



November 5, 2018

## Summary of Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019

[Japanese GAAP]

Company name: Gene Techno Science Co., Ltd.

Listing: Tokyo Stock Exchange

Stock code: 4584

URL: <http://www.g-gts.com>

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Scheduled filing date of the quarterly report :

November 7, 2018

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for financial results:

Yes

Briefing of the quarterly financial results :

Yes (for institutional investors and analysts)

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

### 1. Financial Results for the second Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – September 30, 2018)

(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, 2019	288	Δ35.4	Δ291	-	Δ301	-	Δ347	-
Second quarter of the fiscal year ended Mar. 31, 2018	446	Δ8.9	Δ431	-	Δ427	-	Δ428	-

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending Mar. 31, 2019	Δ18.08	-
Second quarter of the fiscal year ended Mar. 31, 2018	Δ22.38	-

(Note)

- 2-for-1 common stock split was conducted on July 1, 2018 and net income per share is calculated assuming the split occurred at the beginning of the previous fiscal year.
- 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, 2018	2,706	2,528	91.9
As of March 31, 2018	3,025	2,604	85.0

Reference: Shareholders' equity

Sep. 30, 2018: 2,488 million yen

Mar. 31, 2018: 2,571 million yen

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	0.00	0.00
Fiscal year ended Mar. 31, 2019	-	0.00			
Fiscal year ending Mar. 31, 2019 (forecasts)			-	0.00	0.00

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

### 3. Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	1,060	0.0	Δ1,180	-	Δ1,180	-	Δ1,182	-	Δ60.97

(Note) Changes to the most recent forecasts: None

**\* Notes**

(1) Special accounting treatments used in preparation of financial statements of the quarter: None

(2) Changes in accounting policies and accounting-based estimates, and restatements

- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | Yes  |
| 2) Changes in accounting policies other than 1) above:                              | None |
| 3) Changes in accounting-based estimates:   | None |
| 4) Restatements:  | None |

(Note) For detailed information, please refer to Item (4): “Notes to financial statements for the quarter (Changes in accounting policies)” of Section 2: “Financial statements for the quarter and notes” on page 7 of the Attachment.

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of period (including treasury shares)

At the end of the fiscal year ended September 30, 2018:	19,437,046 shares
At the end of the fiscal year ended March 31, 2018:	19,135,846 shares

2) Number of treasury shares at the end of period

At the end of the fiscal year ended September 30, 2018:	- shares
At the end of the fiscal year ended March 31, 2018:	- shares

3) Average number of shares outstanding during the period from April 1, 2018 to September 30, 2018

At the end of the fiscal year ended September 30, 2018:	19,205,035 shares
At the end of the fiscal year ended September 30, 2017:	19,135,846 shares

(Note)

2-for-1 common stock split was conducted on July 1, 2018 and the number of shares is calculated assuming the split occurred at the beginning of the previous fiscal year.

\*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.

2-for-1 common stock split was conducted on July 1, 2018 and net income per share for the fiscal year ending on March 31, 2019 is calculated assuming the split occurred at the beginning of the previous fiscal year.

(How to obtain supplemental financial information)

Gene Techno Science plans to hold a financial results meeting for institutional investors and securities analysts on Tuesday, November 6, 2018. Materials distributed at this meeting will be available on the Company’s website immediately thereafter.

## 1. Overview of business results for the first six months (cumulative second quarter) of the current fiscal year

### (1) Overview of business results

Our Company's 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, we 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 other products, we are steadily moving forward a biosimilar project in ophthalmic treatment field together with Senju Pharmaceutical Co., Ltd.

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, we are proceeding with research and development activities and pursuing licensing out opportunities to pharmaceutical companies while securing intellectual property right.

In addition, in relation to new biologics and biosimilar business, we executed collaborative research agreement with chromocenter, SOLA Biosciences and GPC laboratory. Through these collaborative research activities, we are aiming for securing future competitive advantage by enhancing efficiency of manufacturing drug substance for our pipeline products and, consequently, reducing manufacturing costs.

In the regenerative medicine business, which is our new biotech business, the Company entered into a capital and business alliance contract with Japan Regenerative Medicine Co., Ltd. ("JRM," hereafter), 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 contract with NanoCarrier Co., Ltd. and Noritsu Koki Co., Ltd. to start drug development with the purpose of creating innovative technologies and pharmaceuticals by combining technologies and knowledge that each company owns under the cooperation of the three companies.

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, we are 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 288,550 thousand yen (a 35.4% decrease compared to the same period in the previous year), operational loss was 291,799 thousand yen (operational loss for the same period in the previous year was 431,665 thousand yen), ordinary loss was 301,277 thousand yen (ordinary loss for the same period in the previous year was 427,918 thousand yen) and net loss for the first six months of the current fiscal year was 347,270 thousand yen (net loss for the same period in the previous year was 428,311 thousand yen).

The sale amount decrease for this quarter was due to the timing of shipment. There is no impact on the annual forecasts for the current fiscal year.

### (2) Overview of financial conditions

#### (Assets)

The balance of total assets as of September 30, 2018 was 2,706,546 thousand yen, which was a decrease of 10.5% from the balance at the end of the previous fiscal year. This decrease was mainly due to a decrease in cash and cash equivalents of 294,158 thousand yen and a decrease in trade receivables of 201,636 thousand yen while there was an increase in advance payments of 164,674 thousand yen. A decrease in cash and cash equivalents and an increase in advance payments is mostly due to payments relating to the development of biosimilars.

#### (Liabilities)

The balance of liabilities as of September 30, 2018 was 178,405 thousand yen, which was a decrease of 57.6% from the end of the previous fiscal year. This is mainly due to a decrease in the balance of trade payables of 60,134 thousand yen and a decrease of other payables in "Other" of the current liabilities of 189,997 thousand yen.

#### (Shareholders' equity)

The balance of shareholders' equity as of September 30, 2018 was 2,528,141 thousand yen, which was a decrease of 2.9% from the balance at the end of the previous fiscal year. This decrease is mainly due to the recording of a net loss for the first six months of the current fiscal year of 347,270 thousand yen while there was an increase of common stock and capital reserve from the execution of stock option of 131,530 thousand yen.

(3) Overview of cash flows

Cash and cash equivalents (collectively, “cash” hereafter) as of September 30, 2018 decreased by 294,158 thousand yen from the balance at the end of the previous year, with a balance of 1,597,113 thousand yen. The status and variation factors for each cash flow activity for the second quarter in this fiscal year are as follows:

(Cash flows from operating activities)

Cash outflows from operating activities were 560,650 thousand yen (outflows for the same period of previous year were 443,650 thousand yen). This is mainly due to the recording of a net loss before tax for the first six months of the current fiscal year of 346,320 thousand yen, increase of advance payment of 164,674 thousand yen and a decrease of other payables of 189,997 thousand yen.

(Cash flows from investing activities)

Cash outflows from investing activities were 27 thousand yen (outflows for the same period of the previous year were 50,000 thousand yen). This is due to the payment for guarantee deposit

(Cash flows from financing activities)

Cash inflows from financing activities were 266,519 thousand yen (no increase/decrease for the same period of the previous year). This is due to a stock issuance from the execution of equity warrants of 261,017 thousand yen and issuance of equity warrants of 5,502 thousand yen.

(3) Explanation of future business forecasts such as financial forecasts

There is no change to the financial forecasts for the fiscal year ending on March 31, 2019 announced as of May 11, 2018

## 2. Financial statements and notes to financial statements

## (1) Balance sheet

(in thousand yen)

	As of the end of the current fiscal year (March 31, 2018)	As of the end of the second quarter (September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,891,271	1,597,113
Trade receivables	404,946	203,310
Advance payments	391,017	555,691
Other current assets	5,124	15,839
Total current assets	2,692,358	2,371,954
Non-current assets		
Tangible fixed assets	1,779	1,637
Intangible fixed assets	133	114
Investments and other assets		
Investment securities	274,545	276,523
Other	56,355	56,316
Total investments and other assets	330,901	332,840
Total non-current assets	332,813	334,592
Total assets	3,025,172	2,706,546
<b>Liabilities</b>		
Current liabilities		
Trade payables	60,134	—
Income taxes payable	1,900	9,584
Other	342,957	153,294
Total current liabilities	404,991	162,878
Non-current liabilities		
Allowance for retirement benefits	14,700	13,620
Other	1,442	1,906
Total non-current liabilities	16,142	15,526
Total liabilities	421,134	178,405
<b>Shareholders' equity</b>		
Shareholders' capital		
Common stock	100,000	231,530
Capital reserve	3,372,985	3,504,515
Retained earnings	△904,557	△1,251,827
Total shareholders' capital	2,568,427	2,484,218
Valuation, translation adjustments and others		
Valuation difference on available-for-sale securities	2,850	4,364
Total valuation, translation adjustments and others	2,850	4,364
Equity warrants	32,759	39,558
Total shareholders' equity	2,604,037	2,528,141
Total liabilities and shareholders' equity	3,025,172	2,706,546

## (2) Income statement

(in thousand yen)

	Second quarter of the previous fiscal year (cumulative) (April 1, 2017 to September 30, 2017)	Second quarter of the current fiscal year (cumulative) (April 1, 2018 to September 30, 2018)
Gross sales	446,961	288,550
Cost of goods sold	154,570	77,430
Gross profit	292,391	211,120
Selling, general and administrative expenses		
Research and development expenses	500,107	285,016
Other expenses	223,949	217,903
Total selling, general and administrative expenses	724,056	502,919
Operating loss ( $\Delta$ means loss)	$\Delta$ 431,665	$\Delta$ 291,799
Non-operating income		
Interest income	79	57
Income from sale of materials	3,380	300
Foreign exchange gain	198	—
Miscellaneous income	88	9
Total non-operating income	3,746	367
Non-operating expenses		
Foreign exchange loss	—	7,946
Miscellaneous expense	—	1,898
Total non-operating expenses	—	9,845
Ordinary loss ( $\Delta$ means loss)	$\Delta$ 427,918	$\Delta$ 301,277
Extraordinary gain		
Reversal of equity warrant	557	557
Total extraordinary gain	557	557
Extraordinary loss		
Special payment in relation to the retirement	—	45,600
Total extraordinary loss	—	45,600
Net loss for the first six months of the current fiscal year before taxes ( $\Delta$ means loss)	$\Delta$ 427,361	$\Delta$ 346,320
Corporate, residential and enterprise taxes	950	950
Total corporate and other taxes	950	950
Net loss for the first six months of the current fiscal year (cumulative, $\Delta$ means loss)	$\Delta$ 428,311	$\Delta$ 347,270

## (3) Statement of cash flows

	(in thousand yen)	
	Second of the previous fiscal year (cumulative) (April 1, 2017 to September 30, 2017)	Second quarter of the current fiscal year (cumulative) (April 1, 2018 to September 30, 2018)
<b>Cash flows from operating activities</b>		
Net loss for the first six months of the current fiscal year before taxes ( $\Delta$ means loss)	$\Delta$ 427,361	$\Delta$ 346,320
Depreciation expenses	139	160
Changes in allowance for retirement benefits ( $\Delta$ means decrease)	$\Delta$ 840	$\Delta$ 1,080
Interest or dividends received	$\Delta$ 79	$\Delta$ 57
Reversal of equity warrant	$\Delta$ 557	$\Delta$ 557
Changes in trade receivables ( $\Delta$ means increase)	131,066	201,636
Changes in advance payments ( $\Delta$ means increase)	$\Delta$ 157,201	$\Delta$ 164,674
Changes in trade payables ( $\Delta$ means decrease)	—	$\Delta$ 60,134
Changes in other payables ( $\Delta$ means decrease)	$\Delta$ 861	$\Delta$ 189,997
Other changes	14,386	2,216
Sub-total	$\Delta$ 441,310	$\Delta$ 558,808
Interest and dividends received	79	57
Payment of corporate and other taxes	$\Delta$ 2,420	$\Delta$ 1,900
<b>Cash flows from operating activities</b>	<b><math>\Delta</math>443,650</b>	<b><math>\Delta</math>560,650</b>
<b>Cash flows from investing activities</b>		
Acquisition of shares of affiliated companies	$\Delta$ 50,000	—
Payment for guaranteed deposits	—	$\Delta$ 27
<b>Cash flows from investing activities</b>	<b><math>\Delta</math>50,000</b>	<b><math>\Delta</math>27</b>
<b>Cash flows from financing activities</b>		
Issuance of stocks through exercising equity warrants	—	261,017
Issuance of equity warrants	—	5,502
<b>Cash flows from financing activities</b>	<b>—</b>	<b>266,519</b>
Effect of exchange rate changes on cash and cash equivalents	—	—
<b>Increase/decrease in cash and cash equivalents (<math>\Delta</math> means decrease)</b>	<b><math>\Delta</math>493,650</b>	<b><math>\Delta</math>294,158</b>
Cash and cash equivalents as of April 1, 2018	2,379,896	1,891,271
<b>Cash and cash equivalents as of September 30, 2018</b>	<b>1,886,245</b>	<b>1,597,113</b>

(4) Notes to financial statements

(Notes on going concern assumption)

There is no reporting item applicable to this matter.

(Notes on material changes of shareholders' equity)

There is no reporting item applicable to this matter.

(Notes on change of accounting policies)

We apply ASBJ's Practice Report Number 36 for paid equity warrant with vesting condition for employee, etc. after April 1, 2018 and treat such transactions by following "Accounting Standard for Stock Option" (Corporate Accounting Standard No. 8). However, as we apply Practice Report Number 36 by following interim treatment defined by Article 10(3) of Practice Report Number 36, we continue to use the accounting treatment which we used before for the transaction occurred before the effective date of Practice Report Number 36.