Summary of Financial Report for the FY ending March 2020 (Non-Consolidated)

April 27, 2020

Listed Company Name: Japan Tissue Engineering Co., Ltd. Listed Securities Exchange: JQ
Stock Code: 7774 URL http://www.jpte.co.jp
Representative: Masataka Akiyama, President and COO
Contact: Toshiyuki Hara, Director TEL (0533) 66-2020

(Rounding down to the nearest million yen)

1. Results for the FY2019 (April 1, 2019 to March 31, 2020)

(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	%
FY2019	2,309	-2.0	-235	—	-229	—	-287	—
FY2018	2,357	3.8	-349	—	-339	—	-333	—

	Net income per share	Net income per share, diluted	Return on equity	Return on assets	Operating Income Ratio
	yen	yen	%	%	%
FY2019	-7.07	—	-3.7	-2.7	-10.2
FY2018	-8.21	—	-4.1	-3.8	-14.8

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
FY2019	8,451	7,631	90.3	187.91
FY2018	8,751	7,918	90.5	194.98

Note: Shareholders' equity FY2019: 7,631 million yen FY2018: 7,918 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
FY2019	-84	209	-3	2,150
FY2018	-396	27	-5	2,029

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 FY2020 (April 1, 2020 to March 31, 2021)

The 2019 novel coronavirus infection has spread worldwide and has a great impact on the business environment in Japan and overseas. Since there are many uncertainties that will affect our business due to the spread of infection, it is difficult to reasonably calculate the business forecast for the fiscal year ending March 2021 at this point. We will make an announcement as soon as the situation has settled and it is possible to calculate the earnings forecast.

*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 FY2019
(April 1, 2019 - March 31, 2020)

(1) Non-consolidated Balance Sheets

(Thousands of yen)

	FY2018 As of March 31, 2019	FY2019 As of March 31, 2020
Assets		
Current assets		
Cash and deposits	5,929,601	5,750,876
Notes receivable - trade	92,372	86,970
Accounts receivable - trade	* 641,433	* 594,628
Merchandise and finished goods	124	2,798
Work in process	29,422	12,946
Raw materials and supplies	116,727	150,298
Advance payments - trade	14,025	40,486
Prepaid expenses	5,202	11,057
Other	195,291	166,777
Total current assets	7,024,202	6,816,839
Non-current assets		
Property, plant and equipment		
Buildings	1,915,906	1,927,905
Accumulated depreciation	-1,000,117	-1,070,736
Buildings, net	915,788	857,168
Structures	20,382	20,382
Accumulated depreciation	-17,763	-17,936
Structures, net	2,618	2,446
Machinery and equipment	390,436	424,838
Accumulated depreciation	-306,394	-319,175
Machinery and equipment, net	84,041	105,663
Tools, furniture and fixtures	285,756	313,673
Accumulated depreciation	-225,042	-243,173
Tools, furniture and fixtures, net	60,713	70,499
Land	582,770	582,770
Leased assets	26,268	7,206
Accumulated depreciation	-20,488	-4,385
Leased assets, net	5,779	2,820
Construction in progress	182	—
Total property, plant and equipment	1,651,892	1,621,368
Intangible assets		

Trademark right	98	63
Software	18,203	9,680
Other	275	264
Total intangible assets	18,577	10,008
Investments and other assets		
Investments in capital	20	20
Long-term prepaid expenses	262	112
Deferred tax assets	53,481	—
Other	3,496	3,204
Total investments and other assets	57,261	3,337
Total non-current assets	1,727,731	1,634,714
Deferred assets		
Share issuance costs	38	9
Total deferred assets	38	9
Total assets	8,751,972	8,451,563

(Thousands of yen)

	FY2018 As of March 31, 2019	FY2019 As of March 31, 2020
Liabilities		
Current liabilities		
Notes payable - trade	52,587	67,942
Accounts payable - trade	37,828	51,863
Lease obligations	3,195	1,368
Accounts payable - other	266,669	235,976
Accrued expenses	20,058	21,426
Income taxes payable	22,043	29,301
Advances received	46,959	17,889
Deposits received	13,898	7,811
Provision for bonuses	118,558	127,576
Provision for bonuses for directors (and other officers)	5,153	6,406
Other	208,949	216,398
Total current liabilities	795,902	783,961
Non-current liabilities		
Lease obligations	3,046	1,678
Provision for retirement benefits for directors (and other officers)	34,900	34,900
Total non-current liabilities	37,946	36,578
Total liabilities	833,849	820,539
Net assets		
Shareholders' equity		
Share capital	4,958,763	4,958,763
Capital surplus		
Legal capital surplus	2,788,763	2,788,763
Total capital surpluses	2,788,763	2,788,763
Retained earnings		
Other retained earnings		
Retained earnings brought forward	170,883	-116,215
Total retained earnings	170,883	-116,215
Treasury shares	-287	-287
Total shareholders' equity	7,918,123	7,631,024
Total net assets	7,918,123	7,631,024
Total liabilities and net assets	8,751,972	8,451,563

(2) Non-consolidated Statements of Income

(Thousands of yen)

	FY2018 Fiscal year ended March 31, 2019	FY2019 Fiscal year ended March 31, 2020
Net sales		
revenue of entrusted development	835,601	813,450
Net sales of merchandise and finished goods	1,522,316	1,496,401
Total net sales	*1 2,357,918	*1 2,309,851
Cost of sales		
cost of entrusted development	528,538	491,872
Cost of merchandise and finished goods sold		
Beginning inventory of merchandise and finished goods	508	124
Cost of purchased goods	—	22,050
Cost of products manufactured	546,013	617,919
Total	546,521	640,094
Transfer to other account	*2 1,769	*2 7,470
Ending inventory of merchandise and finished goods	124	2,798
Cost of merchandise and finished goods sold	544,627	629,825
Total cost of sales	1,073,166	1,121,698
Gross profit	1,284,752	1,188,152
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	60,748	76,866
Salaries and allowances	379,374	384,339
Bonuses	46,344	51,283
Provision for bonuses for directors (and other officers)	5,153	6,406
Provision for bonuses	51,761	51,532
Retirement benefit expenses	4,509	4,208
Rent expenses on land and buildings	24,146	27,757
Taxes and dues	26,967	54,878
Depreciation	21,733	16,279
Research and development expenses	*3 606,562	*3 340,939
Commission expenses	45,660	31,645
Supplies expenses	20,189	19,361
Donations	9,259	9,745

Other	332,086	348,085
Total selling, general and administrative expenses	1,634,497	1,423,330
Operating loss	-349,745	-235,178
Non-operating income		
Interest income	3,875	3,479
Dividend income	0	0
Consumption taxes refund	1,277	-
Insurance claim income	2,218	-
Income from employee	868	871
Miscellaneous income	2,166	1,290
Total non-operating income	10,407	5,642
Non-operating expenses		
Amortization of share issuance costs	49	28
Foreign exchange losses	223	92
Loss on retirement of non-current assets	9	98
Miscellaneous loss	10	21
Total non-operating expenses	293	241
Ordinary loss	-339,631	-229,777
Loss before income taxes	-339,631	-229,777
Income taxes - current	1,473	3,840
Income taxes - deferred	-7,856	53,481
Total income taxes	-6,382	57,321
Loss	-333,248	-287,099

(3) Non-consolidated Statements of Changes in Equity

FY2018 (Year ended March 31, 2019)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other retained earnings			
			Retained earnings brought forward			
Balance at beginning of period	4,958,763	2,788,763	504,132	-228	8,251,430	8,251,430
Changes during period						
Loss			-333,248		-333,248	-333,248
Purchase of treasury shares				-58	-58	-58
Total changes during period	-	-	-333,248	-58	-333,307	-333,307
Balance at end of period	4,958,763	2,788,763	170,883	-287	7,918,123	7,918,123

FY2019 (Year ended March 31, 2020)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other retained earnings			
			Retained earnings brought forward			
Balance at beginning of period	4,958,763	2,788,763	170,883	-287	7,918,123	7,918,123
Changes during period						
Loss			-287,099		-287,099	-287,099
Purchase of treasury shares					-	-
Total changes during period	-	-	-287,099	-	-287,099	-287,099
Balance at end of period	4,958,763	2,788,763	-116,215	-287	7,631,024	7,631,024

(4) Non-consolidated Statements of Cash Flows

(Thousands of yen)

	FY2018 Fiscal year ended March 31, 2019	FY2019 Fiscal year ended March 31, 2020
Cash flows from operating activities		
Loss before income taxes	-339,631	-229,777
Depreciation	119,676	124,143
Increase (decrease) in provision for bonuses	33,792	9,017
Increase (decrease) in provision for bonuses for directors (and other officers)	1,178	1,253
Interest and dividend income	-3,876	-3,480
Decrease (increase) in trade receivables	-142,693	52,208
Decrease (increase) in inventories	-11,087	-19,768
Increase (decrease) in trade payables	16,573	29,390
Increase (decrease) in accounts payable - other	41,222	-49,567
Increase (decrease) in accrued consumption taxes	-11,075	55,998
Other, net	-92,622	-66,345
Subtotal	-388,542	-96,928
Interest and dividends received	6,277	4,113
Income taxes (paid) refund	-13,845	8,230
Net cash provided by (used in) operating activities	-396,110	-84,584
Cash flows from investing activities		
Payments into time deposits	-3,700,000	-3,600,000
Proceeds from withdrawal of time deposits	3,800,000	3,900,000
Purchase of property, plant and equipment	-68,891	-86,492
Purchase of intangible assets	-4,081	-4,744
Other, net	609	292
Net cash provided by (used in) investing activities	27,636	209,054
Cash flows from financing activities		
Repayments of lease obligations	-5,674	-3,195
Purchase of treasury shares	-58	-
Net cash provided by (used in) financing activities	-5,732	-3,195
Net increase (decrease) in cash and cash equivalents	-374,207	121,275
Cash and cash equivalents at beginning of period	2,403,808	2,029,601
Cash and cash equivalents at end of period	* 2,029,601	* 2,150,876

Notes to non-consolidated financial statements

[Balance Sheets]

* The assets and debts to affiliated company

(Thousands of yen)

	FY2018 As of March 31, 2019	FY2019 As of March 31, 2020
Accounts receivable	147,945	125,977

[Statements of income]

*1 Sales includes transaction with affiliated company as follows.

(Thousands of yen)

	FY2018 Year ended March 31, 2019	FY2019 Year ended March 31, 2020
Sales to affiliated company	438,758	375,865

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

(Thousands of yen)

	FY2018 Year ended March 31, 2019	FY2019 Year ended March 31, 2020
R&D expenses	771	4,561
Advertising expenses	997	2,908
Total	1,769	7,470

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

(Thousands of yen)

FY2018 Year ended March 31, 2019		FY2019 Year ended March 31, 2020	
Salaries and allowances	152,098	Salaries and allowances	188,696
Legal welfare expenses	26,302	Legal welfare expenses	32,310
Fee payment	368,689	Fee payment	96,344
Raw materials used in R&D	66,205	Raw materials used in R&D	42,634
Depreciation	18,149	Depreciation	19,245
Joint research expenses	29,707	Joint research expenses	14,626
Amount of offset by grant income	-162,719	Amount of offset by grant income	-145,077

[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.

(Thousands of yen)

	FY2018 Year ended March 31, 2019	FY2019 Year ended March 31, 2020
Cash and deposit accounts	5,929,601	5,750,876
Time deposits that exceed 3 months	-3,900,000	-3,600,000
Cash and cash equivalents	2,029,601	2,150,876