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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020

[Japanese GAAP]

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Listing: Tokyo Stock Exchange
 URL: <http://www.g-gts.com/en/>

Scheduled filing date of the quarterly report : August 7, 2019
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Briefing of the quarterly financial results : No

(All amounts are rounded down to the nearest million yen)

1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – June 30, 2019)

(1) Results of operations (cumulative)

(Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of the fiscal year ending Mar.31, 2020	283	-	-209	-	-211	-	-6,147	-
First quarter of the fiscal year ended Mar. 31, 2019	-	-	-	-	-	-	-	-

(Note) Comprehensive income: First quarter of the fiscal year ending Mar. 31, 2020: -6,163 million yen
 First quarter of the fiscal year ended Mar. 31, 2019 - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of the fiscal year ending Mar.31, 2020	-222.40	-
First quarter of the fiscal year ending Mar. 31, 2019	-	-

(Note)

- The result in the first quarter of the fiscal year ended Mar. 31, 2019 and percentage for year-on-year changes are not recorded due to the change to consolidated financial statement from first quarter of the fiscal year ending Mar. 31, 2020.
- Even though there is a calculation of dilutive shares available, there is no reporting on net income per share after an adjustment of dilutive shares as the company recorded net loss.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2019	3,090	2,644	84.3
As of March 31, 2019	-	-	-

Reference: Shareholders' equity: First quarter of the fiscal year ending Mar. 31, 2020: 2,606 million yen
 First quarter of the fiscal year ended Mar. 31, 2019 - million yen

(Note)

The result in the first quarter of the fiscal year ended Mar. 31, 2019 is not recorded due to the change to consolidated financial statement from the first quarter of the fiscal year ending Mar. 31, 2020.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2019	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending Mar. 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Mar.31, 2020 (forecasts)	-	-	-	0.00	0.00

(Note) Changes to the most recent forecasted dividend amount: None

3. Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,050	0.0	-1,220	-	-1,260	-	-7,260	-	-262.61

(Note) Changes to the most recent forecasts: None

Forecast for the fiscal year is only described as the Company controls business performance annual basis. The percentage for year-on-year changes is not recorded due to the change to consolidated financial statement from the first quarter of the fiscal year ending Mar. 31, 2020.

*** Notes**

1. Changes in significant subsidiaries during the period (change in specified subsidiaries which accompanies a change in the range of consolidation): Yes

New : Advanced Cell Technology and Engineering Ltd.

Excluded : None

(Note) For detailed information, please refer to Item C: “Notes to financial statements for the current fiscal quarter” and “Changes in significant subsidiaries during the period” of Section II on page 6.

2. Special accounting treatments used in preparation of financial statements of the quarter: None

3. Changes in accounting policies and accounting-based estimates, and restatements

a. Changes in accounting policies due to revisions in accounting standards, others: None

b. Changes in accounting policies other than 1) above: None

c. Changes in accounting-based estimates: None

d. Restatements: None

4. Number of outstanding shares (common stock)

- a. Number of shares outstanding at the end of period (including treasury shares)

At the first quarter of the fiscal year ending Mar. 31, 2020: 27,646,986 shares

At the end of the fiscal year ended Mar. 31, 2019 20,342,446 shares

- b. Number of treasury shares at the end of period

At the first quarter of the fiscal year ending Mar. 31, 2020: - shares

At the end of the fiscal year ended Mar. 31, 2019 - shares

- c. Average number of shares outstanding during the period

At the first quarter of the fiscal year ending Mar. 31, 2020: 27,640,828 shares

At the end of the fiscal year ended Mar. 31, 2019 19,135,846 shares

*This summary report on Gene Techno Science’s financial statements is not subject to audit procedures.

Cautionary statement with respect to forward-looking statements, and other special items

(Notes to information regarding future)

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and the information available to Gene Techno Science at the time these materials were made. These materials on future performances are not promises by the Company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “1. Overview of business results (3) Future outlook” on page 3 of the attachments for forecast assumptions and notes of caution for usage.

(How to obtain supplemental financial information)

Materials for the supplemental financial information is available on the Company’s website (<http://www.g-gts.com/en/>).

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I. Overview of business results for the current fiscal quarter

A. Overview of business results

Gene Techno Science (the Company) announced GTS 3.0 “Biotech Engineering Company, striving for value creation” a new business stage, which targeted the pediatric disease in addition to the areas the Company has been engaged in such as the orphan disease and intractable disease. By leveraging the know-how and expertise about biotechnology acquired in the past business activities, the Company is working on the development and provision of new medicines and therapeutic solutions with the aim of achieving comprehensive healthcare solutions for the patients suffering from these diseases as well as families and caregivers. More specifically, the Company will pursue the business growth with new biologics business, and new biotech business centered on the cell therapy field in regenerative medicine, while establishing a stable profit base in the biosimilars business. The progress of each business in the current fiscal quarter is as follows.

1. Biosimilar Business

Our biosimilar business continues to exhibit steady growth by working together with Fuji Pharma Co., Ltd. and Mochida Pharmaceutical Co., Ltd. to increase sales of the neutropenia medicine “Filgrastim BS”. In addition, in September 2018, the Company filed the new drug application of the biosimilar of darbepoetin alpha in Japan, which is developed together with Sanwa Kagaku Kenkyusho Co., Ltd. As for the biosimilar product in ophthalmic treatment field jointly developed with Senju Pharmaceutical Co., Ltd, while Phase III clinical trials in Japan are progressing smoothly, the Company concluded an exclusive licensing agreement in China and Taiwan with Ocumension Therapeutics in January 2019, and is steadily moving forward biosimilar businesses.

2. New Biologics Business

In the new biologics business, the Company was successful in creating anti-RAMP2 antibodies which block the formation of neovascular vessels through the research and development of next-generation antibody drugs. In September 2017, a patent application for the antibody was filed as a drug candidate for ophthalmic treatment and antitumor effects in oncology area and in September 2018 an international/PCT patent application was filed. Now, the Company is proceeding with research and development activities and pursuing licensing out opportunities to pharmaceutical companies while securing intellectual property right.

3. New Biotech Business

The Company entered into a capital and business alliance agreement with Japan Regenerative Medicine Co., Ltd. (JRM), an affiliate of the Noritsu Koki Group as of October 2016. The whole group is working together to expand regenerative medicine opportunities through commercializing regenerative medicine products such as using the cardiac stem cells that JRM is currently developing. Further, in April 2018, the Company entered into a capital and business alliance agreement with NanoCarrier Co., Ltd. and Noritsu Koki Co., Ltd. to start drug development with the purpose of creating innovative technologies and pharmaceuticals by combining expertise and knowledge that each company owns under cooperation of the three companies. Moreover, in January 2019, the Company resolved that the Company would acquire 100% ownership of Advanced Cell Technology and Engineering Ltd. (ACTE) by the share exchange and develop new healthcare technology and tissue-engineered medical products utilizing Stem Cells from Exfoliated Deciduous Teeth (SHED), and that ACTE became a wholly-owned subsidiary in April 2019 after the approval by the extraordinary general shareholders meeting held in March 2019. Based on JRM’s cardiac stem cells and ACTE’s SHED, the Company will establish the cell therapy platform in the regenerative medicine field to develop various businesses in the future including new product and therapeutic treatment method. Among the above, as the business development using SHED, the Company signed the joint research & development agreement with ORTHOREBIRTH Co., Ltd. for concluded the co-development agreement to develop therapeutic treatments for cleft lip/cleft palate.

In addition to the above, as “a biotech engineering company, striving for value creation”, aiming at providing comprehensive healthcare solutions for patients as well as families and caregivers, the Company is trying to provide new treatment method by reaching out even, to IT, healthcare service, diagnostic products and medical devices.

As a result, the sales amount was 283,959 thousand yen, operational loss was 209,663 thousand yen, ordinary loss was 211,711 thousand yen and net loss for the current fiscal quarter was 6,147,343 thousand yen.

(Note) The year-on-year changes are not recorded due to the change to consolidated financial statement from first quarter of the fiscal year ending Mar. 31, 2020.

B. Overview of financial conditions

(Current Assets)

The balance of current assets at the end of this fiscal quarter was 3,090,635 thousand yen, which consists of cash and cash equivalents of 1,653,531 thousand yen, trade receivables of 545,934 thousand yen, and advance payments of 325,786 yen.

(Liabilities)

The balance of total current liabilities at the end of this fiscal quarter was 446,426 thousand yen, which consists of deposit payable of 251,727 thousand yen and accrued liabilities of 113,376 thousand yen.

(Shareholders' equity)

The balance of shareholders' equity at the end of this fiscal quarter was 2,644,208 thousand yen, which consists of common stock and capital reserve of 611,711 thousand yen and retained earnings of -7,908,191 thousand yen.

(Note) The year-on-year changes are not recorded due to the change to consolidated financial statement from first quarter of the fiscal year ending Mar. 31, 2020.

C. Explanation of future business forecasts such as consolidated financial forecasts

There is no change to the financial forecasts for the fiscal year ending on March 31, 2020 announced as of May 10, 2019

III. Financial statements and notes to financial statements

A. Consolidated balance sheet

(in thousand yen)

	As of the end of the current fiscal quarter (June 30, 2019)
Assets	
Current assets	
Cash and cash equivalents	1,653,531
Trade receivables	545,934
In-process inventory	168,732
Advance payments	325,786
Other current assets	66,941
Total current assets	2,760,926
Non-current assets	
Tangible fixed assets	2,112
Intangible fixed assets	85
Investments and other assets	327,510
Total non-current assets	329,708
Total assets	3,090,635
Liabilities	
Current liabilities	
Trade payables	12,452
Accrued liabilities	25,000
Income taxes payable	15,163
Other current liabilities	368,842
Total current liabilities	421,458
Non-current liabilities	
Allowance for retirement benefits	19,230
Other non-current liabilities	5,738
Total non-current liabilities	24,968
Total liabilities	446,426
Shareholders' equity	
Shareholders' capital	
Common stock	611,711
Capital reserve	9,917,311
Retained earnings	-7,908,191
Total shareholders' capital	2,620,830
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	-14,391
Total accumulated other comprehensive income	-14,391
Equity warrants	37,769
Total shareholders' equity	2,644,208
Total liabilities and shareholders' equity	3,090,635

B. Consolidated income statement

	(in thousand yen)
	As of the end of the current fiscal quarter (June 30, 2019)
Gross sales	283,959
Cost of goods sold	76,796
Gross profit	207,163
Selling, general and administrative expenses	
Research and development expenses	234,941
Other expenses	181,885
Total selling, general and administrative expenses	416,826
Operating loss	-209,663
Non-operating income	
Interest income	29
Lecture fee income	108
Subsidized income	70
Miscellaneous income	47
Total non-operating income	256
Non-operating expenses	
Interest expenses	186
Stock issuance expenses	1,847
Foreign exchange loss	270
Total non-operating expenses	2,304
Ordinary loss	-211,711
Extraordinary gain	
Gain on sale of investment securities	4,419
Total extraordinary gain	4,419
Extraordinary loss	
Loss on retirement of non-current assets	854
Impairment loss	5,938,405
Total extraordinary loss	5,939,259
Net loss for the quarter before taxes	-6,146,551
Corporate, residential and enterprise taxes	791
Total corporate and other taxes	791
Net loss for the quarter	-6,147,343
Net loss attributable to non-controlling interests	-
Net loss attributable to owners of parent	-6,147,343
Other comprehensive income	
Valuation difference on available-for-sale securities	-16,002
Total other comprehensive income	-16,002
Comprehensive income for the quarter	-6,163,346
(breakdown)	
Comprehensive income attributable to owners of parent	-6,143,346
Comprehensive income attributable to non-controlling interests	-

C. Notes to financial statements

(Notes on going concern assumption)

There is no reporting item applicable to this matter.

(Notes on significant changes in the amount of shareholders' equity)

On April 1, 2019, the Company conducted a share exchange with the Company as the wholly owning parent company and ACTE as the wholly owned subsidiary company. As a result, the capital reserve increased by 6,032,615 thousand yen, including an increase due to the exercise of subscription rights to shares during the first quarter of the current consolidated fiscal year, capital increased to 611,711 thousand yen, and capital reserves increased to 9,917,311 thousand yen at the end of the first quarter.

As a result of recording a Net loss attributable to owners of parent of 6,147,343 thousand yen, including impairment losses on goodwill arising from the business combination, total shareholders' equity at the end of the first quarter of the current consolidated fiscal year was 2,620,830 thousand yen.

(Changes in significant subsidiaries during the period)

As ACTE became a wholly owned subsidiary through a share exchange effective April 1, 2019, the company has been included in the scope of consolidation from the first quarter of the current consolidated fiscal year. ACTE is a specified subsidiary of the Company.