

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

4 November 2016

Oncolys BioPharma Inc.

Announcement of Non-Operating Income and Losses, Extraordinary Losses, and FY 2016 Earnings Forecast Revision

Oncolys BioPharma (“Oncolys”) announces today that non-operating income and losses and extra ordinary losses were recorded in the non-consolidated cumulative third quarter (1/1/2016 - 30/9/2016) as follows. In addition, based on the current business surroundings, Oncolys’ earnings forecast for FY2016 was revised as below:

1. Details of non-operating income

Grants for overseas patent application (JPY 810,000) received from Tokyo Metropolitan Small and Medium Enterprise Support Center and gain on money held in trust (JPY 7,557,000) were posted as non-operating income in the three months ended September 30, 2016 (1/7/2016 – 30/9/2016). As a result, together with interest earned in the same period, non-operating income of JPY 12,662,000 in total were posted in the non-consolidated cumulative third quarter (1/1/2016 – 30/9/2016).

2. Details of non-operating losses

Due to recent and further fluctuations in foreign currency exchange rates, in the non-consolidated cumulative third quarter (1/1/2016 – 30/9/2016), foreign exchange losses of JPY 13,281,000 were recorded as non-operating losses. As a result, together with other items, non-operating losses of JPY 15,769,000 were posted in the same cumulative third quarter (1/1/2016 – 30/9/2016).

3. Details of extraordinary losses

Impairment losses on fixed assets related to Oncolys’ clinical laboratory center in Kobe, of JPY 47,353,000, were posted in the three months ended September 30, 2016 (1/1/2016 – 30/9/2016) as a result of examining the retrievability of the said assets based on The “Accounting Standard for Impairment of Fixed Assets”.

4. Details of earnings forecast revision

- (1) Revised financial forecast for the Fiscal Year Ending December 31, 2016

(JPY, million)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous forecast (A) announced on 10 Feb 2016	188	△1,273	△1,273	△1,276	△138.94
Revised forecast (B)	188	△897	△900	△949	△102.85
Differences (B – A)	0	376	373	326	—
Differences (%)	—	—	—	—	—
(Ref) FY2015 results	121	△951	△854	△857	△93.35

(2) Reasons for the revision

The revision of the full-year business forecast was made as above for the following reasons: as per sales, it is retained as Oncolys' Diagnostic Business realized less feasibility of sales from new TelomeScan® license agreement within this fiscal year, while the company continues to strive to license-out an oncolytic virus Telomelysin®. As for the losses, the estimates have been revised upwardly despite the extraordinary losses announced above, based on the expected reduction in research and development costs and other SG&A expenses, as the fruits of Oncolys' cost reduction efforts, a delay in development schedule of current pipeline due to the external factors, and forex exchange rate fluctuation that is expected to positively impact the company's earnings.

Therefore, the estimates for the fiscal year ending December 2016 have been revised as below: sales 188 million yen, remain the same as the previous forecast, operating loss 897 million yen, ordinary loss 900 million yen, net loss 949 million yen, and net loss per share 102.85 yen.

(3) Dividend forecast

There is no revision on Oncolys' current dividend forecast for FY 2016.

(Note) The above estimates are made based on the available information as of the date of the new business forecast announcement. The actual figures may differ owing to various factors.

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About Oncolys BioPharma Inc.

Oncolys BioPharma is a TSE Mothers-listed biopharmaceutical company with focuses on the development of novel biologics for the treatment of cancer and infectious diseases. The company's lead product for the treatment of cancer, OBP-301 (Telomelysin®), is based on replication-competent oncolytic virus, and is being tested in Phase I/II clinical trial in Asia, for various solid tumors. A novel cancer diagnostic product, OBP-401 (TelomeScan), is expected to be effective in detecting various types of cancer and inflammatory diseases and adopted in several private practices. The company also has a major program OBP-601 (Festinavir) for infectious diseases, which has completed Phase II clinical trial in the U.S. for HIV/AIDS therapy, supported by BMS. OBP-601 is a novel NRTI with highly promising safety and resistance profiles. For more additional information, please visit www.oncolys.com

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