Summary of Financial Report for the FY ending March 2017 (Non-Consolidated)

April 27, 2017

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

1. Results for the FY2016 (April 1, 2016 to March 31, 2017)

(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	%
FY2016	2,135	49.2	312	—	309	—	276	—
FY2015	1,430	8.3	-722	—	-677	—	-681	—

	Net income per share	Net income per share, diluted	Return on equity	Return on assets	Operating Income Ratio
	yen	yen	%	%	%
FY2016	6.81	—	3.5	3.7	14.6
FY2015	-16.79	—	-8.5	-7.9	-50.5

Note: Profit (Loss) on investment FY2016 —million yen FY2015 —million yen

(2) Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY2016	8,546	8,005	93.7	197.21
FY2015	8,296	7,718	93.0	190.18

Note: Shareholders' equity FY2016: 8,005 million yen FY2015: 7,718 million yen

(3) Cash Flow

	Operating cash flow	Investing cash flow	Financing cash flow	Cash and equivalents at end of term
	million yen	million yen	million yen	million yen
FY2016	54	-22	3	2,189
FY2015	-346	-2,959	-5	2,153

2. Cash Dividends

	Dividends per share					Total dividend paid	Payout ratio	Ratio of total amount of dividends to net assets
	Q1 end	Q2 end	Q3 end	Term end	Annual			
	yen	yen	yen	yen	yen	million yen	%	%
FY2015	—	0.00	—	0.00	0.00	0	—	0.0
FY2016	—	0.00	—	0.00	0.00	0	—	0.0
FY2016 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast for FY2017 (April 1, 2017 to March 31, 2018)

(% indicate increase / decrease on previous fiscal year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2017	2,492	16.7	289	-7.2	288	-6.8	266	-3.7	6.56

*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 FY2016
(April 1, 2016 - March 31, 2017)

(1) Non-consolidated Balance Sheets

(In thousands yen)

	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	3,853,865	4,089,734
Trade notes receivable	48,519	45,387
Accounts receivable	* 405,825	* 788,086
Work in process	17,702	8,810
Raw materials and supplies	105,522	96,335
Advances	8,865	14,158
Prepaid expenses	13,517	6,540
Other	47,696	21,327
Total current assets	4,501,515	5,070,381
Noncurrent assets		
Property, plant and equipment		
Buildings	1,904,491	1,904,491
Accumulated depreciation	-789,639	-859,768
Buildings, net	1,114,851	1,044,722
Structures	20,382	20,382
Accumulated depreciation	-16,862	-17,200
Structures, net	3,520	3,182
Machinery and equipment	336,911	339,264
Accumulated depreciation	-275,656	-284,473
Machinery and equipment, net	61,254	54,790
Tools, instruments and supplies	228,432	228,665
Accumulated depreciation	-194,021	-202,383
Tools, instruments and supplies, net	34,410	26,281
Land	582,770	582,770
Lease assets	40,737	31,086
Accumulated depreciation	-20,036	-17,552
Lease assets, net	20,700	13,533
Construction in progress	4,400	–
Total property, plant and equipment	1,821,908	1,725,280
Intangible assets		
Trademark right	203	168
Software	47,908	37,287
Other	426	376
Total Intangible assets	48,538	37,831
Investments and other assets		
Investments in capital	20	20
Long-term prepaid expenses	1,289	349
Long-term time deposits	1,900,000	1,700,000
Other	8,019	6,520
Total Investments and other assets	1,909,328	1,706,889
Total noncurrent assets	3,779,775	3,470,001
Deferred assets		
Stock issuance expenses	15,209	5,984
Total deferred assets	15,209	5,984
Total assets	8,296,500	8,546,367

(In thousands yen)

	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
Liabilities		
Current liabilities		
Trade notes payable	43,594	29,484
Accounts payable -trade	12,788	19,364
Lease obligations	7,660	6,663
Accounts payable -other	257,503	166,438
Accrued expenses payable	11,675	12,844
Income taxes and enterprise taxes payable	30,724	44,094
Advances received	1,080	27,009
Deposits payable	7,568	9,774
Reserve for bonuses	76,641	81,454
Other	40,926	101,300
Total current liabilities	490,162	498,428
Noncurrent liabilities		
Lease obligations	14,561	7,898
Reserve for directors' retirement benefits	73,700	34,900
Total noncurrent liabilities	88,261	42,798
Total liabilities	578,423	541,226
Net assets		
Shareholders' equity		
Capital	11,518,675	4,949,563
Capital surplus		
Capital surplus reserve	9,348,675	2,779,563
Total capital surplus	9,348,675	2,779,563
Retained earnings		
Other retained earnings		
Earned surplus carried forward	-13,149,273	276,242
Total retained earnings	-13,149,273	276,242
Treasury shares	—	-228
Total shareholders' equity	7,718,076	8,005,140
Total net assets	7,718,076	8,005,140
Total liabilities and net assets	8,296,500	8,546,367

(2) Non-consolidated Statements of Income

(In thousands yen)

	FY2015		FY2016	
	Year ended March 31, 2016		Year ended March 31, 2017	
Sales				
Contract development income		538,322		676,538
Sales of finished goods		892,504		1,158,610
Intellectual property revenue		–		300,000
Total sales	*1	1,430,826	*1	2,135,149
Cost of sales				
Contract development cost		317,570		433,376
Cost of finished goods sold				
Purchases of merchandise for the term		549,823		465,947
Total		549,823		465,947
Transfer to other accounts	*2	15,517	*2	3,252
Cost of finished goods sold		534,305		462,695
Intellectual property cost		–		15,012
Total cost of sales		851,875		911,083
Gross profit		578,951		1,224,066
Selling, general and administrative expenses				
Directors' remuneration		84,062		82,043
Salaries and benefits		385,387		349,604
Bonuses		40,652		22,246
Provision for reserve for bonuses		32,274		35,319
Provision for reserve for directors' retirement benefits		6,400		–
Retirement benefit expenses		4,307		4,094
Land and house rent		24,496		19,318
Taxes other than income taxes		64,029		44,897
Depreciation		46,313		23,517
R&D expenses	*3	140,463	*3	20,742
Fee payment		78,061		42,246
Supplies expenses		43,017		17,258
Donation		32,686		4,283
Other		319,397		246,103
Total selling, general and administrative expenses		1,301,550		911,677
Operating profit (loss)		-722,599		312,388
Non-operating income				
Interest income		5,706		4,845
Dividends income		0		0
Grant income		46,364		–
Miscellaneous income		2,349		1,994
Total non-operating income		54,421		6,840
Non-operating expenses				
Amortization of stock issuance expenses		9,396		9,224
Miscellaneous losses		124		52
Total non-operating expenses		9,521		9,277
Ordinary profit (loss)		-677,699		309,951
Profit (loss) before income taxes		-677,699		309,951
Income taxes including inhabitants' and enterprise taxes		3,840		33,709
Total income taxes		3,840		33,709
Profit (loss)		-681,539		276,242

(3) Non-consolidated Statements of Changes in Equity

FY2015 (Year ended March 31, 2016)

(In thousands yen)

	Shareholder's equity						Total net assets
	Capital	Capital surplus		Retained earnings	Treasury shares	Total shareholder's equity	
		Capital surplus reserve	Other Capital surplus	Other retained earnings: Earned surplus carried forward			
Balance at the beginning of the period	11,517,425	9,347,425	–	-12,467,734	–	8,397,115	8,397,115
Changes during the period							
Issuance of new stocks	1,250	1,250				2,500	2,500
Transfer to other capital surplus from capital stock							
Transfer to other capital surplus from legal capital surplus							
Deficit disposition							
Profit (loss)				-681,539		-681,539	-681,539
Purchase of treasury shares							
Total changes during the period	1,250	1,250		-681,539		-679,039	-679,039
Balance at the end of the period	11,518,675	9,348,675	–	-13,149,273	–	7,718,076	7,718,076

FY2016 (Year ended March 31, 2017)

(In thousands yen)

	Shareholder's equity						Total net assets
	Capital	Capital surplus		Retained earnings	Treasury shares	Total shareholder's equity	
		Capital surplus reserve	Other Capital surplus	Other retained earnings: Earned surplus carried forward			
Balance at the beginning of the period	11,518,675	9,348,675	–	-13,149,273	–	7,718,076	7,718,076
Changes during the period							
Issuance of new stocks	5,525	5,525				11,050	11,050
Transfer to other capital surplus from capital stock	-6,574,636		6,574,636			–	–
Transfer to other capital surplus from legal capital surplus		-6,574,636	6,574,636			–	–
Deficit disposition			-13,149,273	13,149,273		–	–
Profit (loss)				276,242		276,242	276,242
Purchase of treasury shares					-228	-228	-228
Total changes during the period	-6,569,111	-6,569,111	–	13,425,515	-228	287,064	287,064
Balance at the end of the period	4,949,563	2,779,563	–	276,242	-228	8,005,140	8,005,140

(4) Non-consolidated Statements of Cash Flows

(In thousands yen)

	FY2015 Year ended March 31, 2016	FY2016 Year ended March 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	-677,699	309,951
Depreciation and amortization	136,044	112,950
Increase / decrease in provision for bonuses (-: decrease)	373	4,812
Increase / decrease in provision for directors' retirementbenefits (-: decrease)	-17,500	-38,800
Interest and dividends income	-5,707	-4,846
Increase / decrease in trade receivables (-: increase)	-50,836	-379,129
Increase / decrease in inventory assets (-: increase)	14,789	18,079
Increase / decrease in accounts payable (-: decrease)	16,934	-7,533
Increase / decrease in other accounts payable (-: decrease)	89,634	-75,678
Increase / decrease in accrued consumption taxes (-: decrease)	36,371	63,079
Other	113,211	51,170
Sub-total	-344,382	54,057
Interest and dividends income received	1,461	5,589
Income taxes paid	-3,985	-4,695
Net cash provided by (used in) operating activities	-346,906	54,950
Cash flows from investing activities		
Payments into time deposits	-2,700,000	-3,200,000
Proceeds from withdrawal of time deposits	—	3,200,000
Payments for purchase of tangible fixed assets	-255,917	-8,003
Payments for purchase of intangible fixed assets	-4,391	-15,738
Other	664	1,499
Net cash provided by (used in) investing activities	-2,959,644	-22,242
Cash flows from financing activities		
Proceeds from issuance of common stock	2,323	11,050
Repayments of lease obligations	-8,188	-7,660
Purchase of treasury shares	—	-228
Net cash provided by (used in) financial activities	-5,864	3,161
Net increase / decrease in cash and cash equivalents (-: decrease)	-3,312,415	35,869
Cash and cash equivalents at beginning of period	5,466,281	2,153,865
Cash and cash equivalents at end of period	* 2,153,865	* 2,189,734

Notes to non-consolidated financial statements

[Change in accounting policy]

As a consolidated subsidiary of Fujifilm Holdings Corporation, the company changed its accounting process to display profit and loss under uniform criterion of accounting with its mother company.Due to such change in accounting policy, for 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. Although the change is applied retroactively to FY2015, it does not effect the profit and loss because the contract research is already completed.

[Change in accounting estimate]

For FY2016, the company changed its depreciation method from a declining-balance method to a straight-line method. Due to such change, the operating profit, ordinary profit and profit of FY2016 increased respectively by 36,489 thousand yen.

[Balance Sheets]

* The assets and debts to affiliated company

(In thousands yen)

	FY2015 As of March 31, 2016	**FY2016** As of March 31, 2017
Accounts receivable	188,190	425,643

[Statements of income]

*1 Sales includes transaction with affiliated company as follows.

(In thousands yen)

	FY2015 Year ended March 31, 2016	**FY2016** Year ended March 31, 2017
Sales to affiliated company	450,421	865,636

*2 Details of transfer to other accounts are as follows.

(In thousands yen)

	FY2015 Year ended March 31, 2016	**FY2016** Year ended March 31, 2017
R&D expenses	3,056	2,086
Advertising expenses	1,718	1,165
Donation	10,743	–
Total	15,517	3,252

*3 Major items and amounts of R&D costs included in the overhead expenses are as follows.

(In thousands yen)

FY2015 Year ended March 31, 2016		**FY2016** Year ended March 31, 2017	
Salaries and allowances	144,272	Salaries and allowances	116,663
Legal welfare expenses	23,661	Bonuses	21,615
Fee payment	62,848	Legal welfare expenses	24,513
Raw materials used in R&D	32,074	Fee payment	43,625
Depreciation	16,738	Raw materials used in R&D	29,770
Travelling and transportation expenses	24,005	Depreciation	24,533
Amount of offset by grant income	-220,651	Amount of offset by grant income	-280,689

[Statements of cash flows]

* Relationship between the balance at the end of the period for cash and cash equivalents and the amounts of items listed in the balance sheets is as follows.

(In thousands yen)

	FY2015 Year ended March 31, 2016	**FY2016** Year ended March 31, 2017
Cash and deposit accounts	3,853,865	4,089,734
Long-term time deposits	1,900,000	1,700,000
Time deposits that exceed 3 months	-3,600,000	-3,600,000
Cash and cash equivalents	2,153,865	2,189,734