May 14, 2014

Summary of Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014

[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 date of Annual General Meeting of Shareholders: June 27, 2014
Scheduled date of filing of Annual Securities Report: June 30, 2014
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, 2014 (April 1, 2013 – March 31, 2014)

(1) Results of operations (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, 2014	301	397.8	(512)	-	(516)	-	(519)	-
Fiscal year ended Mar. 31, 2013	60	(70.8)	(358)	-	(373)	-	(377)	-

	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, 2014	(240.15)	-	(54.1)	(36.8)	(170.0)
Fiscal year ended Mar. 31, 2013	(238.20)	-	(61.3)	(52.2)	(591.6)

Reference: Equity in income (loss) of affiliates (million yen) Fiscal year ended Mar. 31, 2014: - Fiscal year ended Mar. 31, 2013: -
Note: Diluted net income per share is not presented since there was the outstanding stock acquisition rights, though posted a net loss.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2014	1,886	1,052	54.7	441.61
As of Mar. 31, 2013	922	888	96.3	426.70

Reference: Shareholders' equity (million yen) As of Mar. 31, 2014: 1,031 As of Mar. 31, 2013: 888

(3) 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
Fiscal year ended Mar. 31, 2014	(729)	(1)	1,454	1,610
Fiscal year ended Mar. 31, 2013	(304)	(0)	907	887

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, 2013	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2014	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2015 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(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
First half	155	(1.0)	(830)	-	(807)	-	(808)	-	(339.10)
Full year	310	3.0	(970)	-	(946)	-	(948)	-	(397.97)

*** Notes**

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(2) Number of outstanding shares (common stock)

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

As of Mar. 31, 2014:	2,384,105 shares	As of Mar. 31, 2013:	2,081,100 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2014:	- shares	As of Mar. 31, 2013:	- shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2014:	2,162,383 shares	Fiscal year ended Mar. 31, 2013:	1,582,881 shares

Note: A 100-for-1 stock split was conducted on August 8, 2012. Number of shares have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Information regarding the implementation of audit procedures

This summary report is exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the financial statements have not been completed.

Cautionary statement with respect to forward-looking statements, and other special items

1. Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time these materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “Analysis of Results of Operations” on page 2 of the attachments for forecast assumptions and notes of caution for usage.
2. Gene Techno Science plans to hold a financial results meeting for institutional investors and analysts on Friday, May 16, 2014. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

Contents of Attachments

1. Analysis of Results of Operations and Financial Position 2
(1) Analysis of Results of Operations 2
(2) Analysis of Financial Position 4
(3) Basic Policy for Earnings Distributions and Dividends in the Current and Next Fiscal Years 5
(4) Business Risk 5

2. Management Policy 15
(1) Fundamental Management Policy 15
(2) Target Performance Indicators 15
(3) Medium to Long-term Management Strategies 15
(4) Challenges 15

3. Financial Statements 19
(1) Balance Sheet 19
(2) Statement of Income 21
(3) Statement of Changes in Equity 22
(4) Statement of Cash Flows 24
(5) Notes to Financial Statements 25
Going-concern Assumption 25
Equity in Income (Loss) of Affiliates 25
Segment and Other Information 25
Per Share Information 26
Subsequent Events 26

4. Others 27
Changes in Directors 27

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Summary of the fiscal year

Financial initiatives by the Japanese government and Bank of Japan produced significant benefits as the weaker yen and high stock prices led to growth in corporate earnings, a recovery in consumer spending and other improvements. In addition, Tokyo's selection to host the 2020 Olympics further increased expectations for medium to long-term economic growth in Japan. However, economic stimulus measures were limited to financial actions as the Japanese government was unable to announce a concrete growth strategy, which is the third arrow of Abenomics. Outside Japan, economic growth in emerging countries slowed as the U.S. started shifting to monetary tightening. In addition, there were new problems created by tension between Japan and China and Japan and Korea along with turmoil in Ukraine.

The pharmaceutical industry has a strong association with the growth of social security expenses as Japan's population ages. Furthermore, this industry is viewed as a key element of Japan's growth strategy, which is the third arrow of Abenomics. In June, the Japanese government plans to announce specific actions in the health care sector as part of its growth strategy and we will be monitoring these developments closely. We hope to see the establishment of a Japanese version of the U.S. National Institutes of Health and moves toward deregulation that will clearly position health care as one of Japan's core industries.

In our biosimilar business, sales of filgrastim, a treatment for neutropenia, started in Japan in May 2013. This is the first biosimilars to be sold in Japan. We developed this product with other pharmaceutical companies. Filgrastim is marketed by Fuji Pharma Co., Ltd. and Mochida Pharmaceutical Co., Ltd. Work is under way on our second and third biosimilars. In August 2013, we established a capital and business alliance with Itochu Chemical Frontier Corporation for the joint development of these products. In January 2014, we signed an agreement with Sanwa Kagaku Kenkyusho Co., Ltd. for the joint development in Japan of darbepoetin alfa biosimilars. Overall, we are making steady progress with building up our pipeline. Medical institutions started using filgrastim following its launch and our sales of drug ingredients reached our goal. As a result, sales in this business increased 397.8% from the previous fiscal year to 301,348 thousand yen.

In the new biologics business, we started R&D activities in the field of next-generation antibody drugs to strengthen our internal development activities. This followed our selection by the Ministry of Economy, Trade and Industry in the fiscal 2013 subsidy program for the development of basic technologies (manufacturing technologies for next-generation antibody drugs that comply with international standards) for creating next-generation pharmaceuticals for personalized medicine. This business had no sales as in the previous fiscal year. But this business continues to build a base for the future with the goal of increasing added value in order to form alliances with pharmaceutical companies.

In February 2014, we reached an agreement in principle to form a business alliance with Global Pharm Holdings Group Inc., one of China's largest pharmaceutical companies. We are now working together to start businesses in the health care sector. We view these businesses as operations that can generate earnings relatively quickly. Starting these businesses is a priority of ours as a way to improve our near-term earnings, thus offsetting a weakness of ours as a company focusing on the development of drugs.

As a result, net sales totaled 301,348 thousand yen (up 397.8% from the previous fiscal year), operating loss 512,429 thousand yen (vs. operating loss of 358,097 thousand yen in the previous fiscal year), ordinary loss 516,780 thousand yen (vs. ordinary loss of 373,657 thousand yen in the previous fiscal year), and net loss 519,301 thousand yen (vs. net loss of 377,047 thousand yen in the previous fiscal year).

2) Prospects for the future

The fiscal year ending on March 31, 2015 is likely to be a critical period for determining if Japan can stage a broad-based economic recovery. Sources of uncertainty include the drop in demand following the rush to buy prior to the April 2014 consumption tax hike and political, economic and diplomatic events overseas.

In the pharmaceutical industry we operate in, there are numerous initiatives in Japan aimed at invigorating the industry. Examples include deregulation and measures to increase the use of generic drugs. We hope these actions are implemented as part of the government's growth strategy.

We view the current operating environment as an excellent opportunity. To speed up the development of biosimilars, we procured funds in May and August 2013. Development is now under way on several prospective products. As a result, we have made steady progress with forming alliances with joint development partners for biosimilars that include PEG-filgrastim (development code: GBS-010), which is the most important item in our pipeline. In the next fiscal year, our goals for development activities are to start commercial-scale drug production and perform non-clinical trials so that we can start performing clinical trials. For the development of biopharmaceutical products, we expect that total R&D expenditures in the next fiscal year will reach a peak of 817,213 thousand yen. The reasons are the enormous cost of commercial-scale drug production and expenses at the non-clinical trial stage. We believe that we are nearing the start of clinical trials for two or three biosimilars. To increase the value of these products dramatically, we plan to handle all steps up to and including non-clinical trials internally. We will then sell rights to these drugs to pharmaceutical companies so that we can receive revenues from these contracts.

Regarding sales, an expected consistent revenue stream is expected from filgrastim, which has been sold in Japan since May 2013. However, the sales outlook includes only sales from orders that have been confirmed at this time. We believe that Fuji Pharma and Mochida Pharmaceutical are making steady progress with sales of filgrastim to medical institutions. If these sales result in additional orders, we will revise our forecast in a timely manner.

We have started licensing negotiations with pharmaceutical companies in Europe, North America and Asia for the purpose of maximizing the economic value of filgrastim, which has been sold in Japan. We plan to receive lump-sum contractual payments and other payments as part of these licensing agreements. However, our forecast does not include these payments due to uncertainty about the outcome of these negotiations. We will reflect the contract terms in our forecast once these licensing agreements, if any, are established.

In the health care sector, we have reached an agreement in principle in February 2014 for a business alliance with Global Pharm Holdings Group Inc., a prominent pharmaceutical company in China. We are moving quickly with the selection of products and, after signing an official agreement, plan to start selling products in the fall of this year. This alliance is not incorporated in our forecast because it is not possible at this time to estimate accurately the contribution to our performance. Once we are able to estimate this contribution, we will revise our forecast in a timely manner.

In the fiscal year ending on March 31, 2015, we forecast net sales of 310,464 thousand yen, an operating loss of 970,452 thousand yen, an ordinary loss of 946,912 thousand yen and a net loss of 948,812 thousand yen. We will work hard on the activities explained earlier in this section in order to achieve earnings that exceed this forecast.

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time these materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

< Current assets >

The balance of current assets at the end of the fiscal year was 1,881,956 thousand yen, an increase of 104.8% one year earlier. This was attributable mainly to increases of 722,816 thousand yen in cash and deposits, 141,718 thousand yen in accounts receivable-trade, and 106,574 thousand yen in advance payments-trade. Increase in cash and deposits was mainly due to the issuance of convertible bond-type bonds with subscription rights to shares and other securities, and the funds procured by the third-party allotment. Advance payments-trade increased mainly because of prepaid expenses for development activities involving biosimilars. Accounts receivable-trade represent very few transactions and each receivable is large. As a result, the amount of accounts receivable-trade at the end of each fiscal year varies greatly depending on the status of the associated transactions immediately before the fiscal year end.

< Non-current assets >

The balance of non-current assets was 4,820 thousand yen, an increase of 46.6% one year earlier. This was attributable mainly to an increase of 1,439 thousand yen in guarantee deposits.

< Current liabilities >

The balance of current liabilities was 50,058 thousand yen, an increase of 101.0% one year earlier. This was attributable mainly to an increase of 27,446 thousand yen in accounts payable-other.

< Non-current liabilities >

The balance of non-current liabilities increased 774,370 thousand yen to 783,880 thousand yen. This was attributable mainly to an increase of 775,000 thousand yen in convertible bond-type bonds with subscription rights to shares.

< Net assets >

The balance of net assets was 1,052,839 thousand yen, an increase of 18.6% one year earlier. Though posted a net loss of 519,301 thousand yen, capital stock and legal capital surplus increased 331,395 thousand yen each, which were resulting from the third-party allotment and the exercise of subscription rights to shares, and subscription rights to shares increased 21,341 thousand yen through the issuance of subscription rights to shares.

2) Cash flows

There was a net increase of 722,816 thousand yen in cash and cash equivalents to 1,610,244 thousand yen at the end of the fiscal year.

Cash flows during the fiscal year and major components were as follows.

< Operating activities >

Net cash used in operating activities totaled 729,603 thousand yen, compared with net cash used of 304,903 thousand yen in the same period of the previous fiscal year. This was mainly due to the booking of loss before income taxes of 516,780 thousand yen, a 132,098 thousand yen increase in notes and accounts receivable-trade, and a 106,574 thousand yen increase in advance payments.

< Investing activities >

Net cash used in investing activities totaled 1,666 thousand yen, compared with net cash used of 458 thousand yen. This was mainly due to proceeds from collection of guarantee deposits of 1,900 thousand yen, purchase of property, plant and equipment of 226 thousand yen, and payments for guarantee deposits of 3,340 thousand yen.

< Financing activities >

Net cash provided by financing activities totaled 1,454,086 thousand yen, compared with net cash provided of 907,256 thousand yen. This was mainly due to the issuance of convertible bond-type bonds with subscription rights to shares, the funds procured by the third-party allotment and other measures.

Trends in cash flow indicators

Fiscal years ended	March 31, 2010 (FY3/10)	March 31, 2011 (FY3/11)	March 31, 2012 (FY3/12)	March 31, 2013 (FY3/13)	March 31, 2014 (FY3/14)
Shareholders' equity ratio (%)	51.9	72.9	67.2	96.3	54.7
Shareholders' equity ratio based on market prices (%)	-	-	-	692.6	264.7
Cash flows to debt ratio (years)	-	-	-	-	-
Interest coverage ratio (times)	-	-	-	-	-

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio based on market prices: Market capitalization / Total assets
Cash flows to debt ratio: Interest-bearing debts / Cash flows
Interest coverage ratio: Cash flows / Interest payments
Notes: 1. Market capitalization is calculated by multiplying the listed share price at the end of period by the number of shares outstanding (net of treasury shares) at the end of period.
2. Cash flows is calculated using the figures for "Cash flows from operating activities" in the non-consolidated statement of cash flows.
3. Shareholders' equity ratio based on market prices is not shown for FY3/10, FY3/11 and FY3/12 because the Company's stock was not listed then.
4. Cash flows to debt ratio and interest coverage ratio for FY3/10 are not presented because the Company did not prepare the statement of cash flows.
5. Cash flows to debt ratio and interest coverage ratio for FY3/11, FY3/12, FY3/13 and FY3/14 are not presented because operating cash flows were negative.

(3) Basic Policy for Earnings Distributions and Dividends in the Current and Next Fiscal Years

At this time, the highest priorities are achieving profitability as soon as possible and retaining funds to strengthen the financial position and invest in R&D activities. We also place importance on distributing earnings to shareholders. We will consider paying a dividend in the future based on our financial condition and results of operations.

Pursuant to Article 454-5 of the Companies Act, the Articles of Incorporation allow for the payment of an interim dividend with a record date of September 30 based on a resolution by the Board of Directors. However, the fundamental policy is to make one dividend payment each year at the end of the fiscal year. The Board of Directors determines interim dividends and the shareholders meeting determines year-end dividends.

We are currently in a phase of concentrating on R&D activities in both the biosimilar business and new biologics business and have not yet paid a dividend. There was no dividend for the fiscal year that ended on March 31, 2014 and no dividend is planned for the fiscal year ending on March 31, 2015 since there is no prospect of posting a profit.

(4) Business Risk

This section explains major items that we believe are risk factors concerning business operations and other activities. In addition, this section includes other information from the standpoint of fully disclosing information to shareholders and other investors. These additional items may not necessarily be significant risks or events that are likely to occur. But this information is included to assist with investment decisions or with gaining a better understanding our business activities.

The Company is aware of these risks and takes actions aimed at preventing these problems and responds to these problems if they should occur. Before reaching a decision concerning an investment in the Company's stock, investors are cautioned to carefully study these risk factors as well as other information in this section and other matters stated in

the report. Forecasts, outlooks, policies and other forward-looking statements in this section are based on the judgments of management at the time this document was released, unless stated otherwise. Actual performance may differ from these statements due to a number of uncertainties.

Legal and other restrictions

1) Risk concerning permits and licenses

Sales of drug ingredients and other products are regulated by the Pharmaceutical Affairs Act and other associated laws and regulations. In the event of a violation of a law or regulation or the inability to replace individuals with required qualifications who have resigned, regulatory agencies may order us to stop business operations, cancel a permit or license, or take some other action that may significantly impact results of operations. As of the release date of this document, there were no reasons to be subject to a suspension of operations, cancelation of a permit or license, or any other disciplinary action.

Major permits and licenses

Name of permit/license	Authority granting permit/license	Description	Expiration	Major reasons for cancelation
Drug wholesaler permit	Sapporo City	Permit from Director of Sapporo Municipal Public Health Center (3092)	December 23, 2019 (renewed every six years)	Pursuant to Article 75-1 of the Pharmaceutical Affairs Act, the permit may be canceled or all or part of business operations may be suspended for a designated period when there is a violation that is punishable under the Pharmaceutical Affairs Act or other associated laws or regulations.

2) Risk concerning Pharmaceutical Affairs Act and other regulations of pharmaceutical R&D activities

In the pharmaceutical industry, research, development, manufacturing and sales activities are each subject to pharmaceutical affairs laws, pharmaceutical business administrative guidance and many other laws and regulations in Japan and other countries.

Gene Techno Science is performing R&D activities that involve Japan as well as the markets of Europe, North America and other regions of the world. To begin selling items currently in the pipeline, we must submit manufacturing and sales applications in accordance with the laws and regulations of all applicable countries and obtain the approval of these applications. Consequently, the inability to demonstrate the quality, efficacy and safety of a drug through clinical trials and other activities would cause the rejection of an application. The resulting inability to sell the drug may have a significant impact on our business plan.

The current Pharmaceutical Affairs Act allows companies to outsource the production of drug ingredients. If there are revisions to regulations for this outsourcing, imports of products or other related activities, there may be a significant impact on our business activities.

3) Risk concerning effects of revisions to Japan’s healthcare system

In Japan, the government has enacted numerous revisions to the healthcare system, including revisions to drug prices, for the purpose of holding down the healthcare expenditures. The government is not likely to change this stance because Japan’s population will continue to age. As a result, new drugs that we introduce may be affected by drug price revisions that would also have a significant impact on the prices of drug ingredients that we sell to pharmaceutical companies.

Pharmaceutical development business

1) Risk concerning all aspects of the development of pharmaceuticals

Companies involved in the development of pharmaceuticals must compete with respect to the quality and speed of

technological progress and innovation. This includes pharmaceutical companies worldwide, venture capital-backed drug creation companies like Gene Techno Science and many other companies. Furthermore, basic research, development activities, manufacturing and sales for pharmaceuticals must all comply with the regulations of various countries. Developing new drugs therefore requires very large investments over the long term. As a result, there are many uncertainties regarding R&D activities and there are risks associated with products under development and products that will be developed in the future. When we start R&D, we establish a business model that is expected to yield earnings and use measures to spread out exposure to R&D risks for each item in the pipeline. However, there is no assurance that we can sign a contract that will produce earnings as expected. An unfavorable contract may have an effect on our business plan and results of operations.

2) Risk concerning usefulness and safety of pharmaceuticals

Gene Techno Science is dedicated to contributing to society by developing pharmaceuticals that improve the quality of life for individuals afflicted with diseases that are rare or difficult to treat. Based on our public service obligation as a start-up company that originated at a university, our objectives go beyond the pursuit of earnings. We are guided by this corporate philosophy as we conduct R&D operations for pharmaceuticals in order to meet healthcare needs. R&D for new drugs requires completing a variety of development stages one by one, starting with basic research and ending with approval to begin manufacturing and sales. After each stage, a decision is made about whether or not to continue R&D activities. In some cases, it may not be possible to confirm the usefulness or safety of a drug. For example, R&D activities may be unable to confirm the anticipated clinical benefit or an unexpected side effect may emerge. These problems can result in the termination of an R&D program. In the event that we are unable to continue R&D operations for a particular pipeline item, there may be a significant impact on our business plan.

3) Risk concerning finding new items for development

One more important business strategy is establishing many alliances with other companies in order to seek and create items that are suitable for development. However, there is no assurance that these search and creation activities will be successful. Consequently, if there we encounter an obstacle to these search and creation activities for some reason, there may be an impact on our business strategy and results of operations.

4) Risk concerning large R&D expenditures

R&D expenses were 61.5% of selling, general and administrative expenses in the fiscal year that ended on March 31, 2014. R&D expenses are very large in relation to the size our business operations. We plan to continue investing in R&D programs for the purposes of performing development work for current pipeline items and adding new items to our pipeline. For biosimilars, R&D must be started with the proper timing to begin sales when the patents of current biopharmaceutical products expire. Making R&D expenditures in a timely manner is thus essential. We plan to make cautious yet aggressive investments in R&D programs while maintaining the proper balance between the prospects for items under development and our financial soundness. However, an unexpected increase in R&D expenses may impact our financial position, results of operations and cash flows.

5) Risk concerning delays in R&D programs

Gene Techno Science is a company with operations centered on R&D. To perform R&D activities efficiently, we have our own R&D activities as well as R&D activities that use alliances with other companies.

However, there may be delays in the receipt of approvals to manufacture and sell pharmaceuticals or limitations on these approvals in the following cases: if we are unable to obtain R&D results as planned; if there are delays in the start or completion of tests; or if we are unable to perform R&D activities in our own due to an alliance contract or other reason. We do everything possible to prevent these problems. We supervise and assess the progress of R&D programs in a timely manner. We also establish an order of priorities for pipeline items and shift (or temporarily stop) the amount

of resources that are channeled to each item. These measures reduce the risk of a substantial increase in R&D expenses. However, the inability to perform R&D activities as planned may impact our business plan, financial position, results of operations and cash flows.

6) Risk concerning competition in the pharmaceutical industry

In recent years, competition is intense in the pharmaceutical industry among pharmaceutical companies, biotechnology companies, research institutes and other organizations in Japan and other countries. The industry is also characterized by rapid technological advances. Due to this competition, a product under development that we license to another company or a product we are developing ourselves may lose its superiority in the marketplace. If this happens, we may be forced to stop the associated R&D program. Furthermore, even if we succeed in launching a new drug first, the subsequent introduction by a competitor of a superior product may lower our market share and have other significant impacts on our business plan and results of operations.

7) Risk concerning new competition from major pharmaceutical companies in Japan and other countries

The market for generic drugs is expected to continue to grow as countries worldwide take actions aimed at holding down healthcare expenditures. Major pharmaceutical companies in Japan and other countries are likely to aggressively target opportunities in Japan's generic drug market. The biosimilars category, which is our business domain, demands much more knowledge, experience and expertise than the low molecular weight compound generic drug category does. As a result, barriers to entry are relatively high in the biosimilars category. Nevertheless, major pharmaceutical companies in Japan and other countries may decide to make large R&D expenditures to expand their presence in the biosimilar market because of the massive scale of this market. If one of these major pharmaceutical companies or another company develops a biosimilar before we do, there may be a significant impact on our business plan and results of operations.

Profit structure

1) Risk concerning earnings

Many years are required from the start of basic research until a new drug is approved for sale. That means the results of R&D activities do not appear as business earnings for a long time. Furthermore, many R&D projects do not lead to commercial products because the drug development success rate is not very high. Therefore, some R&D projects may not produce any earnings at all. When we form an alliance with a pharmaceutical company at the clinical trial stage of development, the alliance partner performs the trial. Since we rely on this partner company for the clinical trial, we have no control over any problems that may occur involving this trial. If such problems occur, the development of the corresponding drug may need to be pushed back or canceled.

Even when R&D proceeds as planned and a drug is approved for sale, market response may not be as expected, which would prevent the drug from generating earnings for us as planned.

We diversify risks associated with earning profits from products under development by using a variety of methods for earning profits beginning with the R&D stage. Despite these measures, there is no assurance that we will be able to record earnings as expected even if R&D programs are conducted. If we are unable to earn profits as expected, there may be an effect on our business plan and results of operations.

2) Risk concerning contract with Kaken Pharmaceutical Co., Ltd.

We have a licensing contract with Kaken Pharmaceutical Co., Ltd. for anti alpha-9 integrin antibodies. The development of this product may be suspended or terminated for causes beyond our control, such as but not limited to a change in the operating environment or management policies at Kaken Pharmaceutical. If a problem of this type occurs, our policy is to minimize the negative impact on our business plan, such as by establishing a new alliance with a different pharmaceutical company. However, if we are unable to take these actions in a timely manner, there may be a

significant impact on our business plan and results of operations.

3) Risk concerning contract with Sanwa Kagaku Kenkyusho Co., Ltd.

We have a joint development contract with Sanwa Kagaku Kenkyusho Co., Ltd. for darbepoetin alfa biosimilars. If this contract is canceled for some reason, there may be a significant impact on our business strategy and business plan.

4) Risk concerning contract with Fuji Pharma Co., Ltd.

We have a contract with Fuji Pharma Co., Ltd. for the supply of drug ingredients for G-CSF. If this contract is canceled for some reason, there may be a significant impact on our business strategy and business plan.

5) Risk concerning sales of filgrastim

Filgrastim, which is a drug that we developed, is sold by Fuji Pharma Co., Ltd. and Mochida Pharmaceutical Co., Ltd. If for some reason either company encounters difficulties in selling this product, our sales of drug ingredients would decline along with sales of filgrastim. This decline could have a significant impact on our business plan and results of operations.

6) Risk concerning contract with Dong-A ST Co., Ltd.

We have a licensing contract for filgrastim with Dong-A ST Co., Ltd. (formerly Dong-A Pharmaceutical Co., Ltd.). The contract guarantees a certain period of use but there is no obligation to renew this contract after this period. As a result, Dong-A ST may decide not to renew the contract because of a change in its operating environment or management policies or for another reason. A failure to renew could make the length of the profit opportunity for filgrastim shorter than initially planned. If this happens, there may be a significant impact on our business plan and results of operations.

Structure of business operations

1) Risk concerning alliances

For R&D activities, we establish broad alliances with pharmaceutical companies that will perform sales activities and with other partners. The aim is to perform strategic and flexible R&D activities that utilize highly-specialized technologies of other companies while preventing an increase in our fixed expenses. If we are unable to form alliances as planned, if there is a change in a relationship with an alliance partner, or if an alliance is terminated, there may be a significant impact on our business plan.

2) Risk concerning the small size of our company

As of the date this document was released, Gene Techno Science had four directors (including two part-time directors), three audit & supervisory board members (including two part-time audit & supervisory board members) and 13 employees.

We use a distinctive approach for R&D that uses alliances with other companies to perform R&D activities efficiently while holding down fixed expenses. Due to the use of alliances, we require only a small workforce. Enlarging our workforce will be needed in order to increase the number of items in our pipeline. If we are unable to recruit people as planned or if some of our executives or employees resign, there may be difficulties in conducting R&D activities and establishing alliances with other companies that have an impact on our business plan and results of operations.

Furthermore, we will need to reinforce our internal management systems as the scale of our operations grows. As with our R&D operations, since we have a small workforce, if we are unable to recruit people as planned or if some of our executives or employees resign, there may be a decline in the quality of our internal management systems that has an impact on our ability to earn the trust of the public.

3) Risk concerning reliance on certain individuals

Due to its small size, Gene Techno Science has a high degree of reliance on the managers of business units for the execution of business strategies. We will continue to take steps aimed at recruiting talented individuals and training our executives and employees. However, if we are unable to perform recruiting and training activities as planned, or if certain executives or employees resign, there may be problems regarding the implementation of our business strategies.

Furthermore, our business model depends on the establishment of alliances with other companies. Company president Masanari Kawaminami, who has extensive relationships with people at pharmaceutical companies, research institutes and other organizations, is playing a central role in executing this business model. We are working on strengthening the management team in order to prevent undue reliance on a small number of managers. However, for the time being, our reliance on Mr. Kawaminami will remain relatively high. Consequently, if Mr. Kawaminami is unable to perform his duties for some reason, there may be a significant impact on our business operations.

4) Risk concerning expenses for joint research with universities

We perform joint research with a number of universities, including Hokkaido University, for the purpose of identifying seeds for new pharmaceuticals. We pay part of the expenses for these joint research activities. In addition, we pay additional expenses in some cases depending on progress at a particular joint research program.

We plan to continue to participate in many joint research programs with universities and plan to pay for suitable share of the expenses for these programs. If we incur unexpected expenses because of the status of a joint research program, there may be an effect on our results of operations.

5) Risk concerning use of research facility

We use part of the open laboratory space that is provided for joint research with private-sector companies at the Hokkaido University Center for Promotion of Platforms for Research on Biofunctional Molecules. If we are no longer able to use this facility for some reason, such as the expiration of a joint research contract, we would be forced to move research activities from this center to our own research facilities. The resulting additional capital expenditures, rental payments and other expenses may have an effect on our results of operations.

6) Risk concerning fabless operations

Gene Techno Science has no manufacturing facilities of its own. Consequently, we outsource Good Laboratory Practice tests and the manufacture of drug ingredients and other products based on Good Manufacturing Practice guidelines in association with our drug development activities. There may be instances where an outsourcing partner is unable to meet our standards for reliability and quality. In this event, if we are unable to switch to another outsourcing partner quickly, there may be a delay in R&D involving the corresponding product under development or the R&D program may have to be suspended. If this happens, there may be a significant impact on our business plan.

In addition, after sales of a product begin, there is a need to provide a consistent supply of drug ingredients and other items. If an outsourced manufacturer of these items has difficulty maintaining a commercial-volume supply and it is not possible to quickly transfer production to another manufacturer, there may be a delay in starting sales of the product or an inability to supply the product. If this happens, there may be a significant impact on our results of operations.

Intellectual property rights

1) Risk concerning intellectual property rights

We use a broad spectrum of intellectual property rights as part of our business operations. We believe that these rights are our own rights or property where applications are pending, rights of others for which we have a legal agreement to use, or rights for which patents have expired.

However, there is no assurance that all of our pending applications for patents and other rights will be approved.

Furthermore, even if a patent or other application is approved, the associated technology may become inferior due to the emergence of a superior technology. In these events, the resulting loss of our ability to compete may have a significant impact on our results of operations.

As of the date this document was released, there were no disputes with third parties involving intellectual property rights associated with our business operations. In addition, we perform patent investigations internally or with the assistance of an attorney or other legal professional in order to prevent such disputes from occurring. However, if we infringe on the patent or other rights of a third party, we may be forced to cease the associated operations and pay damages. A demand for a large payment or other action may have a significant impact on our business activities, financial position and results of operations. Furthermore, if a third party infringes our patent or other rights, actions to protect our rights may involve substantial expenses and time.

2) Risk concerning obtaining patents

If we receive the rights to a patent for an idea created by an executive or employee of ours, we are required to pay that individual an amount equivalent to the value of the idea pursuant to Article 35-3 of the Patent Act. We have never encountered any problem with any executive or employee concerning these payments. However, there may be a dispute with an executive or employee about the value of the rights to an invention in the future. If there is a dispute and we are required to make an additional payment, there may be a significant impact on our financial position and results of operations.

3) Risk concerning cancelation of agreements with holders of rights

R&D activities for some items in our pipeline use rights received through licensing agreements with third parties. The terms of these agreements require us to take the actions necessary to commercialize the associated item. Our ability to fulfill all of the terms of each licensing agreement depends on a large number of factors, some of which are beyond our control. As a result, if we are no longer able to use a particular right because we violate the associated agreement, there may be a significant impact on our business plan, financial position and results of operations.

Results of operations and financial condition

1) Risk concerning financial position and results of operations

The operations of Gene Techno Science are centered on R&D activities. Consequently, we are currently unable to earn a profit because of the up-front R&D expenditures that are needed before a product under development can generate steady earnings. Our goal is to become profitable as soon as possible. However, if our activities do not progress in line with our business plan, we may need more time to become profitable and to eliminate accumulated losses on our balance sheet.

2) Risk concerning tax-deductible losses carried forward

As of the date this document was released, we had tax-deductible losses carried forward and had no taxable income subject to the income tax, residents' tax and enterprise tax. At some point, we may report taxable income that exceeds losses carried forward. There is also the possibility of a tax system revision that results in our having income subject to the income tax, residents' tax and enterprise tax. Either of these events may have an effect on our ability to achieve a net income and loss, and cash flows as currently planned.

3) Risk concerning reliance on particular customers

Currently, we sell products to only a small number of pharmaceutical companies and other customers. As a result, we rely on specific customers for a very large share of our sales.

We plan to lower the share of sales to these specific customers by establishing relationships with new customers.

However, measures to establish these relationships may not produce results as expected. Furthermore, if a contract with a current contracted customer is canceled or some other problem occurs, there may be a significant impact on our results of operations.

4) Risk concerning use of funds procured

We plan to use funds procured from our initial public offering and subsequent fund procurement activities primarily for R&D expenditures aimed at enlarging our pipeline for biosimilars. We plan to invest in R&D programs while exercising care to use these expenditures efficiently. However, a long time will be needed until pipeline items can produce a consistent stream of earnings. Moreover, R&D activities may not yield the expected results. As a result, there is a possibility that funds procured may not produce the benefits that are expected by investors.

5) Risk concerning fund procurement

As a company with operations centered on R&D, Gene Techno Science requires up-front investments to fund R&D activities. In the pharmaceutical industry, a long time is required until R&D investments begin producing returns and there are significant risks associated with R&D. Due to the nature of our operations, it will be difficult to procure funds from lending institutions until we can become consistently profitable. This is why we plan to use the sale of stock and equity-related instruments as the primary means of procuring funds. The resulting growth in the number of shares issued may dilute the value of each share. Furthermore, if we are unable to procure funds as required, we may be unable to continue our R&D activities.

6) Risk concerning dividends

We have never paid a dividend and are currently not in a position that allows a dividend payment as prescribed in the Companies Act. For the time being, our policy is to place priority on reinvesting funds in order to improve our financial soundness and fund R&D activities while aiming to become profitable at an early stage. Distributing earnings to shareholders is important as well. We will use our financial position and results of operations as the primary basis for a decision about paying a dividend. However, if we are unable to make progress regarding our earnings plan and continue to be unable to generate consistent earnings, paying a dividend to shareholders may not be possible.

7) Risk concerning subscription rights to shares

We have adopted a stock option system. We grant stock options to directors, audit & supervisory board members, employees and other individuals. In addition, we have sold convertible bonds (No. 1 unsecured convertible bond-type bonds with subscription rights to shares) and subscription rights to shares (No. 2 subscription rights to shares) to procure funds for enlarging the biosimilars pipeline.

As of the date this document was released, common stock equivalents for all subscription rights to shares, including stock options, totaled 1,323,727 shares, which is 35.7% of the number of issued shares and dilutive shares. Consequently, if these stock options are exercised, there may be dilution in the value of each share of Gene Techno Science stock.

In addition, we may continue to use stock options as an incentive for recruiting and retaining talented individuals. Consequently, if stock options granted in the future are exercised, there may be dilution in the value of each share of Gene Techno Science stock. In addition, for newly granted stock options, we are required to post expenses for stock options in accordance with “Accounting Standard for Stock Options” (Accounting Standards Board of Japan (ASBJ) Statement No. 8) and “Guidance on Accounting Standard for Stock Options” (ASBJ Guidance No. 11). As a result, new stock options may impact on our results of operations.

8) Risk concerning venture capital stock ownership

Venture capital firms were shareholders of Gene Techno Science as of March 31, 2014.

In general, venture capital firms invest in privately owned companies for the purpose of earning capital gains by selling stock after an initial public offering. We believe that these firms sell some or all of their holdings of our stock at some time. If venture capital firms sell a large amount of our stock, there may be a temporary imbalance in supply and demand that causes the stock price to decline.

9) Risk concerning foreign exchange rates

Our business operations include transactions denominated in foreign currencies with overseas companies in association with business alliances. In prior years, we have never recorded a substantial foreign exchange gain or loss because there were very few foreign currency-denominated transactions and payments for these transactions were made promptly. If our business operations continue to grow, there may be an increase in foreign currency-denominated transactions and a longer time for the settlement of these transactions. If these events occur, changes in foreign exchange rates may affect our results of operations.

Other risks

1) Risk concerning information outflows

The technologies, know-how and other forms of knowledge that we acquire during R&D activities include a large volume of confidential information. To prevent leaks of this information, we ask our executives and employees and our business partners and customers to sign confidentiality agreements and we strictly manage our information.

However, if an individual or company does not comply with the confidentiality agreement, the resulting outflow of confidential information may have a significant impact on our business activities.

2) Risk concerning IT system malfunctions and other problems

We use a variety of measures to prevent malfunctions, security breaches and other problems involving our IT systems. Despite these actions, there is still a possibility of a problem caused by a virus, unauthorized access, natural disaster, communication error, electrical issue or other cause. A malfunction, security breach or other problem may result in the loss or outflow of important information involving the development of pharmaceuticals. If this loss or leak of confidential information occurs, the restoration of the data may require substantial expenditures and a long time. This could also delay the development of certain products and lead to demands from business partners for the payment of damages. In addition, establishing business alliances could become difficult due to the resulting loss of public trust in our company. Any of these events may have a significant effect on our progress in relation to our business plan.

3) Risk concerning pharmaceutical quality and side effects

Data regarding the safety of pharmaceuticals where we are involved in development activities are gathered from clinical trials that use a limited number of participants. Consequently, it is not possible to identify all of the side effects before sales of a new drug begin. We do not plan to sell pharmaceuticals directly. But there is a possibility of unforeseen side effects occurring after a drug reaches the market. If such side effects occur, drugs may have to be returned or sales suspended. This would also prevent us from continuing to sell drug ingredients, which could have a significant impact on our results of operations.

4) Risk concerning litigation

Although we place priority on building an effective compliance framework, there is a possibility that we will be the target of a lawsuit by a pharmaceutical company or other party demanding damages due to an alleged patent infringement or some other form of litigation. In addition, we may be the defendant in a lawsuit involving our products, the environment, our employees or some other matter. If any litigation causes a loss of public trust, there may be a significant impact on our financial position and results of operations.

5) Risk concerning natural disasters

Gene Techno Science's operations are located mainly at business facilities in Hokkaido and Tokyo, which disperses risk associated with geographic factors. In addition, we outsource some of our R&D activities. This further spreads out our exposure to risk concerning natural disasters.

However, if there is a major earthquake or other natural disaster in these areas, damage to the facilities, the inability of the infrastructure to function or other problems may impact our business activities.

2. Management Policy

(1) Fundamental Management Policy

Gene Techno Science is a venture capital-backed start-up company that began at a university. We have a strong commitment to public service that includes the pursuit of earnings in order to contribute to society. In addition, we are dedicated to giving people a better quality of life by developing pharmaceuticals for rare diseases and intractable diseases and eliminating disparities in health care. With this spirit, we are constantly working on R&D programs in order to play a role in creating a social environment in which people can lead more fulfilling, worry-free lives.

(2) Target Performance Indicators

Gene Techno Science has two businesses. In the new biologics business, we perform activities involving seeds for new drugs that were identified by research programs at universities and other locations. In the biosimilar business, we are involved with generic versions of biopharmaceutical products, which is a newly established drug category. Both businesses involve the development of pharmaceuticals. As a result, our operations require enormous amounts of time and money and we do not expect to become profitable for a very long time. We therefore do not believe that short-term indicators are suitable for evaluating our performance. Although we do not target any short-term performance indicators, from a medium to long-term standpoint, we establish development schedules for individual themes and use progress in relation to those schedules as performance indicators. We manage our operations while thoroughly examining the efficiency of R&D investments associated with these themes.

(3) Medium to Long-term Management Strategies

The medium to long-term strategic objective of Gene Techno Science is to use R&D programs involving pharmaceuticals to develop biopharmaceutical products, primarily antibody drugs. These operations are divided into two businesses. In the biosimilar business, the strategy is to use sales of drug ingredients, drugs and other products to build a base for consistent sales and earnings. In the new biologics business, the strategy is to develop seeds for new drugs.

Our decision to concentrate on these two business categories is due to the stability of sales and earnings from biosimilars and the excellent growth prospects for new biopharmaceutical products.

In the biosimilar business, the global market for a single biopharmaceutical product is huge, with annual sales potential of between about 200 billion yen and 600 billion yen. Furthermore, many countries have health care policies that require greater use of generic drugs. Our goal is to participate in this market on a global scale. In addition, we outsource production and other activities in order to maintain streamlined, fabless operations. For the selection of products, we use a development policy that targets the needs of pharmaceutical companies. We use joint development programs and then sell drug ingredients and drugs to pharmaceutical companies and other customers in order to earn profits.

In the new biologics business, we perform joint research activities with universities, research institutes and companies and form research groups with partners. The objective of these activities is to search for seeds for biopharmaceutical products like antibody drugs and nucleic acid medicine effectively and efficiently. Another strategic goal is to use our own R&D activities to increase added value and then sell licenses for drugs to pharmaceutical companies in order to generate sales and earnings.

(4) Challenges

Forward-looking statements in this section are based on the judgments of management as of the date of this document was released.

1) Development of new biopharmaceutical products

In the new biologics business, we believe that quickly selling licenses for new products is one key to success. We seek to collect the data required by companies that purchase licenses and take full advantage of our network of relationships

and all business opportunities.

We are currently taking the following actions to enlarge our pipeline.

i. Activities involving anti alpha-9 integrin antibodies (development code: GND-001, treatment for immunological diseases and cancer)

We have already sold a license in this category to Kaken Pharmaceutical Co., Ltd. But we continue to perform joint research with Kaken Pharmaceutical. In addition, we are conducting research to develop a mass production process that will be needed for commercialization and to achieve a tighter focus for the indications for this drug.

Kaken Pharmaceutical holds the development rights for GND-001 in Japan and overseas. Consequently, this company will need to move quickly to form alliances with European and U.S. pharmaceutical companies in order to speed up activities outside Japan. We will provide support to Kaken Pharmaceutical with the goal of locating alliance partners for overseas operations as soon as possible.

ii. Activities involving Low Molecular Weight Heparin triethanolamine salt (development code: GND-006, treatment for cardiovascular diseases)

Heparin is used as an antithrombotic drug because of its ability to prevent clotting. The market for this drug is enormous. In animal tests, we have confirmed that GND-006 is effective for treating localized blood clots. In addition, a university performing joint research with us submitted a research paper to a drug-related publication in order to provide objective support for this efficacy data.

Our licensing activities will use documents that stress the use of a different drug administration channel in order to differentiate GND-006 from current heparin. We plan to start conducting licensing negotiations with pharmaceutical companies in Japan, the United States and Europe.

2) Expanding the pipeline for biosimilars

A large market is anticipated for biosimilars because the patents of many blockbuster biopharmaceutical products will soon expire. By building on our experience and know-how from developing filgrastim, we believe that more growth is possible for biosimilars. Enlarging our lineup of new biosimilars will be critical to our ability to achieve constant growth in corporate value. We plan to focus our resources on this field and perform efficient development activities while quickly establishing alliances with pharmaceutical companies with goals that are consistent with ours. Competition in the biosimilars market is expected to become more heated. To succeed, we will need to carefully select products to develop while examining each product's cost, competitive edge and other characteristics.

We are currently taking the following actions to enlarge our pipeline.

i. Activities involving filgrastim (development code: GBS-001, treatment for cancer)

Sales of a filgrastim biosimilars that we developed started in Japan in May 2013. To maximize the economic value of this product, we have started examining regulations to prepare for a quickly start of development activities in Europe, the United States and Asia. Furthermore, we will start negotiations with overseas pharmaceutical companies with the goal of signing contracts during the current fiscal year for selling filgrastim.

ii. Activities involving PEG-filgrastim (development code: GBS-010, treatment for cancer)

PEG-filgrastim is next-generation version of filgrastim with added value. The addition of PEG (polyethylene glycol) to filgrastim reduces the number of doses needed while increasing the sustainability of efficacy. In the original drug market, sales of PEG-filgrastim are about four to five times larger than for filgrastim.

We have an advantage over competitors because the active ingredient for PEG-filgrastim is filgrastim, which is

already being sold in Japan. Furthermore, we have established a production process for ingredients for PEG-filgrastim. We have also obtained excellent data demonstrating that PEG-filgrastim has the same properties and quality as the original drug. We plan to use this data to quickly establish alliances with overseas pharmaceutical companies as we build a value chain for increasing corporate value.

iii. A competitive edge for our products

The quality and cost of ingredients are key factors in the biosimilars. Usability is also critical to the competitive position of a product. This is why we place priority on developing production processes with our outsourcing partners with respect to the supply of ingredients and cost. For drugs too, we aim to produce products that are easy to use for both healthcare professionals and patients. We will also work hard on building a development framework that includes joint development with medical device companies, outsourced research and other activities.

iv. Selection of biosimilars

The development of biosimilars normally targets blockbuster drugs that rank among the best sellers. Obviously, many other companies are targeting these drugs, too. But there are also biopharmaceutical products that are blockbusters yet do not attract as much attention. Our strategy is to select niche biopharmaceutical products where competition is not as intense. We plan to continue to perform extensive biosimilar development activities for these niche products.

3) Forming alliances and building value chains

The development of biopharmaceutical products, which is a rapidly growing business category, is the primary activity of Gene Techno Science. Our goal is to develop new biopharmaceutical products for disorders where there are currently no drugs. Two examples are cancer and autoimmune diseases. Since our resources are limited, we must conduct these business operations by using alliances with other companies in order to gain access to additional resources.

We have a large network of alliance partners, including a company in Korea, for the development of biosimilars. In addition, we are using extensive interaction between our personnel and individuals at other companies to assemble a network of companies to perform outsourced production. Prominent global pharmaceutical companies have started working on biosimilars. As a result, we need to establish alliances with these companies by using measures like offering proposals for drug formulations that can differentiate their products from others. Furthermore, we are quickly building a network of relationships centered on biosimilars. We will conduct negotiations with many companies and organizations with the goal of starting development programs for biosimilars. We plan to sign contracts and establish other agreements in order to implement development programs and accelerate the pace of these programs.

Our objective is to conduct extensive negotiations concerning both new biopharmaceutical products and biosimilars for the purposes of using alliances for our business operations and building value chains.

4) A more powerful network

Taking a position of leadership will be vital to our ability to quickly and efficiently do business with alliance partners and build value chains. We must maximize synergies by enlarging our network of relationships with other companies, increasing information gathering capabilities and effectively utilizing the resources of other companies in our network.

In addition, we must leverage our strength as a start-up company with fabless operations. Resources within our network must be combined in the best possible manner and we need to quickly and aggressively submit ideas to resolve difficult issues that a partner company cannot solve on its own.

5) Strengthen corporate governance and administrative systems

We believe that maintaining and enhancing our reputation for trust will be instrumental to our ability to build a network of relationships with other companies efficiently. Many of our business partners are companies, including publicly

owned companies, and public-sector research institutions that have reputations for trust. To maintain business relationships with these companies and institutions as an equal partner, we must continue to earn a high level of public trust.

Although our company is small, we plan to reinforce administrative systems so that we can continue to be a trustworthy organization. We will also build a corporate governance system. We plan to make our management more transparent so that we can meet the needs of all stakeholders in an organized and accurate manner. Furthermore, to increase the soundness of our management, measures to strengthen internal controls will include actions for greater management efficiency as well as for building a stronger compliance framework.

3. Financial Statements

(1) Balance Sheet

(Thousands of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Assets		
Current assets		
Cash and deposits	887,428	1,610,244
Notes receivable-trade	9,620	-
Accounts receivable-trade	7,213	148,932
Advance payments-trade	5,229	111,803
Prepaid expenses	1,039	1,211
Other	8,610	9,764
Total current assets	919,140	1,881,956
Non-current assets		
Property, plant and equipment		
Buildings	460	460
Accumulated depreciation	(460)	(460)
Buildings, net	0	0
Tools, furniture and fixtures	6,508	6,420
Accumulated depreciation	(5,925)	(5,867)
Tools, furniture and fixtures, net	582	552
Total property, plant and equipment	582	552
Intangible assets		
Trademark right	323	285
Total intangible assets	323	285
Investments and other assets		
Long-term prepaid expenses	138	299
Guarantee deposits	2,244	3,683
Total investments and other assets	2,382	3,983
Total non-current assets	3,288	4,820
Total assets	922,429	1,886,777
Liabilities		
Current liabilities		
Accounts payable-other	10,669	38,115
Accrued expenses	3,575	4,246
Income taxes payable	6,788	6,300
Advances received	2,100	-
Deposits received	1,777	1,396
Total current liabilities	24,910	50,058
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	-	775,000
Provision for retirement benefits	9,510	8,880
Total non-current liabilities	9,510	783,880
Total liabilities	34,420	833,938

(Thousands of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Net assets		
Shareholders' equity		
Capital stock	1,239,895	1,571,290
Capital surplus		
Legal capital surplus	1,143,161	1,474,557
Total capital surpluses	1,143,161	1,474,557
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,495,048)	(2,014,349)
Total retained earnings	(1,495,048)	(2,014,349)
Total shareholders' equity	888,008	1,031,497
Subscription rights to shares	-	21,341
Total net assets	888,008	1,052,839
Total liabilities and net assets	922,429	1,886,777

(2) Statement of Income

(Thousands of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Net sales		
Net sales of finished goods	30,950	289,004
Service revenue	29,584	12,344
Total net sales	60,534	301,348
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	-	-
Cost of products manufactured	-	132,300
Total	-	132,300
Ending finished goods	-	-
Cost of finished goods sold	-	132,300
Cost of service revenue	15,093	9,684
Total cost of sales	15,093	141,984
Gross profit	45,440	159,364
Selling, general and administrative expenses		
Depreciation	323	282
Research and development expenses	206,386	412,927
Other	196,827	258,583
Total selling, general and administrative expenses	403,538	671,793
Operating income (loss)	(358,097)	(512,429)
Non-operating income		
Interest income	75	610
Speech income	140	-
Receipt return	627	-
Foreign exchange gains	-	26
Miscellaneous income	52	57
Total non-operating income	895	694
Non-operating expenses		
Bond issuance and other costs	-	918
Share issuance cost	6,974	3,973
Going public expenses	9,469	-
Foreign exchange losses	12	-
Miscellaneous loss	-	153
Total non-operating expenses	16,456	5,045
Ordinary income (loss)	(373,657)	(516,780)
Income (loss) before income taxes	(373,657)	(516,780)
Income taxes-current	3,390	2,520
Total income taxes	3,390	2,520
Net income (loss)	(377,047)	(519,301)

(3) Statement of Changes in Equity

FY3/13 (Apr. 1, 2012 - Mar. 31, 2013)

(Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at beginning of current period	778,045	681,311	681,311	(1,118,000)	(1,118,000)	341,355
Changes of items during period						
Issuance of new shares	461,850	461,850	461,850			923,700
Net income (loss)				(377,047)	(377,047)	(377,047)
Net changes of items other than shareholders' equity						
Total changes of items during period	461,850	461,850	461,850	(377,047)	(377,047)	546,652
Balance at end of current period	1,239,895	1,143,161	1,143,161	(1,495,048)	(1,495,048)	888,008

	Subscription rights to shares	Total net assets
Balance at beginning of current period	-	341,355
Changes of items during period		
Issuance of new shares		923,700
Net income (loss)		(377,047)
Net changes of items other than shareholders' equity	-	-
Total changes of items during period	-	546,652
Balance at end of current period	-	888,008

FY3/14 (Apr. 1, 2013 - Mar. 31, 2014)

(Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of current period	1,239,895	1,143,161	1,143,161	(1,495,048)	(1,495,048)	888,008
Changes of items during period						
Issuance of new shares	331,395	331,395	331,395			662,790
Net income (loss)				(519,301)	(519,301)	(519,301)
Net changes of items other than shareholders' equity						
Total changes of items during period	331,395	331,395	331,395	(519,301)	(519,301)	143,489
Balance at end of current period	1,571,290	1,474,557	1,474,557	(2,014,349)	(2,014,349)	1,031,497

	Subscription rights to shares	Total net assets
Balance at beginning of current period	-	888,008
Changes of items during period		
Issuance of new shares		662,790
Net income (loss)		(519,301)
Net changes of items other than shareholders' equity	21,341	21,341
Total changes of items during period	21,341	164,830
Balance at end of current period	21,341	1,052,839

(4) Statement of Cash Flows

(Thousands of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Cash flows from operating activities		
Income (loss) before income taxes	(373,657)	(516,780)
Depreciation	323	433
Increase (decrease) in provision for retirement benefits	3,390	(630)
Interest and dividend income	(75)	(610)
Bond issuance and other costs	-	918
Share issuance cost	6,974	3,973
Issuance cost of subscription rights to shares	-	153
Going public expenses	9,469	-
Decrease (increase) in notes and accounts receivable-trade	189,963	(132,098)
Decrease (increase) in advance payments	(525)	(106,574)
Increase (decrease) in notes and accounts payable-trade	(93,930)	-
Other, net	(43,522)	24,417
Subtotal	(301,589)	(726,797)
Interest and dividend income received	75	610
Income taxes paid	(3,390)	(3,416)
Net cash provided by (used in) operating activities	(304,903)	(729,603)
Cash flows from investing activities		
Purchase of property, plant and equipment	(221)	(226)
Payments for guarantee deposits	-	(3,340)
Proceeds from collection of guarantee deposits	-	1,900
Purchase of long-term prepaid expenses	(237)	-
Net cash provided by (used in) investing activities	(458)	(1,666)
Cash flows from financing activities		
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	-	1,199,081
Proceeds from issuance of common shares	916,725	200,402
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	33,414
Proceeds from issuance of subscription rights to shares	-	21,187
Payments for going public expenses	(9,469)	-
Net cash provided by (used in) financing activities	907,256	1,454,086
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	601,893	722,816
Cash and cash equivalents at beginning of period	285,534	887,428
Cash and cash equivalents at end of period	887,428	1,610,244

(5) Notes to Financial Statements

Going-concern Assumption

Not applicable.

Equity in Income (Loss) of Affiliates

Not applicable.

Segment and Other Information

a. Segment information

Omitted since the Company has only a single business segment, which is the pharmaceutical development business.

b. Related information

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)

1. Information by product or service

Omitted since sales to external customers which account for more than 90% of net sales shown on the statement of income are derived from a single product or service category.

2. Information by region

(1) Net sales

Omitted since there are no external sales outside Japan.

(2) Property, plant and equipment

Omitted since there is no property, plant and equipment outside Japan.

3. Information about specific customers

(Thousands of yen)

Name	Net sales	Related segments
Nagase & Co., Ltd.	29,100	Pharmaceutical development business
Towa Pharmaceutical Co., Ltd.	24,534	Pharmaceutical development business

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)

1. Information by product or service

Omitted since sales to external customers which account for more than 90% of net sales shown on the statement of income are derived from a single product or service category.

2. Information by region

(1) Net sales

Omitted since there are no external sales outside Japan.

(2) Property, plant and equipment

Omitted since there is no property, plant and equipment outside Japan.

3. Information about specific customers

(Thousands of yen)

Name	Net sales	Related segments
Nagase & Co., Ltd.	287,404	Pharmaceutical development business

c. Information related to impairment losses on non-current assets for each reportable segment

Not applicable.

d. Information related to goodwill amortization and the unamortized balance for each reportable segment

Not applicable.

e. Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Net assets per share	426.70	441.61
Net loss per share	238.20	240.15

Notes: 1. Diluted net income per share is not presented since there was the outstanding stock acquisition rights, though posted a net loss.

2. Basis for calculation of net loss per share is as follows.

(Thousands of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Net loss	377,047	519,301
Amounts not available to common stock shareholders	-	-
Net loss available to common stock shares	377,047	519,301
Average number of shares outstanding during the period (Shares)	1,582,881	2,162,383
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	1 type of subscription rights to shares (900 units)	3 types of subscription rights to shares (738 units), and No. 1 unsecured convertible bond-type bonds with subscription rights to shares (Face amount: 775,000 thousand yen)

Subsequent Events

Not applicable.

4. Others

Changes in Directors

(1) Change in Representative Director

Not applicable.

(2) Changes in Other Directors

Candidate for director appointment

Director: Yoshikazu Amano (current Executive Officer, General Manager of Research)

(3) Effective Date

June 27, 2014

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.