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

[Japanese GAAP]

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 Preparation of supplementary materials for financial results: Yes
 Briefing of the quarterly financial results : Yes

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

1. Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – September 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	%
Second quarter of the fiscal year ending Mar.31, 2020	313	-	-611	-	-613	-	-6,550	-
Second quarter of the fiscal year ended Mar. 31, 2019	-	-	-	-	-	-	-	-

(Note) Comprehensive income: Second quarter of the fiscal year ending Mar. 31, 2020: -6,569 million yen (-%)
 Second quarter of the fiscal year ended Mar. 31, 2019 - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending Mar.31, 2020	-236.95	-
Second quarter of the fiscal year ending Mar. 31, 2019	-	-

(Note)

- The result in the second 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 was made 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 September 30, 2019	2,816	2,243	78.1
As of March 31, 2019	-	-	-

Reference: Shareholders' equity: Second quarter of the fiscal year ending Mar. 31, 2020: 2,200 million yen
 Fiscal year ended Mar. 31, 2019 - million yen

(Note)

The result in the second quarter of the fiscal year ended Mar. 31, 2019 is not recorded due to the change to consolidated financial statement was made 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2020	-	0.00	-	-	-
Fiscal year ending Mar.31, 2020 (forecasts)	-	-	-	0.00	0.00

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

3. Consolidated Business Forecasts 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

Consolidated business forecasts for the fiscal year is only described as the Company controls business performance on annual basis.

The percentage for year-on-year changes is not recorded due to the change to consolidated financial statement was made 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 second 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 second quarter of the fiscal year ending Mar. 31, 2020: 45 shares

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

- c. Average number of shares outstanding during the period

At the second quarter of the fiscal year ending Mar. 31, 2020: 27,643,905 shares

At the end of the fiscal year ended Mar. 31, 2019 19,205,035 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)

The statement regarding the future such as business forecasts in this summary is based on assumptions judged to be valid and the information available to Gene Techno Science at the time this summary was made and is not promised 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 (<https://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 received the manufacturing and marketing approval for 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. in May 2019 for concluded the co-development agreement to develop therapeutic treatments for cleft lip/cleft palate. And in September, the Company concluded joint research agreement with Showa University School of Medicine for bone-related diseases, and Gifu Pharmaceutical University for Ophthalmologic disease. Furthermore, the Company signed a contract for sales of SHED with Summit Pharmaceuticals International Corporation in October to stably and rapidly supply SHED to researchers in Japan and overseas. Throughout those activities, we will accelerate the research and development of therapeutic treatment by utilizing SHED.

In addition to the above, the Company announced in August the investment in Heartseed Inc., a company developing myocardial regenerative medicine using iPS cells and explore the possibility of collaboration. In the culture supernatant business, the business operation, rights and obligations for beauty clinics was transferred to Remcare Ltd., which was established through incorporation-type company split, to optimize management resources and promote cell therapy business. 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 313,661 thousand yen, operational loss was 611,310 thousand yen, ordinary loss was 613,934 thousand yen and net loss for the current fiscal quarter was 6,550,155 thousand yen.

(Note) The year-on-year changes are not recorded due to the change to consolidated financial statement was made 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 2,816,933 thousand yen, which consists of cash and cash equivalents of 1,602,408 thousand yen, advance payments of 354,869 thousand yen and investment securities of 352,942 thousand yen.

(Liabilities)

The balance of total current liabilities at the end of this fiscal quarter was 573,271 thousand yen, which consists of account payable of 240,682 thousand yen and advance received of 238,003 thousand yen in other current liabilities.

(Shareholders' equity)

The balance of shareholders' equity at the end of this fiscal quarter was 2,243,662 thousand yen, which consists of common stock of 611,711 thousand yen, capital surplus of 9,917,311 thousand yen, and retained earnings of -8,311,004 thousand yen.

C. Overview of cash flows for the current fiscal year

The balance of cash and cash equivalents (collectively, "cash" hereafter) at the end of this fiscal quarter was 2,243,662 thousand yen, a decrease of 406,964 thousand compared with the one at the end of the second quarter of the previous fiscal year. The status and variation factors for the current fiscal year are as follows.

(Cash flows from operating activities)

Cash outflows from operating activities were 609,167 thousand yen. This is mainly due to the recording of a net loss for the quarter before taxes of 6,548,774 thousand yen including an impairment loss of 5,938,405 thousand yen, an increase in advance payments of 135,776 thousand yen, a decrease in trade payables of 79,473 thousand yen, and accrued expenses of 76,697 thousand yen while there was a decrease in the trade receivables of 392,876 thousand yen.

(Cash flows from investing activities)

Cash outflows from investing activities were 101,788 thousand yen. This was due to the expenses of 100,349 thousand yen for the acquisition of investment securities.

(Cash flows from financing activities)

Cash inflows from financing activities were 40,294 thousand yen. This was the issuance of shares due to exercise of stock acquisition rights of 40,325 thousand yen.

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

D. 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.

II. Financial statements and notes to financial statements

A. Consolidated quarterly balance sheet

	(in thousand yen)
	As of the end of the current fiscal quarter (September 30, 2019)
Assets	
Current assets	
Cash and cash equivalents	1,602,408
Trade receivables	169,098
In-process inventory	204,606
Advance payments	354,869
Other current assets	59,115
Total current assets	2,390,099
Non-current assets	
Tangible fixed assets	2,032
Intangible fixed assets	76
Investments and other assets	
Investment securities	352,942
Other assets	71,783
Total investments and other assets	424,725
Total non-current assets	426,834
Total assets	2,816,933
Liabilities	
Current liabilities	
Trade payables	11,602
Short-term borrowings	25,000
Income taxes payable	30,419
Others	482,574
Total current liabilities	549,596
Non-current liabilities	
Allowance for retirement benefits	19,230
Others	4,444
Total non-current liabilities	23,674
Total liabilities	573,271
Shareholders' equity	
Shareholders' capital	
Common stock	611,711
Capital surplus	9,917,311
Retained earnings	-8,311,004
Treasury stock	-31
Total shareholders' capital	2,217,987
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	-17,359
Total other comprehensive income	-17,359
Stock acquisition rights	43,034
Total shareholders' equity	2,243,662
Total liabilities and shareholders' equity	2,816,933

B. Income statement

	(in thousand yen)
	As of the end of the current fiscal quarter (September 30, 2019)
Gross sales	313,661
Cost of goods sold	84,500
Gross profit	229,160
Selling, general and administrative expenses	
Research and development expenses	484,033
Other expenses	356,437
Total selling, general and administrative expenses	840,471
Operating loss	-611,310
Non-operating income	
Interest income	63
Lecture fee income	155
Miscellaneous income	139
Total non-operating income	358
Non-operating expenses	
Interest expenses	376
Stock issuance expenses	1,847
Foreign exchange loss	554
Miscellaneous loss	204
Total non-operating expenses	2,982
Ordinary loss	-613,934
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	-6,548,774
Corporate, residential and enterprise taxes	1,381
Total corporate and other taxes	1,381
Net loss for the quarter	-6,550,155
Net loss attributable to non-controlling interests	---
Net loss attributable to owners of the parent	-6,550,155
Net loss for the quarter	-6,550,155
Other comprehensive income	
Valuation difference on available-for-sale securities	-18,971
Total other comprehensive income	-18,971
Comprehensive income for the quarter	-6,569,126
(breakdown)	
Comprehensive income attributable to owners of the parent	-6,569,126
Comprehensive income attributable to non-controlling interests	---

C. Consolidated statement of cash flows

	(in thousand yen)
	Current fiscal quarter (April 1, 2019 to September 30, 2019)
Cash flows from operating activities	
Net loss for the year before taxes	-6,548,774
Depreciation expenses	203
Impairment loss	5,938,405
Loss on retirement of non-current assets	854
Interest or dividends received	-63
Interest expenses	376
Gain on sales of investment securities (- means increase)	-4,419
Changes in trade receivables (- means increase)	392,876
Changes in inventory (- means increase)	-51,445
Changes in advance payments (- means increase)	-135,776
Changes in trade payables (- means decrease)	-79,473
Changes in accrued expenses (- means decrease)	-76,697
Other changes	-42,401
Sub-total	-606,336
Interest and dividends received	63
Payment of interest	-371
Payment of corporate and other taxes	-2,521
Cash flows from operating activities	-609,167
Cash flows from investing activities	
Purchase of fixed assets	-1,935
Purchase of investment securities	-100,349
Proceeds from sales of investment securities	4,720
Payment for guaranteed deposits	-7,225
Proceeds from collection of guarantee deposits	3,001
Cash flows from investing activities	-101,788
Cash flows from financing activities	
Issuance of stocks through exercising stock acquisition rights	40,325
Purchase of treasury stock	-31
Cash flows from financing activities	40,294
Effect of exchange rate changes on cash and cash equivalents	---
Increase/decrease in cash and cash equivalents	-670,660
Cash and cash equivalents at the beginning of the quarter	2,009,373
Increase in cash and cash equivalents from the share exchange	263,696
Cash and cash equivalents at the end of the year	1,602,408

D. Notes to consolidated quarterly 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 retained earnings increased by 6,032,615 thousand yen, including an increase due to the exercise of stock acquisition rights during the first quarter of the current consolidated fiscal year, capital increased to 611,711 thousand yen, and capital surplus 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 the parent of 6,550,155 thousand yen, total shareholders' equity at the end of the second quarter of the current consolidated fiscal year was 2,217,987 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.