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Gene Techno Science Co., Ltd.

Code: 4584 (TSE Mothers)

President

Masanari Kawaminami

Announcement of Revision of Research & Development
Expenditure Purpose and Time Schedule related to
1st Convertible Bond and 2nd Stock Acquisition Rights

Gene Techno Science Co., Ltd. (“GTS”) announces the revision of the purpose and the time schedule of research and development expenditures related to the 1st Convertible Bond and the 2nd Stock Acquisition Rights, which was announced on February 28, 2013.

1. Background of the revision

The original purpose and time schedule of the research and development expenditures related to the Issuance of 1st Series of Convertible Bonds and 2nd Series of Stock Options, and the Extraordinary Meeting of Shareholders, announced on February 28, 2013 (“Announcement”) was as the following:

- A) To enhance business of GBS-010 (PEG-G-CSF), one of the main product pipeline, in Japan and USA. (Below chart “Original”, Purpose Item 1-3)
- B) To enhance development of GBS-002~009 in order to establish a balanced biosimilar pipeline portfolio to ensure growth, as biosimilar has much higher probability of success compared to that of new product development. (Below chart “Original”, Purpose Item 4)

As of today, GTS announced the execution of MOU between Senju Pharmaceutical Co., Ltd. (“Senju”) and GTS regarding the joint development to obtain a regulatory approval and sales of Japanese market for a biosimilar product in the ophthalmology field (“Product”). With this MOU,

Both companies also agreed on capital alliance in order to expand the business development and to strengthen the mutual relationship.

Whereas, Whiz Partners Inc. (“Whiz Partners”) is the unlimited partner of Whiz Healthcare PE1 Limited Partnership (“Whiz Healthcare”). Under this circumstance,

Whiz Partners discussed with Senju and GTS an investment arrangement and Senju agreed to purchase 138,800 GTS's shares from Whiz Healthcare. At the same time, Whiz Healthcare will exercise its 13 stock acquisition rights unit (137,709 shares) of the 2nd Stock Acquisition Rights issued on May 1, 2013.

GTS will receive 260 million Japanese Yen in return. Since the Product is one of the item in the chart Purpose Item 4 GBS-002 ~ 009, the whole amount will be spent for this Purpose Item.

2. Detail of revision

Since the Announcement on February 28, 2013 the company has proceeded on the development of GBS-010 (PEG-G-CSF) biosimilar and early stage development of pipeline items GBS-002 - 009.

Now GTS has decided to renew the priority of the pipeline development considering such factors as: the alliance with Mochida Pharmaceutical Co., Ltd. dated August 11, 2015 for development of a biosimilar in the oncology therapy field, the alliance with Senju announced today, actual development progress on GTS biosimilar pipeline over the past two years and the current and future market situation.

Mainly, the investment priority will be judged from the following criteria:

- A) Collaboration partner is decided, or almost expected to be decided
- B) The development stage is expected to proceed from an early stage development to the next step

Under the new criteria, Item 4 GBS-002 - 009 will be highly prioritized and the amount of expenditure will increase by 600 million Japanese Yen, from original 800 million Japanese Yen to 1,400 million Yen. With regard to Item 3 GBS-010 (PEG-G-CSF)'s USA clinical test, in order to reduce the risk of spending large cost of such clinical test by GTS alone, the new strategy is license-out at an early stage, therefore, for the time being 50 million Japanese Yen will be scheduled as research expenses. 600 million Japanese Yen out of the total 650 million Japanese Yen will be reallocated to Item 4 GBS002 - 009 as mentioned above. The time schedule will also be revised and updated according to the utmost recent situation. Below chart "After Revision" shows the summary of the revision.

The development of Item 1 GBS-010 (PEG-G-CSF) for Japanese market is proceeding smoothly at the manufacturing scale-up stage. Item 2 GBS-010 (PEG-G-CSF) non-clinical studies has already been completed.

The remaining 58 units of the total 80 stock acquisition rights units are

expected to be exercised gradually.

3. Purpose Item and Time Schedule Table

“Original”

Purpose Item	Amount (MM Yen)	Time Schedule
1. GBS-010(PEG-G-CSF) development including scale up	1,250	May 2013-Jun 2016
2. GBS-010(PEG-G-CSF) non clinical test	100	Oct 2013-Dec 2015
3. GBS-010(PEG-G-CSF) USA clinical test	<u>650</u>	Apr 2014-Mar 2016
4. GBS-002 - 009, development of 4 items	<u>800</u>	May 2013-Dec 2015

“After Revision”

Purpose Item	Amount (MM Yen)	Time Schedule
1. GBS-010(PEG-G-CSF) development including scale up	1,250	May 2013-Jun 2016
2. GBS-1-010 (PEG-G-CSF) non clinical test	100	Oct 2013-Dec 2015
3. GBS-010(PEG-G-CSF) USA clinical test	<u>50</u>	Apr 2014-Dec 2016
4. GBS-002 - 009, development of 4 items	<u>1,400</u>	May 2013-Dec 2016

*Underscore shows the change.

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