

Financial Summary

Consolidated Financial Results for the Nine months ended December 31, 2017 (3Q FY2017) (Japanese standard)

January 25, 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 quarterly report submission day: February 14, 2018

Scheduled dividend payment start day: -

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

1. Consolidated Financial Results for Q3 FY2017 (Apr. 1, 2017 to Dec. 31, 2017)

(1) Consolidated Operating Results (Cumulative)

(Percentage shows year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Nine Months Ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Dec. 31, 2017	15,248	16.4	3,302	77.7	3,344	72.4	2,483	75.3
Dec. 31, 2016	13,100	0.3	1,858	-3.6	1,939	-8.6	1,416	-7.9

(Reference) Comprehensive income:

Nine months ended Dec. 31, 2017: 2,607 million yen (86.5%) Nine months ended Dec. 31, 2016: 1,398 million yen (-9.3%)

	Net Income per Share (basic)	Net Income per Share (diluted)
Nine Months Ended	Yen	Yen
Dec. 31, 2017	79.58	79.08
Dec. 31, 2016	44.80	44.54

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	Million yen	Million yen	%
Dec. 31, 2017	39,561	26,930	67.2
Mar. 31, 2017	36,385	27,585	75.0

(Reference) Shareholders' Equity; As of Dec. 31, 2017: 26,584 million yen As of Mar. 31, 2017: 27,305 million yen

2. Dividends

	Dividend per Share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	-	10.00	-	12.00	22.00
FY2017	-	12.00	-	-	-
FY2017 (Forecast)	-	-	-	12.00	24.00

(Note) Revisions of the latest forecast of dividends: None

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.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Mar. 31, 2018	20,700	14.5	4,100	73.6	4,150	63.8	3,070	64.8	98.73

(Note) Revisions of the latest forecast of consolidated operating performance: Yes

As for the revisions of the forecast of consolidated operating performance, please refer to page 3 of the Attached Material,

“Qualitative Information for the Quarterly Financial Statements (3) Explanation on the forecasts such as those for consolidated financial results.”

* Note

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): None
- (2) Application of the accounting method peculiar to quarterly consolidated financial statements: None
- (3) 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

(4) Number of shares outstanding (common stocks)

1. Number of shares outstanding at the end of the period (including treasury stock)	As of Dec. 31, 2017	32,421,577 shares	As of Mar. 31, 2017	32,421,577 shares
2. Number of shares treasury stock at the end of the period	As of Dec. 31, 2017	1,671,130 shares	As of Mar. 31, 2017	842,362 shares
3. Average number of shares outstanding during the period	As of Dec. 31, 2017	31,210,967 shares	Apr.-Dec. 2016	31,614,646 shares

* These quarterly financial results are not subject to quarterly review procedures.

* 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 cannot be guaranteed by the Company. 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 3 of the Attached Material, “Qualitative Information for the Quarterly Financial Statements (3) Explanation on the forecasts such as those for consolidated financial results.”

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1. Qualitative Information for the Quarterly Financial Statements

(1) Explanation on Financial Results

The overview of the cumulative third quarter 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 (the treatment of renal anemia), 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) as we scheduled. We have attained favorable results for each at the clinical development phase. As for the potential drug development candidates that are at preclinical phase, we are making steady progress in the research and development of products such as a long-acting growth hormone product (development code: JR-142), a therapeutic enzyme for Pompe disease that utilizes J-Brain Cargo[®] (development code: JR-162) and a therapeutic enzyme for Hurler Syndrome (development code: JR-171). Furthermore, in the area of cell and regenerative medicine, in July 2017, with Teijin Limited, we concluded a co-development and license agreement for regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (development code: JTR-161). Since then, we have been jointly promoting the development.

Moreover, as for JR-141 and JR-162, to manage and control clinical development in the United States at the early stage, we have established a joint venture, JCR USA, Inc., with MEDIPAL HOLDINGS CORPORATION as of January 1, 2018. Having the joint venture in the States as our base, we will promote the global expansion of our developed products.

As for sales, the sales of GROWJECT[®], Epoetin Alfa BS Inj. JCR and TEMCELL[®] HS Inj. recorded 8,775 million yen (917 million yen year-on-year increase), 3,173 million yen (334 million yen year-on-year increase) and 1,113 million yen (617 million yen year-on-year increase), respectively. In addition, we posted 1,625 million yen of revenue from contract money (815 million yen year-on-year increase). As a result, the sales of pharmaceuticals business segment amounted 14,915 million yen (2,125 million yen year-on-year increase). The sales of medical devices and laboratory equipment business segment ended at 333 million yen (22 million yen year-on-year increase). By combining the two, group total amounted to 15,248 million yen (2,147 million yen year-on-year increase).

As for profit, due to the increase in sales, gross margin recorded 10,993 million yen (2,026 million yen year-on-year increase), which absorbed the influence from the increase in selling, general and administrative expenses including R&D expenditures of 2,827 million yen (43 million yen year-on-year increase). As a result, operating profit, ordinary income and profit attributable to owners of parent recorded 3,302 million yen (1,444 million yen year-on-year increase), 3,344 million yen (1,404 million yen year-on-year increase), and 2,483 million yen (1,067 million yen year-on-year increase), respectively.

(2) Explanation on Financial Status

At the end of the third quarter consolidated accounting period, total assets, total liabilities and total net assets amounted to 39,561 million yen (3,176 million yen increase from the end of the previous consolidated accounting period), 12,631 million yen (3,832 million yen increase from the end of the previous consolidated accounting period) and 26,930 million yen (655 million yen decrease from the end of the previous consolidated accounting period), respectively.

Due to the increase of inventories and account receivable-trade, etc., current assets were up by 3,175 million yen to 23,491 million yen from the end of the previous consolidated accounting period. Due to the decrease of property, plant and equipment and the increase of investment securities, non-current assets increased by 1 million yen to 16,070 million yen from the end of the previous consolidated accounting period.

Current liabilities expanded by 4,133 million yen to 8,840 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 301 million yen to 3,790 million yen from the end of the previous consolidated accounting period since long-term loans payable and lease obligations declined.

Net assets declined by 655 million yen to 26,930 million yen from the end of the previous consolidated accounting period after posting the quarterly net profit, the acquisition of treasury stock and the payment of dividends.

As a result, the equity ratio at the end of the third quarter consolidated accounting period was 67.2%, declining by 7.8 points compared to the end of the previous consolidated accounting period.

(3) Explanation on the Forecasts such as those for Consolidated Financial Results

As for the consolidated cumulative third quarter, since the sales of GROWJECT[®], etc. exceeded our expectation, sales and gross margin resulted in the increase from the initial forecast. The sales are estimated to keep growing in the fourth quarter. Therefore, we amended the forecast for the financial results for the fiscal year ending March 2018, which was announced on October 26, 2017 as follows:

Forecast of the consolidated financial results for the fiscal year ending March 2018

	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
Forecast that was previously announced (A)	20,400	3,500	3,530	2,650	85.24
Adjusted forecast (B)	20,700	4,100	4,150	3,070	98.73
Changes (B – A)	300	600	620	420	-
Changes (%)	1.5	17.1	17.6	15.8	-
(Reference) Actual result of the previous period (Fiscal year ended in March 2017)	18,085	2,362	2,534	1,863	58.95

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposit	5,509	5,030
Notes and accounts receivable-trade	5,434	6,415
Securities	300	1,135
Merchandise and finished goods	1,757	2,292
Work in process	1,591	1,500
Raw materials and supplies	4,389	5,934
Other	1,332	1,181
Total current assets	20,315	23,491
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,938	4,827
Land	3,882	3,882
Construction in progress	31	72
Other, net	2,536	2,349
Total property, plant and equipment	11,387	11,131
Intangible assets	67	120
Investments and other assets		
Investment securities	3,587	3,927
Other	1,049	915
Allowance for doubtful accounts	-22	-22
Total investments and other assets	4,614	4,819
Total non-current assets	16,069	16,070
Total assets	36,385	39,561
Liabilities		
Current liabilities		
Notes and accounts payable-trade	700	320
Short-term loans payable	1,493	5,101
Income taxes payable	69	703
Provision for bonuses	525	282
Provision for directors' bonuses	73	55
Other	1,844	2,377
Total current liabilities	4,706	8,840
Non-current liabilities		
Long-term loans payable	2,713	2,500
Provision for loss on guarantees	337	322
Net defined benefit liability	582	616
Other	458	350
Total non-current liabilities	4,092	3,790
Total liabilities	8,799	12,631

	(Unit: Million yen)	
	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,964	10,954
Retained earnings	8,149	9,883
Treasury stock	-1,486	-4,055
Total shareholders' equity	26,689	25,844
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	569	652
Foreign currency translation adjustment	149	158
Remeasurements of defined benefit plans	-103	-70
Total accumulated other comprehensive income	616	740
Subscription rights to shares	279	345
Non-controlling interests	0	0
Total net assets	27,585	26,930
Total liabilities and net assets	36,385	39,561

(2) Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	13,100	15,248
Cost of sales	4,134	4,255
Gross profit	8,966	10,993
Selling, general and administrative expenses		
Total selling, general and administrative expenses	7,108	7,690
Operating profit	1,858	3,302
Non-operating income		
Interest income	13	14
Dividend income	20	25
Foreign exchange gains	53	8
Subsidy income	29	-
Other	18	21
Total non-operating income	135	70
Non-operating expenses		
Interest expenses	22	20
Other	32	8
Total non-operating expenses	54	29
Ordinary income	1,939	3,344
Extraordinary income		
Reversal of provision for loss on guarantees	13	14
Other	-	0
Total extraordinary income	13	15
Extraordinary losses		
Loss on disposal of non-current assets	2	20
Total extraordinary losses	2	20
Profit before income taxes	1,950	3,339
Income taxes – current	383	813
Income taxes – deferred	150	42
Total income taxes	533	856
Profit	1,416	2,483
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,416	2,483

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	1,416	2,483
Other comprehensive income		
Valuation difference on available-for-sale securities	58	82
Foreign currency translation adjustment	-115	8
Remeasurements of defined benefit plans, net of tax	38	32
Total other comprehensive income	-18	123
Comprehensive income	1,398	2,607
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,398	2,607
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)

Purchase of treasury shares

At the Extraordinary Board of Directors held on September 21, 2017, the company resolved the matters related to the purchase of treasury shares in accordance with the stipulation of Article 156, which is applied by replacing with the stipulation of the Company Act, Article 165, Clause 3, and conducted the purchase as below:

(1) Reasons for the purchase of treasury shares

It intended to prepare for the sales of the shares held by GlaxoSmithKline Group due to the amendment of the umbrella agreement with GlaxoSmithKline Group, and to return profits to our shareholders.

(2) Content of purchase

- Type of shares purchased Common stock of our company
- Total number of shares purchased 854,100 shares
- Total amount of shares purchased 2,622 million yen
- The date of purchase of shares September 22, 2017
- Purchase method Off-auction own share repurchase trading system (ToSTNeT-3)