



May 10, 2019

Summary of Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

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

Scheduled date of Annual General Meeting of Shareholders: June 27, 2019
 Scheduled date of filing of Annual Securities Report: June 28, 2019
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

A. 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	%
Fiscal year ended Mar. 31, 2019	1,021	-3.6	-805	-	-816	-	-856	-
Fiscal year ended Mar. 31, 2018	1,059	-2.7	-913	-	-903	-	-904	-

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	-43.84	-	-32.5	-26.4	-78.8
Fiscal year ended Mar. 31, 2018	-47.27	-	-29.9	-26.8	-86.2

(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.

B. Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	3,151	2,731	85.6	132.55
As of March 31, 2018	3,025	2,604	85.0	134.37

(Reference) Shareholders' equity Mar. 31, 2019: 2,696 million yen, Mar. 31, 2018: 2,571 million yen

(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.

C. Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million Yen	Million Yen
As of March 31, 2019	-860	-0	978	2,009
As of March 31, 2018	-438	-50	-	1,891

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividend on net assets
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Fiscal year ended Mar. 31, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated 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	-	-1,220	-	-1,260	-	-7,260	-	-261.94

(Note)

- The Company has executed the acquisition of 100% ownership of Advanced Cell Technology and Engineering Ltd., on April 1, 2019, and will shift to consolidated financial statements from the first quarter of the fiscal year ending March 2020
- In accordance with the changes to consolidated financial statement, percentages represent year-on-year changes are not described.
- Forecast for the fiscal year is only described as the Company controls business performance annual basis.

*** Notes**

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

- Changes in accounting policies due to revisions in accounting standards, others: Yes
- Changes in accounting policies other than a) above: None
- Changes in accounting-based estimates: None
- Restatements: None

(Note) For detailed information, please refer to Item E: “Notes to financial statements (Changes in accounting policies)” of Section III: “Financial statements and notes to financial statements” of the Attachment.

2. Number of outstanding shares (common stock)

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

At the end of the fiscal year ended March 31, 2019:	20,342,446 shares
At the end of the fiscal year ended March 31, 2018:	19,135,846 shares

b. Number of treasury shares at the end of period

At the end of the fiscal year ended March 31, 2019:	- shares
At the end of the fiscal year ended March 31, 2018:	- shares

c. Average number of shares outstanding during the period

At the end of the fiscal year ended March 31, 2019:	19,530,307 shares
At the end of the fiscal year ended March 31, 2018:	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 the Company’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 the Company 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/>).

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I. Overview of business results

A. Overview of business results for the current fiscal year

Gene Techno Science (the Company) announced GTS 3.0 “Biotech Engineering Company, striving for value creation” a new business stage starting from this fiscal year, 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 year 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.

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 1,021,703 thousand yen (3.6% decrease compared to the same period in the previous year), operational loss was 805,562 thousand yen (operational loss for the same period in the previous year was 913,499 thousand yen), ordinary loss was 816,412 thousand yen (ordinary loss for the same period in the previous year was 903,215 thousand yen) and net loss for the current fiscal year was 856,291 thousand yen (net loss for the same period in the previous year was 904,557 thousand yen).

B. Overview of financial conditions for the current fiscal year

(Current Assets)

The balance of current assets at the end of this fiscal year was 2,821,718 thousand yen, which was an increase of 4.8% from the balance at the end of the previous fiscal year. This increase was mainly due to an increase in cash and cash equivalents of 118,102 thousand yen and an increase in trade receivables of 154,310 thousand yen while there was a decrease in advance payments of 171,924 thousand yen. An increase in cash and cash equivalents is mostly due to payments relating to the exercise of equity warrant.

(Non-current assets)

The balance of non-current assets at the end of this fiscal year was 329,640 thousand yen, which was a decrease of 1.0% from the balance at the end of the previous fiscal year. There are no significant changes in fixed assets.

(Current liabilities)

The balance of total current liabilities at the end of this fiscal year was 400,155 thousand yen, which was a decrease of 1.2% from the balance at the end of the previous fiscal year. This is due to a decrease in the accounts payable balance of 3,390 thousand yen and in the accrued liabilities balance of 23,226 thousand yen even though there was an increase in the income taxes payable balance of 20,629 thousand yen.

(Non-current liabilities)

The balance of non-current liabilities at the end of this fiscal year was 19,933 thousand yen, which was an increase of 23.5% from the balance at the end of the previous fiscal year. This increase is mainly due to an increase in the allowance for retirement benefits of 4,530 thousand yen.

(Shareholders' equity)

The balance of shareholders' equity at the end of this fiscal year was 2,731,269 thousand yen, which was an increase of 4.9% from the balance at the end of the previous fiscal year. This increase is mainly due to the increase in common stock and capital reserve of 491,338 thousand yen by the exercise of equity warrant while recording of a net loss for the current year of 856,291 thousand yen.

C. Overview of cash flows for the current fiscal year

Cash and cash equivalents (collectively, "cash" hereafter) at the end of this fiscal year increased by 118,102 thousand yen from the balance at the end of the previous year, with a balance of 2,009,373 thousand yen. The status and variation factors for each cash flow activity for this fiscal year are as follows:

(Cash flows from operating activities)

Cash outflows from operating activities were 860,316 thousand yen (outflows for the previous year were 438,372 thousand yen). This is mainly due to an increase in accounts receivable of 154,310 thousand yen and the recording of a net loss before tax for the year of 854,391 thousand yen, while there was a decrease in the advanced payment of 171,924 thousand yen.

(Cash flows from investing activities)

Cash outflows from investing activities were 27 thousand yen (outflows for the previous year were 50,252 thousand yen). This was due to the payment from guaranteed deposits.

(Cash flows from financing activities)

Cash inflows from financing activities were 978,446 thousand yen (there was no change in cash flows for the previous year). This was the issuance of shares due to exercise of equity warrant of 973,093 thousand yen and proceeds from issuance of equity warrant of 5,352 thousand yen.

D. Future outlook

The forecast for the following fiscal year is as follows.

1. Biosimilar Business

With regard to the sales status of Filgrastim BS, which is the basis of our sales, the delivery schedule is determined according to the sales plan of partner companies, and although there is a tendency for the delivery quantity to differ depending on the fiscal year, shipment for each delivery volume is on an upward trend, and as a result, it is expected that sales for the next fiscal year can be maintained at the same level as the previous year.

In addition, as for the development activities, the Company is working on acquisition of approval for Marketing Authorization for Pharmaceuticals in Japan of darbepoetin alpha biosimilar jointly developed with Sanwa Kagaku Kenkyusho Co., Ltd. With regard to the biosimilar product in the field of ophthalmology treatment jointly developed with Senju Pharmaceutical Co., Ltd., the Company will continue phase III clinical trials in Japan, and in parallel aggressively expedite overseas development following Ocumension Therapeutics. Furthermore, the Company will continue development activities for cancer treatments with Mochida Pharmaceutical Co., Ltd. For other pipeline candidates for biosimilars, the Company will continue to work on process development for manufacturing and non-clinical studies. The Company will try to collaborate with existing or new business partners to bring these products to the clinical trial stage.

2. New Biologics Business

With regard to anti-RAMP2 antibodies that block the formation of neovascular vessels based on a new mechanism, which can be an antibody candidate for a new antibody drug in the field of ophthalmology disease and cancer areas, the Company will carry out research and development and aim to license out to pharmaceutical companies continuously while securing intellectual property rights by patent strategy etc. In addition, in order to expand new drug discovery, the Company will promote research and development activities at our research laboratory in cooperation with other research institutes such as academia and business partners.

3. New Biotech Business

In order to succeed in the regenerative medicine business which the Company positions as an important growth driver, the Company will aggressively promote the research and development in this field for the next terms. Specifically, the Company aims to develop new regenerative medicine products and new therapeutic treatment methods centered on cardiac stem cells of JRM and SHED of ACTE. With the system, "Cell therapy platform", the Company will solve the issues existing in the regenerative medicine business by supplying stem cells stably and establishing manufacturing technology, and accelerate research and development centered on the field of cell therapy in regenerative medicine in order to achieve our goal of establishing treatments for rare and intractable diseases. In addition, the Company will continue to work on existing businesses such as drug discovery activities based on a collaboration based on a capital and business alliance with NanoCarrier Co., Ltd. and Noritsu Koki Co., Ltd.

Based on the above outlook, the Company plans to stabilize business foundation by commercializing the biosimilars that follow Filgrastim BS and to nurture its new biologics business and new biotech business including regenerative medicines operations that the Company has already been working on. The Company hopes to increase its enterprise value in both stability and growth, and plans to keep striving in the following year. The forecast for the total research and development expenses, including those above for the following year, is 1,200,000 thousand yen (the actual amount for the current year is 945,228 thousand yen). Furthermore, in relation to the acquisition of 100% ownership of ACTE by the share exchange, an extraordinary loss from the accounting treatment of goodwill is expected in the next fiscal year.

Accordingly, the consolidated business forecasts for the following year include sales of 1,050,000 thousand yen (the actual sales amount for the current fiscal year was 1,021,703 thousand yen), operating loss of 1,220,000 thousand yen (the actual operating loss amount for the current fiscal year was 805,562 thousand yen), ordinary loss of 1,260,000 thousand yen (the actual ordinary loss amount for the current fiscal year was 816,412 thousand yen) and net loss of 7,260,000 thousand yen (the actual net loss amount for the current fiscal year was 856,291 thousand yen). The actual result for the current fiscal year is described as non-consolidated basis. The Company hopes to have better results than the forecasts by working on the opportunities mentioned above.

The financial forecasts are derived utilizing the currently available information obtained by the Company and are based on assumptions the Company deemed reasonable. The forecasts are by no means guarantees of the Company's performance. The actual results may differ significantly due to various factors.

(Note) The Company has executed the acquisition of 100% ownership of ACTE on April 1, 2019, and will shift to consolidated financial statements from the first quarter of the fiscal year ending March 2020.

II. Fundamental policy on adoption of the accounting standards

As the Company does not prepare consolidated financial statements, the Company's financial statements are prepared according to the accounting standards in Japan by considering a burden on the reporting process under both Japanese accounting standards and International Financial Reporting Standards.

The Company will apply consolidated financial statement from the fiscal year ending in March 2020, but plan to appropriately decide whether or not the Company would adopt the International Financial Reporting Standards by considering various domestic and overseas situation.

III. Financial statements and notes to financial statements

A. Balance sheet

	(in thousand yen)	
	As of the end of the previous fiscal year (March 31, 2018)	As of the end of the current fiscal year (March 31, 2019)
Assets		
Current assets		
Cash and cash equivalents	1,891,271	2,009,373
Trade receivables	404,946	559,256
In-process inventory	---	11,932
Advance payments	391,017	219,093
Prepaid Expenses	5,099	14,666
Other current assets	24	7,396
Total current assets	2,692,358	2,821,718
Non-current assets		
Tangible fixed assets		
Building	2,446	2,446
Accumulated depreciation	- 991	- 1,164
Accumulated impairment loss	---	- 395
Building (net)	1,454	886
Furniture and fixtures (net)	5,219	4,992
Accumulated depreciation	- 4,894	- 4,778
Furniture and fixtures (net)	324	214
Total tangible fixed assets	1,779	1,100
Intangible fixed assets		
Trademark rights	133	95
Total intangible fixed assets	133	95
Investments and other assets		
Investment securities	274,545	272,567
Shares of affiliated companies	50,000	50,000
Guaranteed deposits	6,355	5,876
Total investments and other assets	330,901	328,444
Total non-current assets	332,813	329,640
Total assets	3,025,172	3,151,358
Liabilities		
Current liabilities		
Trade payables	60,134	56,743
Accrued liabilities	334,178	310,952
Accrued expenses	6,368	8,104
Income taxes payable	1,900	22,529
Deposit payable	2,410	1,824
Total current liabilities	404,991	400,155
Non-current liabilities		
Deferred tax liabilities	1,442	703
Allowance for retirement benefits	14,700	19,230
Total non-current liabilities	16,142	19,933
Total liabilities	421,134	420,089

	(in thousand yen)	
	As of the end of the previous fiscal year (March 31, 2018)	As of the end of the current fiscal year (March 31, 2019)
Shareholders' equity		
Shareholders' capital		
Common stock	100,000	591,338
Capital surplus		
Capital reserve	3,372,985	3,864,323
Total capital surplus	3,372,985	3,864,323
Retained earnings		
Other retained earnings		
Accumulated retained earnings	- 904,557	- 1,760,848
Total retained earnings	- 904,557	- 1,760,848
Total shareholders' capital	2,568,427	2,694,813
Valuation, translation adjustments and others		
Valuation difference on available-for-sale securities	2,850	1,611
Total valuation, translation adjustments and others	2,850	1,611
Equity warrants	32,759	34,844
Total shareholders' equity	2,604,037	2,731,269
Total liabilities and shareholders' equity	3,025,172	3,151,358

B. Income statement

	(in thousand yen)	
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Gross sales		
Sales of goods	908,166	906,923
Service revenue	29,800	2,080
Income from intellectual properties	121,761	112,700
Total gross sales	1,059,727	1,021,703
Cost of goods sold		
Cost of goods		
Beginning inventory	---	---
Purchases during the year	422,430	412,386
Sub-total	422,430	412,386
Ending inventory	---	---
Cost of goods	422,430	412,386
Total cost of goods sold	422,430	412,386
Gross profit	637,296	609,316
Selling, general and administrative expenses		
Depreciation expenses	282	293
Research and development expenses	1,107,411	945,228
Other expenses	443,102	468,962
Total selling, general and administrative expenses	1,550,796	1,414,483
Operating loss	- 913,499	- 805,167
Non-operating income		
Interest income	157	121
Subsidized income	---	3,000
Insurance premiums refund through cancellation	7,285	---
Miscellaneous income	3,595	310
Total non-operating income	11,037	3,431
Non-operating expenses		
Stock issuance expenses	---	5,337
Foreign exchange loss	753	8,342
Miscellaneous expense	---	602
Total non-operating expenses	753	14,281
Ordinary loss	- 903,215	- 816,017
Extraordinary gain		
Reversal of equity warrant	557	7,621
Total extraordinary gain	557	7,621
Extraordinary loss		
Impairment loss	---	395
Special payment in relation to the retirement	---	45,600
Total extraordinary loss	---	45,995
Net loss for the year before taxes	- 902,657	- 854,391
Corporate, residential and enterprise taxes	1,900	1,900
Total corporate and other taxes	1,900	1,900
Net loss for the year	- 904,557	- 856,291

C. Statement of changes in shareholders' equity

Previous fiscal year (April 1, 2017 to March 31, 2018)

(in thousand yen)

	Shareholders' capital						
	Common stock	Additional paid-in capital			Retained earnings		Total shareholders' capital
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Other retained earnings	Total retained earnings	
Balance at the beginning of the year	4,194,243	4,097,510	---	4,097,510	- 4,818,768	- 4,818,768	3,472,985
Changes during the year							
Issuance of new shares							---
Transfer from common stock to retained earnings	- 4,094,243		4,094,243	4,094,243			---
Transfer from capital reserve to retained earnings		- 724,525	724,525	---			---
Deficit disposition			- 4,818,768	- 4,818,768	4,818,768	4,818,768	---
Net loss for the year					- 904,557	- 904,557	- 904,557
Changes in balances other than shareholders' capital accounts (net change)							
Total changes in balances for the year	- 4,094,243	- 724,525	---	- 724,525	3,914,211	3,914,211	- 904,557
Balance at the end of the year	100,000	3,372,985	---	3,372,985	- 904,557	- 904,557	2,568,427

	Valuation, translation adjustments and others		Equity warrant	Total shareholders' equity
	Valuation difference on available-for-sale securities	Valuation, translation adjustments and others		
Balance at the beginning of the year	3,872	3,872	23,389	3,500,246
Changes during the year				
Issuance of new shares				-
Transfer from common stock to retained earnings				-
Transfer from capital reserve to retained earnings				-
Deficit disposition				-
Net loss for the year				- 904,557
Changes in balances other than shareholders' capital accounts (net change)	- 1,021	- 1,021	9,370	8,348
Total changes in balances for the year	- 1,021	- 1,021	9,370	- 896,208
Balance at the end of the year	2,850	2,850	32,759	2,604,037

Current fiscal year (April 1, 2018 to March 31, 2019)

(in thousand yen)

	Shareholders' capital						
	Common stock	Additional paid-in capital			Retained earnings		Total shareholders' capital
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Other retained earnings	Total retained earnings	
Balance at the beginning of the year	100,000	3,372,985	---	3,372,985	- 904,557	- 904,557	2,508,427
Changes during the year							
Issuance of new shares	491,338	491,338		491,338			982,676
Transfer from common stock to retained earnings							
Transfer from capital reserve to retained earnings							
Deficit disposition							
Net loss for the year					- 856,291	- 856,291	- 856,291
Changes in balances other than shareholders' capital accounts (net change)							
Total changes in balances for the year	491,338	491,338	---	491,338	- 856,291	- 856,291	126,385
Balance at the end of the year	591,338	3,864,323	---	3,864,323	- 1,760,848	- 1,760,848	2,694,813

	Valuation, translation adjustments and others		Equity warrant	Total shareholders' equity
	Valuation difference on available-for-sale securities	Valuation, translation adjustments and others		
Balance at the beginning of the year	2,850	2,850	32,759	2,604,037
Changes during the year				
Issuance of new shares				982,676
Transfer from common stock to retained earnings				---
Transfer from capital reserve to retained earnings				---
Deficit disposition				---
Net loss for the year				- 856,291
Changes in balances other than shareholders' capital accounts (net change)	- 1,239	- 1,239	2,084	845
Total changes in balances for the year	- 1,239	- 1,239	2,084	127,231
Balance at the end of the year	1,611	1,611	34,844	2,731,269

D. Statement of cash flows

(in thousand yen)

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Net loss for the year before taxes	- 902,657	- 854,391
Depreciation expenses	313	321
Impairment loss	---	395
Changes in allowance for retirement benefits (- means decrease)	- 180	4,530
Interest or dividends received	- 157	- 121
Stock issuance expenses	---	5,337
Reversal of equity warrant	- 557	- 7,621
Changes in trade receivables (- means increase)	182,429	- 154,310
Changes in inventory (- means increase)	---	- 11,932
Changes in advance payments (- means increase)	23,932	171,924
Changes in trade payables (- means decrease)	60,134	- 3,390
Changes in accrued expenses (- means decrease)	179,774	- 23,226
Other changes	20,858	13,947
Sub-total	- 436,110	- 858,537
Interest and dividends received	157	121
Payment of corporate and other taxes	- 2,420	- 1,900
Cash flows from operating activities	- 438,372	- 860,316
Cash flows from investing activities		
Acquisition of shares of affiliated companies	- 50,000	---
Purchase of fixed assets	- 252	---
Payment for guaranteed deposits	---	- 27
Cash flows from investing activities	- 50,252	- 27
Cash flows from financing activities		
Issuance of stocks through exercising equity warrants	---	973,093
Issuance of equity warrants	---	5,352
Cash flows from financing activities	---	978,446
Effect of exchange rate changes on cash and cash equivalents	---	---
Increase/decrease in cash and cash equivalents (- means decrease)	- 488,625	118,102
Cash and cash equivalents at the beginning of the year	2,379,896	1,891,271
Cash and cash equivalents at the end of the year	1,891,271	2,009,373

E. Notes to financial statements

(Notes on going concern assumption)

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.

(Notes on equity method profit or loss)

Descriptions are omitted as the affiliated companies owned by the Company are the less significant from the view point of profit and the retained earnings.

(Segment information and other related information)

1. Segment information

The Company has a single reporting segment, “Pharmaceutical development business” and therefore, the reporting in this section is omitted.

2. Other related information

Previous operational fiscal year (April 1, 2017 to March 31, 2018)

a. Information per product and service of the Company

The reporting for this section is omitted as sales of individual products and services to outside customers consist of more than 90% of the Company’s total sales amount reported on the Company’s income statement.

b. Information for each local area

(1) Sales

The reporting for this section is omitted as sales to outside customers within Japan consist of more than 90% of the Company’s total sales amount reported on the Company’s income statement.

(2) Tangible fixed assets

There are no tangible fixed assets located outside of Japan, and therefore, reporting in this section is omitted.

(3) Information per major customer

Name of Customer	Sales amount (in thousand yen)	Business
Fuji Pharma Co., Ltd.	852,600	Pharmaceutical development

Current operational fiscal year (April 1, 2018 to March 31, 2019)

a. Information per product and service of the Company

The reporting for this section is omitted as sales of individual products and services to outside customers consist of more than 90% of the Company’s total sales amount reported on the Company’s income statement.

b. Information for each local area

(1) Sales

The reporting for this section is omitted as sales to outside customers within Japan consist of more than 90% of the Company’s total sales amount reported on the Company’s income statement.

(2) Tangible fixed assets

There are no tangible fixed assets located outside of Japan, and therefore, reporting in this section is omitted.

(3) Information per major customer

Name of Customer	Sales amount (in thousand yen)	Business
Fuji Pharma Co., Ltd.	848,100	Pharmaceutical development
Company A	156,823	Pharmaceutical development

c. Information regarding losses from tangible fixed assets per reporting segment

Previous operational fiscal year (April 1, 2017 to March 31, 2018)

There is no reporting item applicable to this matter.

Current operational fiscal year (April 1, 2018 to March 31, 2019)

The Company has a single reporting segment, “Pharmaceutical development business” and therefore, the reporting in this section is omitted.

d. Information regarding amortization amount and the unamortized balance of goodwill per reporting segment

There is no reporting item applicable to this matter.

e. Information regarding profit from a negative goodwill per reporting segment

There is no reporting item applicable to this matter.

(Per share information)

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Net asset per share	134.37 yen	132.55 yen
Net loss per share	47.27 yen	43.84 yen

(Note) 1. 2-for-1 common share split was conducted on July 1, 2018 and net asset per share and net profit per share were calculated assuming that the split occurred at the beginning of previous fiscal year.

2. There is no reporting on net income per share after an adjustment of dilutive shares as the Company recorded a net loss even though there is a calculation of dilutive shares available.

3. The following chart shows the basis of the calculation of net loss per share.

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Net loss for the year (in thousand yen)	904,557	856,291
Net loss for the year not pertaining to common shareholders (in thousand yen)	---	---
Net loss for the year pertaining to common stock (in thousand yen)	904,557	856,291
Average number of shares outstanding during the year (number of shares)	19,135,846	19,530,307
The number of dilutive shares not included in the calculation of net income per share as there is no dilutive effect.	Three kinds of equity warrants (270 rights).	Four kinds of equity warrants (9,504 rights).

(Significant subsequent events)

Execution of Share Exchange Agreement and Conversion of ACTE into Wholly-Owned Subsidiary of the Company

The Company resolved at the meeting of the Board of Directors held on January 17, 2019 to conduct the share exchange (Share Exchange) in order to make Advanced Cell Technology and Engineering Ltd. (ACTE) a wholly-owned subsidiary of the Company, and both companies have executed a share exchange agreement (Share Exchange Agreement) of the same date.

The Share Exchange was approved by the resolution at the extraordinary general shareholders' meeting of ACTE and the Company, respectively, held on March 12, 2019, and was effective on April 1st, 2019.

1. Outline of the business combination

a. Name and business of the acquired company

Name of acquired company : Advanced Cell Technology and Engineering Ltd. (ACTE)

Principal business : Regenerative medicine business

b. Main reasons for the business combination

The Company started up new biologics business in 2001 and called this period as GTS1.0. In 2012, the Company was listed on Mothers of Tokyo Stock Exchange, which set a new vision as "GTS2.0". The main focus has been put on biosimilars business which established a good business platform for the Company. Based on the achievement of GTS1.0 and 2.0, the Company has now announced its next vision "GTS 3.0 - Biotech Engineering Company, striving for value creation" in 2018, which targeted the pediatric disease as a core business in addition to the areas which the Company has been engaged in until today such as the orphan disease and intractable disease. The aim is to provide patients as well as families and caregivers with the comprehensive healthcare solutions by the development of new drugs and therapeutic solutions. Generally, there is no effective solution for intractable diseases under current medical technologies and medicines, therefore it is required to develop a completely new solution different from existing treatments. For this situation, a regenerative medicine which repairs or self-renews the important tissues and organs such as myocardium, nerve, bone, skin, etc. with stem cells is expected as a potential medical treatment for intractable diseases as stem cells has a multipotency to differentiate, self-renew, and adjust immune system. Thus, the Company has positioned a regenerative medicine as our important key driver for future business, and been keenly promoting research and development for these years. However, as described below, there are obstacles to stably supply and preserve stem cells, therefore establishing a scheme and technology for obtaining and processing stem cells is considered as big challenge in order to apply them for a clinical medical treatment.

ACTE was founded in 2008 and has been focusing on the stem cells derived from a dental pulp existing inside teeth to develop tissue-engineered medical products utilizing the dental pulp stem cells. ACTE owns a cell bank to stock dental pulp stem cells for the first time in Japan, and currently in cooperation with approx. 2,200 dental clinics and collaborates with pharmaceutical companies and research institutes to realize the regenerative medicines with the stocked dental pulp stem cells.

Under these circumstances, in order to realize GTS 3.0, GTS put a high priority on the regenerative business (cell therapy) as the important key driver for the future, and has been considering the several strategic options while at the same time ACTE has been searching for new business area with the dental pulp stem cells. In such situations, the Company and ACTE developed mutual understanding, started discussing about the future possible collaborations in the same direction, and finally came to the conclusion that this collaboration would lead to create big synergy in regenerative medicine business for both.

c. Date of the business combination

April 1, 2019

d. Legal form of the business combination

Share Exchange which the Company become the wholly-owning parent company, and ACTE become wholly-owned subsidiary company.

e. Company name after the business combination

There is no change

- f. Ratio of shares with voting rights acquired
100%
- g. Background that led to the decision to acquire the business
To acquire all shares of ACTE by utilizing the share of the Company

2. Acquisition cost and type of consideration for the acquired business

<u>Amount expended to acquire shares : the Company's common share</u>	<u>6,032,615 thousand yen</u>
Acquisition cost	6,032,615 thousand yen

3. Exchange ratio by type of share, calculation method and number of shares delivered

a. Share allotment ratio by share type

	the Company (wholly-owning parent company)	ACTE (wholly-owned subsidiary company)
Allotment related to the Share Exchange	1	Common Share 1.30 Class-A Preferred Share 1.48

(Note) Upon the Share Exchange, the Company delivered 1.30 shares of the Company's common share ("GTS Share") per common share of ACTE and 1.48 of GTS Share per Class-A preferred share of ACTE to each shareholder of ACTE who was recorded in the shareholder registry at the point of time immediately prior to the Share Exchange.

The Class-A Preferred Shareholder or the Class-A registered share pledgees has the right to receive the dividends of the residual property of 160 Japanese yen per share of the Class-A Preferred Stock prior to the common shareholder or registered common share pledgees. Thus, in the Share Exchange, the Share Exchange Ratio is determined in consideration of the rights.

b. Basis of Calculation for the share allotment ratio

In order to ensure the fairness and the appropriateness in calculating the share allotment ratio applied in the Share Exchange, the Company have requested the third-party valuation which is independent from both companies, and appointed YAMADA Consulting Group Co., Ltd. ("YAMADA Consulting") as a third-party valuation institute for calculating the share allotment ratio. The Company has carefully discussed and reviewed the conditions based on the valuation report received from YAMADA Consulting acting as a third-party valuation institution, and a legal advice from the Abe. Ikubo & Katayama, the legal advisor which has no interest in the Company and ACTE, and also with the result of due diligence. As a result, the Company came to a conclusion that the share exchange ratio is adequate as it is within the ranges of ratio received from YAMADA Consulting and will not harm the interests of shareholders.

c. Number of shares issued

The number of shares issued through the Share Exchange was 7,250,740, and the Company issued new common shares upon the Share Exchange.

d. Details and amount of expenses related to major acquisitions

Fees for financial advisory services etc. : 17,500 thousand yen

e. Amount, source and cause, amortization method, and amortization period for goodwill arising from the acquisition

Not fixed at present

f. Assets and liabilities received on the date of business combination and the breakdown

Not fixed at present