

## Summary of Financial Report for the 3<sup>rd</sup> Quarter of FY ending March 2017 (Non-Consolidated)

January 30, 2017

Listed Company Name: Japan Tissue Engineering Co., Ltd.  
Stock Code: 7774  
Representative: Aiichiro Hiruma, President  
Contact: Shigenobu Akashi, Director

Listed Securities Exchange: JQ  
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(Rounding down to the nearest million yen)

### 1. Results for the 3<sup>rd</sup> Quarter of FY2016 (April 1, 2016 to December 31, 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	%
3 <sup>rd</sup> quarter of FY2016	1,154	20.7	-198	—	-200	—	-203	—
3 <sup>rd</sup> quarter of FY2015	956	13.1	-605	—	-594	—	-597	—

	Net income per share	Net income per share, diluted
	yen	yen
3 <sup>rd</sup> quarter of FY2016	-5.02	—
3 <sup>rd</sup> quarter of FY2015	-14.72	—

### (2) Financial Condition

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
3 <sup>rd</sup> quarter of FY2016	8,149	7,520	92.3
FY2015	8,296	7,718	93.0

Note: Shareholders' equity 3<sup>rd</sup> quarter of FY2016: 7,520 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	—	0.00	—	—	—
FY2016 (Forecast)	—	—	—	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 3rd Quarter of FY2016**  
(April 1, 2016 - December 31, 2016)

**(1) Non-consolidated Balance Sheets**

(In thousands yen)

	<b>FY2015</b>	<b>FY2016 Q3</b>
	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,853,865	3,758,346
Trade notes and accounts receivable	454,344	336,219
Work in process	17,702	11,467
Raw materials and supplies	105,522	112,329
Other	70,079	225,102
Total current assets	4,501,515	4,443,465
Noncurrent assets		
Property, plant and equipment		
Buildings, net	1,114,851	1,062,255
Land	582,770	582,770
Other, net	124,286	104,044
Total property, plant and equipment	1,821,908	1,749,070
Intangible assets	48,538	41,018
Investments and other assets		
Long-term time deposits	1,900,000	1,900,000
Other	9,328	7,386
Total Investments and other assets	1,909,328	1,907,386
Total noncurrent assets	3,779,775	3,697,475
Deferred assets	15,209	8,253
Total assets	8,296,500	8,149,193
<b>Liabilities</b>		
Current liabilities		
Trade notes payable	56,382	66,414
Income taxes and enterprise taxes payable	30,724	5,095
Reserve for bonuses	76,641	40,661
Other	326,413	471,990
Total current liabilities	490,162	584,161
Noncurrent liabilities		
Reserve for directors' retirement benefits	73,700	34,900
Other	14,561	9,563
Total noncurrent liabilities	88,261	44,463
Total liabilities	578,423	628,625
<b>Net assets</b>		
Shareholders' equity		
Capital	11,518,675	4,947,163
Capital surplus	9,348,675	2,777,163
Retained earnings	-13,149,273	-203,605
Treasury shares	-	-153
Total shareholders' equity	7,718,076	7,520,568
Total net assets	7,718,076	7,520,568
Total liabilities and net assets	8,296,500	8,149,193

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

(In thousands yen)

	<b>FY2015 Q3</b>	<b>FY2016 Q3</b>
	April 1 - December 31, 2015	April 1 - December 31, 2016
Sales	956,535	1,154,311
Cost of sales	599,584	643,846
Gross profit	356,951	510,464
Selling, general and administrative expenses	962,377	709,397
Operating Loss (-)	-605,425	-198,933
Non-operating income		
Interest income	4,301	3,652
Dividends income	0	0
Grant income	11,715	-
Other	2,006	1,514
Total non-operating income	18,023	5,168
Non-operating expenses		
Amortization of stock issuance expenses	7,041	6,956
Other	75	34
Total non-operating expenses	7,117	6,990
Ordinary loss (-)	-594,518	-200,755
Loss before income taxes (-)	-594,518	-200,755
Income taxes including inhabitants' and enterprise taxes	2,850	2,850
Total income taxes	2,850	2,850
Net loss (-)	597,368	-203,605

## 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 the 1<sup>st</sup> 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 3<sup>rd</sup> quarter of FY2015, and the operating loss, ordinary loss and loss before income taxes for the 3<sup>rd</sup> quarter of FY2015 decreased respectively by 121,893 thousand yen.

### [Change in accounting estimate]

#### Depreciation method change

For the 1<sup>st</sup> 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 this 3<sup>rd</sup> quarter of FY2016 decreased respectively by 27,368 thousand yen.