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

[Japanese GAAP]

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

Scheduled filing date of the quarterly securities report : February 5th, 2020
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Briefing of the quarterly financial results : None

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

1. Financial Results for the Third 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	%
Third quarter of the fiscal year ending Mar.31, 2020	733	-	-932	-	-953	-	-6,892	-
Third quarter of the fiscal year ended Mar. 31, 2019	-	-	-	-	-	-	-	-

(Note) Comprehensive income: Third quarter of the fiscal year ending Mar. 31, 2020: -6,916 million yen (-%)
 Third quarter of the fiscal year ended Mar. 31, 2019 - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending Mar.31, 2020	-249.32	-
Third quarter of the fiscal year ending Mar. 31, 2019	-	-

(Note)

- The result in the third 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	3,656	1,904	50.7
As of March 31, 2019	-	-	-

Reference: Shareholders' equity: Third quarter of the fiscal year ending Mar. 31, 2020: 1,853 million yen
 Fiscal year ended Mar. 31, 2019 - million yen

(Note)

The result in the third 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 third 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 third quarter of the fiscal year ending Mar. 31, 2020: 92 shares

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

- c. Average number of shares outstanding during the period

At the third quarter of the fiscal year ending Mar. 31, 2020: 27,644,916 shares

At the end of the fiscal year ended Mar. 31, 2019 19,347,025 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 November 27, 2019, Sanwa Kagaku Kenkyusho Co., Ltd. has started marketing of the biosimilar of darbepoetin alpha in Japan, which was developed together with the Company. The Company will receive royalty in accordance with the sales of this product. Moreover, as the result of promoting the biosimilar business, the Company has signed the agreement for Aflibercept biosimilars with Kishi Kasei Co., Ltd. and started development.

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. In January 2020, the Company has signed agreements with Sapporo Medical University for the purpose of developing new antibodies with an ability of entering cancer cells, and also with MabGenesis for the development of new antibodies with the effect of killing cancer cells.

3. New Biotech Business

In April 2019, by the share exchange, the Company acquired 100% ownership of Advanced Cell Technology and Engineering Ltd. (ACTE), which developed new healthcare technology and tissues-engineered medical products utilizing Stem Cells from Exfoliated Deciduous Teeth (SHED) that exists inside of teeth. Based on the cardiac stem cells project which the Company has been working with Japan Regenerative Medicine Co., Ltd. (JRM) 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. Among the above, as the business development using SHED, the Company signed the agreement with Showa University School of Medicine for academia-industry collaboration to develop new therapeutic treatments by SHED in November 2019, and with Tokyo Metropolitan Institute of Medical Science, Nagoya University Hospital, and Tokyo Medical and Dental University for the purpose of developing treatment for cerebral palsy in January 2020. Moreover, the Company concluded alliance agreement with Eil in regenerative medicine and healthcare area to develop our business for clinical application with SHED through the technology, knowhow, resources, and logistic network etc. the company has established. 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 733,008 thousand yen, operational loss was 932,220 thousand yen, ordinary loss was 953,957 thousand yen and net loss for the current fiscal quarter was 6,892,342 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 3,656,482 thousand yen, which consists of cash and cash equivalents of 2,482,411 thousand yen, trade receivables of 340,827 thousand yen and investment securities of 347,679 thousand yen.

(Liabilities)

The balance of total current liabilities at the end of this fiscal quarter was 1,752,229 thousand yen, which consists of convertible bond with stock acquisition rights of 600,000 thousand yen, and long-term borrowings of 600,000 thousand, yen.

(Shareholders' equity)

The balance of shareholders' equity at the end of this fiscal quarter was 1,904,252 thousand yen, which consists of common stock of 611,711 thousand yen, capital surplus of 9,917,311 thousand yen, and retained earnings of -8,653,190 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.

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.

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 (December 31, 2019)
Assets	
Current assets	
Cash and cash equivalents	2,482,411
Trade receivables	340,827
In-process inventory	35,230
Other current assets	379,594
Total current assets	3,238,063
Non-current assets	
Tangible fixed assets	1,952
Intangible fixed assets	66
Investments and other assets	416,399
Total non-current assets	418,418
Total assets	3,656,482
Liabilities	
Current liabilities	
Trade payables	66,970
Short-term borrowings	25,000
Income taxes payable	34,343
Others	402,238
Total current liabilities	528,552
Non-current liabilities	
Convertible bond with stock acquisition rights	600,000
Long-term borrowings	600,000
Allowance for retirement benefits	19,230
Others	4,446
Total Non-current liabilities	1,223,676
Total Liabilities	1,752,229
Shareholders' equity	
Shareholders' capital	
Common stock	611,711
Capital surplus	9,917,311
Retained earnings	-8,653,190
Treasury stock	-73
Total shareholders' capital	1,875,758
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	-22,622
Total other comprehensive income	-22,622
Stock acquisition rights	51,116
Total shareholders' equity	1,904,252
Total liabilities and shareholders' equity	3,656,482

B. Income statement

	(in thousand yen)
	As of the end of the current fiscal quarter (December 31, 2019)
Gross sales	733,008
Cost of goods sold	443,850
Gross profit	289,157
Selling, general and administrative expenses	
Research and development expenses	685,251
Other expenses	536,126
Total selling, general and administrative expenses	1,221,377
Operating loss	-932,220
Non-operating income	
Interest income	88
Miscellaneous income	1,356
Total non-operating income	1,444
Non-operating expenses	
Interest expenses	1,158
Commission fee	18,000
Foreign exchange loss	1,402
Miscellaneous loss	2,620
Total non-operating expenses	23,181
Ordinary loss	-953,957
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	-6,888,797
Corporate, residential and enterprise taxes	3,545
Total corporate and other taxes	3,545
Net loss for the quarter	-6,892,342
Comprehensive income attributable to non-controlling interests	---
Comprehensive income attributable to owners of the parent	-6,892,342
Net loss for the quarter	-6,892,342
Other comprehensive income	
Valuation difference on available-for-sales securities	-24,233
Total other comprehensive income	-24,233
Comprehensive income for the quarter	-6,916,576
(breakdown)	
Comprehensive income attributable to owners of the parent	-6,916,576
Comprehensive income attributable to non-controlling interests	---

C. 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 6,892,342 thousand yen including the impairment loss in relation to the one-time depreciation of goodwill occurred by the share acquisition, total shareholders' equity at the end of the third quarter of the current consolidated fiscal year was 1,875,758 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.