

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021

[Japanese GAAP]

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 Preparation of supplementary materials for financial results: Yes
 Briefing of the quarterly financial results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – September 30, 2020)

(1) Results of operations (cumulative) (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of the fiscal year ending Mar.31, 2021	174	-44.4	-682	-	-693	-	-696	-
Second quarter of the fiscal year ended Mar. 31, 2020	313	-	-611	-	-613	-	-6,550	-

(Note) Comprehensive income

Second quarter of the fiscal year ending Mar. 31, 2021: -605 million yen (-%)

Second quarter of the fiscal year ended Mar. 31, 2020: -6,569 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending Mar.31, 2021	-24.49	-
Second quarter of the fiscal year ended Mar. 31, 2020	-236.95	-

(Note)

- Percentage for year-on-year changes in the second quarter of the fiscal year ended Mar. 31, 2020 is not recorded due to the change to consolidated financial statement was made from first quarter of the fiscal year ended Mar. 31, 2020.
- Even though there is a calculation of dilutive shares available, there is no reporting on quarterly net income per share after an adjustment of dilutive shares as the company recorded net loss.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2021	3,611	1,466	38.3
As of March 31, 2020	3,592	1,487	39.8

(Reference) Shareholders' equity

Second quarter of the fiscal year ending Mar.31, 2021: 1,384 million yen,

Fiscal year ended Mar. 31, 2020: 1,430million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2021 (forecasts)	-	-	-	0.00	0.00

(Note) Changes to the most recent forecasted dividend amount: None

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	972	-9.8	-1,672	-	-1,688	-	-1,691	-	-58.84

(Note) Changes to the most recent forecasted dividend amount: None

*** Notes**

1. Changes in significant subsidiaries during the period (change in specified subsidiaries which accompanies a change in the range of consolidation): None
2. Special accounting treatments used in preparation of financial statements of the quarter: None
3. Changes in accounting policies and accounting-based estimates, and restatements
 - a. Changes in accounting policies due to revisions in accounting standards, others: None
 - b. Changes in accounting policies other than a) above: None
 - c. Changes in accounting-based estimates: None
 - d. Restatements: None
3. Number of outstanding shares (common stock)
 - a. Number of shares outstanding at the end of period (including treasury shares)
 - At the end of the fiscal year ending March 31, 2021: 28,964,630 shares
 - At the end of the fiscal year ended March 31, 2020: 27,646,986 shares
 - b. Number of treasury shares at the end of period
 - At the end of the fiscal year ending March 31, 2021: 92 shares
 - At the end of the fiscal year ended March 31, 2020: 92 shares
 - c. Average number of shares outstanding during the period (Quarter-to-date)
 - At the end of the fiscal year ending March 31, 2021: 28,424,005 shares
 - At the end of the fiscal year ended March 31, 2019: 27,643,905 shares

*This summary report on Gene Techno Science's financial statements is not subject to audit procedures.

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

(Notes to information regarding future)

The statement regarding the future such as business forecasts in this summary is based on assumptions judged to be valid and the information available to Gene Techno Science at the time this summary was made and is not promised by the Company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "1. Overview of business results (3) Future outlook" on page 3 of the attachments for forecast assumptions and notes of caution for usage.

(How to obtain supplemental financial information)

Materials for the supplemental financial information is available on the Company's website (<https://www.g-gts.com/en/>).

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I. Overview of business results for the current fiscal quarter

A. Overview of business results

Gene Techno Science (the Company) announced GTS 3.0 “Biotech Engineering Company, striving for value creation” a new business stage, which targeted the pediatric disease in addition to the areas the Company has been engaged in such as the orphan disease and intractable disease. By leveraging the know-how and expertise about biotechnology acquired in the past business activities, the Company is working on the development and provision of new medicines and therapeutic solutions with the aim of achieving comprehensive healthcare solutions for the patients suffering from these diseases as well as families and caregivers. More specifically, the Company has been pursuing the business growth with new biologics business, and new biotech business centered on the cell therapy field in regenerative medicine, while establishing a stable profit base in the biosimilars business. The progress of each business in the current fiscal quarter is as follows.

1. Biosimilar Business

Following the sales of the neutropenia medicine "Filgrastim BS" by Fuji Pharmaceutical Co., Ltd. and Mochida Pharmaceutical Co., Ltd., the biosimilar of darbepoetin alfa jointly developed with Sanwa Kagaku Kenkyusho Co., Ltd., has been on sale since November 27, 2019. The Company continues stable sales by receiving royalties according to the sales of this products. Moreover, Senju Pharmaceutical Co., Ltd. applied for manufacturing and sales in Japan of the biosimilar product in the field of ophthalmic treatment to the Ministry of Health, Labour and Welfare on September 19, 2020, which was jointly developed with the Company, and positive profit growth will be expected by the sales of the biosimilar product. The Company has steadily promoting development activities of other pipelines.

2. New Biologics Business

In the new biologics business, the Company entered into a joint research agreement with Sapporo Medical University on anti-cancer drug using antibody with cancer cell invasion ability and with MabGenesis for the acquisition of new antibodies with cancer cell killing effect in January 2020. The Company continues to promote its development along with other pipelines.

3. New Biotech Business

To succeed in the regenerative medicine business, the Company has been aggressively promoting research and development in stem cells from human exfoliated deciduous teeth (SHED) and cardiac stem cells as important research sources, development of the regenerative medicine business and joint alliances with academies and companies.

The Company evaluated SHED suitability for diseases, and the possibility of new treatment methods for bone-related and neurological diseases were appraised by several academia and companies, and the pipelines related to SHED has been steadily developing. Moreover, The Company executed a joint research agreement with Hokkaido University and Spinal Injuries Center for a development of new therapy for non-union fractures and expanded our pipelines.

Regarding cardiac stem cells, the Company acquired 100% ownership of Japan Regenerative Medicine Co., Ltd. (JRM) and added JRM's development of regenerative medicine (project name JRM-001) to our pipeline, mainly targeting single ventricle physiology, which is a serious heart disease of children. The Company is accelerating the development activity of JRM-001 with our commercialization know-how, technology, and development funds.

As an important step to develop the business in the field of regenerative medicine, through the development experience and know-how of the Company and JRM, the Company improved the master cell bank (MCB) manufacturing method through the business alliance with Nikon Co., Ltd., which is the basis for the production of regenerative medicine with SHED, and established the master cell bank (MCB) manufacturing method in March 2020. Furthermore, to strengthen collaboration with partner companies for clinical trials, the Company is promoting for manufacturing MCB and the establishment of working cell bank and stable supply system.

In connection with this project, the Company launched clinical research with the University of Tokyo Hospital to establish a supply system of deciduous tooth as a raw material for the production of SHED in August 2020. This clinical trial is the first initiative in Japan according to the "Guidance on Supply of Human (Homogeneous) Cell Sources (First Edition)" announced by

Ministry of Economy, Trade and Industry in March 2020. The Company aims to establish a stable deciduous tooth supply and SHED production system with the MCB manufacturing method. The Company is accelerating research and development activities of regenerative medicines and strengthen our research and development pipelines in collaboration with academies and companies.

Furthermore, based on the business alliance with Dojin Group Co., Ltd. for business development in the fields of regenerative medicine and healthcare concluded as of February 14, 2020, the Company concluded an agreement to transfer all shares of Advanced Cell Technology and Engineering (ACTE), our wholly-owned subsidiary, to Dojin Group for the establishment of a new SHED business structure on July 10, 2020. This agreement aims to accelerate the growth of the dental pulp cell bank ® and culture supernatant business from ACTE and to increase the business evaluation by combining similar businesses of the Dojin Group, sharing the business know-how and networks that both companies have cultivated over many years. Currently, Dojin Group and the Company are devoting the establishment of new collaboration system toward December 31, 2020 (initially scheduled date: September 30, 2020), which is the expected effective date of the share transfer.

As a result, the sales amount was 174,487 thousand yen (44.4% decrease from the same quarter of the previous year), operational loss was 682,725 thousand yen (611,310 thousand yen in the same quarter of the previous year), ordinary loss was 693,599 thousand yen (613,934 thousand yen in the same quarter of the previous year) and net loss attributable to owners of the parents for the current fiscal quarter was 696,079 thousand yen (6,550,155 thousand yen in the same quarter of the previous year). There is no impact on business performance due to the COVID-19 pandemic for the current quarterly consolidated cumulative period. Regarding the sales of Filgrastim BS, which accounts for the majority of our group's sales, since the delivery schedule is set according to the order status, the delivery timing varies from year to year. Therefore, though the net sales for the current consolidated cumulative period decreased year on year, there is no impact on the outlook of the current consolidated fiscal year.

B. Overview of financial conditions

① Assets and liabilities

(Current Assets)

The balance of current assets at the end of this fiscal quarter was 3,611,455 thousand yen (0.5% increase from the same quarter of the previous year), which consists of decrease of trade receivables of 576,630 thousand yen and the increase of cash and cash equivalents of 468,991 thousand yen and investment securities of 121,072 thousand yen.

(Liabilities)

The balance of total current liabilities at the end of this fiscal quarter was 2,144,975 thousand yen (1.9% increase from the same quarter of the previous year), which consists of increase of convertible bonds of 40,000 thousand yen.

(Shareholders' equity)

The balance of shareholders' equity at the end of this fiscal quarter was 1,466,479 thousand yen (1.4% decrease from the same quarter of the previous year), which consists of increase of common stock and capital surplus of 280,000 thousand yen each, other valuation difference on available-for-sale securities of 90,615 thousand yen and net loss attributable to owners of the parents of 696,079 thousand yen.

② Overview of cash flows for the current fiscal year

The balance of cash and cash equivalents (collectively, "cash" hereafter) at the end of this fiscal quarter was 2,501,566 thousand yen, which increased by 468,991 thousand yen from the end of the previous fiscal year. The status and variation factors for the current fiscal year are as follows.

(Cash flows from operating activities)

Cash outflows from operating activities were 104,638 thousand yen. This is mainly due to the decrease of trade receivables of 576,630 thousand yen and net loss for the year before taxes adjustments of 695,048 thousand yen.

(Cash flows from investing activities)

Cash outflows from investing activities were 5,854 thousand yen. This was due to the expenses of 3,254 thousand yen for the Intangible fixed assets.

(Cash flows from financing activities)

Cash inflows from financing activities were 579,484 thousand yen. This was due to the issuance of convertible bonds of 599,710 thousand yen.

C. Explanation of future business forecasts such as consolidated financial forecasts

There is no change to the financial forecasts for the fiscal year ending on March 31, 2021 announced as of May 25, 2020.

2. Financial statements and notes to financial statements

(1) Quarterly Consolidated balance sheet

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2020)	As of the end of the current fiscal quarter (September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	2,032,575	2,501,566
Trade receivables	651,686	75,056
In-process inventory	254,260	302,769
Other current assets	383,810	338,616
Total current assets	3,322,333	3,218,008
Non-current assets		
Tangible fixed assets	1,977	1,810
Intangible fixed assets	57	2,966
Investments and other assets		
Investment securities	249,161	370,233
Other assets	18,608	18,435
Total investments and other assets	267,770	388,669
Total non-current assets	269,805	393,446
Total assets	3,592,139	3,611,455
Liabilities		
Current liabilities		
Trade payables	8,763	20,205
Short-term debts	25,000	—
Income taxes payable	46,935	30,139
Reserve for loss on orders	355,243	379,243
Other current liabilities	445,037	428,325
Total current liabilities	880,979	857,914
Non-current liabilities		
Convertible bonds	600,000	640,000
Long-term debts	600,000	600,000
Allowance for retirement benefits	19,320	16,605
Other non-current liabilities	4,448	30,456
Total non-current liabilities	1,223,768	1,287,061
Total liabilities	2,104,748	2,144,975
Shareholders' equity		
Shareholders' capital		
Common stock	611,711	891,711
Capital surplus	9,917,311	10,197,311
Retained earnings	-9,077,244	-9,773,324
Treasury stock	-73	-73
Total shareholders capital	1,451,704	1,315,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-21,540	69,075
Total accumulated other comprehensive income	-21,540	69,075
Equity warrants	57,226	81,779
Total shareholders' equity	1,487,390	1,466,479
Total liabilities and shareholders' equity	3,592,139	3,611,455

B. Statement of consolidated income and comprehensive income

(Statement of consolidated income)

(Quarterly consolidated cumulative period)

(in thousand yen)

	As of the end of the previous fiscal quarter (April 1 to September 30, 2019)	As of the end of the current fiscal quarter (April 1 to September 30, 2020)
Gross sales	313,661	174,487
Cost of goods sold	84,500	39,964
Gross profit	229,160	134,523
Selling, general and administrative expenses		
Research and development expenses	484,033	403,208
Other expenses	356,437	414,040
Total selling, general and administrative expenses	840,471	817,249
Operating loss	-611,310	-682,725
Non-operating income		
Interest income	63	36
Lecture fee income	155	—
Foreign exchange gain	—	103
Miscellaneous income	139	669
Total non-operating income	358	809
Non-operating expenses		
Interest expense	376	7,985
Stock issuance expenses	1,847	2,959
Foreign exchange loss	554	—
Miscellaneous loss	204	737
Total non-operating expenses	2,982	11,682
Ordinary loss	-613,934	-693,599
Extraordinary gain		
Profits on Investment securities sold	4,419	—
Total extraordinary gain	4,419	—
Extraordinary loss		
Loss on retirement of fixed assets	854	0
Impairment loss	5,938,405	1,449
Total extraordinary loss	5,939,259	1,449
Net loss for the quarter before taxes adjustments	-6,548,774	-695,048
Corporate, residential and enterprise taxes	1,381	1,031
Total corporate and other taxes	1,381	1,031
Net loss for the quarter	-6,550,155	-696,079
Net loss attributable to owners of the parents	-6,550,155	-696,079

(Statement of consolidated comprehensive income)
 (Quarterly consolidated cumulative period)

(in thousand yen)

	As of the end of the previous fiscal quarter (April 1 to September 30, 2019)	As of the end of the current fiscal quarter (April 1 to September 30, 2020)
Net loss for the quarter	-6,550,155	-696,079
Other comprehensive income		
Valuation difference on available-for-sale securities	-18,971	90,615
Total other comprehensive income	-18,971	90,615
Comprehensive income for the quarter	-6,569,126	-605,464
(breakdown)		
Comprehensive income attributable to owners of the parent	-6,569,126	-605,464
Comprehensive income attributable to non-controlling interests	—	—

C. Statement of consolidated cash flows

(in thousand yen)

	As of the end of the previous fiscal quarter (April 1 to September 30, 2019)	As of the end of the current fiscal quarter (April 1 to September 30, 2020)
Cash flows from operating activities		
Net loss for the year before taxes adjustments	-6,548,774	-695,048
Depreciation expenses	203	561
Impairment loss	5,938,405	1,449
Increase/decrease in reserve for loss on orders (- means decrease)	—	24,000
Interest or dividends received	-63	-36
Interest expense	376	7,985
Profits or loss on Investment securities sold (- means decrease)	-4,419	—
Changes in trade receivables (- means increase)	392,876	576,630
Changes in inventory (- means increase)	-51,445	-48,508
Changes in advance payments (- means increase)	-135,776	34,673
Changes in trade payables (- means decrease)	-79,473	11,442
Changes in accrued expenses (- means decrease)	-76,697	-22,547
Other changes	-37,077	15,082
Sub-total	-601,866	-94,317
Interest and dividends received	63	36
Interest payment	-371	-7,927
Payment of corporate and other taxes	-2,521	-2,430
Cash flows from operating activities	-604,697	-104,638
Cash flows from investing activities		
Purchase of tangible fixed assets	-1,935	—
Purchase of Intangible fixed assets	—	-3,254
Payment for investment securities	-100,349	—
Income due to sale of investment securities	4,720	—
Other payments	-8,693	-2,600
Cash flows from investing activities	-106,258	-5,854
Cash flows from financing activities		
Net increase/decrease in short-term debt (- means decrease)	—	-25,000
Proceeds from issuance of convertible bonds	—	599,710
Proceeds from issuance of stocks through exercising equity warrants	40,325	—
Proceeds from issuance of equity warrants	—	4,774
Others	-31	—
Cash flows from financing activities	40,294	579,484
Effect of exchange rate changes on cash and cash equivalents	—	—
Increase/decrease in cash and cash equivalents (- means decrease)	-670,660	468,991
Cash and cash equivalents at the beginning of the year	2,009,373	2,032,575
Increase/decrease in cash and cash equivalents due to stock exchange	263,696	—
Cash and cash equivalents at the end of the year	1,602,408	2,501,566

D. Notes to consolidated quarterly financial statements

(Notes on going concern assumption)

There is no reporting item applicable to this matter.

(Notes on significant changes in the amount of shareholders' equity)

During the current quarterly consolidated cumulative period, the stock acquisition rights of the 2nd convertible bonds were exercised. As a result, common stock and capital reserves increased by 280,000 thousand yen each, and at the end of the second quarter of the current consolidated fiscal year, common stock was 891,711 thousand yen and capital surplus were 10,197,311 thousand yen.