

# Financial Summary

## Consolidated Financial Results for the Year ended March 31, 2018 (FY2017)

### (Japanese standard)

May 11, 2018

Listed company name: JCR Pharmaceuticals Co., Ltd.

Listed stock exchange: Tokyo Stock Exchange

Code number: 4552

URL: <http://www.jcrpharm.co.jp>

Representative

(Title) Representative Director, Chairman and President and CEO

(Name) Shin Ashida

Person in charge of inquiries

(Title) Corporate Officer, General Manager Administration Division

(Name) Akihiro Haguchi TEL: 0797(32)8591

Scheduled date to hold the ordinary general meeting of shareholders: June 28, 2018

Scheduled date to commence dividend payments: June 27, 2018

Scheduled date to file the Securities Report: June 27, 2018

Explanatory material for business results: Available

IR Conference: To be held (for institutional investors and analysts)

(Amounts of less than one million yen are rounded to the nearest million yen.)

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

## (1) Consolidated Operating Results (Cumulative)

(Percentage shows year-on-year changes.)

	Sales		Operating Income		Ordinary Income		Net Income	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2018	20,594	13.9	3,784	60.2	3,843	51.7	3,070	64.8
March 31, 2017	18,085	3.7	2,362	9.7	2,534	3.7	1,863	4.1

(Reference) Comprehensive income: Year ended March 31, 2018: 3,016 million yen (64.7%)

Year ended March 31, 2017: 1,831 million yen (17.6%)

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ordinary profit to total assets	Operating profit to sales
Year ended	Yen	Yen	%	%	%
March 31, 2018	98.73	98.11	11.3	10.3	18.4
March 31, 2017	58.95	58.61	6.9	7.1	13.1

(Reference) Gains/(losses) on equity method investments

For the year ended March 31, 2018 - million yen For the year ended March 31, 2017 - million yen

## (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net asset per share
Year ended	million yen	million yen	%	%
March 31, 2018	38,398	27,528	70.3	877.86
March 31, 2017	36,385	27,585	75.0	864.66

(Reference) Shareholders' equity: As of March 31, 2018 26,999 million yen

As of March 31, 2017 27,305 million yen

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Year ended	million yen	million yen	million yen	million yen
March 31, 2018	3,133	△1,587	△2,175	4,850
March 31, 2017	2,651	△841	146	5,464

## 2. Dividends

	Dividends per share					Total annual dividends (Total)	Dividend pay-out ratio (Consolidated)	Dividends on net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
FY2016	-	10.00	-	12.00	22.00	696	37.3	2.6
FY2017	-	12.00	-	14.00	26.00	802	26.3	3.0
FY2018(Forecast)	-	13.00	-	13.00	26.00		25.0	

## 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Percentage figures for the fiscal year represent the changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
2nd quarter (accumulated)	9,400	△ 7.7	820	△ 66.5	870	△ 64.8	650	△ 65.5	21.13
Year ending March 31, 2019	21,900	6.3	4,290	13.3	4,360	13.4	3,200	4.2	104.05

\*Note

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): None

(2) Changes and revisions/restatements in accounting principles and accounting estimates

1. Changes associated with changes in accounting standards : None
2. Changes in accounting principles other than 1 : None
3. Changes in accounting estimates : None
4. Revisions/restatements : None

(3) Number of shares outstanding (common stocks)

1. Number of shares outstanding at the end of the period (including treasury stock)	As of March 31, 2018	32,421,577 shares	As of March 31, 2017	32,421,577 shares
2. Number of shares treasury stock at the end of the period	As of March 31, 2018	1,665,930 shares	As of March 31, 2017	842,362 shares
3. Average number of shares outstanding during the period	As of March 31, 2018	31,097,129 shares	As of March 31, 2017	31,604,488 shares

(Reference) Summary of individual business results

1. Individual Business Results for FY2017 (From April 1, 2017 to March 31, 2018)

(1) Individual Business Results (% figures represent annual changes over the preceding year)

	Sales		Operating Income		Ordinary Income		Net income for the year	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2018	20,304	14.1	3,732	64.7	3,794	55.3	3,015	61.2
March 31, 2017	17,794	3.9	2,265	10.4	2,442	4.1	1,870	7.7

	Net income per share (basic)	Net income per share (diluted)
Year ended	Yen	Yen
March 31, 2018	96.97	96.36
March 31, 2017	59.19	58.84

(2) Individual Financial Conditions

	Total assets	Net assets	Equity ratio	Net asset per share
Year ended	million yen	million yen	%	Yen
March 31, 2018	37,756	27,049	70.7	868.29
March 31, 2017	35,977	27,399	75.4	858.80

(Reference) Shareholders' equity ; As of March 31, 2018 26,704 million yen

As of March 31, 2017 27,120 million yen

&lt;Reason for the difference between individual business performance and their previous actual figures&gt;

During the current business year, sales from recombinant human growth hormone products and revenues from licensing exceeded those of the previous business year, and difference arose between actual figures of the previous business year and actual figures of the current business year.

\* There annual financial results are not subject to audits by certified public accounts and audit firms.

\* Explanations and other special notes concerning the appropriate use of business performance forecasts

The forward-looking statements such as a result forecasts in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, which are inherently speculative, and actual results may differ materially from the forecast depending on various factors. As for notes, etc. of the conditions as a prerequisite and the appropriated use for business performance forecasts, please refer to page 2 of the Attached Material, "Analysis on Business Performance"

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## 1. Overview of Financial Results, Etc.

## (1) Overview of Financial Results

## [1] Financial Results for the Year

The overview of the consolidated accounting year is as follows.

The sales of one of our core products, GROWJECT®, a recombinant human growth hormone product, continuously expanded with the contribution of GROWJECT® 6 mg and 12 mg, a liquid formulation, and its dedicated injector, GROWJECTOR® L, which were introduced in January last year. The sales of Epoetin Alfa BS Inj. JCR, a recombinant erythropoietin product, and TEMCELL® HS Inj., regenerative medical product, also performed favorably. All of the three core products increased the profit on a year-on-year basis.

As for research and development, in September 2017, we have submitted the application for the marketing approval for a biosimilar of Agalsidase beta, a therapeutic enzyme for Fabry disease (development code: JR-051). In addition, we also progressed in Phase III clinical trial of a biosimilar of darbepoetin alfa, a long-acting erythropoiesis stimulating agent (development code: JR-131) as well as Phase I/II clinical trial of a therapeutic enzyme for Hunter syndrome that applied our unique blood-brain barrier penetrating technology, J-Brain Cargo® (JR-141). We have attained favorable results for each at the clinical development phase. Further, in February this year, our joint development with Sumitomo Dainippon Pharma Co., Ltd. Concerning "J-Brain Cargo®" brought favorable results, resulting in a licensing agreement. Also, in the fields of cell and regenerative medicine, in July 2017 the Company and Teijin Limited entered into co-development and license agreement regarding an allogeneic regenerative medical product using dental pulp stem cells (DPCs) (development code: JTR-161) for the indication of acute cerebral infarction (stroke) for Japan, and we have continued joint development since then.

Also, the Company established a joint venture company in the United States, JCR USA, Inc., jointly with MEDIPAL HOLDINGS CORPORATION as of January 1 this year as a base for global expansion of our product items under development.

As a result of such business activities, sales of our Group recorded 20,594 million yen (up 13.9% year on year). In terms of profit, operating income recorded 3,784 million yen (up 60.2% year on year), ordinary income recorded 3,843 million yen (up 51.7% year on year), and net income attributable to owners of the parent recorded 3,070 million yen (up 64.8% year on year), and all exceeded previous year and we attained a record high for four consecutive years.

## Sales by each business segment

Name of business segment	Previous Consolidated Accounting Year (From April 1, 2016 to March 31, 2017)		Current Consolidated Accounting Year (From April 1, 2017 to March 31, 2018)		Increase or decrease
	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)
Pharmaceuticals					
Growject	10,682	59.1	11,495	55.8	813
Epoetin Alfa BS	3,702	20.5	4,115	20.0	413
Urine-derived products	1,145	6.3	834	4.1	△ 311
TEMCELL	688	3.8	1,544	7.5	855
Revenue from licensing	1,283	7.1	2,137	10.4	853
Others	175	1.0	50	0.2	△ 124
Medical devices and laboratory equipment	407	2.2	417	2.0	9
Total	18,085	100.0	20,594	100.0	2,509

## [2] Forecast for the next term

Forecast for the next consolidated financial results are as follows.

	Current year actuals (Year ended March 2018)	Forecast for the next year (Year ended March 2019)	Increase or decrease	Increase-decrease rate
Net Sales (millions of yen)	20,594	21,900	1,305	+ 6.3%
Operating income (millions of yen)	3,784	4,290	505	+ 13.3%
Ordinary income (millions of yen)	3,843	4,360	516	+ 13.4%
Net income attributable to owners of the parent (millions of yen)	3,070	3,200	129	+ 4.2%

## (Sales)

We anticipate a robust sales and revenue growth of “Growject” and “TEMCELL<sup>®</sup> HS Inj.” and we continue our proactive efforts into the licensing business. As for “Epoetin Alfa BS Inj. JCR”, although we anticipate revenue decrease due to NHI price revision, the overall sales forecast of JCR Group is anticipated to reach 21,900 million yen (up 6.3% year on year).

## (Profit)

We will further actively work on R&D activities but due to an increase in gross profit associated with sales growth, we anticipate operating income of 4,290 million yen (up 13.3% year on year), ordinary income of 4,360 million yen (up 13.4% year on year), and profit attributable to owners of the parent of 3,200 million yen (up 4.2% year on year).

## (2) Overview of Financial Conditions

## [1] Status of assets, liabilities and net assets

As of the end of the current consolidated accounting year, total assets, total liabilities and total net assets amounted to 38,398 million yen (2,013 million yen increase from the end of the previous consolidated accounting year), 10,870 million yen (2,070 million yen increase from the end of the previous consolidated accounting year), and 27,528 million yen (57 million yen decrease from the end of the previous consolidated accounting year), respectively.

Due to an increase in inventory assets and securities while recording a decrease in cash and deposits, current assets were up by 3,012 million yen to 23,327 million yen from the end of the previous consolidated accounting period. Due to a decrease in investment securities, non-current assets decreased by 998 million yen to 15,070 million yen from the end of the previous consolidated accounting period.

Current liabilities expanded by 2,398 million yen to 7,105 million yen from the end of the previous consolidated accounting period because short-term loans payable and income tax payable increased.

Non-current liabilities decreased by 327 million yen to 3,764 million yen from the end of the previous consolidated accounting period since long-term loans payable and lease obligations declined.

Net assets declined by 57 million yen to 27,528 million yen from the end of the previous consolidated accounting period due to an increase in treasury shares while posting net income attributable to owners of the parent.

As a result, the equity ratio at the end of the consolidated accounting year was 70.3%, declining by 4.7 points compared to the end of the previous consolidated accounting year.

## [2] Status of cash flows

Cash and cash equivalents at the end of the current consolidated accounting year was down by 614 million yen from the end of the previous consolidated accounting year to 4,850 million yen. Status of each cash flows and major reasons are as stated below.

## (Cash flows from operating activities)

Net cash provided by operating activities in the FY2017 amounted to 3,133 million yen (increase of 482 million yen as compared with the same period of the previous year) primarily due to increase in notes and accounts receivable of 1,668 million yen, increase in inventories of 1,314 million yen while recording profit before income taxes of 3,895 million yen and depreciation and amortization of 1,382 million yen.

## (Cash flows from investing activities)

Net cash used by investing activities amounted to 1,587 million yen (decrease of 745 million yen as compared with the same period of the previous year) primarily due to proceeds from sales and redemption of investment securities of 300 million yen, and purchase of property, plant, and equipment of 922 million yen and securities of 611 million yen.

## (Cash flows from financing activities)

Net cash used by financing activities amounted to 2,175 million yen (decrease of 2,321 million yen as compared with the same period of the previous year) primarily due to net increase in short-term loans payable of 1,220 million yen, net increase in treasury shares of 2,585 million yen, and cash dividends paid of 748 million yen.

## (Reference) Changes in indicators related to cash flows

	Year ended March 2014	Year ended March 2015	Year ended March 2016	Year ended March 2017	Year ended March 2018
Equity ratio	73.0%	76.6%	75.9%	75.0%	70.3%
Market base equity ratio	225.1%	235.1%	230.5%	214.3%	486.2%
Ratio of cash flow and interest-bearing debts	0.9 years	3.6 years	1.5 years	1.8 years	1.9 years
Interest coverage ratio	105.1 times	13.2 times	67.7 times	92.0 times	113.0 times

(Note) Equity ratio means equity / total assets

Market base equity ratio means total market value of shares / total assets

Ratio of cash flow and interest-bearing debts means interest-bearing debts / cash flow

Interest coverage ratio means cash flow / interest payment

\* Calculations were based on consolidated financial figures.

\* Total market value of shares was calculated based on the number of outstanding shares at the end of the fiscal year after deduction of treasury stock.

\* Cash flow here is the cash flow from operations of consolidated cash flow statement. Interest-bearing debts are all the debts listed on the balance sheet for which interest has been paid. Interest payment is the amount of interest paid as indicated in the cash flow statement.

## (3) Basic policy on the distribution of profits/dividends for FY2017 and FY2018

The Company regards the distribution of its profits to shareholders as an important management policy.

The basic policy of the Company in regard to the declaration of dividends of earned surplus, etc., is to provide continuous and stable dividends by taking into account of factors such as business performance and cash flow while securing sufficient internal reserves for the development of new drug products and the strengthening of financial status that will be the source of future profits.

In line with this policy, regarding the term-end dividend for the current year under review, a dividend of ¥14 per share, up ¥2 from the immediately precedent forecast, as the Company posted record high both in sales and profit for the current term, was approved at the meeting of the Board of Directors held on May 11, 2018. As a consequence, the anticipated annual dividend for the FY2017 is ¥26 including the interim dividend of ¥13.

For the dividend of next fiscal year 2018 (year ending in March 2019), we anticipate distributing a full-year dividend of ¥26 per share (the interim dividend of ¥13 and the term-end dividend of ¥13).

## 2. Basic concept regarding selection of accounting standard

JCR group has adopted Japanese standards as its accounting standards.

As for IFRS, it is our policy to continue examination in consideration of trends in adoption of IFRS.

## 3. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposit	5,509	4,895
Notes and accounts receivable-trade	5,434	7,103
Securities	300	1,217
Merchandise and finished goods	1,757	1,759
Work in process	1,591	1,790
Raw materials and supplies	4,389	5,474
Deferred tax assets	390	496
Other	942	592
Total current assets	20,315	23,327
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,938	4,755
Machinery, equipment and vehicles, net	1,204	1,044
Land	3,882	3,882
Lease assets, net	605	392
Construction in progress	31	-
Other, net	726	778
Total property, plant and equipment	11,387	10,853
Intangible assets	67	112
Investments and other assets		
Investment securities	3,587	3,194
Net defined benefit assets	276	268
Other	773	665
Allowance for doubtful accounts	△ 22	△ 22
Total investments and other assets	4,614	4,104
Total non-current assets	16,069	15,070
Total assets	36,385	38,398

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	700	585
Short-term loans payable	1,493	2,893
Lease obligations	230	193
Income taxes payable	69	887
Provision for bonuses	525	560
Provision for directors' bonuses	73	80
Other	1,614	1,904
Total current liabilities	4,706	7,105
Non-current liabilities		
Long-term loans payable	2,713	2,500
Lease obligations	401	218
Provision for loss on guarantees	337	315
Allowance for employee stock ownership benefits	-	19
Net defined benefit liability	582	641
Other	56	69
Total non-current liabilities	4,092	3,764
Total liabilities	8,799	10,870
<b>Net assets</b>		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,964	10,947
Retained earnings	8,149	10,469
Treasury stock	△ 1,486	△ 4,042
Total shareholders' equity	26,689	26,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	569	462
Foreign currency translation adjustments	149	169
Remeasurements of defined benefit plans	△ 103	△ 67
Total accumulated other comprehensive income	616	563
Subscription rights to shares	279	344
Non-controlling interests	0	185
Total net assets	27,585	27,528
Total liabilities and net assets	36,385	38,398



(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
(Consolidated Statements of Income)

(millions of yen)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net sales	18,085	20,594
Cost of sales	5,731	6,128
Gross profit	12,353	14,465
Selling, general and administrative expenses	9,991	10,681
Operating profit	2,362	3,784
Non-operating income		
Interest income	16	20
Dividend income	20	25
Foreign exchange gains	46	-
Gain on sale of investment securities	18	26
Insurance income	-	11
Other	133	21
Total non-operating income	236	105
Non-operating expenses		
Interest expenses	28	27
Foreign exchange losses	-	7
Other	35	11
Total non-operating expenses	64	46
Ordinary income	2,534	3,843
Extraordinary income		
Gain on sale of non-current assets	-	54
Reversal of provision for loss on guarantees	20	22
Other	-	0
Total extraordinary income	20	77
Extraordinary losses		
Special retirement money for affiliated companies	59	-
Loss on disposal of non-current assets	3	25
Total extraordinary losses	62	25
Profit before income taxes	2,492	3,895
Income taxes – current	393	964
Income taxes – deferred	235	△ 139
Total income taxes	629	825
Profit	1,863	3,069
Profit attributable to non-controlling interests	0	△ 0
Profit attributable to owners of parent	1,863	3,070

## (Consolidated Statements of Comprehensive Income)

(millions of yen)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Profit	1,863	3,069
Other comprehensive income		
Valuation difference on available-for-sale securities	△ 18	△ 107
Foreign currency translation adjustment	△ 56	19
Remeasurements of defined benefit plans, net of tax	42	35
Total other comprehensive income	△ 31	△ 53
Comprehensive income	1,831	3,016
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,831	3,016
Comprehensive income attributable to non-controlling interests	0	△ 0

(3) Consolidated Statements of Changes in Net Assets  
FY2016 (From April 1, 2016 to March 31, 2017)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	9,061	10,961	6,930	△ 781	26,171
Accumulative impact amount due to changes of accounting policies			55		55
Beginning balance after reflection of changes of accounting policies	9,061	10,961	6,985	△ 781	26,226
Changes during the year					
Dividends paid			△ 699		△ 699
Net income attributable to owners of the parent			1,863		1,863
Purchase of treasury shares				△ 776	△ 776
Disposal of treasury shares		3		71	75
Changes of items other than shareholders' equity (net)					
Total changes for the year	-	3	1,163	△ 705	462
Ending balance	9,061	10,964	8,149	△ 1,486	26,689

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/ losses on investments in securities	Foreign currency translation adjustments	Accumulated actuarial gains/ losses on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	587	205	△ 145	648	242	0	27,062
Accumulative impact amount due to changes of accounting policies							55
Beginning balance after reflection of changes of accounting policies	587	205	△ 145	648	242	0	27,118
Changes during the year							
Dividends paid							△ 699
Net income attributable to owners of the parent							1,863
Purchase of treasury shares							△ 776
Disposal of treasury shares							75
Changes of items other than shareholders' equity (net)	△ 18	△ 56	42	△ 31	37	0	5
Total changes for the year	△ 18	△ 56	42	△ 31	37	0	467
Ending balance	569	149	△ 103	616	279	0	27,585

FY2017 (from April 1, 2017 to March 31, 2018)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	9,061	10,964	8,149	△ 1,486	26,689
Changes during the year					
Dividends paid			△ 750		△ 750
Net income attributable to owners of the parent			3,070		3,070
Purchase of treasury shares				△ 2,622	△ 2,622
Disposal of treasury shares		△ 16		66	49
Changes of items other than shareholders' equity (net)					
Total changes for the year	-	△ 16	2,319	△ 2,556	△ 253
Ending balance	9,061	10,947	10,469	△ 4,042	26,435

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/ losses on investments in securities	Foreign currency translation adjustments	Accumulated actuarial gains/ losses on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	569	149	△ 103	616	279	0	27,585
Changes during the year							
Dividends paid							△ 750
Net income attributable to owners of the parent							3,070
Purchase of treasury shares							△ 2,622
Disposal of treasury shares							49
Changes of items other than shareholders' equity (net)	△ 107	19	35	△ 53	64	184	195
Total changes for the year	△ 107	19	35	△ 53	64	184	△ 57
Ending balance	462	169	△ 67	563	344	185	27,528

## (4) Consolidated Statements of Cash Flows

(millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	2,492	3,895
Depreciation and amortization	1,447	1,382
Increase (decrease) in provision for bonuses	44	35
Share-based compensation expenses	79	77
Increase (decrease) in provision for loss on guarantees	△ 20	△ 22
Increase (decrease) in net defined benefit liability	65	75
Interest and dividends income	△ 37	△ 46
Interest expenses	28	27
Foreign exchange losses (gains)	△ 31	13
Decrease (increase) in notes and accounts receivable-trade	△ 50	△ 1,668
Decrease (increase) in accounts receivable-other	△ 324	290
Decrease (increase) in inventories	△ 402	△ 1,314
Increase (decrease) in accounts payable-trade	△ 83	△ 114
Increase (decrease) in accounts payable-other	313	△ 14
Increase (decrease) in accrued consumption taxes	△ 354	258
Increase (decrease) in advanced received	△ 174	83
Other, net	780	288
Subtotal	3,773	3,246
Interest and dividends income received	33	48
Interest expenses paid	△ 28	△ 27
Income taxes (paid) refund	△ 1,126	△ 133
Net cash provided by (used in) operating activities	2,651	3,133
Net cash provided by (used in) investing activities		
Purchase of securities	-	△ 611
Proceeds from sales and redemption of securities	284	300
Purchase of property, plant and equipment	△ 1,550	△ 922
Proceeds from sales of property, plant and equipment	-	66
Purchase of intangible assets	△ 13	△ 77
Purchase of investment securities	△ 42	△ 494
Proceeds from sales and redemption of investment securities	451	150
Other, net	29	0
Net cash provided by (used in) investing activities	△ 841	△ 1,587
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	50	1,220
Proceeds from long-term loans payable	2,300	200
Repayment of long-term loans payable	△ 550	△ 233
Repayments of lease obligations	△ 210	△ 212
Net decrease (increase) in treasury stock	△ 743	△ 2,585
Proceeds from payment from non-controlling interests	-	184
Cash dividends paid	△ 699	△ 748
Net cash provided by (used in) financing activities	146	△ 2,175
Effect of exchange rate change on cash and cash equivalents	△ 15	14
Net increase (decrease) in cash and cash equivalents	1,941	△ 614
Cash and cash equivalents at beginning of period	3,523	5,464
Cash and cash equivalents at end of period	5,464	4,850

(5) Notes to consolidated financial statements

(Notes on premises as a going concern)

No corresponding item existed.

(Basis of presenting consolidated financial statements)

1. Scope of consolidation

The Company has consolidated all of its subsidiaries.

Number of consolidated subsidiaries: 6 companies

Names of consolidated subsidiaries

He Bei Jie Xi Bio-products Co., Ltd.

Family Health Rental Co., Ltd.

Chromatech Co., Ltd.

JCR Engineering Co., Ltd.

JCR International SA

JCR U.S.A. Inc.

Of those, JCR U.S.A. Inc. was newly established in the consolidated accounting year and as included as consolidated subsidiaries starting for the current consolidated accounting year.

2. Matters concerning application of equity method

No corresponding item existed.

3. Matters concerning business year items for consolidated subsidiaries

The settlement date of all of the Company's consolidated subsidiaries is December 31.

When preparing consolidated financial statements, the Company uses financial statements of each company as of the said settlement date, and necessary adjustments are made regarding important transactions occurring in the period until the consolidated settlement date.

4. Matters concerning accounting policies

(1) Valuation standard and method for significant assets

[1] Securities

Other securities

Securities with market value:

Stated at market value based on the quoted market price as of the settlement date. (Any valuation differences are directly charged or credited to net assets and cost of securities sold is calculated by the moving average method.)

Securities without market value: Stated at cost being determined by the moving average method.

[2] Inventories

The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Merchandise: Specific identification method (except for Family Health Rental for which periodic average method is used.)

Products and work in process: Periodic average method

Raw materials: Monthly moving average method (However, for processed raw materials and auxiliary materials, the periodic average method is used.)

Supplies: Mainly by periodic average method

[3] Derivatives

Market value method

(2) Depreciation method of significant depreciable assets

[1] Property, plant, and equipment

(i) Property, plant, and equipment other than lease assets

The straight-line method is adopted for Kobe Plant, assets for leasing, and subsidiaries overseas, and the declining balance method is adopted for all the others. However, the Company has adopted the straight-line method for buildings (excluding fixtures) acquired on and after April 1, 1998 and fixtures and structures acquired on and after April 1, 2016.

The principal useful lives are as follows:

Building and structures: 15 - 38 years

Machinery and vehicles: 4 - 10 years

(ii) Lease assets

Lease assets relating to finance lease transactions without transfer of ownership

Based on the straight line method with the lease period being the useful life and the residual value being zero (if a residual value guarantee is arranged, the said residual value).

- [2] Intangible assets
  - (i) Intangible assets other than lease assets  
Straight-line method  
However, software for internal use is amortized by straight-line method over the expected available period (5 years).
  - (ii) Lease assets  
Lease assets relating to finance lease transactions without transfer of ownership  
Based on the straight line method with the lease period being the useful life and the residual value being zero.
- [3] Long-term prepaid expenses  
The straight-line method
- (3) Accounting for significant allowances
  - [1] Allowance for doubtful accounts  
The Company provides allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. Allowance for normal receivables is calculated by using the actual percentage of credit losses while for certain identified doubtful receivables, recoverability is assessed separately to determine the estimated uncollectible amount.
  - [2] Accrued bonuses to employees  
To provide for payment of bonuses to employees, accrued bonuses are recorded as the amount expected to be paid.
  - [3] Accrued bonuses to directors and corporate auditors  
To provide for payment of bonuses to directors and corporate auditors, accrued bonuses are recorded as the amount expected to be paid.
  - [4] Allowance for loss on guarantees  
In order to be prepared for loan guarantee loss, an estimated amount of loan loss is appropriated in consideration of the financial situation etc. of the insured.
  - [5] Allowance for provision of stock to employees  
In order to be prepared for provision of shares to the Company's employees based on Rules for Stock Provision, an estimated amount of shares to be provided as of the end of the current consolidated accounting year is appropriated.
- (4) Accounting for retirement benefits
  - [1] Attribution period of estimated retirement benefit  
The method of attributing expected benefits to periods until the end of the current fiscal year in calculating retirement benefit obligations is benefit formula method.
  - [2] Treatment of actuarial gains or losses and past service costs  
Actuarial gains or losses are recognized commencing with the consolidated fiscal year following their accrual and are amortized ratably on a straight-line basis over a specified number of years (5 years), which does not exceed the average remaining years of service of employees at the time of their accrual in each consolidated fiscal year. Actuarial differences are amortized in the year subsequent to their occurrence using the straight-line method over a certain period (5 years) not exceeding the average remaining service life of employees as of the time of their occurrence.
  - [3] Other  
In order to be prepared for provision of retirement benefits to officers, an estimated amount to be provided as of the end of the current consolidated accounting year is recorded based on internal rules.
- (5) Significant hedge accounting
  - [1] Method of hedge accounting  
In principle, deferral hedge accounting is adopted.  
Interest rate swaps that meet certain conditions for exceptional treatments are accounted for according to exceptional treatments, while forward exchange contracts that meet condition of appropriation are accounted for according to such appropriation treatment.
  - [2] Hedging instruments and items hedged  
Hedging instruments: forward exchange contracts and interest rate swap  
Items hedged:  
Accounts payable in foreign currencies, forward exchange contracts on forecasted foreign currency, and interest on loans
  - [3] Hedging policy  
The Company enters into derivative contracts in order to mitigate the risk of fluctuations in currency exchanges rates in relation to importing of raw materials, etc. and the risk of fluctuations in interest rates in relation to procurement of funds in the amount not exceeding the accounts payable relating thereto.
  - [4] Evaluation of the efficacy of hedging activities  
For evaluation of effectiveness, hedge items and hedge methods are analyzed in market movements or cash flow fluctuations to determine any correlation.

- (6) Scope of funds included in Consolidated Statements of Cash Flows  
The funds (cash and cash equivalents) stated in the Consolidated Statements of Cash Flows consist of on-hand funds, deposits that can be withdrawn at any time, and short term, low-risk investments redeemable within 3 months of the acquisition date and readily convertible into cash.
- (7) Other significant matters which provide basis for preparation of the consolidated financial statements  
Accounting for consumption tax  
The net of tax method is adopted for the Consumption Tax treatment

## (Segment information)

## [Segment information]

## 1. Summary of reportable segments

The Group's reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the board of directors to determine allocation of management resources and evaluation on performance on a regular basis.

The Group's products handled consist of pharmaceuticals, and medical devices and laboratory equipment. Our business are operated by product attribution and the Company has two reporting segments, "pharmaceuticals business" and "medical devices and laboratory equipment business".

The "pharmaceuticals business" develops, manufactures, purchases and sells pharmaceuticals and crude materials of pharmaceuticals, and the "medical devices and laboratory equipment business" purchases and sell medical devices and laboratory equipment.

## 2. Method of calculating sales, profit or loss, assets, liabilities and others by each reporting segment

Method of accounting transactions for reporting business segments are same as those described under "Basis of presenting consolidated financial statements". Profit of each reporting segment is calculated based on operating income. Internal revenue and transfer to revenue between segments are based on actual market prices

3. Information concerning amounts of sales, profit or loss, assets, liabilities and others by each reporting segment  
FY2016 (From April 1, 2016 to March 31, 2017)

(millions of yen)

	Reporting Segment		Total
	Pharmaceuticals business	Medical devices and laboratory equipment business	
Net Sales			
Sales to external customers	17,677	407	18,085
Internal sales and transfer to revenue between segments	-	69	69
Total	17,677	477	18,154
Segment profit	2,332	29	2,362
Segment assets	31,958	394	32,352
Other items			
Depreciation expenses (Note)	1,415	33	1,449
Increase in property, plant, and equipment and intangible assets (Note)	1,412	-	1,412

(Note) Increases in depreciation expenses, property, plant, and equipment, and intangible assets include long-term prepaid expenses (such as lump-sum depreciable assets).



FY2017 (From April 1, 2017 to March 31, 2018)

(millions of yen)

	Reporting Segment		Total
	Pharmaceuticals business	Medical devices and laboratory equipment business	
Net Sales			
Sales to external customers	20,177	417	20,594
Internal sales and transfer to revenue between segments	-	49	49
Total	20,177	466	20,644
Segment profit	3,772	11	3,783
Segment assets	33,492	349	33,842
Other items			
Depreciation expenses (Note)	1,358	24	1,383
Increase in property, plant, and equipment and intangible assets (Note)	907	-	907

(Note) Increases in depreciation expenses, property, plant, and equipment, and intangible assets include long-term prepaid expenses (such as Lump-sum depreciable assets).

4. Differences between total amounts of reporting segments and amounts recorded on the consolidated financial statements and major breakdown of such differences (matters concerning difference reconciliation)

(millions of yen)

Sales	FY 2016	FY2017
Reporting segment total	18,154	20,644
Elimination of intersegment transactions	△ 69	△ 49
Sales in the consolidated financial statements	18,085	20,594

(millions of yen)

Profit	FY 2016	FY2017
Reporting segment total	2,362	3,783
Elimination of intersegment transactions	△ 0	1
Operating income in the consolidated financial statements	2,362	3,784

(millions of yen)

Assets	FY 2016	FY2017
Reporting segment total	32,352	33,842
Total assets in the consolidated financial statements	4,032	4,556
Operating income in the consolidated financial statements	36,385	38,398

(Note) Corporate assets are mainly unused funds under management (deposits and securities) and long-term investments (investment securities).

(millions of yen)

Other items	Reporting segment total		Adjustment amount (Note)		Amount recorded in the consolidated financial statements	
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
Depreciation expense	1,449	1,383	△ 1	△ 1	1,447	1,382
Increase in property, plant, and equipment and intangible assets	1,412	907	△ 2	1	1,409	908

(Note) Adjustment amounts of increased amounts of property, plant, and equipment and intangible assets are for elimination of intersegment transactions.

(Per share information)

The bases for calculations and the amounts of net asset per share, net income per share and diluted net income per share for the year and others are as described below.

Item	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
(1) Net asset per share (yen)	864.66	877.86
(Bases for calculations)		
Total net assets in the consolidated balance sheet (millions of yen)	27,585	27,528
Net assets associated with common shares (millions of yen)	27,305	26,999
Breakdown of major differences (millions of yen)		
Stock acquisition rights	279	344
Non-controlling interests	0	185
Number of common shares outstanding (shares)	32,421,577	32,421,577
Number of shares of treasury stock (common shares)	842,362	1,665,930
Number of common shares used for calculations of net asset per share (shares)	31,579,215	30,755,647

Item	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
(2) Net income per share (yen)	58.95	98.73
(Bases for calculations)		
Net income per share attributable to owners of the parent in the Consolidated Statements of Income (millions of yen)	1,863	3,070
Amount not attributable to common shares (millions of yen)	-	-
Net income attributable to owners of the parent associated with common shares (millions of yen)	1,863	3,070
Average number of common shares outstanding (shares)	31,604,488	31,097,129
(3) Diluted net income per share (yen)	58.61	98.11
(Bases for calculations)		
Adjustment to net income attributable to owners of the parent (millions of yen)	-	-
Major breakdown of increased number of common shares used for calculations of diluted net income per share (shares)		
Stock acquisition rights	185,328	196,799
Increased number of common shares (shares)	185,328	196,799
Outline of dilutive shares which were not included in the calculation of "Diluted net income attributable to owners of the parent per share" because they are antidilutive for the each period.	-----	-----

(Note) The Company's shares held by a trust under the Employee Stock Ownership Plan, which are reported as treasury shares under Shareholders' equity, are included in the number of treasury shares excluded in the calculations of average number of shares during term for calculations of net income per share and are included in the number of treasury shares excluded from the number of shares outstanding at the end of the term for calculations of net asset per share. The average number of the said treasury shares excluded during the term for calculations of net income per share were 100,000 shares for the previous consolidated accounting year, and 99,825 shares for the current consolidated accounting year, and the number of the said treasury shares excluded for calculations of net asset per share was 100,000 shares for the previous consolidated accounting year and 99,400 shares for the current consolidated accounting year.

## 4. Other

**R&D Pipeline****Recombinant drug products**

<b>Code</b> Nonproprietary Name	<b>Status</b> (Japan)	<b>Indication</b>
		<b>Remarks</b>
<b>JR- 141</b> BBB-Penetrating Iduronate -2-sulfatase (rDNA origin)	Phase I / II	Hunter syndrome (lysosomal storage disease)
		ERT J-Brain Cargo®
<b>JR- 142</b> Long-acting Growth hormone (rDNA origin)	Preclinical	Growth disorder
		J-MIG System®
<b>JR- 162</b> J-Brain Cargo® applied acid alpha-glucosidase (Blood Brain Barrier passage) (rDNA origin)	Preclinical	Pompe disease (lysosomal storage disease)
		ERT J-Brain Cargo® J-MIG System®
<b>JR- 171</b> BBB-Penetrating acid alpha-L-Iduronidase (rDNA origin)	Preclinical	Hurler syndrome (lysosomal storage disease)
		ERT J-Brain Cargo®
<b>JR- 051</b> Alpha-galactosidase A (rDNA origin)	Application for marketing approval filed	Fabry disease (lysosomal storage disease)
		ERT
<b>JR-131</b> Darbepoetin (rDNA origin)	Phase III	Renal anemia
		Co-development with Kissei Pharmaceutical Co., Ltd.
<b>JR- 032</b> Iduronate -2-sulfatase (rDNA origin)	Clinical trials in preparation	Hunter syndrome (lysosomal storage disease)
		ERT
<b>JR- 101</b> Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher disease (lysosomal storage disease)
		ERT J-GlycoM®
<b>JR- 041</b> Follicle stimulating hormone (rDNA origin)	Phase I / II	Infertility
		Out-licensed to ASKA Pharmaceutical Co., Ltd.

(Note) ERT= Enzyme Replacement Therapy

**Allogeneic regenerative medical product**

<b>Code</b> Nonproprietary Name	<b>Status</b> (Japan)	<b>Indication</b>
		<b>Remarks</b>
<b>JTR- 161/JR-161</b> Dental pulp stem cells (DPCs)	Clinical trials in preparation	Acute cerebral infarction
		Co-development with Teijin Limited