



February 5, 2019

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

[Japanese GAAP]

Company name: Gene Techno Science Co., Ltd.  
 Stock code: 4584  
 Representative: Masaharu Tani, President & CEO  
 Contact: Yasuo Sakae, Corporate Officer, CFO  
 Tel: +81-11-876-9571

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

Scheduled filing date of the quarterly report : February 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 Third Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – December 31, 2018)

(1) Results of operations (cumulative) (Percentages shown for net sales and incomes represent year-on-year changes,  $\Delta$  means loss)

	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, 2019	618	$\Delta$ 20.4	$\Delta$ 466	-	$\Delta$ 477	-	$\Delta$ 524	-
Third quarter of the fiscal year ended Mar. 31, 2018	777	10.2	$\Delta$ 515	-	$\Delta$ 512	-	$\Delta$ 513	-

( $\Delta$  means loss)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending Mar. 31, 2019	$\Delta$ 27.10	-
Third quarter of the fiscal year ended Mar. 31, 2018	$\Delta$ 26.85	-

(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 December 31, 2018	2,892	2,615	89.0
As of March 31, 2018	3,025	2,604	85.0

Reference: Shareholders' equity Dec 31, 2018: 2,575 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,  $\Delta$  means loss)

	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	$\Delta$ 1,180	-	$\Delta$ 1,180	-	$\Delta$ 1,182	-	$\Delta$ 60.58

(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 December 31, 2018:	19,749,246 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 December 31, 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 December 31, 2018

At the end of the fiscal year ended December 31, 2018:	19,347,025 shares
At the end of the fiscal year ended December 31, 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)

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

## 1. Overview of business results for the first nine months (cumulative third 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 the biosimilar product in ophthalmic treatment field developed with Senju Pharmaceutical Co., Ltd, we concluded an exclusive licensing agreement in China and Taiwan with Ocumension Therapeutics in January 2019, and we are steadily moving forward biosimilar businesses.

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.

Moreover, in January 2019, it was resolved that we acquire 100% ownership of Advanced Cell Technology and Engineering Co., Ltd. (ACTE) by the share exchange, the company develops new healthcare technology and tissue-engineered medical products utilizing dental pulp stem cells. By utilizing the manufacturing technology of ACTE's dental pulp stem cells, we will establish the cell therapy platform in our regenerative medicine field to develop various businesses in the future including new product and therapeutic treatment.

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 618,800 thousand yen (20.4% decrease compared to the same period in the previous year), operational loss was 466,852 thousand yen (operational loss for the same period in the previous year was 515,698 thousand yen), ordinary loss was 477,854 thousand yen (ordinary loss for the same period in the previous year was 512,955 thousand yen) and net loss for the first nine months of the current fiscal year was 524,321 thousand yen (net loss for the same period in the previous year was 513,823 thousand yen).

Regarding sales of Filgrastim BS which accounts for the majority of our sales revenue, we have set a delivery schedule along with the order status, and the timing of delivery differs in each fiscal year. For this reason, revenue in the third quarter decreased compared to the same period of the previous fiscal year, but 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 December 31, 2018 was 2,892,385 thousand yen, which was a decrease of 4.4% 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 182,953 thousand yen while there was an increase in advance payments of 56,018 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 December 31, 2018 was 276,992 thousand yen, which was a decrease of 34.2% from the end of the previous fiscal year. This is mainly due to a decrease of other payables in "Other" of the current liabilities of 159,797 thousand yen.

(Shareholders' equity)

The balance of shareholders' equity as of December 31, 2018 was 2,615,393 thousand yen, which was an increase of 0.4% from the balance at the end of the previous fiscal year. This increase is mainly due to the recording of a net loss for the first nine months of the current fiscal year of 524,321 thousand yen while there was an increase of common stock and capital reserve from the execution of stock option of 264,696 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 third quarter (December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,891,271	1,708,317
Trade receivables	404,946	356,616
Advance payments	391,017	447,036
Other current assets	5,124	49,562
<b>Total current assets</b>	<b>2,692,358</b>	<b>2,561,532</b>
Non-current assets		
Tangible fixed assets	1,779	1,566
Intangible fixed assets	133	104
Investments and other assets	330,901	329,181
<b>Total non-current assets</b>	<b>332,813</b>	<b>330,852</b>
<b>Total assets</b>	<b>3,025,172</b>	<b>2,892,385</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	60,134	59,821
Income taxes payable	1,900	15,315
Other	342,957	182,781
<b>Total current liabilities</b>	<b>404,991</b>	<b>257,918</b>
Non-current liabilities		
Allowance for retirement benefits	14,700	18,270
Other	1,442	1,804
<b>Total non-current liabilities</b>	<b>16,142</b>	<b>19,074</b>
<b>Total liabilities</b>	<b>421,134</b>	<b>276,992</b>
<b>Shareholders' equity</b>		
Shareholders' capital		
Common stock	100,000	364,696
Capital reserve	3,372,985	3,637,680
Retained earnings	△904,557	△1,428,878
<b>Total shareholders' capital</b>	<b>2,568,427</b>	<b>2,573,498</b>
Valuation, translation adjustments and others		
Valuation difference on available-for-sale securities	2,850	1,840
<b>Total valuation, translation adjustments and others</b>	<b>2,850</b>	<b>1,840</b>
Equity warrants	32,759	40,054
<b>Total shareholders' equity</b>	<b>2,604,037</b>	<b>2,615,393</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,025,172</b>	<b>2,892,385</b>

## (2) Income statement

(in thousand yen)

	Third quarter of the previous fiscal year (cumulative) (April 1, 2017 to December 31, 2017)	Third quarter of the current fiscal year (cumulative) (April 1, 2018 to December 31, 2018)
Gross sales	777,261	618,800
Cost of goods sold	301,890	224,750
Gross profit	475,371	394,050
Selling, general and administrative expenses		
Research and development expenses	656,633	524,932
Other expenses	334,435	335,970
Total selling, general and administrative expenses	991,069	860,902
Operating loss ( $\Delta$ means loss)	$\Delta$ 515,698	$\Delta$ 466,852
Non-operating income		
Interest income	117	88
Income from sale of materials	3,380	300
Miscellaneous income	154	9
Total non-operating income	3,652	397
Non-operating expenses		
Stock issuance expenses	—	2,951
Foreign exchange loss	910	7,845
Miscellaneous expense	—	602
Total non-operating expenses	910	11,399
Ordinary loss ( $\Delta$ means loss)	$\Delta$ 512,955	$\Delta$ 477,854
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 nine months of the current fiscal year before taxes ( $\Delta$ means loss)	$\Delta$ 512,398	$\Delta$ 522,896
Corporate, residential and enterprise taxes	1,425	1,425
Total corporate and other taxes	1,425	1,425
Net loss for the first nine months of the current fiscal year (cumulative, $\Delta$ means loss)	$\Delta$ 513,823	$\Delta$ 524,321

(3) 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.