May 14, 2015

Summary of Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2015

[Japanese GAAP]

Company name: Gene Techno Science Co.,Ltd. Listing: Tokyo Stock Exchange
Stock code: 4584 URL: http://www.g-gts.com
Representative: Masanari Kawaminami, President
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Tel: +81-11-876-9571
Scheduled date of Annual General Meeting of Shareholders: June 25, 2015
Scheduled date of filing of Annual Securities Report: June 26, 2015
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, 2015 (April 1, 2014 – March 31, 2015)

(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, 2015	321	6.7	(824)	-	(790)	-	(792)	-
Fiscal year ended Mar. 31, 2014	301	397.8	(512)	-	(516)	-	(519)	-

	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, 2015	(331.86)	-	(123.7)	(52.1)	(256.2)
Fiscal year ended Mar. 31, 2014	(240.15)	-	(54.1)	(36.8)	(170.0)

Reference: Equity in income (loss) of affiliates (million yen) Fiscal year ended Mar. 31, 2015: -
Fiscal year ended Mar. 31, 2014: -

Note: Diluted net income per share is not presented, though there was the outstanding subscription rights to shares, due to 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, 2015	1,146	270	21.7	104.14
As of Mar. 31, 2014	1,886	1,052	54.7	441.61

Reference: Shareholders' equity (million yen) As of Mar. 31, 2015: 249 As of Mar. 31, 2014: 1,031

(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, 2015	(970)	(49)	9	599
Fiscal year ended Mar. 31, 2014	(729)	(1)	1,454	1,610

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, 2014	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2015	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2016 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(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	681	368.0	(150)	-	(136)	-	(137)	-	(57.01)
Full year	1,022	217.9	(602)	-	(573)	-	(575)	-	(239.14)

*** 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, 2015:	2,394,105 shares	As of Mar. 31, 2014:	2,384,105 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2015:	- shares	As of Mar. 31, 2014:	- shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2015:	2,387,119 shares	Fiscal year ended Mar. 31, 2014:	2,162,383 shares

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 Gene Techno Science 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. The number of shares outstanding increased by 12,000 on April 3, 2015 due to the exercise of subscription rights to shares. The net income per share forecast incorporates this increase.
3. Gene Techno Science plans to hold a financial results meeting for institutional investors and analysts on Thursday, May 21, 2015. 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

(1) Analysis of Results of Operations

1) Summary of the fiscal year

In the fiscal year that ended on March 31, 2015, the Japanese yen weakened and stock prices moved up as the Japanese government and Bank of Japan implemented economic stimulus measures on an unprecedented scale. Earnings recovered mainly at large exporting companies. But earnings remained generally flat at small and medium-sized companies that rely on domestic demand. The main causes were the April 2014 consumption tax increase and the higher cost of imported raw materials. Consumer spending is starting to recover from the drop that followed the consumption tax increase. Some consumers are benefiting from the stock market rally and higher wages, chiefly at large companies. However, Japanese economy have to improve further for the benefits of recovering corporate earnings to become broader. At overseas, the U.S. economy is recovering but determining the timing of a monetary tightening remains difficult. In Europe, there are a number of economic issues, including the debt problem in Greece and instability in the Middle East. Among emerging countries, China’s economy is entering a stable growth phase. As a result, the outlook is complex with no country that appears to be able to drive global economic growth.

In the healthcare and pharmaceuticals sector, where Gene Techno Science operates, per capita health payments in Japan have increased for five consecutive years and are now at a new record high due to the aging of the population. Moreover, the negative impact of these expenses on the economy is slowly growing because of the consumption tax increase and growing social security expenses in the fiscal year that started on April 1, 2015. Healthcare expenditures are certain to become an even greater burden on government budgets. One solution is to increase the use of generic drugs in order to minimize social security expenses. In response to these developments, Japanese pharmaceutical companies have started to seek new business models. Members of Japan’s parliament from many political parties supported establishing in March 2015 the Parliamentary Association for Promoting Biosimilars. This is a clear sign of the rising public awareness of biosimilars. Formation of this association is expected to speed up moves to create an environment for increasing the use of biosimilars and performing more R&D activities in this field at Japanese companies.

In our biosimilar business, sales of filgrastim (G-CSF), a treatment for neutropenia that is marketed by Fuji Pharma Co., Ltd. and Mochida Pharmaceutical Co., Ltd., have been solid. There are expectations for these sales to set the stage for a big increase in sales in the fiscal year ending on March 31, 2016. Sales in this business increased 6.7% from the previous fiscal year to 321 million yen in the fiscal year that ended on March 31, 2015. This was in line with the forecast because of the delivery of two lots of filgrastim bulk drugs as planned.

Results of operations have become stable following the successful launch of filgrastim. To continue growing, our most important goal is to make steady progress with the following development activities.

a. Development of PEG-filgrastim, a next-generation filgrastim that will maximize the value of filgrastim

b. Joint development projects with Itochu Chemical Frontier Corporation

c. The joint development of darbepoetin alfa in Japan with Sanwa Kagaku Kenkyusho Co., Ltd.

Furthermore, we believe that increasing the number of biosimilars will lower the risk associated with each research theme and contribute to our growth.

In the new biologics business, we are using a number of subsidies for activities that primarily involve research for next-generation antibody drugs. In addition, we will work with GeneDesign Inc. to identify opportunities in the field of nucleic acid drugs. Acquiring new technologies is another priority. One example is exosome, for which a joint patent application with the National Cancer Center Research Institute has been submitted.

Sales of the biosimilar filgrastim are as planned, but developing biopharmaceutical products takes time. To establish a core profit center quickly, we have studied the entire healthcare sector and are moving ahead with a number of new initiatives. The first was a capital and business alliance agreement with ORTHOREBIRTH CO.,

LTD. that was signed on November 10, 2014. We have invested 49 million yen in ORTHOREBIRTH, a start-up company engaged in R&D involving synthetic bone. ORTHOREBIRTH has received U.S. regulatory approval for a medical device in category 510(k). Actions will be taken to strengthen sales capabilities and we believe this device will contribute to our earnings. Initially and on short-term, this business will be only the sale of synthetic bone, but we regard this business as the entry point for eventually selling this material in the regenerative medicine field.

As a result, net sales totaled 321 million yen (up 6.7% from the previous fiscal year), operating loss 824 million yen (vs. operating loss of 512 million yen in the previous fiscal year), ordinary loss 790 million yen (vs. ordinary loss of 516 million yen in the previous fiscal year), and net loss 792 million yen (vs. net loss of 519 million yen in the previous fiscal year).

2) Prospects for the future

In the next fiscal year ending on March 31, 2016, economic and monetary measures are expected to continue to support the Japanese economy. However, the outlook remains unclear for consumer spending and other factors that influence the economy.

In the pharmaceutical industry, there are numerous initiatives in Japan, including deregulation and measures to increase the use of generic drugs that will alter the entire industry. We hope to see these actions taken shape together with the government's growth strategy. The effects of these events are already having an effect on sales of filgrastim. Our forecast for the fiscal year ending on March 31, 2016 incorporates only filgrastim sales for which we have a high degree of confidence from a conservative standpoint. Based on this stance, we expect sales to increase 217.9% to 1,022 million yen. Initial sales of filgrastim are in line with expectations as we have already recorded sales for shipments of two lots.

We view the current operating environment as an excellent opportunity, and we have procured a substantial amount of funds and performed development activities to create new biosimilars. In the fiscal year ending on March 31, 2016, our goals for development activities are to establish manufacturing technologies and perform non-clinical trials so that we can start performing clinical trials. At that point, we will consider selling licenses for these new biosimilars to pharmaceutical companies. However, developing biopharmaceutical products requires large expenditures for creating the associated manufacturing technologies. As a result, we expect that total R&D expenditures in the next fiscal year will reach a peak of 739 million yen.

In the healthcare sector, we will continue to make progress with our capital and business alliance with ORTHOREBIRTH involving synthetic bone and with other activities for healthcare-related businesses.

At this time, it is not possible to determine reliable estimates for sales and earnings from contractual and other payments and these healthcare-related businesses. As a result, the forecast does not include sales and earnings from these sources. An announcement will be made promptly if there is a change in the outlook for these sales and earnings.

In the fiscal year ending on March 31, 2016, we forecast net sales of 1,022 million yen, an operating loss of 602 million yen, an ordinary loss of 573 million yen and a net loss of 575 million yen. We will work hard on the activities explained earlier in this section in order to achieve earnings that exceed this forecast. For further information concerning the forecast for the next fiscal year, please refer to our press release dated April 10, 2015 titled "Forecast for the Fiscal Year Ending March 31, 2016."

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available at the time these materials were created. These materials are not promises by Gene Techno Science 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 current fiscal year was 1,092 million yen, a decrease of 42.0% from the previous fiscal year. This was attributable mainly to increases of 41 million yen in accounts receivable-trade and 164 million yen in advance payments-trade, and a decrease of 1,010 million yen in cash and deposits. The decrease in cash and deposits was mainly due to payments for developing biosimilars.

< Non-current assets >

The balance of non-current assets increased 49 million yen to 54 million yen. This was attributable mainly to an increase of 49 million yen in investment securities.

< Current liabilities >

The balance of current liabilities was 92 million yen, an increase of 84.2% from the previous fiscal year. This was attributable mainly to an increase of 42 million yen in accounts payable-other.

< Non-current liabilities >

The balance of non-current liabilities unchanged from the previous fiscal year at 783 million yen.

< Net assets >

The balance of net assets was 270 million yen, a decrease of 74.3% from the previous fiscal year. This was attributable mainly to a net loss of 792 million yen, while there was an increase of 5 million yen each for capital stock and legal capital surplus due to the exercise of subscription rights to shares.

2) Cash flows

There was a net decrease of 1,010 million yen from the end of the previous fiscal year to 599 million yen in cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year.

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

< Operating activities >

Net cash used in operating activities totaled 970 million yen, compared with net cash used of 729 million yen in the previous fiscal year. This was mainly due to a loss before income taxes of 790 million yen, a 41 million yen increase in notes and accounts receivable-trade, and a 164 million yen increase in advance payments, while there was an increase of 42 million yen in accounts payable-other.

< Investing activities >

Net cash used in investing activities totaled 49 million yen, compared with net cash used of 1 million yen in the previous fiscal year. This was mainly due to the purchase of investment securities.

< Financing activities >

Net cash provided by financing activities totaled 9 million yen, compared with net cash provided of 1,454 million yen in the previous fiscal year. This was mainly due to proceeds from issuance of shares resulting from exercise of subscription rights to shares.

Reference: Trends in cash flow indicators

Fiscal years ended	March 31, 2011 (FY3/11)	March 31, 2012 (FY3/12)	March 31, 2013 (FY3/13)	March 31, 2014 (FY3/14)	March 31, 2015 (FY3/15)
Shareholders' equity ratio (%)	72.9	67.2	96.3	54.7	21.7
Shareholders' equity ratio based on market prices (%)	-	-	692.6	264.7	513.6
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 for FY3/11 and FY3/12 is not shown because the Company's stock was not listed then.
4. Cash flows to debt ratio and interest coverage ratio 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, 2015 and no dividend is planned for the fiscal year ending on March 31, 2016 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 and Medical Device 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 and Medical Device 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 and Medical Device Act or other associated laws or regulations.

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

In the pharmaceutical industry, research, development, manufacturing and sales activities are each subject to laws and regulations related to pharmaceutical affairs, 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 and Medical Device 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 69.1% of selling, general and administrative expenses in the fiscal year that ended on March 31, 2015. R&D expenses are very large in relation to the size of 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 15 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 have tax-deductible losses carried forward and have 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 may result in 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 1,301,727 shares, which is 35.1% 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 price volatility of investment securities

Gene Techno Science owned investment securities as of March 31, 2015.

As a result, valuation losses resulting from changes in the prices of these investment securities may affect our results of operations and financial condition.

9) Risk concerning venture capital stock ownership

Venture capital firms were shareholders of Gene Techno Science as of March 31, 2015.

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. Although there has been a large decline in the amount of our stock held by venture capital firms following our initial public offering, 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.

10) 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. One is the new biologics business, where we perform activities involving seeds for new drugs that were identified by research programs at universities and other locations. The other is the biosimilar business, a generic version of biopharmaceutical products, which is a newly established drug category. Both businesses involve the development of pharmaceuticals. As a result, our operations require enormous amount of time and money to become profitable. We therefore do not believe that short-term management indicators are suitable for evaluating our performance. Although we do not set any short-term performance indicators, we establish the medium to long-term development schedules for individual themes and control 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 biosimilar 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.

Furthermore, since we have given Kaken Pharmaceutical development rights in Japan and other countries, we will provide support to this company for locating alliance partners in order to speed up activities outside Japan. Our objective is to locate partners as soon as possible that can assist with our overseas activities.

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. We have modified Heparin and, in animal tests, confirmed that the local (skin) application of this drug is effective for treating blood clots. In addition, a drug-related publication has printed a research paper about Heparin that was submitted by a university performing joint research with us.

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 activity with pharmaceutical companies in Japan, the United States and Europe.

iii. Activities to increase the number of new biologic candidates

The development of new biologics starts with research to discover seeds that may become new drugs. The next step is transforming seeds into intellectual property after proof of concept (POC) trials at cellular and small animal levels. At this point, information about the research can be made public for the first time. Consequently, our goal is to transform research themes currently under way, such as candidates for new antibody drugs, into intellectual property as efficiently as possible. Furthermore, we are not limited to our research themes since our establishment for the development of biopharmaceuticals. We also plan to participate in R&D activities that may utilize tie-ups with other organizations. These activities will involve opportunities associated with future disease domains and diseases with unmet needs.

2) Expanding the pipeline for biosimilars

Biopharmaceutical products, which are the basis for biosimilars, include numerous blockbuster drugs that have annual sales of more than one trillion yen each and treat chronic disorders like rheumatoid arthritis and psoriasis vulgaris. A prime example is Humira, a human monoclonal antibody that helps block TNF-alpha. The upcoming expiration of patents for many of these drugs will create an enormous market for biosimilars. By taking full advantage of the experience and know-how gained from the development of filgrastim, we believe that we can develop biosimilars efficiently and gain a competitive edge. Enlarging our lineup of biosimilars will be critical to our ability to achieve constant growth in corporate value. We anticipate global competition in this field. To

succeed, we will quickly forge alliances to reduce risk related to our biosimilar development programs and carefully select products to develop. By tightly focusing our resources, we plan to perform development activities efficiently.

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 activities with overseas pharmaceutical companies to sell filgrastim.

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

PEG-filgrastim (polyethylene glycol-filgrastim) is next-generation version of filgrastim with added value. PEG reduces the number of doses needed while increasing the sustainability of efficacy. In addition, this is an extremely attractive market sector with annual sales of about 500 billion yen.

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 pharmaceutical companies in Japan and other countries as we build a value chain for increasing corporate value.

iii. Activities involving darbepoetin alfa (development code: GBS-011, treatment for renal disease)

This drug increases the sustainability of epoetin alfa’s efficacy, which is a renal anemia treatment. Annual sales in Japan are about 60 billion yen. We are currently working on the development of darbepoetin alfa with a Japanese pharmaceutical company and hope to begin clinical trials as soon as possible.

iv. A competitive edge for our products

The quality and cost of ingredients are key factors for biosimilars. On the other hand, we believe that 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, as well as developing products that are easy to use for both healthcare professionals and patients by actively holding discussions with medical device companies.

v. 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 as well. Our strategy is to achieve a competitive edge by developing biosimilars where we can differentiate ourselves by utilizing the characteristics of the targeted disease and the strengths of our pharmaceutical company alliance partners.

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 biologics for disorders where there are currently no drugs. Two examples are cancer and autoimmune diseases. However, since our resources are limited, we must conduct these activities by using alliances with other companies with complementary strengths in order to utilize our resources more efficiently.

For the development of biosimilars, we are using extensive interaction between our personnel and individuals at other companies to enlarge our network of Asian, European and U.S. companies that perform outsourced production. In addition, pharmaceutical companies with global operations have started working on biosimilars. As a result, we need to establish alliances with these pharmaceutical companies by offering proposals that can set products apart from those of competitors with respect to quality, cost, drug formulations and other characteristics.

Our objective is to build a value chain that encompasses both new biologics and biosimilars. In these two categories, we will take many actions to assemble a network of manufacturers and other companies and establish alliances with pharmaceutical companies in Japan and other countries. We believe these activities will allow us to utilize our human and financial resources even more efficiently.

4) A more powerful network

We use a fabless business model. In addition, to quickly find solutions to issues that we are unable to handle on our own, we utilize the best possible combination of resources that include those of external partners. Building a network of relationships with external partners requires exchanging large volumes of information, increasing information gathering capabilities, and maximizing synergies created by this network of alliance partners. Consequently, we need to give our employees the skills to perform these functions.

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. Basic Approach to the Selection of Accounting Standards

Gene Techno Science does not prepare consolidated financial statements. Consequently, we use Japanese accounting standards due to the time and expense required for the preparation of both Japanese standard and international standard financial statements and for other reasons.

We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

4. Financial Statements

(1) Balance Sheet

(Thousands of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Assets		
Current assets		
Cash and deposits	1,610,244	599,471
Accounts receivable-trade	148,932	189,952
Advance payments-trade	111,803	276,286
Prepaid expenses	1,211	1,363
Other	9,764	25,311
Total current assets	1,881,956	1,092,384
Non-current assets		
Property, plant and equipment		
Buildings	460	460
Accumulated depreciation	(460)	(460)
Buildings, net	0	0
Tools, furniture and fixtures	6,420	5,088
Accumulated depreciation	(5,867)	(4,753)
Tools, furniture and fixtures, net	552	334
Total property, plant and equipment	552	334
Intangible assets		
Trademark right	285	247
Total intangible assets	285	247
Investments and other assets		
Investment securities	-	49,995
Long-term prepaid expenses	299	110
Guarantee deposits	3,683	3,683
Total investments and other assets	3,983	53,789
Total non-current assets	4,820	54,371
Total assets	1,886,777	1,146,755
Liabilities		
Current liabilities		
Accounts payable-other	38,115	80,437
Accrued expenses	4,246	4,590
Income taxes payable	6,300	5,275
Deposits received	1,396	1,912
Total current liabilities	50,058	92,215
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	775,000	775,000
Provision for retirement benefits	8,880	8,880
Total non-current liabilities	783,880	783,880
Total liabilities	833,938	876,095

(Thousands of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	1,571,290	1,576,290
Capital surplus		
Legal capital surplus	1,474,557	1,479,557
Total capital surpluses	1,474,557	1,479,557
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,014,349)	(2,806,528)
Total retained earnings	(2,014,349)	(2,806,528)
Total shareholders' equity	1,031,497	249,318
Subscription rights to shares	21,341	21,341
Total net assets	1,052,839	270,659
Total liabilities and net assets	1,886,777	1,146,755

(2) Statement of Income

(Thousands of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net sales		
Net sales of finished goods	289,004	321,658
Service revenue	12,344	-
Total net sales	301,348	321,658
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	-	-
Cost of products manufactured	132,300	147,600
Total	132,300	147,600
Ending finished goods	-	-
Cost of finished goods sold	132,300	147,600
Cost of service revenue	9,684	-
Total cost of sales	141,984	147,600
Gross profit	159,364	174,058
Selling, general and administrative expenses		
Depreciation	282	126
Research and development expenses	412,927	689,738
Other	258,583	308,333
Total selling, general and administrative expenses	671,793	998,198
Operating income (loss)	(512,429)	(824,140)
Non-operating income		
Interest income	610	617
Subsidy income	-	33,131
Foreign exchange gains	26	7
Miscellaneous income	57	239
Total non-operating income	694	33,996
Non-operating expenses		
Bond issuance and other costs	918	-
Share issuance cost	3,973	91
Miscellaneous loss	153	-
Total non-operating expenses	5,045	91
Ordinary income (loss)	(516,780)	(790,234)
Extraordinary losses		
Loss on retirement of non-current assets	-	44
Total extraordinary losses	-	44
Income (loss) before income taxes	(516,780)	(790,279)
Income taxes-current	2,520	1,900
Total income taxes	2,520	1,900
Net income (loss)	(519,301)	(792,179)

(3) Statement of Changes in Equity

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	Total retained earnings	
				Retained earnings brought forward		
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

FY3/15 (Apr. 1, 2014 - Mar. 31, 2015)

(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	1,571,290	1,474,557	1,474,557	(2,014,349)	(2,014,349)	1,031,497
Changes of items during period						
Issuance of new shares	5,000	5,000	5,000			10,000
Net income (loss)				(792,179)	(792,179)	(792,179)
Net changes of items other than shareholders' equity						
Total changes of items during period	5,000	5,000	5,000	(792,179)	(792,179)	(782,179)
Balance at end of current period	1,576,290	1,479,557	1,479,557	(2,806,528)	(2,806,528)	249,318

	Subscription rights to shares	Total net assets
Balance at beginning of current period	21,341	1,052,839
Changes of items during period		
Issuance of new shares		10,000
Net income (loss)		(792,179)
Net changes of items other than shareholders' equity	-	-
Total changes of items during period	-	(782,179)
Balance at end of current period	21,341	270,659

(4) Statement of Cash Flows

(Thousands of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Cash flows from operating activities		
Income (loss) before income taxes	(516,780)	(790,279)
Depreciation	433	211
Increase (decrease) in provision for retirement benefits	(630)	-
Interest and dividend income	(610)	(617)
Bond issuance and other costs	918	-
Share issuance cost	3,973	91
Issuance cost of subscription rights to shares	153	-
Decrease (increase) in notes and accounts receivable-trade	(132,098)	(41,020)
Decrease (increase) in advance payments	(106,574)	(164,482)
Increase (decrease) in accounts payable-other	27,446	42,321
Other, net	(3,028)	(15,008)
Subtotal	(726,797)	(968,783)
Interest and dividend income received	610	617
Income taxes paid	(3,416)	(2,521)
Net cash provided by (used in) operating activities	(729,603)	(970,686)
Cash flows from investing activities		
Purchase of investment securities	-	(49,995)
Purchase of property, plant and equipment	(226)	-
Payments for guarantee deposits	(3,340)	-
Proceeds from collection of guarantee deposits	1,900	-
Net cash provided by (used in) investing activities	(1,666)	(49,995)
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	200,402	-
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	33,414	9,908
Proceeds from issuance of subscription rights to shares	21,187	-
Net cash provided by (used in) financing activities	1,454,086	9,908
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	722,816	(1,010,773)
Cash and cash equivalents at beginning of period	887,428	1,610,244
Cash and cash equivalents at end of period	1,610,244	599,471

(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

FY3/14 (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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

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.	320,558	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)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net assets per share	441.61	104.14
Net loss per share	240.15	331.86

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

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

(Thousands of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net loss	519,301	792,179
Amounts not available to common shareholders	-	-
Net loss available to common shares	519,301	792,179
Average number of shares outstanding during the period (Shares)	2,162,383	2,387,119
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	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 million yen)	3 types of subscription rights to shares (638 units), and No. 1 unsecured convertible bond-type bonds with subscription rights to shares (Face amount: 775 million yen)

Subsequent Events

Not applicable.

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.