# Summary of Financial Report for the FY ended March 2018 (Non-Consolidated)

April 26, 2018

Listed Company Name: Japan Tissue Engineering Co., Ltd. Listed Securities Exchange: JQ
Stock Code: 7774 URL http://www.jpte.co.jp
Representative: Ken-ichiro Hata, President
Contact: ToshikazuYamaoka, Director TEL (0533) 66-2020

(Rounding down to the nearest million yen)

## 1. Results for the FY2017 (April 1, 2017 to March 31, 2018)

(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 | % |
| FY2017 | 2,271 | 6.4 | 211 | -32.3 | 213 | -31.2 | 227 | -17.5 |
| FY2016 | 2,135 | 49.2 | 312 | — | 309 | — | 276 | — |

| | Net income per share | Net income per share, diluted | Return on equity | Return on assets | Operating Income Ratio |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| FY2017 | 5.61 | — | 2.8 | 2.4 | 9.3 |
| FY2016 | 6.81 | — | 3.5 | 3.7 | 14.6 |

Note: Profit (Loss) on investment FY2017 —million yen FY2016 —million yen

(2) Financial Condition

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| FY2017 | 9,023 | 8,251 | 91.4 | 203.19 |
| FY2016 | 8,546 | 8,005 | 93.7 | 197.21 |

Note: Shareholders' equity FY2017: 8,251 million yen FY2016: 8,005 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 |
| FY2017 | 632 | -429 | 11 | 2,403 |
| FY2016 | 54 | -22 | 3 | 2,189 |

## 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 | % | % |
| FY2016 | — | 0.00 | — | 0.00 | 0.00 | 0 | — | 0.0 |
| FY2017 | — | 0.00 | — | 0.00 | 0.00 | 0 | — | 0.0 |
| FY2018 (Forecast) | — | 0.00 | — | 0.00 | 0.00 | | — | |

## 3. Forecast for FY2018 (April 1, 2018 to March 31, 2019)

(% 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 |
| FY2018 | 3,080 | 35.6 | 250 | 18.2 | 257 | 20.5 | 197 | -13.2 | 4.87 |

*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 FY2017**
(April 1, 2017 - March 31, 2018)

## (1) Non-consolidated Balance Sheets

(In thousands yen)

| | FY2016<br>As of March 31, 2017 | FY2017<br>As of March 31, 2018 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 4,089,734 | 6,203,808 |
| Trade notes receivable | *1 45,387 | *1 48,077 |
| Accounts receivable | *2 788,086 | *2 543,035 |
| Finished goods | – | 508 |
| Work in process | 8,810 | 25,273 |
| Raw materials and supplies | 96,335 | 109,405 |
| Advances | 14,158 | 3,217 |
| Prepaid expenses | 6,540 | 4,719 |
| Deferred tax assets | – | 45,625 |
| Other | 21,327 | 156,001 |
| Total current assets | 5,070,381 | 7,139,672 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 1,904,491 | 1,904,491 |
| Accumulated depreciation | -859,768 | -929,898 |
| Buildings, net | 1,044,722 | 974,592 |
| Structures | 20,382 | 20,382 |
| Accumulated depreciation | -17,200 | -17,538 |
| Structures, net | 3,182 | 2,843 |
| Machinery and equipment | 339,264 | 346,191 |
| Accumulated depreciation | -284,473 | -291,579 |
| Machinery and equipment, net | 54,790 | 54,612 |
| Tools, instruments and supplies | 228,665 | 247,430 |
| Accumulated depreciation | -202,383 | -213,424 |
| Tools, instruments and supplies, net | 26,281 | 34,006 |
| Land | 582,770 | 582,770 |
| Lease assets | 31,086 | 31,086 |
| Accumulated depreciation | -17,552 | -23,769 |
| Lease assets, net | 13,533 | 7,316 |
| Total property, plant and equipment | 1,725,280 | 1,656,142 |
| Intangible assets | | |
| Trademark right | 168 | 133 |
| Software | 37,287 | 22,582 |
| Other | 376 | 325 |
| Total Intangible assets | 37,831 | 23,041 |
| Investments and other assets | | |
| Investments in capital | 20 | 20 |
| Long-term prepaid expenses | 349 | – |
| Long-term time deposits | 1,700,000 | 200,000 |
| Other | 6,520 | 4,106 |
| Total Investments and other assets | 1,706,889 | 204,126 |
| Total noncurrent assets | 3,470,001 | 1,883,310 |
| Deferred assets | | |
| Stock issuance expenses | 5,984 | 87 |
| Total deferred assets | 5,984 | 87 |
| Total assets | 8,546,367 | 9,023,070 |

(In thousands yen)

| | FY2016<br>As of March 31, 2017 | FY2017<br>As of March 31, 2018 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade notes payable | 29,484 | 58,995 |
| Accounts payable -trade | 19,364 | 14,846 |
| Lease obligations | 6,663 | 5,004 |
| Accounts payable -other | 166,438 | 221,182 |
| Accrued expenses payable | 12,844 | 15,569 |
| Income taxes and enterprise taxes payable | 44,094 | 35,690 |
| Advances received | 27,009 | 111,400 |
| Deposits payable | 9,774 | 12,786 |
| Reserve for bonuses | 81,454 | 84,766 |
| Provision for directors' bonuses | – | 3,975 |
| Other | 101,300 | 169,627 |
| Total current liabilities | 498,428 | 733,846 |
| Noncurrent liabilities | | |
| Lease obligations | 7,898 | 2,893 |
| Reserve for directors' retirement benefits | 34,900 | 34,900 |
| Total noncurrent liabilities | 42,798 | 37,793 |
| Total liabilities | 541,226 | 771,639 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 4,949,563 | 4,958,763 |
| Capital surplus | | |
| Capital surplus reserve | 2,779,563 | 2,788,763 |
| Total capital surplus | 2,779,563 | 2,788,763 |
| Retained earnings | | |
| Other retained earnings | | |
| Earned surplus carried forward | 276,242 | 504,132 |
| Total retained earnings | 276,242 | 504,132 |
| Treasury shares | -228 | -228 |
| Total shareholders' equity | 8,005,140 | 8,251,430 |
| Total net assets | 8,005,140 | 5,251,430 |
| Total liabilities and net assets | 8,546,367 | 9,023,070 |

**(2) Non-consolidated Statements of Income**

(In thousands yen)

| | FY2016 Year ended March 31, 2017 | | FY2017 Year ended March 31, 2018 | |
|---|---|---|---|---|
| Sales | | | | |
| Contract development income | | 676,538 | | 785,076 |
| Sales of finished goods | | 1,158,610 | | 1,486,430 |
| Intellectual property revenue | | 300,000 | | – |
| Net sales | *1 | 2,135,149 | *1 | 2,271,507 |
| Cost of sales | | | | |
| Contract development cost | | 433,376 | | 434,079 |
| Cost of finished goods sold | | | | |
| Purchases of merchandise for the term | | 465,947 | | 485,888 |
| Total | | 465,947 | | 485,888 |
| Transfer to other accounts | *2 | 3,252 | *2 | 1,459 |
| Ending finished goods | | – | | 508 |
| Cost of finished goods sold | | 462,695 | | 483,921 |
| Intellectual property cost | | 15,012 | | – |
| Total cost of sales | | 911,083 | | 918,000 |
| Gross profit | | 1,224,066 | | 1,353,506 |
| Selling, general and administrative expenses | | | | |
| Directors' remuneration | | 82,043 | | 61,980 |
| Salaries and benefits | | 349,604 | | 383,755 |
| Bonuses | | 22,246 | | 34,861 |
| Provision for directors' bonuses | | – | | 3,975 |
| Provision for reserve for bonuses | | 35,319 | | 38,702 |
| Retirement benefit expenses | | 4,094 | | 4,272 |
| Land and house rent | | 19,318 | | 20,509 |
| Taxes other than income taxes | | 44,897 | | 41,679 |
| Depreciation | | 23,517 | | 36,898 |
| R&D expenses | *3 | 20,742 | *3 | 199,905 |
| Fee payment | | 42,246 | | 29,871 |
| Supplies expenses | | 17,258 | | 10,672 |
| Donation | | 4,283 | | 10,367 |
| Other | | 246,103 | | 264,546 |
| Total selling, general and administrative expenses | | 911,677 | | 1,141,998 |
| Operating income | | 312,388 | | 211,508 |
| Non-operating income | | | | |
| Interest income | | 4,845 | | 4,909 |
| Dividends income | | 0 | | 0 |
| Income from employee | | 878 | | 855 |
| Miscellaneous income | | 1,116 | | 2,100 |
| Total non-operating income | | 6,840 | | 7,865 |
| Non-operating expenses | | | | |
| Amortization of stock issuance expenses | | 9,224 | | 5,982 |
| Miscellaneous losses | | 52 | | 57 |
| Total non-operating expenses | | 9,277 | | 6,039 |
| Ordinary income | | 309,951 | | 213,334 |
| Profit before income taxes | | 309,951 | | 213,334 |
| Income taxes including inhabitants' and enterprise taxes | | 33,709 | | 31,069 |
| Income taxes - deferred | | – | | -45,625 |
| Total income taxes | | 33,709 | | -14,555 |
| Net income | | 276,242 | | 227,890 |

### (3) Non-consolidated Statements of Changes in Equity

**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 | | – | – |
| **Net income** | | | | 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 |

**FY2017 (Year ended March 31, 2018)**

(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 | 4,949,563 | 2,779,563 | – | 276,242 | -228 | 8,005,140 | 8,005,140 |
| Changes during the period | | | | | | | |
| Issuance of new stocks | 9,200 | 9,200 | | | | 18,400 | 18,400 |
| Transfer to other capital surplus from capital stock | | | | | | | |
| Transfer to other capital surplus from legal capital surplus | | | | | | | |
| Deficit disposition | | | | | | | |
| **Net income** | | | | 227,890 | | 227,890 | 227,890 |
| Purchase of treasury shares | | | | | | | |
| Total changes during the period | 9,200 | 9,200 | – | 227,890 | – | 246,290 | 246,290 |
| Balance at the end of the period | 4,958,763 | 2,788,763 | – | 504,132 | -228 | 8,251,430 | 8,251,430 |

**(4) Non-consolidated Statements of Cash Flows**

(In thousands yen)

| | FY2016<br>Year ended March 31, 2017 | FY2017<br>Year ended March 31, 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 309,951 | 213,334 |
| Depreciation and amortization | 112,950 | 116,197 |
| Increase / decrease in provision for bonuses (-: decrease) | 4,812 | 3,311 |
| Increase / decrease in provision for directors' retirementbenefits (-: decrease) | -38,800 | – |
| Increase (decrease) in provision for directors' bonuses | – | 3,975 |
| Interest and dividends income | -4,846 | -4,909 |
| Increase / decrease in trade receivables (-: increase) | -379,129 | 242,360 |
| Increase / decrease in inventory assets (-: increase) | 18,079 | -30,042 |
| Increase / decrease in accounts payable (-: decrease) | -7,533 | 24,993 |
| Increase / decrease in other accounts payable (-: decrease) | -75,678 | 55,160 |
| Increase / decrease in accrued consumption taxes (-: decrease) | 63,079 | -98,509 |
| Other | 51,170 | 153,666 |
| Sub-total | 54,057 | 679,538 |
| Interest and dividends income received | 5,589 | 4,019 |
| Income taxes paid | -4,695 | -51,551 |
| Net cash provided by (used in) operating activities | 54,950 | 632,006 |
| Cash flows from investing activities | | |
| Payments into time deposits | -3,200,000 | -2,300,000 |
| Proceeds from withdrawal of time deposits | 3,200,000 | 1,900,000 |
| Payments for purchase of tangible fixed assets | -8,003 | -31,243 |
| Payments for purchase of intangible fixed assets | -15,738 | -754 |
| Other | 1,499 | 2,414 |
| Net cash provided by (used in) investing activities | -22,242 | -429,583 |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock | 11,050 | 18,314 |
| Repayments of lease obligations | -7,660 | -6,663 |
| Purchase of treasury shares | -228 | – |
| Net cash provided by (used in) financial activities | 3,161 | 11,651 |
| Net increase / decrease in cash and cash equivalents (-: decrease) | 35,869 | 214,073 |
| Cash and cash equivalents at beginning of period | 2,153,865 | 2,189,734 |
| Cash and cash equivalents at end of period | ※ 2,189,734 | ※ 2,403,808 |

**Notes to non-consolidated financial statements**

[Balance Sheets]

*1 Matured Trade notes receivable

(In thousands yen)

For the accounting method of bills that are matured on the last day of the fiscal year, the settlement of those bills is made on the days of bill clearing. The final day of the period was a bank holiday, so the following matured notes are included in the balance at the end of period.

| | **FY2016** As of March 31, 2017 | **FY2017** As of March 31, 2018 |
|---|---|---|
| Trade notes receivable | – | 1,170 |

*2 The assets and debts to affiliated company

(In thousands yen)

| | **FY2016** As of March 31, 2017 | **FY2017** As of March 31, 2018 |
|---|---|---|
| Accounts receivable | 425,643 | 175,539 |

[Statements of income]

*1 Sales includes transaction with affiliated company as follows.

(In thousands yen)

| | **FY2016** Year ended March 31, 2017 | **FY2017** Year ended March 31, 2018 |
|---|---|---|
| Sales to affiliated company | 865,636 | 457,761 |

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

(In thousands yen)

| | **FY2016** Year ended March 31, 2017 | **FY2017** Year ended March 31, 2018 |
|---|---|---|
| R&D expenses | 2,086 | 443 |
| Advertising expenses | 1,165 | 1,016 |
| Total | 3,252 | 1,459 |

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

(In thousands yen)

| **FY2016** Year ended March 31, 2017 | | **FY2017** Year ended March 31, 2018 | |
|---|---|---|---|
| Salaries and allowances | 116,663 | Salaries and allowances | 112,022 |
| Bonuses | 21,615 | Bonuses | 10,850 |
| Legal welfare expenses | 24,513 | Legal welfare expenses | 20,132 |
| Fee payment | 43,625 | Fee payment | 96,333 |
| Raw materials used in R&D | 29,770 | Raw materials used in R&D | 38,949 |
| Depreciation | 24,533 | Depreciation | 16,136 |
| Amount of offset by grant income | -280,689 | Amount of offset by grant income | -144,309 |

[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)

| | **FY2016** Year ended March 31, 2017 | **FY2017** Year ended March 31, 2018 |
|---|---|---|
| Cash and deposit accounts | 4,089,734 | 6,203,808 |
| Long-term time deposits | 1,700,000 | 200,000 |
| Time deposits that exceed 3 months | -3,600,000 | -4,000,000 |
| Cash and cash equivalents | 2,189,734 | 2,403,808 |