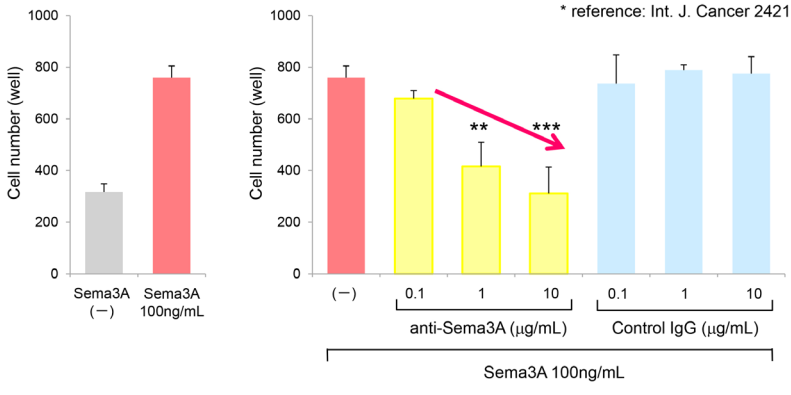
The lead antibody licensing business does not currently record sales as it is at the stage of progressing joint research into various antibodies in the development pipeline with university research laboratories. In FY12/14 the company renewed joint research agreements with the laboratory of Professor Goshima in Yokohama City University and the laboratory of Professor Takahashi in the University of Tokyo, and also started new joint research projects with the laboratory of Professor Uemura in Nagoya City University and the laboratory of Professor Takei in Yokohama City University.

Among them, anti-semaphorin 3A is the company's first lead antibody candidate and it is advancing joint research with Professor Goshima's laboratory in Yokohama City University. They started drug efficacy tests from mid 2014 using an animal model for human diseases toward an inflammatory diseases model (sepsis model) and indications in the area of oncology. In the oncology domain, semaphorin 3A (SEMA3A) is known to promote migration and infiltration of cancer cell. If anti-SEMA3A can be shown to suppress this activity, there will be wide ranging potential for commercialization as a pharmaceutical product. Currently, experiments at the cell level have shown a suppressive effect.

Inhibition of the Cancer Cells Invasion

- **Poor prognosis in Sema3A-expressing pancreatic cancer patient**
- **High recurrence rate after excision in pancreatic cancer**

* reference: Int. J. Cancer 2421-2433, 2007



Sema3A accelerates invasion of pancreatic cancer cell line

anti-Sema3A mAb inhibits Sema3A-induced Invasion in dose dependent manner

Source: from the company's briefing materials

Also, the R&D project to develop an antibody indicated for cancer research with Biotecnol, which is a technology alliance partner, is proceeding well, advancing by one stage, from generating antibodies to verifying functions and so forth.

○Licensing out platform technology business

In FY12/14 (April to December), sales were ¥23 million and segment income was ¥23 million. Fujirebio Inc., which is the company's original ADLib® system licensee, launched a diagnostic kit in Europe that included an antibody from the ADLib® system for measuring vitamin D (used for diagnosing rachitic patients), and the company is receiving royalty income based on its sales.

○R&D Conditions

In R&D cost initiatives for FY12/14, the company focused on expanding its library by advancing level of diversification of the fully human ADLib® system. The company also drew attention to the widening possibilities for the ADLib® in the field of generating antibodies by announcing that it had successfully used the original system to generate antibodies for specific antigens of the influenza and Ebola viruses in a short time period.

Investing funds from capital increases in FY12/14 and FY03/14 into R&D

(2) Financial condition

The balance of total assets at the end of December 2014 was up ¥1,244 million compared to the end of the previous fiscal year (March 31, 2014), to ¥6,257 million as shown in the table. The main reason was an increase of cash and deposits due capital increases through a public offering and a third-party allotment.

Liabilities declined ¥35 million compared to the end of the previous fiscal year, to ¥417 million, primarily because of a decrease in interest-bearing debt. Net assets increased ¥1,280 million. This was attributable to an increase of ¥1,085 million in capital stock and capital reserve following the public offering and third-party allotment, which more than offset the downturn in retained earnings of ¥863 million attributable to the net loss for the period.

Currently, the company is in the upfront investment stage, with sales declining slightly as the R&D cost burden in increasing as the company works towards practical implementation of the ADLib® system. The company is projecting a return to profitability from FY12/16 onwards, and is planning to cover its R&D costs, operating costs, and so forth, with the funds gained through capital increases in FY12/14 and FY03/14. Currently the company's cash reserves are over the ¥5,000 million level, so it should have enough financial capacity to last for another two years or so, even if sales do not grow. However, investors should bear in mind the risk that the company may need to procure further funds by some means if the ADLib® system is still not commercialized after FY12/17.

FISCO

Chiome Bioscience Inc.
4583 TSE Mothers

27-Apr.-15

Summary of balance sheet

(¥ million)

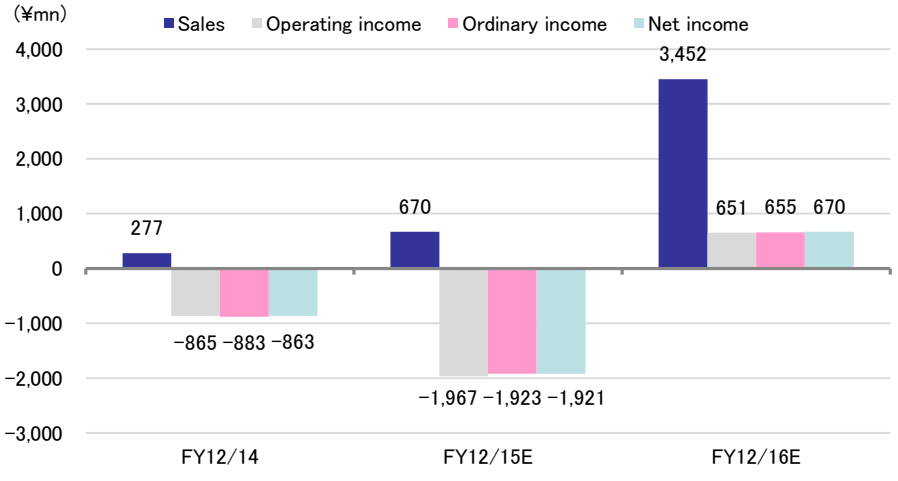
	FY3/12	FY3/13	FY3/14	FY12/14	Absolute change
Current assets	1,096	1,084	4,514	5,737	1,222
(cash and deposits)	1,013	988	4,349	5,575	1,226
Property and equipment	169	211	498	520	22
Total assets	1,265	1,296	5,012	6,257	1,244
Current liabilities	211	238	347	294	-52
Non-current liabilities	8	20	106	123	16
(interest-bearing debt)	84	132	20	0	-20
Total liabilities	220	258	453	417	-35
Shareholders' equity	1,045	988	4,502	5,810	1,308
Capital stock	1,027	1,213	3,348	4,434	1,085
Capital reserve	1,017	1,203	3,338	4,424	1,085
Retained earnings	-1,000	-1,427	-2,184	-3,048	-863
Total net assets	1,045	1,037	4,559	5,839	1,280
(Ratios of financial stability)					
Current ratio	517.7%	455.8%	1300.8%	1947.3%	
Equity ratio	82.6%	76.3%	89.8%	92.9%	
Interest-bearing debt to asset ratio	8.0%	13.4%	0.5%	0.0%	

■ Growth strategy

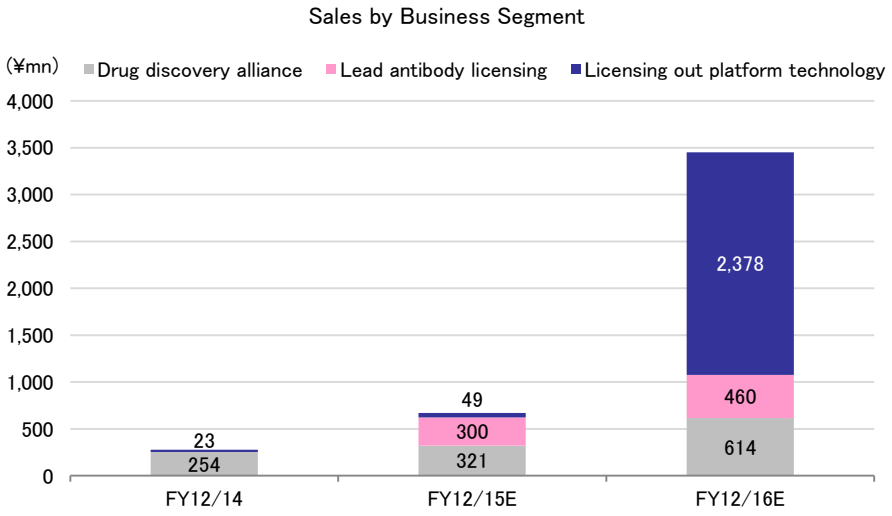
Significantly increase R&D costs to accelerate R&D activity aimed at realizing the management vision

The company has announced a mid-term management plan covering the three-years up until FY12/16. Projected earnings and segment sales are shown in the graph below. FY12/15 is still positioned as an upfront investment stage, including technological improvement of the ADLib® system. Full scale recovery of the investment is expected from FY12/16. Assumptions for the earnings forecasts for each fiscal year in the plan are as shown below.

Consolidated results targets



*Reflecting a change of fiscal year, FY12/14 contains nine months



*Reflecting a change of fiscal year, FY12/14 contains nine months

(1) Results forecasts for FY12/15

○Forecast by segment

In its forecast for consolidated operating results for FY12/15, the company is projecting net sales of ¥670 million and an operating loss of ¥1,967 million. Looming at the sales plan by segment, in the lead antibody licensing business, sales from licensing out the anti-semaphorin 3A antibody are expected to be ¥300 million. The company's plan for anti-semaphorin 3A is to accumulate data from drug efficacy tests using animals, which are currently in progress, during the first half of the year, and then seek to conclude a contract in the second half. As noted above, the target areas are the inflammatory diseases model (sepsis model) and indications in the area of oncology, however the oncology field is a higher priority and the company is likely to seek a contract in this area first. The field of pancreatic cancer looks promising, with its high risk of cancer metastasis.

The company appears to have various candidates for out-licensing in and outside Japan. Looking ahead, it needs to provide data results demonstrating efficacy as well as clear analysis of the mechanism of action. Steady progress on these tasks should make it possible for the company to conclude a contract in FY12/15. Conversely, if sufficient data demonstrating efficacy cannot be obtained and so forth, there is a possibility that contract negotiations will be held up.

In the drug discovery alliance business, the company is projecting sales of ¥321 million, continuing at the same pace with commissioned and joint research with the Chugai Pharmaceutical Group is expected to continue. In the licensing out platform technology business, sales are expected to be ¥49 million, with continued sales to Fujirebio along with new contracts with other companies.

○R&D trends

The reason the company is projecting an increase in its operating loss for FY12/15 is a significant increase in R&D costs from ¥574 million in FY12/14 to ¥1,489 million in FY12/15. To accelerate R&D activities towards realization of its management vision*, the company will enhance its R&D framework a step further by establishing a new R&D facility at KING SKYFRONT, an area of Tonomachi, Kawasaki City.

* The company aims to contribute to human societies as a healthcare innovator pursuing drugs that are 100% effective. By 2018 the company aims to implement pandemic vaccines through the fully human ADLib® system and by 2023 to realize the ultimate made-to-order drugs to provide individual patients with the optimal antibodies.

■ Growth strategy

KING SKYFRONT has been designated as a National Strategic Zone. Global corporations and research institutions have established bases there and the area is rapidly developing a platform for open innovation. Looking ahead, the areas seems a likely recipient of support from national and local governments. The company will set up its base within the Innovation Center of Nanomedicine iCONM, which is scheduled to start operation in April 2015. The center is themed on realizing "nanomedicine" to achieve innovative treatments for difficult diseases, and universities, corporations, and research institutions are planning to establish bases there. They are expected to develop synergies within the iCONM center.

With 40 R&D staff, the company has established a full-line development framework to cover all aspects from antibody generation through to animal testing. The R&D framework is scheduled to begin operation from June. In addition to enhancing the R&D framework, the system is expected to improve development efficient and speed. Moreover, going forward, the addition of development pipelines and the development management structure will become important. The company has fully introduced a product management system in 2015 and in March it brought in outside personnel with knowledge of product management. The company will strengthen its development management system at the same time. The company intends to maintain its existing research facility within the head office.

In other areas, the company is developing its business in the domain of pandemic contagious diseases, with an eye on joint research with specialist U.S. institutions. As mentioned above, in 2014 the company announced that it had achieved generation of antibodies demonstrating reactivity to certain protein antigens of the influenza virus and specified antigens of the Ebola virus (antigens deactivated to counter contagion risk) in a short time using its original ADLib® system. This result reconfirms that strengths of the ADLib® system, namely acquisition of diverse antigens and acquisition of antigens in a short time.

Ordinarily it takes around seven or eight months to generate an antibody and make it into a therapeutic vaccine after obtaining an antigen. With the ADLib® system this process can be completed in just a few weeks. In the event of a pandemic, such a system is vital for developing a vaccine as quickly as possible after the disease breaks out to prevent it from spreading. This factor alone is likely to increase the advantages of the ADLib® system.

The company is considering options for joint research and other initiatives relating to use of the ADLib® system for generating antibodies with multiple institutions, including specialist U.S. institutions with biosafety level 4* research facilities that possess the highest class of pandemic threat pathogens, and is keen to begin technological evaluation (in which the partner provides the target pathogen and the company generates an antibody). If technological evaluation were to start, the effect on the companies operating performance would depend upon whether it would bear all of the R&D costs alone or bear a portion of them as a joint R&D project, and the costs have not been factored into the company's business plan for FY12/15. However, if this initiative goes ahead smoothly, it will bear watching, if only because it could ultimately lead the company to license out the ADLib® system technology as quickly as possible.

* The pathogens of contagious diseases are classified into four stages according to their hazard level. Level four indicates pathogens that cause serious illness that can cause the death of humans or animals, and that can easily cause contagion from person to person, either directly or indirectly, and for which there is not established method of treatment or prevention. Among the many pathogens in existence, level four indicates those that are the most toxic and infectious, including viruses such as Ebola, Marburg, and Variola. Therefore, research facilities investigating them are obliged to implement special rigorous control systems. In Japan, level four compliant experiment laboratories are established at the Infectious Disease Surveillance Center and RIKEN. However, the due to opposition from neighboring citizens, they conduct only level three operations.

Profitability to be achieved in FY12/16 by licensing out the fully human ADLib® system

(2) Forecast for FY12/16

○Forecast by segment

In its operating results forecast for FY12/16 the company is expecting to achieve profitability for the first time with net sales of ¥3,452 million and operating income of ¥651 million. The company also plans to make sales of ¥2,378 million in the licensing out platform technology business, mainly from expected sales of around ¥2,000 million from licensing out the full human ADLib® system.

The amount for licensing out the system has been estimated based on similar cases in the past.

As a schedule leading up to the licensing out of the fully human ADLib® system, the company first aims to concluded several verification agreements in 2015, and is currently at the stage of negotiating with candidate corporations in Japan and overseas, while sharing data with them under non-disclosure agreements. Having concluded the verification agreements, the company will proceed with negotiations for concluding the main agreement while continuing the actual technology evaluation.

In the lead antibody licensing business, the company plans to achieve sales of ¥460 million from licensing out its development pipelines and ¥614 million from an increase in contracting companies in the drug discovery alliance business. Furthermore, the company is forecasting R&D costs at the same level as FY12/15.

■ Risks and Return to Shareholders

The company does not plan to pay a dividend until it has established its earnings base and financial soundness.

(1) Risks

We see the following potential risks to the business of the company.

○Risk of delays in licensing agreement negotiations and R&D

Should there be a delay in licensing agreement negotiations with client candidates or should a rupture of the agreement occur, or, should the licensing of lead antibodies not progress as expected due to delays in R&D, or should the development be abandoned during the course of the drug development, there is the risk that these events could impact on the company's performance in the future.

○Superior technologies could be developed

If a technology far superior to the fully human ADLib® system for producing antibodies or other new technologies are developed, this system may not be able to maintain its competitiveness in the market.

FISCO

Chiome Bioscience Inc.
4583 TSE Mothers

27-Apr.-15

○High dependence on a single customer is potentially dangerous

The Chugai Pharmaceutical group <4519> accounted for 57.1% of the company's total sales in FY12/14. If the business relationship with the group deteriorated for some reason, the company's performance would be threatened. In December 2014, the company's contracts with the Chugai Pharmaceutical Group for joint research and contract research using the original ADLib® system had each been extended.

(2) Returns to shareholders

As the company still carries cumulative losses, it will not pay a dividend in the near future. However, after it establishes a basis for stable profits, its policy is that it will pay dividends that reflect its improved financial condition and business performance.

Summary of income statement

(¥ million)

	FY3/13	FY3/14	FY12/14 (irregular nine-month year)	FY12/15E	FY12/16E
Sales	324	434	277	670	3,452
(y-o-y)	-48.8%	34.2%	-	-	415.2%
Cost of sales	119	173	89		
(% of sales)	36.8%	40.0%	32.1%		
SG&A costs	617	969	1,054		
(% of sales)	190.6%	223.0%	379.6%		
Operating income	-413	-708	-865	-1,967	651
(y-o-y)	-	-	-	-	-
(% of sales)	-	-	-	-	18.9%
Ordinary income	-424	-706	-883	-1,923	655
(y-o-y)	-	-	-	-	-
(% of sales)	-	-	-	-	19.0%
Extraordinary income	-	-	-		
Extraordinary loss	-	37	2		
Loss before income taxes	-424	-743	-885		
(y-o-y)	-	-	-		
(% of sales)	-	-	-		
Income taxes current	2	18	0		
(Effective tax rate)	-	-	-		
Loss before minority interests	-	-4	-22		
Net income	-426	-757	-863	-1,921	670
(y-o-y)	-	-	-	-	-
(% of sales)	-	-	-	-	19.4%
Key performance indicators					
R&D costs	309	442	574	1,489	1,489
Number of shares issued (thousand shares)	4,187	19,121	20,381	21,945	21,945
Net income per share (¥)	-101.94	39.62	42.36	-87.53	30.52
Dividend per share (¥)	0.0	0.0	0.0	-	-
Net assets per share (¥)	228.34	223.17	264.79	-	-

FISCO

Disclaimer

FISCO Ltd. (the terms ″FISCO″, ″we″, mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Exchange,and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the ″JASDAQ INDEX″ are the intellectual properties of the TokyoStock Exchange, and therefore all rights to them belong to the Tokyo StockExchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness,or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose,investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of there port, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.

FISCO Ltd.