Summary of Financial Report for the FY ended March 2019 (Non-Consolidated)

April 25, 2019

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: Toshiyuki Hara, Director
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(Rounding down to the nearest million yen)

1. Results for the FY2018 (April 1, 2018 to March 31, 2019)

(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	%
FY2018	2,357	3.8	-349	—	-339	—	-333	—
FY2017	2,271	6.4	211	-32.3	213	-31.2	227	-17.5

	Net income per share	Net income per share, diluted	Return on equity	Return on assets	Operating Income Ratio
	yen	yen	%	%	%
FY2018	-8.21	—	-4.1	-3.8	-14.8
FY2017	5.61	—	2.8	2.4	9.3

Note: Profit (Loss) on investment FY2018 —million yen FY2017 —million yen

(2) Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY2018	8,751	7,918	90.5	194.98
FY2017	9,023	8,251	91.4	203.19

Note: Shareholders' equity FY2018: 7,918 million yen FY2017: 8,251 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
FY2018	-396	27	-5	2,029
FY2017	632	-429	11	2,403

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	%	%
FY2017	—	0.00	—	0.00	0.00	0	—	0.0
FY2018	—	0.00	—	0.00	0.00	0	—	0.0
FY2019 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast for FY2019 (April 1, 2019 to March 31, 2020)

(% 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
FY2019	3,080	30.6	106	—	112	—	86	—	2.12

*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 FY2018
(April 1, 2018 - March 31, 2019)

(1) Non-consolidated Balance Sheets

(In thousands yen)

	FY2017 As of March 31, 2018	FY2018 As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	6,203,808	5,929,601
Trade notes receivable	*1 48,077	*1 92,372
Accounts receivable	*2 543,035	*2 641,433
Finished goods	508	124
Work in process	25,273	29,422
Raw materials and supplies	109,405	116,727
Advances	3,217	14,025
Prepaid expenses	4,719	5,202
Other	156,001	195,291
Total current assets	7,094,047	7,024,202
Noncurrent assets		
Property, plant and equipment		
Buildings	1,904,491	1,915,906
Accumulated depreciation	-929,898	-1,000,117
Buildings, net	974,592	915,788
Structures	20,382	20,382
Accumulated depreciation	-17,538	-17,763
Structures, net	2,843	2,618
Machinery and equipment	346,191	390,436
Accumulated depreciation	-291,579	-306,394
Machinery and equipment, net	54,612	84,041
Tools, instruments and supplies	247,430	285,756
Accumulated depreciation	-213,424	-225,042
Tools, instruments and supplies, net	34,006	60,713
Land	582,770	582,770
Lease assets	31,086	26,268
Accumulated depreciation	-23,769	-20,488
Lease assets, net	7,316	5,779
Construction in progress	–	182
Total property, plant and equipment	1,656,142	1,651,892
Intangible assets		
Trademark right	133	98
Software	22,582	18,203
Other	325	275
Total Intangible assets	23,041	18,577
Investments and other assets		
Investments in capital	20	20
Long-term prepaid expenses	–	262
Deferred tax assets	45,625	53,481
Long-term time deposits	200,000	–
Other	4,106	3,496
Total Investments and other assets	249,751	57,261
Total noncurrent assets	1,928,935	1,727,731
Deferred assets		
Stock issuance expenses	87	38
Total deferred assets	87	38
Total assets	9,023,070	8,751,972

(In thousands yen)

	FY2017 As of March 31, 2018	FY2018 As of March 31, 2019
Liabilities		
Current liabilities		
Trade notes payable	58,995	52,587
Accounts payable -trade	14,846	37,828
Lease obligations	5,004	3,195
Accounts payable -other	221,182	266,669
Accrued expenses payable	15,569	20,058
Income taxes and enterprise taxes payable	35,690	22,043
Advances received	111,400	46,959
Deposits payable	12,786	13,898
Reserve for bonuses	84,766	118,558
Provision for directors' bonuses	3,975	5,153
Other	169,627	208,949
Total current liabilities	733,846	795,902
Noncurrent liabilities		
Lease obligations	2,893	3,046
Reserve for directors' retirement benefits	34,900	34,900
Total noncurrent liabilities	37,793	37,946
Total liabilities	771,639	833,849
Net assets		
Shareholders' equity		
Capital	4,958,763	4,958,763
Capital surplus		
Capital surplus reserve	2,788,763	2,788,763
Total capital surplus	2,788,763	2,788,763
Retained earnings		
Other retained earnings		
Earned surplus carried forward	504,132	170,883
Total retained earnings	504,132	170,883
Treasury shares	-228	-287
Total shareholders' equity	8,251,430	7,918,123
Total net assets	8,251,430	7,918,123
Total liabilities and net assets	9,023,070	8,751,972

(2) Non-consolidated Statements of Income

(In thousands yen)

	FY2017 Year ended March 31, 2018		FY2018 Year ended March 31, 2019	
Sales				
Contract development income		785,076		835,601
Sales of finished goods		1,486,430		1,522,316
Net sales	*1	2,271,507	*1	2,357,918
Cost of sales				
Contract development cost		434,079		528,538
Cost of finished goods sold				
Beginning finished goods		–		508
Purchases of merchandise for the term		485,888		546,013
Total		485,888		546,521
Transfer to other accounts	*2	1,459	*2	1,769
Ending finished goods		508		124
Cost of finished goods sold		483,921		544,627
Total cost of sales		918,000		1,073,166
Gross profit		1,353,506		1,284,752
Selling, general and administrative expenses				
Directors' remuneration		61,980		60,748
Salaries and benefits		383,755		379,374
Bonuses		34,861		46,344
Provision for directors' bonuses		3,975		5,153
Provision for reserve for bonuses		38,702		51,761
Retirement benefit expenses		4,272		4,509
Land and house rent		20,509		24,146
Taxes other than income taxes		41,679		26,967
Depreciation		36,898		21,733
R&D expenses	*3	199,905	*3	606,562
Fee payment		29,871		45,660
Supplies expenses		10,672		20,189
Donation		10,367		9,259
Other		264,546		332,086
Total selling, general and administrative expenses		1,141,998		1,634,497
Operating income (loss)		211,508		-349,745
Non-operating income				
Interest income		4,909		3,875
Dividends income		0		0
Refunded consumption taxes		–		1,277
Insurance income		–		2,218
Miscellaneous income		2,955		3,034
Total non-operating income		7,865		10,407
Non-operating expenses				
Amortization of stock issuance expenses		5,982		49
Foreign exchange losses		–		223
Miscellaneous losses		57		19
Total non-operating expenses		6,039		293
Ordinary income (loss)		213,334		-339,631
Net income(loss) before income taxes		213,334		-339,631
Income taxes including inhabitants' and enterprise taxes		31,069		1,473
Income taxes - deferred		-45,625		-7,856
Total income taxes		-14,555		-6,382
Net income (loss)		227,890		-333,248

(3) Non-consolidated Statements of Changes in Equity

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
Net income				227,890		227,890	227,890
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

FY2018 (Year ended March 31, 2019)

(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	4,958,763	2,788,763	–	504,132	-228	8,251,430	8,251,430
Changes during the period							
Issuance of new stocks							
Net income				-333,248		-333,248	-333,248
Purchase of treasury shares					-58	-58	-58
Total changes during the period				-333,248	-58	-333,307	-333,307
Balance at the end of the period	4,958,763	2,788,763	–	170,883	-287	7,918,123	7,918,123

(4) Non-consolidated Statements of Cash Flows

(In thousands yen)

	FY2017 Year ended March 31, 2018	FY2018 Year ended March 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	213,334	-339,631
Depreciation and amortization	116,197	119,676
Increase / decrease in provision for bonuses (-: decrease)	3,311	33,792
Increase / decrease in provision for directors' bonuses (-: increase)	3,975	1,178
Interest and dividends income	-4,909	-3,876
Increase / decrease in trade receivables (-: increase)	242,360	-142,693
Increase / decrease in inventory assets (-: increase)	-30,042	-11,087
Increase / decrease in accounts payable (-: decrease)	24,993	16,573
Increase / decrease in other accounts payable (-: decrease)	55,160	41,222
Increase / decrease in accrued consumption taxes (-: decrease)	-98,509	-11,075
Other	153,666	-92,622
Sub-total	679,538	-388,542
Interest and dividends income received	4,019	6,277
Income taxes paid	-51,551	-13,845
Net cash provided by (used in) operating activities	632,006	-396,110
Cash flows from investing activities		
Payments into time deposits	-2,300,000	-3,700,000
Proceeds from withdrawal of time deposits	1,900,000	3,800,000
Payments for purchase of tangible fixed assets	-31,243	-68,891
Payments for purchase of intangible fixed assets	-754	-4,081
Other	2,414	609
Net cash provided by (used in) investing activities	-429,583	27,636
Cash flows from financing activities		
Proceeds from issuance of common stock	18,314	―
Repayments of lease obligations	-6,663	-5,674
Purchase of treasury shares	―	-58
Net cash provided by (used in) financial activities	11,651	-5,732
Net increase / decrease in cash and cash equivalents (-: decrease)	214,073	-374,207
Cash and cash equivalents at beginning of period	2,189,734	2,403,808
Cash and cash equivalents at end of period	* 2,403,808	* 2,029,601

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.

	FY2017 As of March 31, 2018	**FY2018** As of March 31, 2019
Trade notes receivable	1,170	2,344

*2 The assets and debts to affiliated company

(In thousands yen)

	FY2017 As of March 31, 2018	**FY2018** As of March 31, 2019
Accounts receivable	175,539	147,945

[Statements of income]

*1 Sales includes transaction with affiliated company as follows.

(In thousands yen)

	FY2017 Year ended March 31, 2018	**FY2018** Year ended March 31, 2019
Sales to affiliated company	457,761	438,758

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

(In thousands yen)

	FY2017 Year ended March 31, 2018	**FY2018** Year ended March 31, 2019
R&D expenses	443	771
Advertising expenses	1,016	997
Total	1,459	1,769

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

(In thousands yen)

FY2017 Year ended March 31, 2018		**FY2018** Year ended March 31, 2019	
Salaries and allowances	112,022	Salaries and allowances	152,098
Bonuses	10,850	Legal welfare expenses	26,302
Legal welfare expenses	20,132	Fee payment	368,689
Fee payment	96,333	Raw materials used in R&D	66,205
Raw materials used in R&D	38,949	Depreciation	18,149
Depreciation	16,136	Joint research expenses	29,707
Amount of offset by grant income	-144,309	Amount of offset by grant income	-162,719

[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)

	FY2017 Year ended March 31, 2018	**FY2018** Year ended March 31, 2019
Cash and deposit accounts	6,203,808	5,929,601
Long-term time deposits	200,000	—
Time deposits that exceed 3 months	-4,000,000	-3,900,000
Cash and cash equivalents	2,403,808	2,029,601