



Financial Summary

Consolidated Financial Results for the First Quarter of Fiscal Year 2017

July 27, 2017

Listed company name: JCR Pharmaceuticals Co., Ltd.

Code number: 4552 URL: <http://www.jcrpharm.co.jp>

Representative (Title) Representative Director, Chairman and President

(Name) Shin Ashida

Person in charge of inquires (Title) Corporate Officer, General Manager Administration Division

(Name) Akihiro Haguchi

Scheduled quarterly report submission day: August 10, 2017 Scheduled dividend payment start day

Preparation of the supplemental information for the financial summary for the quarterly financial results:

Arrangement of the briefing of quarterly financial results:

Listed stock

exchange:

Tokyo Stock

Exchange

TEL 0797(32)8591

None

None

(Fractions smaller than one million yen omitted)

1. Consolidated Financial Results for the first quarter of the fiscal year ending Mar. 31, 2018 (Apr. 1, 2017 to Jun. 30, 2017)

(1) Consolidated Operating Results (Cumulative amount)

(Percentage shows year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017 1st quarter	4,386	15.4	609	68.3	628	67.8	495	77.6
FY2016 1st quarter	3,801	-8.4	362	-20.5	374	-33.9	279	-37.8

(Reference) Comprehensive income: The first quarter of the fiscal year ending Mar. 31, 2018: 496 million yen (217.1%), The first quarter of the fiscal year ended Mar. 31, 2017: 156 million yen (-64.5%)

	Net Income per Share (basic)	Net Income per Share (diluted)
	Yen	Yen
FY2017 1st quarter	15.70	15.61
FY2016 1st quarter	8.80	8.76

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
FY2017 1st quarter	37,355	27,712	73.4
FY2016	36,385	27,585	75.0

(Reference) Shareholders' equity; As of Jun. 30, 2017: 27,436 million yen As of Mar. 31, 2017: 27,305 million yen

2. Dividends

	Dividend per Share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	-	10.00	-	12.00	22.00
FY2017	-				
FY2017 (Forecast)		11.00	-	11.00	22.00

(Note) No adjustment was made to the most recently announced forecast of the dividend.

3. Consolidated Forecasts for the Fiscal Year Ending Mar. 31, 2018 (Apr. 1, 2017 – Mar.31, 2018)

(Percentage figures for the fiscal year represent the changes from the previous year. Those of the quarter represent the changes on a year-on-year basis.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
The second quarter (cumulative amount)	10,300	20.7	1,840	34.2	1,840	35.0	1,340	31.1	42.43
Year ending Mar. 31, 2018	19,800	9.5	2,640	11.8	2,650	4.6	1,970	5.7	62.38

(Note) No adjustment was made to the most recently announced forecast of financial results.

* Note

- (1) There was no transfer of important subsidiary (transfer of a specific subsidiary that accompanies with the changes of the scope of the consolidation) during the consolidated cumulative first quarter.
- (2) No specific accounting process was applied to the preparation of the consolidated financial statements for the quarter.
- (3) Changes in accounting policy, changes in financial forecasts and retrospective restatement
 - i. Changes in accounting policy due to the revision of accounting standards, etc.: None
 - ii. Changes in accounting policy other than i: None
 - iii. Changes in financial forecasts: None
 - iv. Retrospective restatement: None

(4) Number of outstanding shares (common shares)

i. Number of outstanding shares as of the end of the term (including treasury stock)	FY2017 1st quarter	32,421,577 shares	FY2016	32,421,577 shares
ii. Number of treasury stock as of the end of the term	FY2017 1st quarter	832,762 shares	FY2016	842,362 shares
iii. Average number of shares during the term (quarterly cumulative amount)	FY2017 1st quarter	31,583,582 shares	FY2016 1st quarter	31,702,547 shares

* Quarterly financial statements are out of the scope of quarterly review.

* Explanation on the appropriate use of the forecasts of financial results and other comments

(Note for forward-looking statements, etc.)

Forward-looking statement such as the forecasts of financial results stated in this document is based on the information that the company currently holds and certain assumption that the company judges as rational. The company has no intention to promise the achievement. In addition, actual financial results may significantly vary due to various reasons. For the conditions which are the base of the forecast of financial results and notes for the appropriate use of the forecasts of financial results, please refer to the attached material on Page 2, "1. Qualitative information for the quarterly financial statements (3) Explanation on the forecasts such as those for consolidated financial results."

(Changes of the unit to be used to display amounts)

The amounts listed for accounting titles and others in our quarterly consolidated financial statements were indicated in 1,000 yen. However, starting from the first quarter consolidated accounting period and consolidated cumulative first quarter, the amounts are indicated in one million yen. To make the comparison easy, the data for the previous consolidated fiscal year and the previous consolidated cumulative first quarter is also shown in one million yen.

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1. Qualitative information for the quarterly financial statements**(1) Explanation on financial results**

The overview of the cumulative first quarter is as follows:

The sales of one of our main products, GROWJECT[®], a recombinant natural human growth hormone product, continuously expanded with the contribution of GROWJECT[®] hypodermic injection 6 mg and 12 mg, a liquid formulation, and its special syringe, GROWJECTOR[®] L, which were introduced in this January. The sales of Epoetin Alfa BS Inj. JCR, a recombinant human erythropoietin product (renal anemia drug), and TEMCELL[®] HS Inj., regenerative medicine, also performed favorably. All of the three main products increased the profit on a year-on-year basis. As for research and development, following schedule, we steadily progressed in Phase III clinical trial of a biosimilar of darbepoetin a long-acting erythropoiesis stimulating factor product (development number: JR-131), and Phase I/II clinical trial of a therapeutic enzyme for Hunter syndrome that employed our unique blood-brain barrier technology, J-Brain Cargo[®] (JR-141). At the same time, we started the preparation for the application for the manufacture and sales approval for a biosimilar of Agalsidase beta, a therapeutic enzyme for Fabry's disease, which is at Phase II/III clinical trial stage (development number: JR-051), aiming to obtain the approval in this summer. Moreover, as for preclinical, we are making progress in the research and development of products such as a long-acting growth hormone product (JR-142) and a therapeutic enzyme for Pompe's disease that utilizes J-Brain Cargo[®] (JR-162).

Furthermore, as one of license businesses, with Teijin Limited, we started the negotiation for the conclusion of co-development and license agreement regarding an allogeneic regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (JTR-161) (Note).

As a result, the sales of GROWJECT[®], Epoetin Alfa BS Inj. JCR and TEMCELL[®] HS Inj. recorded 2,738 million yen (167 million yen year-on-year increase), 1,188 million yen (210 million yen year-on-year increase) and 272 million yen (162 million yen year-on-year increase), respectively. The sales of Pharmaceuticals business segment, medical devices and laboratory equipment business segment, and group total amounted to 4,249 million yen (572 million yen year-on-year increase), 137 million yen (12 million yen year-on-year increase) and 4,386 million yen (584 million yen year-on-year increase), respectively.

As for profit, due to the increase in sales, gross margin recorded 2,993 million yen (422 million yen year-on-year increase). Moreover, although selling, general and administrative expenses including R&D expenditures of 795 million yen increased (18 million yen year-on-year increase), operating profit, ordinary income and profit attributable to owners of parent recorded 609 million yen (247 million yen year-on-year increase), 628 million yen (253 million yen year-on-year increase), and 495 million yen (216 million yen year-on-year increase), respectively.

(Note) Please refer to “JCR and Teijin to Develop Allogeneic Regenerative Medical Product Using Dental Pulp Stem Cells (DPCs)” announced on July 18, 2017.

(2) Explanation on financial status

At the end of the first quarter consolidated accounting period, total assets, total liabilities and total net assets amounted to 37,355 million yen (970 million yen increase from the end of the previous consolidated accounting period), 9,643 million yen (843 million yen increase from the end of the previous consolidated accounting period) and 27,712 million yen (126 million yen increase from the end of the previous consolidated accounting period), respectively.

Due to the increase of cash and deposits as well as inventories, current assets were up by 1,209 million yen to 21,524 million yen from the end of the previous consolidated accounting period. Due

to the decrease of property, plant and equipment, non-current assets declined by 238 million yen to 15,831 million yen from the end of the previous consolidated accounting period.

Current liabilities expanded by 1,092 million yen to 5,799 million yen from the end of the previous consolidated accounting period because account payable decreased but trade notes and provision for bonuses increased. Non-current liabilities decreased by 248 million yen to 3,843 million yen from the end of the previous consolidated accounting period since long-term loans payable and lease obligations declined.

Net assets grew by 126 million yen to 27,712 million yen from the end of the previous consolidated accounting period after posting the quarterly net profit and the payment of dividends.

As a result, the equity ratio at the end of the first quarter consolidated accounting period was 73.4%, declining by 1.6 points compared to the end of the previous consolidated accounting period.

(3) Explanation on the forecasts such as those for consolidated financial results

As we expected, consolidated financial results of the cumulative first quarter showed an increase in both sales and profit compared to the same period of the previous fiscal year. We have no changes in the forecast for the financial results for the cumulative second quarter and the fiscal year ending March 2018, which was announced on May 10, 2017.

2. Quarterly consolidated financial statements and important notes**(1) Quarterly consolidated balance sheets**

(Unit: Million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposit	5,509	5,956
Notes and accounts receivable–trade	5,434	5,434
Securities	300	300
Merchandise and finished goods	1,757	1,787
Work in process	1,591	1,933
Raw materials and supplies	4,389	4,755
Other	1,332	1,357
Total current assets	20,315	21,524
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,938	4,832
Land	3,882	3,882
Construction in progress	31	43
Other, net	2,536	2,394
Total property, plant and equipment	11,387	11,152
Intangible assets	67	102
Investments and other assets		
Investment securities	3,587	3,596
Other	1,049	1,003
Allowance for doubtful accounts	Δ22	Δ22
Total investments and other assets	4,614	4,576
Total non-current assets	16,069	15,831
Total assets	36,385	37,355
Liabilities		
Current liabilities		
Notes and accounts payable–trade	700	1,108
Short-term loans payable	1,493	1,733
Income taxes payable	69	298
Provision for bonuses	525	840
Provision for directors' bonuses	73	92
Other	1,844	1,725
Total current liabilities	4,706	5,799
Non-current liabilities		
Long-term loans payable	2,713	2,504
Provision for loss on guarantees	337	332
Net defined benefit liability	582	590
Other	458	415
Total non-current liabilities	4,092	3,843
Total liabilities	8,799	9,643

	(Unit: Million yen)	
	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,964	10,962
Retained earnings	8,149	8,265
Treasury stock	(1,486)	(1,470)
Total shareholders' equity	26,689	26,819
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	569	576
Foreign currency translation adjustment	149	132
Remeasurements of defined benefit plans	(103)	(92)
Total accumulated other comprehensive income	616	616
Subscription rights to shares	279	275
Non-controlling interests	0	0
Total net assets	27,585	27,712
Total liabilities and net assets	36,385	37,355

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(Consolidated cumulative first quarter)

(Unit: Million yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	3,801	4,386
Cost of sales	1,229	1,392
Gross profit	2,571	2,993
Selling, general and administrative expenses		
Total selling, general and administrative expenses	2,209	2,384
Operating profit	362	609
Non-operating income		
Interest income	4	3
Dividend income	11	14
Foreign exchange gains	5	5
Other	2	3
Total non-operating income	23	27
Non-operating expenses		
Interest expenses	7	6
Other	3	1
Total non-operating expenses	10	8
Ordinary income	374	628
Extraordinary income		
Reversal of provision for loss on guarantees	3	5
Other	-	0
Total extraordinary income	3	6
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	377	634
Income taxes – current	155	245
Income taxes – deferred	(56)	(106)
Total income taxes	98	138
Profit	279	495
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	279	495

(Quarterly consolidated statements of comprehensive income)
(Consolidated cumulative first quarter)

(Unit: Million yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Quarterly net profit	279	495
Other comprehensive income		
Valuation difference on available-for-sale securities	(101)	7
Foreign currency translation adjustment	(34)	(17)
Remeasurements of defined benefit plans, net of tax	12	10
Total other comprehensive income	(122)	0
Comprehensive income	156	496
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	156	496
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes for quarterly consolidated financial statements

(Notes for the premise of a going concern)

There is nothing applicable.

(Notes for the time when there was a significant change in the amount of shareholders' equity)

There is nothing applicable.