# Summary of Financial Report for the 1st Quarter of FY ending March 2017 (Non-Consolidated)

July 27, 2016

Listed Company Name: Japan Tissue Engineering Co., Ltd. Listed Securities Exchange: JQ
Stock Code: 7774 URL http://www.jpte.co.jp
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(Rounding down to the nearest million yen)

## 1. Results for the 1st Quarter of FY2016 (April 1, 2016 to June 30, 2016)

(1) Business Results (% indicate increase / decrease on previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| 1st quarter of FY2016 | 360 | 12.5 | -121 | — | -122 | — | -122 | — |
| 1st quarter of FY2015 | 320 | 7.3 | -219 | — | -220 | — | -221 | — |

| | Net income per share | Net income per share, diluted |
|---|---|---|
| | yen | yen |
| 1st quarter of FY2016 | -3.03 | — |
| 1st quarter of FY2015 | -5.45 | — |

(2) Financial Condition

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | million yen | million yen | % |
| 1st quarter of FY2016 | 8,162 | 7,601 | 93.1 |
| FY2015 | 8,296 | 7,718 | 93.0 |

Note: Shareholders' equity 1st quarter of FY2016: 7,601 million yen FY2015: 7,718 million yen

## 2. Cash Dividends

| | Dividends per share | | | | |
|---|---|---|---|---|---|
| | Q1 end | Q2 end | Q3 end | Term end | Annual |
| | yen | yen | yen | yen | yen |
| FY2015 | — | 0.00 | — | 0.00 | 0.00 |
| FY2016 | — | ——— | ——— | ——— | ——— |
| FY2016 (Forecast) | ——— | 0.00 | — | 0.00 | 0.00 |

Note: Revisions to cash dividends this quarter No

## 3. Forecast for FY2016 (April 1, 2016 to March 31, 2017)

(% indicate increase/decrease on previous year)

| | Sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| FY2016 | 2,098 | 46.6 | 11 | — | 10 | — | 5 | — | 0.14 |

Note: Revisions to forecast this quarter No

*Disclaimer regarding appropriate use of forecasts and related points of note
The above-mentioned forecasts are based on the information available on the date of release of these materials and on various assumptions made on the date of release of these materials including uncertain factors and may affect future earnings. Actual operating results may differ significantly from those forecasts as a consequence of various factors.

**Japan Tissue Engineering Co., Ltd.**
**Non-consolidated Financial Statements for 1st Quarter of FY2016**
(April 1, 2016 - June 30, 2016)

## (1) Non-consolidated Balance Sheets

(In thousands yen)

| | FY2015<br>As of March 31, 2016 | FY2016 Q1<br>As of June 30, 2016 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3,853,865 | 3,895,886 |
| Trade notes and accounts receivable | 454,344 | 321,425 |
| Work in process | 17,702 | 11,303 |
| Raw materials and supplies | 105,522 | 101,314 |
| Other | 70,079 | 61,314 |
| Total current assets | 4,501,515 | 4,391,243 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings, net | 1,114,851 | 1,100,458 |
| Land | 582,770 | 582,770 |
| Other, net | 124,286 | 118,261 |
| Total property, plant and equipment | 1,821,908 | 1,801,489 |
| Intangible assets | 48,538 | 48,603 |
| Investments and other assets | | |
| Long-term time deposits | 1,900,000 | 1,900,000 |
| Other | 9,328 | 8,286 |
| Total Investments and other assets | 1,909,328 | 1,908,286 |
| Total noncurrent assets | 3,779,775 | 3,758,379 |
| Deferred assets | 15,209 | 12,872 |
| Total assets | 8,296,500 | 8,162,496 |
| Liabilities | | |
| Current liabilities | | |
| Trade notes payable | 56,382 | 67,540 |
| Income taxes and enterprise taxes payable | 30,724 | 10,721 |
| Reserve for bonuses | 76,641 | 40,066 |
| Other | 326,413 | 395,118 |
| Total current liabilities | 490,162 | 513,446 |
| Noncurrent liabilities | | |
| Reserve for directors' retirement benefits | 73,700 | 34,900 |
| Other | 14,561 | 12,895 |
| Total noncurrent liabilities | 88,261 | 47,795 |
| Total liabilities | 578,423 | 561,242 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 11,518,675 | 11,521,800 |
| Capital surplus | 9,348,675 | 9,351,800 |
| Retained earnings | -13,149,273 | -13,272,240 |
| Treasury shares | - | -105 |
| Total shareholders' equity | 7,718,076 | 7,601,253 |
| Total net assets | 7,718,076 | 7,601,253 |
| Total liabilities and net assets | 8,296,500 | 8,162,496 |

## (2) Non-consolidated Statements of Income

(In thousands yen)

| | FY2015 Q1<br>April 1 - June 30, 2015 | FY2016 Q1<br>April 1 - June 30, 2016 |
|---|---|---|
| Sales | 320,673 | 360,658 |
| Cost of sales | 195,843 | 199,213 |
| Gross profit | 124,829 | 161,445 |
| Selling, general and administrative expenses | 344,510 | 282,857 |
| Operating Loss (-) | -219,680 | -121,412 |
| Non-operating income | | |
| Interest income | 1,338 | 1,212 |
| Dividends income | 0 | 0 |
| Other | 621 | 518 |
| Total non-operating income | 1,961 | 1,731 |
| Non-operating expenses | | |
| Amortization of stock issuance expenses | 2,341 | 2,336 |
| Other | 75 | 0 |
| Total non-operating expenses | 2,417 | 2,336 |
| Ordinary loss (-) | -220,136 | -122,017 |
| Loss before income taxes (-) | -220,136 | -122,017 |
| Income taxes including inhabitants' and enterprise taxes | 950 | 950 |
| Total income taxes | 950 | 950 |
| Net loss (-) | -221,086 | -122,967 |

**Notes to non-consolidated financial statements**

[Change in accounting policy]

Since FY2015, grant income, which had been classified in non-operating income before, has now been deducted from selling, general and administrative expenses. In addition, from this 1st quarter of FY2016, the covered cost, which had been classified in selling, general and administrative expenses before, will be recognized as other current asset until the contract research is completed.

The change is applied retroactively to the 1st quarter of FY2015, and the operating loss, ordinary loss and loss before income taxes for the 1st quarter of FY2015 decreased respectively by 15,195 thousand yen.

[Change in accounting estimate]

Depreciation method change

For the 1st quarter of FY2016, the company changed its depreciation method from a declining-balance method to a straight-line method.

Due to such change, the operating loss, ordinary loss and loss before income taxes for the 1st quarter of FY2016 decreased respectively by 13,349 thousand yen.