May 12, 2016

Summary of Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016

[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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Scheduled date of Annual General Meeting of Shareholders: June 29, 2016
Scheduled date of filing of Annual Securities Report: June 30, 2016
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, 2016 (April 1, 2015 – March 31, 2016)

(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, 2016	1,160	260.9	(820)	-	(785)	-	(787)	-
Fiscal year ended Mar. 31, 2015	321	6.7	(824)	-	(790)	-	(792)	-

	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, 2016	(302.91)	-	(249.5)	(55.3)	(70.7)
Fiscal year ended Mar. 31, 2015	(331.86)	-	(123.7)	(52.1)	(256.2)

Reference: Equity in income (loss) of affiliates (million yen) Fiscal year ended Mar. 31, 2016: -
Fiscal year ended Mar. 31, 2015: -

Note: Diluted net income per share is not shown due to a net loss though there were outstanding dilutive shares,

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	1,694	403	22.6	132.44
As of Mar. 31, 2015	1,146	270	21.7	104.14

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 382 As of Mar. 31, 2015: 249

(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, 2016	(607)	(121)	946	817
Fiscal year ended Mar. 31, 2015	(970)	(49)	9	599

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, 2015	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2016	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2017 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	549	(30.7)	(721)	-	(721)	-	(723)	-	(167.70)
Full year	1,685	45.1	(493)	-	(494)	-	(497)	-	(113.07)

*** 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, 2016:	2,885,442 shares	As of Mar. 31, 2015:	2,394,105 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2016:	- shares	As of Mar. 31, 2015:	- shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016:	2,600,434 shares	Fiscal year ended Mar. 31, 2015:	2,387,119 shares

Information on 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 on future performances are not promises by the company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “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 816,327 on April 13, 2016 due to a third-party allotment and by 778,589 on April 28, 2016 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 Friday, May 20, 2016. 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 early term of this business year, the Japanese economy gradually recovered led by an increase in the revenue of some major companies, and the number of jobs increased following the economic measures taken by the Japanese government and Bank of Japan. In the later term of this business year, stock prices fell worldwide as economic growth slowed in China and other emerging countries, and the price of crude oil plunged. Financial markets became increasingly unstable even after the negative interest rate was introduced by the Bank of Japan, making the outlook for the Japanese economy unclear.

In the medical and pharmaceuticals sector, where Gene Techno Science operates, the Comprehensive Strategy for Strengthening the Pharmaceuticals Industry of the Ministry of Health, Labour and Welfare, in September 2015, includes the goal of raising the share of generic drugs to 80%. To reach this goal, the government announced to formulate a strategy with urgent and intense effects to accomplish three objectives: a stable supply of high quality pharmaceutical products in Japan; the efficiency in healthcare expenditures; and a highly competitive pharmaceutical industry. These measures are creating a favorable environment for the establishment of generic market and the reinforcement of operations in drug discovery. It is expected that not only to increase the use of generic drugs, but also to make big contributions to improvement in capabilities for drug discovery and the development of a new biotechnology industry including regenerative medicine and other sectors.

Under these circumstances, we have improved the stability of our operations in the biosimilar business with the good sales of Filgrastim BS, a treatment for neutropenia, marketed by Fuji Pharma Co., Ltd. and Mochida Pharmaceutical Co., Ltd.. Furthermore, Filgrastim BS has attracted the attention of other companies, resulting in multiple contacts and discussions to form business and capital alliances in biosimilar business. In order to supply biologics with outstanding quality and at low price to the patients in need, we are determined to take this opportunity and to enhance our business. To accomplish this goal, we are using the following measures to progress our pipelines and to start the development of new products.

a. Development of PEG-filgrastim biosimilars, a next-generation filgrastim

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

c. A business alliance with Mochida Pharmaceutical for biosimilars in the oncology field

d. A capital and business alliance with Senju Pharmaceutical Co., Ltd. in the field of ophthalmology biosimilars

e. The further expansion of our biosimilar pipeline

In the new biologics business, we are conducting R&D activities for next-generation antibody drugs including the joint development 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.

Since considerable time is needed to develop drugs, we are seeking opportunities for new businesses in a broad range of healthcare-related fields, such as medical equipment, diagnostic reagents and regenerative medicine. The goal is to build an even more stable framework for our business operations.

On March 28, 2016, Gene Techno Science signed a capital and business alliance agreement with NK Relations Co., Ltd. (a wholly owned subsidiary of Noritsu Koki Co., Ltd.) and GK Launchpad12 (a wholly owned subsidiary of NK Relations established for the purpose of forming this alliance). On April 13, 2016, Launchpad12 purchased 2,000 million yen worth newly issued Gene Techno Science stock through a third-party allotment. In addition, Launchpad12 conducted a public tender offer for Gene Techno Science stock between April 15 and May 30, 2016 in order to provide a source of stable funds for R&D activities. The business alliance will involve cooperation between Gene Techno Science and the biotechnology company of the Noritsu Koki Group to further expand the biotechnology operations of Gene Techno Science and to start new businesses.

As a result, net sales totaled 1,160 million yen (up 260.9% from the previous fiscal year), operating loss 820 million

yen (vs. operating loss of 824 million yen in the previous fiscal year), ordinary loss 785 million yen (vs. ordinary loss of 790 million yen in the previous fiscal year), and net loss 787 million yen (vs. net loss of 792 million yen in the previous fiscal year).

2) Prospects for the future

The economic outlook including financial market trend and consumer spending, is expected to remain uncertain in this business year.

There are numerous initiatives in Japan that are altering the entire pharmaceutical industry. Two examples are deregulation and the increasing use of generic drugs to cut the cost of social security programs. There are hopes for specific actions involving these initiatives as part of the Japanese government's growth strategy. Sales of Filgrastim BS in the business year ended on March 31, 2016 already reflect these events and more effects are expected. We will continue to focus on the development in the biosimilar business. In this business, we plan to generate earnings mainly by receiving lump-sum contractual payments, pipeline milestone payments and other payments from new alliance partners.

The sales forecast for the coming business year ending on March 31, 2017 is based on the sales of Filgrastim BS by incorporating only sales for which we have a high degree of confidence. This sales forecast also includes lump-sum contractual payments, pipeline milestone payments and other sales. Based on this outlook, we expect sales to increase by 45.1% to 1,685 million yen. The initial performance of Filgrastim BS is as expected and the first lot of the Filgrastim BS drug substance has already been delivered.

Current operating environment is an excellent opportunity to enhance our business. As announced on March 28, 2016, we procured funds which allow us to start development of new biosimilars as well as to advancing the development of our current the pipeline. Development in the coming business year ending on March 31, 2017 will include on the development of manufacturing technologies and conducting non-clinical trials for our pipeline under development. We will provide extensive support to our current and new alliance partners to start the clinical trials as soon as possible. As a result, we expect total R&D expenditures in the next business year to be 1,283 million yen.

We have established a business alliance with NK Relations involving new businesses in the field of biotechnology. We plan to utilize this alliance to establish new core business domains including regenerative medicine.

Due to the difficulty of determining reliable estimates at this time, the forecast does not include lump-sum contractual payments and sales and earnings associated with healthcare business, other than the payments described earlier in this section. An announcement will be made promptly once sales and earnings from these sources have been determined.

Net sales of 1,685 million yen, an operating loss of 493 million yen, an ordinary loss of 494 million yen and a net loss of 497 million yen is forecasted for the next business year. We will work hard on the activities explained earlier in this section in order to achieve earnings exceeding this forecast.

Forecasts are based on assumptions judged to be valid and information available at the time these materials were created. Forecasts are not promises by Gene Techno Science, where 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 1,520 million yen, an increase of 39.2% from the previous fiscal year. This was attributable mainly to increases of 217 million yen in cash and deposits and 200 million yen in advance payments. The increase in cash and deposits was mainly due to fund procurement resulting from exercise of subscription rights to shares. Advance payments increased mainly due to the prepaid expenses for biosimilar development.

< Non-current assets >

The balance of non-current assets at the end of the current fiscal year was 173 million yen, an increase of 219.6% from the previous fiscal year. This was attributable mainly to an increase of 115 million yen in investment securities.

< Current liabilities >

The balance of current liabilities increased 1,187 million yen to 1,279 million yen from the previous fiscal year. This was attributable mainly to increases of 460 million yen in short-term loans payable, 350 million yen in current portion of convertible bond-type bonds with subscription rights to shares, 127 million yen in accounts payable-other and 145 million yen in advances received. The increase in advances received was mainly due to the receipt of payments associated with the sales for biosimilar drug substance.

< Non-current liabilities >

The balance of non-current liabilities was 11 million yen, a decrease of 98.6% from the previous fiscal year. This was attributable mainly to a decrease of 775 million yen in convertible bond-type bonds with subscription rights to shares.

< Net assets >

The balance of net assets was 403 million yen, an increase of 49.0% from the previous fiscal year. This was attributable mainly to an increase of 460 million yen each for capital stock and legal capital surplus due to the exercise of subscription rights to shares, while there was a net loss of 787 million yen.

2) Cash flows

There was a net increase of 217 million yen from the end of the previous fiscal year to 817 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 607 million yen, compared with net cash used of 970 million yen in the previous fiscal year. This was mainly due to a loss before income taxes of 785 million yen and a 200 million yen increase in advance payments, while there were increases of 69 million yen in notes and accounts payable-trade, 127 million yen in accounts payable-other and 145 million yen in advances received.

< Investing activities >

Net cash used in investing activities totaled 121 million yen, compared with net cash used of 49 million yen in the previous fiscal year. This was mainly due to the purchase of investment securities at 116 million yen.

< Financing activities >

Net cash provided by financing activities totaled 946 million yen, compared with net cash provided of 9 million yen in the previous fiscal year. This was mainly due to a 460 million yen in net increase in short-term loans payable and a 486 million yen in proceeds from issuance of shares resulting from exercise of subscription rights to shares.

Reference: Trends in cash flow indicators

Fiscal years ended	March 31, 2012 (FY3/12)	March 31, 2013 (FY3/13)	March 31, 2014 (FY3/14)	March 31, 2015 (FY3/15)	March 31, 2016 (FY3/16)
Shareholders' equity ratio (%)	67.2	96.3	54.7	21.7	22.6
Shareholders' equity ratio based on market prices (%)	-	692.6	264.7	513.6	510.8
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 cash flow statement.
3. Shareholders' equity ratio based on market prices for FY3/12 is not shown because the stock of Gene Techno Science was not listed then.
4. Cash flows to debt ratio and interest coverage ratio are not shown because operating cash flows were negative.

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

The highest priorities are the swift achievement of profitability and to retain funds to strengthen the financial structure to be able to invest in R&D activities. Since it is also important to distribute the 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. Interim dividends are decided by the Board of Directors and the year-end dividends will be decided at the shareholders meeting.

No dividend has been paid so far as we are currently concentrating on R&D activities in both the biosimilar business and new biologics business. There was no dividend for the fiscal year that ended on March 31, 2016 and no dividend is planned for the coming fiscal year since there is no prospect of posting a profit.

(4) Business Risk

This section explains major items that we believe are risk factors for our business operations and other activities at Gene Techno Science. Additional items which may not necessarily be significant risks or events are included in order to assist shareholders and other investors to make their decisions or to gain better understanding of our business activities.

We are aware of these risks and are taking actions to prevent these problems and will respond to these problems if they occur. Before reaching a decision on the investment in Gene Techno Science, investors are cautioned to carefully study these risk factors as well as other information in this section. 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 otherwise stated. Actual performance may differ from these statements due to a number of uncertainties.

Legal and other restrictions

1) Risk in permits and licenses

Sales of drug substance and other pharmaceutical products are regulated by the Pharmaceutical and Medical Device Act and other associated laws and regulations. In the event of a violation of this law or regulation or the inability to recruit individuals with required qualifications to replace resigned qualified personal, 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 in Pharmaceutical and Medical Device Act and other regulations of pharmaceutical R&D activities

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

Gene Techno Science is performing R&D activities that involve Japanese market as well as the markets of Europe, North America and other regions of the world. In order to commercialize the products in the pipeline, manufacturing and sales license has to be obtained in accordance with the laws and regulations of all applicable countries, following the biosimilar guidelines. Inability to demonstrate the quality, efficacy and safety of a drug through clinical trials and other activities would lead to a rejection of the application having a significant impact on our business plan.

The current Pharmaceutical and Medical Device Act allows companies to outsource the production of drug substance. If there are revisions to regulations for outsourcing importing or other related activities, there may be a significant impact on our business activities.

3) Risk in revisions to Japan’s healthcare system

The Japanese government has enacted numerous revisions to the healthcare system and will continue to do so for the purpose of holding down the healthcare expenditures including revisions to drug prices due to the population aging in Japan. As a result, new drugs to be launched may be affected by the drug price revisions that would also have a significant impact on the prices of drug substance that we sell to pharmaceutical companies.

Pharmaceutical development business

1) Risk in all aspects of the development of pharmaceuticals

Companies and ventures developing pharmaceuticals worldwide including Gene Techno Science, are competing with respect to the quality and speed of technological progress and innovation. 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 a long time. As a result, there are many uncertainties and risks associated with products under development and products that will be developed in the future. We establish a business model that is expected to yield earnings from the development phase and use measures to spread the 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. This may have an effect on our business plan and results of operations.

2) Risk in efficacy 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 rare diseases or diseases that are difficult to be treated. Based on our public service obligation as a start-up company that originated at Hokkaido 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 from basic research up to obtaining approval for manufacturing and sales. After each stage, a decision is made whether or not to continue the R&D activities. It may be difficult for an R&D product to meet a medical need if the results of non-clinical and clinical trials do not confirm the anticipated clinical benefit, have unexpected side effects, or if a standard treatment procedure at medical sites is revised. If these risk factors or other potential problems prevent us from confirming the efficacy and safety of a drug, we may have to terminate the R&D activities. In the event that we are unable to continue the R&D operations for a particular pipeline, there may be a significant impact on our business plan.

3) Risk in 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 activities will be successful to be commercialized. Consequently, if we encounter an obstacle to these activities for some reason, there may be an impact on our business strategy and results of operations.

4) Risk in large R&D expenditures

R&D expenses were 72.6% of selling, general and administrative expenses in the fiscal year that ended on March 31, 2016. 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 our current pipeline and adding new items to our pipeline. For biosimilars, R&D must start with the proper timing to begin the 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 status. However, an unexpected increase in R&D expenses may impact our financial position, results of operations and cash flows.

5) Risk in delays in R&D programs

Gene Techno Science is a company focused in R&D. To perform efficient R&D activities, we have our own R&D activities as well as alliance R&D activities with other companies.

In case the R&D programs do not produce results as initially planned, delays in starting and completing tests, unable to continue an R&D program on our own due to a contract with an alliance partner or delay in contract negotiations with a prospective new alliance partner may delay or limitations for the receipt of approvals. We do everything possible to prevent these problems. We supervise and assess the progress of R&D programs in a timely manner, and establish priorities within the pipeline and shift (or temporarily stop of R&D) 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 in competition in the pharmaceutical industry

In recent years, competition has been intense by rapid technological advances in the pharmaceutical industry among pharmaceutical companies, biotechnology companies, research institutes and other organizations in and outside Japan. 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 market, which may force us to stop the associated R&D program. Even if we succeed in launching a new drug prior to others, the subsequent introduction of superior products by a competitor may lower our market share and have other significant impacts on our business plan and results of operations.

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

The market for generic drugs is expected to continue to grow, as actions are taken worldwide to reduce healthcare expenditures. Major pharmaceutical companies in and outside Japan are likely to aggressively enter not only into the generic drug market but also into the biosimilar market in Japan, which has excellent prospects for growth in Japan and worldwide. Biosimilars, our business domain, requires much more knowledge, experience and expertise than the generics (low molecular weight compound) does. As a result, barrier to enter the biosimilar market is relatively high. Nevertheless, major pharmaceutical companies in and outside Japan may decide to make large R&D expenditures to expand their presence in the biosimilar market. If one of these major pharmaceutical companies develops the same biosimilar product before we do, there may be a significant impact on our business plan and results of operations.

Profit structure

1) Risk in earnings

The results of R&D activities do not appear as business earnings for a long time as many years are required from the start of basic research until an approval and launch of a new drug. There has been a drop in the success rate of R&D projects in recent years, which could also be the case for some of our R&D projects to be terminated before bring any profits. When we form an alliance with a pharmaceutical company at the clinical trial stage of development, the clinical trial will be conducted by our alliance partner. This means that we have no control over the problems that may occur during the clinical trial. For example, our partner may not be able to perform the trial as planned or there may be a change in the operating environment or management policies. If such problems occur, the development of the corresponding drug may need to be postponed or canceled.

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

Risks associated with earning profits from products under development are decentralized using a different ways of reporting profits for every R&D phases. Despite these measures, there is no assurance that we will be able to record profits as expected even if R&D programs are conducted as planned. If we are unable to earn profits as expected, there may be an effect on our business plan and results of operations.

2) Risk in 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 beyond our control, such as but not limited to a change in the operating environment or management policies at Kaken Pharmaceutical. If such problem occurs, our policy is to minimize the negative impact on our business plan by establishing a new alliance with a different pharmaceutical company. If we were 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 in contract with Fuji Pharma Co., Ltd.

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

4) Risk in sale of filgrastim biosimilar

The filgrastim biosimilar developed by Gene Techno Science is sold by Fuji Pharma and Mochida Pharmaceutical. If either company encounters difficulty selling this drug for any reason, the resulting decrease in drug sales may reduce our sales of the drug substance. If this happens, there may be a significant impact on our business plan and results of operations.

5) Risk in contract with Sanwa Kagaku Kenkyusho Co., Ltd.

We have a joint development contract with Sanwa Kagaku Kenkyusho Co., Ltd. for darbepoetin alfa biosimilars.

There is a risk that this contract may have to be terminated for some reason. For example, this joint development may be suspended or canceled beyond our control, such as a change in the operating environment or management policies of Sanwa Kagaku Kenkyusho. If this happens, there may be a significant impact on our business strategy and business plan.

6) Risk in contract with Senju Pharmaceutical Co., Ltd.

We have a capital and business alliance contract with Senju Pharmaceutical Co., Ltd. for developing ophthalmology biosimilar. There is a risk that this contract may have to be terminated for some reason. For example, joint activities may be suspended or canceled beyond our control, such as a change in the operating environment or management policies of Senju Pharmaceutical. If this happens, there may be a significant impact on our business strategy and business plan.

Structure of business operations

1) Risk in capital and business alliance with the Noritsu Koki Group

As of the date this document was released, a tender offer by GK Launchpad12 (a wholly owned subsidiary of NK Relations (which is wholly owned by Noritsu Koki) established for this alliance) to purchase Gene Techno Science stock is currently proceeding with an ending date of May 30, 2016. Ending the stock listing of Gene Techno Science is not the intent of this tender offer; however, Launchpad12 has not set a limit on the number of Gene Techno Science stock to be purchased. Gene Techno Science stock may be delisted depending on the outcome of this tender offer; however, Launchpad12 and Gene Techno Science have agreed to take various measures to retain the stock listing.

Following this tender offer, we will continue to reach decisions about policies, goals and business operations on our own. Since Launchpad12, as the largest shareholder, can have a certain degree of influence in the governance of Gene Techno Science, there may be an effect on our results of operations and business operations according to changes in the management policies or business strategies of the Noritsu Koki Group.

2) Risk concerning alliances

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

3) Risk in fabless operations

Gene Techno Science does not have manufacturing facilities of its own. We outsource Good Laboratory Practice tests and the manufacture of drug substance based on Good Manufacturing Practice guidelines in association with our drug development. There may be cases where an outsourcing partner is unable to meet our reliability and quality standards. If we are unable to switch to another outsourcing partner in a timely manner, there may be a delay in R&D 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 the launch and sales of a product, there is a need to provide a consistent supply of drug substance. If an outsourced manufacturer of these items has difficulty maintaining a commercial-volume supply, we may need to seek for a different outsourced manufacturer. If it is not possible to swiftly transfer the production to another manufacturer, there may be a delay in starting the 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.

4) Risk for the small size of our company

As of the date this document was released, Gene Techno Science had five directors (including two part-time

directors), three audit & supervisory board members (including two part-time audit & supervisory board members) and 18 employees.

We use a distinctive approach for R&D utilizing our small workforce by forming alliances with other companies to perform R&D activities efficiently while holding down fixed expenses. Enlarging our workforce will be necessarily in order to increase the number of items in our pipeline. If we are unable to recruit employees 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, having 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. Inability to recruit employees as planned or resignation of our executives or employees may reduce the quality of our internal management systems causing an impact on our ability to earn the trust of the public.

5) Risk in dependence on certain individuals

Due to its small work force, Gene Techno Science has a high degree of dependency on the managers of business units for the execution of business strategies. We will continue to recruit talented individuals and train our executives and employees. If we are unable to recruit or train our employees as planned, or if certain executives or employees resign, there may be problems in the implementation of our business strategies.

6) Risk in expenses for joint research with universities and public-sector research institutions

We perform joint research with a number of universities and public-sector research institutions, including Hokkaido University, for the purpose of identifying seeds for new pharmaceuticals. We pay part of the expenses for these joint research activities. We also 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 public-sector research institutions 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.

7) Risk in the 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, such as due to the expiration of a joint research contract, we would be forced to move our research activities from this center to our own research facilities. The resulting additional capital expenditures, rental fees and other expenses may have an effect on our results of operations.

Intellectual property rights

1) Risk in 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.

There is; however, no assurance that all of our pending applications for patents and other rights will be approved. 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, 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 and/or with the assistance of an attorney or other legal professional in order to prevent such disputes. If we infringe the patent or other rights of a third party, we may be forced to cease the associated operations and pay for the 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 in 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 an amount equivalent to the value of the idea pursuant to Article 35-3 of the Patent Act. We have never encountered any problem until today. However, there may be a dispute with an executive or employee on the value of the rights in the future. There may be a significant impact on our financial position and results of operations in case of a dispute or requirement to make additional payments.

3) Risk in cancelation of agreements with holders of rights

There are some R&D activities in our pipeline, which we obtain permission to use license of third parties. Under the terms of these license agreements, we take necessarily actions to commercialize the associated item. Our ability to fulfill all the terms of each licensing agreement depends on a large number of factors, some of which are beyond our control. If we are no longer able to use a particular right due to the violation of 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 in 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 profit because of the R&D expenditures that are necessarily before generating steady earnings. Our goal is to become profitable as soon as possible. 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 in 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 a possibility of a revision in the tax system which may result in corporate tax associated with the income standard, residents' tax and enterprise tax. The mentioned events may have an effect on our ability to achieve a net income and loss, and cash flows as currently planned.

3) Risk in reliance on particular customers

We currently sell products to only a small number of pharmaceutical companies. 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 selling products to new customers. These measures; however, may not produce results as expected. If our current customer cancels the contract with us, there may be a significant impact on our results of operations.

4) Risk in fund procurement

Gene Techno Science has operations centered on R&D with the goal of commercializing biosimilars and other biotechnology. In the pharmaceutical and biotechnology business, a long time is required until the returns to R&D investments can be generated. The funds we procure may not always produce results that meet the investor's expectations due to significant risks associated with R&D. 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. If we fail to procure funds as required, we may be unable to continue our R&D activities.

5) Risk in 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. Our policy is to prioritize reinvesting funds in order to improve our financial structure and fund R&D activities while aiming to become profitable at an early stage. We will use our financial position and results of operations as the primary basis to decide the timing of distributing a dividend as putting importance on distributing dividends to shareholders. If we fail to make progress according to our earnings plan and continue to be unable to generate consistent earnings, distributing a dividend to shareholders may not be possible.

6) Risk in price volatility of investment securities

Gene Techno Science owns investment securities as of March 31, 2016. As a result, valuation losses resulting from changes in the prices of these investment securities may affect our results of operations and financial condition.

7) Risk in foreign exchange rates

Our business operations include transactions mainly in foreign currencies with overseas companies. Previously, we have never recorded a substantial foreign exchange gain or loss as payments for most of our transactions were made promptly. If our business operations continue to grow, there may be an increase of transactions in foreign currency and/or a longer term of payment may be requested. If these events occur, changes in foreign exchange rates may affect our results of operations.

Other risks

1) Risk in 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 the outflow of this information, our executives, employees, our business partners and customers 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 in IT system malfunctions

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 problems caused by a virus, unauthorized access, natural disaster, communication error, electrical issues. A malfunction, security breach or other problem may result in the loss or outflow of important information of our R&D activities. If this loss or leak of confidential information occurs, the restoration of the data may require substantial expenditures and time. This could also delay the development of certain products and lead to demands from business partners for the payment of damages. 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 in pharmaceutical quality and side effects

Safety data of pharmaceuticals are collected from clinical trials that use a limited number of participants. 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; however, unforeseen side effects may be developed after a drug is commercially available in the market. If such side effects are developed, drugs may have to be recalled or sales may be suspended. This would also prevent us from continuing to sell drug substances, which could have a significant impact on our results of operations.

4) Risk in litigation

Although we prioritize 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 claiming damages due to an alleged patent infringement or some other form of litigation. We may also be the defendant in a lawsuit involving our products, the environment or our employees. 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 in 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 to decrease the risk of natural disasters.

If there is a major earthquake or other natural disaster in these areas, damage to the facilities, 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 Hokkaido University. We have a strong commitment to public service that includes the pursuit of earnings in order to contribute to society. We are dedicated to provide better quality of life by developing pharmaceuticals against 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 fulfilling and safe social environment.

(2) Target Performance Indicators

Gene Techno Science has two main businesses involving the development of pharmaceuticals. One is the new biologics business, where we develop new drugs that were discovered by research programs at universities. The other is the biosimilar business, a generic version of biopharmaceutical products, which is a newly established drug category. 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 timelines for individual projects and manage the progress 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, including antibody drugs. In the biosimilar business, the strategy is to use sales of drug substance and other products to build a base for consistent sales and earnings, whereas the strategy is to develop seeds for new drugs in the new biologics business.

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 tremendous, with annual sales potential of between about 200 billion yen and 600 billion yen. 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. To select our pipeline, we use a development policy that targets the needs of pharmaceutical companies. We use joint development programs and then sell drug substance and/or drug product to pharmaceutical companies in order to earn profits.

In the new biologics business, we form research groups to perform joint research activities with universities, research institutes and companies. The objective of these activities is to search the 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 this document was released.

1) Development of new biopharmaceutical products

In the new biologics business, we believe that being able to license out the new products is one key to success. We seek to collect the data required by the pharmaceutical companies utilizing our network and relationships for all business opportunities.

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

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

We have already licensed out GND-001to Kaken Pharmaceutical Co., Ltd., and 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 and outside Japan, we will provide support for locating alliance partners outside Japan in order to speed up activities outside Japan.

ii. Activities to increase candidates of new biologic

The development of new biologics starts with research to discover seeds that may become new drugs. The next step is to confirm the efficacy at the cellular and small animal studies so that seeds can become intellectual assets in the form of patents or other industrial rights. Our goal is to transform research themes, including candidates for new antibody drugs, into intellectual property. We are not limited to the research themes that we have, but will seek opportunities involving diseases that are poised to become serious problem in the future and diseases where there are currently no satisfactory treatments. We plan to conduct R&D in these fields while using tie-ups with other organizations.

2) Development of 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 (generally known as adalimumab), a human monoclonal antibody that blocks 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 biosimilar, we believe that we can efficiently develop competitive biosimilars. We recognize that enlarging our lineup of biosimilars will be critical to our ability to achieve constant growth in corporate value. We anticipate that increased global competition will cause the biosimilar industry to grow even faster. We will carefully select items for development after evaluating many aspects. We will also quickly form alliances to reduce risk associated with the development of the items selected and concentrate our resources on these projects in order to perform R&D efficiently.

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

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

Sales of a filgrastim biosimilar that we developed started in Japan in May 2013 and sales have grown steadily. To maximize the product value, we are considering the sales of this biosimilar in Europe, the United States and Asia.

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

PEG-filgrastim biosimilar (polyethylene glycol-filgrastim) is next-generation of filgrastim with added value. PEG reduces the number of doses needed while increasing the sustainability of efficacy. This is an extremely attractive market because global sales of the predecessor drug are about 500 billion yen.

The base of PEG-filgrastim biosimilar is filgrastim, which is already commercialized in Japan. Having a filgrastim biosimilar product gives us a valuable advantage over competitors for the development of PEG-filgrastim and we have easily established a production process of the drug substance for PEG-filgrastim. We have also obtained excellent data demonstrating that PEG-filgrastim has similar properties and quality as the originator drug. We plan to use this data to quickly establish alliances with pharmaceutical companies in and outside Japan in order to start selling PEG-filgrastim biosimilar.

iii. Activities involving adalimumab biosimilar (development code: GBS-005, treatment for autoimmune disorders)

The originator drug has annual global sales of about 1.5 trillion yen as a treatment for rheumatoid arthritis, psoriasis vulgaris and other disorders and is currently the world's best-selling drug. We have already established a production process for the drug substance of a biosimilar. We have obtained excellent data demonstrating that our ingredient has similar properties and quality as the originator drug. We plan to use this data to quickly establish alliances with pharmaceutical companies in and outside Japan in order to start selling this biosimilar.

iv. Activities involving darbepoetin alfa biosimilar (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. Joint development activities are under way with Sanwa Kagaku Kenkyusho in order to sell this biosimilar in Japan. Our current goal is to begin clinical trials as soon as possible.

v. Activities involving biosimilar cancer drugs

Expectations in biopharmaceuticals (biologics) for cancer treatment are high and rank among the best-selling drugs in the world. We have worked on the development of biosimilars to treat cancer with our partner Mochida Pharmaceutical since August 2015 and will continue this project in order to start selling a biosimilar product.

vi. Activities involving ophthalmology biosimilars

The increase in aging populations worldwide along with changing lifestyles is producing an increasing number of people with macular degeneration and other vision problems. Biopharmaceuticals are attracting attention as a treatment to these problems. Drugs for eye disorders are often very expensive. As a result, we believe there is also a social need for biosimilars that can be used by a large number of people for many types of eye problems. As we announced in November 2015, we started a joint development with Senju Pharmaceutical, a specialist in the field of ophthalmology drugs, and remain committed to this project.

3) Establishing superiority in the biopharmaceutical business

i. Pipeline priorities

As was explained in the previous section, we have a number of items under development in both the biologics and biosimilars. We have a strong commitment to accomplish the greatest possible results by utilizing our limited human and financial resources efficiently and by working with partner pharmaceutical companies and organizations that we outsource our tasks. Our objective is to maximize the value of each item in our pipeline. All these activities are taking place during constant change in the market for biologics, standard treatments for a variety of diseases, progress with R&D work at competitors and other events. We will flexibly reexamine the priorities for our pipeline in a timely manner by taking a diverse array of internal and external factors into account. Our objective is to maximize our corporate value as we preserve the market superiority of our new products in our pipeline.

ii. A competitive edge for our products

The quality and the cost of production of drug substance are critical factors for any drug development and they are the most important considerations of all in order to achieve long-term success in biosimilars. We believe that the superiority of our biosimilars will depend on these two factors as well as the ease of use (usability). This is the reason that we place priority on the development of production processes with our outsourcing partners with respect to the drug supply chain and manufacturing cost of drug substance, as well as developing products that are easy to use for both healthcare professionals and patients by actively holding discussions with medical device companies.

4) 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 against rare diseases where no drugs are

currently available. Two examples are cancer and autoimmune diseases. Since our resources are limited, we must conduct these activities by forming 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 our partner companies to enlarge our network with Asian, European and U.S. contract manufacturers. Pharmaceutical companies with global operations have started developing biosimilars. Our goal is to establish alliances with these pharmaceutical companies by offering products with better quality, efficient manufacturing cost and drug formulations.

By taking the actions outlined in this section, we plan to build a network for manufacturing and other activities involving both biologics and biosimilars. We are determined to continue making progress with our business activities as we form alliances with pharmaceutical companies in and outside Japan to efficiently combine human and financial resources.

5) Activities with the Noritsu Koki Group

As was announced on March 28, 2016, we established a capital and business alliance with NK Relations. We will use this alliance to identify the seeds for new biotechnology businesses that are currently lying idle at universities, public-sector institutions, start-up biotech companies and larger companies in and outside Japan. We want to launch new businesses for regenerative medicine, genetic diagnosis, gene therapy and other activities in the biotechnology domain. Building a foundation for long-term growth is our goal. To accomplish this goal, we plan to quickly build a framework for close cooperation with the Noritsu Koki Group for the purpose of starting new businesses.

6) 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 including our partners. We will also need these partners to locate the seeds for new businesses in the biotechnology sector, which is one of our goals. 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, which skills are to be educated to our employees.

7) Strengthening corporate governance and administrative systems

We believe that maintaining and enhancing our reputation will be important for us to build network relationships with other companies. Many of our business partners are companies, including publicly owned companies, and public-sector research institutions that have reputations. To maintain business relationships with these companies and institutions as our 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. 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 associated factors in Japan and other countries into account.

4. Financial Statements

(1) Balance Sheet

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	599,471	817,342
Accounts receivable-trade	189,952	199,368
Advance payments-trade	276,286	477,257
Prepaid expenses	1,363	6,885
Other	25,311	19,494
Total current assets	1,092,384	1,520,347
Non-current assets		
Property, plant and equipment		
Buildings	460	2,446
Accumulated depreciation	(460)	(562)
Buildings, net	0	1,883
Tools, furniture and fixtures	5,088	5,088
Accumulated depreciation	(4,753)	(4,860)
Tools, furniture and fixtures, net	334	227
Total property, plant and equipment	334	2,111
Intangible assets		
Trademark right	247	209
Total intangible assets	247	209
Investments and other assets		
Investment securities	49,995	165,042
Long-term prepaid expenses	110	-
Guarantee deposits	3,683	6,406
Total investments and other assets	53,789	171,448
Total non-current assets	54,371	173,769
Total assets	1,146,755	1,694,117
Liabilities		
Current liabilities		
Accounts payable-trade	-	69,336
Short-term loans payable	-	460,080
Current portion of convertible bond-type bonds with subscription rights to shares	-	350,000
Accounts payable-other	80,437	207,867
Accrued expenses	4,590	5,740
Income taxes payable	5,275	8,190
Advances received	-	145,000
Deposits received	1,912	1,787
Other	-	31,754
Total current liabilities	92,215	1,279,756
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	775,000	-
Provision for retirement benefits	8,880	11,070
Total non-current liabilities	783,880	11,070
Total liabilities	876,095	1,290,826

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	1,576,290	2,037,041
Capital surplus		
Legal capital surplus	1,479,557	1,940,308
Total capital surpluses	1,479,557	1,940,308
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,806,528)	(3,594,214)
Total retained earnings	(2,806,528)	(3,594,214)
Total shareholders' equity	249,318	383,135
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-	(981)
Total valuation and translation adjustments	-	(981)
Subscription rights to shares	21,341	21,136
Total net assets	270,659	403,290
Total liabilities and net assets	1,146,755	1,694,117

(2) Income Statement

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales		
Net sales of finished goods	321,658	1,100,890
Intellectual property revenue	-	60,000
Total net sales	321,658	1,160,890
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	-	-
Cost of products manufactured	147,600	500,700
Total	147,600	500,700
Ending finished goods	-	-
Cost of finished goods sold	147,600	500,700
Total cost of sales	147,600	500,700
Gross profit	174,058	660,190
Selling, general and administrative expenses		
Depreciation	126	189
Research and development expenses	689,738	1,075,354
Other	308,333	404,935
Total selling, general and administrative expenses	998,198	1,480,479
Operating income (loss)	(824,140)	(820,289)
Non-operating income		
Interest income	617	106
Subsidy income	33,131	34,115
Gain on sales of materials	-	15,732
Foreign exchange gains	7	-
Miscellaneous income	239	438
Total non-operating income	33,996	50,392
Non-operating expenses		
Interest expenses	-	94
Share issuance cost	91	5,078
Loss on transfer of receivables	-	1,639
Commission fee	-	1,600
Foreign exchange losses	-	7,326
Miscellaneous loss	-	150
Total non-operating expenses	91	15,888
Ordinary income (loss)	(790,234)	(785,785)
Extraordinary losses		
Loss on retirement of non-current assets	44	-
Total extraordinary losses	44	-
Income (loss) before income taxes	(790,279)	(785,785)
Income taxes-current	1,900	1,900
Total income taxes	1,900	1,900
Income (loss)	(792,179)	(787,685)

(3) Statement of Changes in Equity

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 Retained earnings brought forward	Total retained earnings	
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

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Valuation and translation adjustments		
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

FY3/16 (Apr. 1, 2015 - Mar. 31, 2016)

(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	1,576,290	1,479,557	1,479,557	(2,806,528)	(2,806,528)	249,318
Changes of items during period						
Issuance of new shares	460,751	460,751	460,751			921,502
Net income (loss)				(787,685)	(787,685)	(787,685)
Net changes of items other than shareholders' equity						
Total changes of items during period	460,751	460,751	460,751	(787,685)	(787,685)	133,816
Balance at end of current period	2,037,041	1,940,308	1,940,308	(3,594,214)	(3,594,214)	383,135

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Valuation and translation adjustments		
Balance at beginning of current period	-	-	21,341	270,659
Changes of items during period				
Issuance of new shares				921,502
Net income (loss)				(787,685)
Net changes of items other than shareholders' equity	(981)	(981)	(204)	(1,185)
Total changes of items during period	(981)	(981)	(204)	132,630
Balance at end of current period	(981)	(981)	21,136	403,290

(4) Cash Flow Statement

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities		
Income (loss) before income taxes	(790,279)	(785,785)
Depreciation	211	246
Increase (decrease) in provision for retirement benefits	-	2,190
Interest and dividend income	(617)	(106)
Interest expenses	-	94
Share issuance cost	91	5,078
Decrease (increase) in notes and accounts receivable-trade	(41,020)	(9,415)
Decrease (increase) in advance payments	(164,482)	(200,971)
Increase (decrease) in notes and accounts payable-trade	-	69,336
Increase (decrease) in accounts payable-other	42,321	127,430
Increase (decrease) in advances received	-	145,000
Other, net	(15,008)	41,388
Subtotal	(968,783)	(605,514)
Interest and dividend income received	617	106
Interest expenses paid	-	(94)
Income taxes paid	(2,521)	(1,871)
Net cash provided by (used in) operating activities	(970,686)	(607,374)
Cash flows from investing activities		
Purchase of investment securities	(49,995)	(116,029)
Purchase of property, plant and equipment	-	(1,985)
Payments for guarantee deposits	-	(7,072)
Proceeds from collection of guarantee deposits	-	3,340
Net cash provided by (used in) investing activities	(49,995)	(121,746)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	460,080
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	9,908	486,911
Net cash provided by (used in) financing activities	9,908	946,991
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(1,010,773)	217,870
Cash and cash equivalents at beginning of period	1,610,244	599,471
Cash and cash equivalents at end of period	599,471	817,342

(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 Gene Techno Science has only a single business segment, which is the pharmaceutical development business.

b. Related information

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 income statement 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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

1. Information by product or service

Omitted since sales to external customers which account for more than 90% of net sales shown on the income statement 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
Fuji Pharma Co., Ltd.	1,100,890	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)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net assets per share	104.14	132.44
Net income (loss) per share	(331.86)	(302.91)

Notes: 1. Diluted net income per share is not presented, though there were outstanding dilutive shares, due to a net loss.

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

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net income (loss)	(792,179)	(787,685)
Amounts not available to common shareholders	-	-
Net income (loss) available to common shares	(792,179)	(787,685)
Average number of shares outstanding during the period (Shares)	2,387,119	2,600,434
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 (638 units), and No. 1 unsecured convertible bond-type bonds with subscription rights to shares (Face amount: 775 million yen)	4 types of subscription rights to shares (572 units), and No. 1 unsecured convertible bond-type bonds with subscription rights to shares (Face amount: 350 million yen)

Subsequent Events

1. Issuance of New Shares through Third-party Allotment

The Board of Directors of Gene Techno Science approved a resolution on March 28, 2016 to issue new shares by a third-party allotment, and the payment for these shares was made on April 13, 2016.

(1)	Type and number of shares issued:	816,327 shares of common stock
(2)	Issue price:	2,450 yen per share
(3)	Total issue price:	2,000 million yen
(4)	Matters regarding the amount of capital stock and legal capital surplus increased:	Capital stock increased: 1,225 yen per share Legal capital surplus increased: 1,225 yen per share
(5)	Total amount incorporated into capital stock	1,000 million yen
(6)	Party to which shares were allotted and number of shares allotted:	GK Launchpad12 816,327 shares
(7)	Use of proceeds:	Additional investment in biosimilar business, costs for consideration and R&D for the new biotechnology business

2. Issuance of new shares due to the exercise of subscription rights to shares

On April 28, 2016, 56 units of the 2nd subscription rights to shares that were held by an investment limited partnership established with Whiz Partners as the general partner, and 14 units of the No. 1 unsecured convertible bond-type bonds with subscription rights to shares were exercised as follows.

The 2nd subscription rights to shares

(1)	Type and number of shares issued:	593,208 shares of common stock
(2)	Issue price:	1,888 yen per share
(3)	Total issue price:	1,119 million yen
(4)	Total amount incorporated into capital stock:	565 million yen

Subscription rights to shares for the No. 1 unsecured convertible bond-type bonds with subscription rights to shares

(1)	Type and number of shares issued:	185,381 shares of common stock
(2)	Issue price:	1,888 yen per share
(3)	Total issue price:	350 million yen
(4)	Total amount incorporated into capital stock:	175 million yen

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.