

Financial Summary

Consolidated Financial Results for the Year ended March 31, 2019 (FY2018)

(Japanese standard)

May 10, 2019

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

(Name) Shin Ashida

Person in charge of inquiries: (Title) Corporate Officer, Executive Director, Administration Division

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

Scheduled date to hold the ordinary general meeting of shareholders: June 27, 2019

Scheduled date to commence dividend payments: June 28, 2019

Scheduled date to file the Securities Report: June 27, 2019

Explanatory material for business results: Available

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

(Fractions smaller than one million yen omitted)

1. Consolidated Financial Results for FY2018 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results (Cumulative) (Percentage shows year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2019	23,160	12.5	4,967	31.3	5,068	31.9	3,715	21.0
March 31, 2018	20,594	13.9	3,784	60.2	3,843	51.7	3,070	64.8

(Reference) Comprehensive income: Year ended March 31, 2019: 4,008 million yen (32.9%)

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

	Earnings per share (basic)	Earnings per share (diluted)	Return on equity	Ordinary profit to total assets	Operating profit to Net sales
Year ended	yen	yen	%	%	%
March 31, 2019	120.68	119.96	13.0	12.5	21.4
March 31, 2018	98.73	98.11	11.3	10.3	18.4

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

For the year ended March 31, 2019 - million yen For the year ended March 31, 2018 - million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net asset per share
Year ended	million yen	million yen	%	yen
March 31, 2019	42,516	30,874	71.1	982.14
March 31, 2018	38,398	27,528	70.3	877.86

(Reference) Shareholders' equity: As of March 31, 2019: 30,249 million yen

As of March 31, 2018: 26,999 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Year ended	million yen	million yen	million yen	million yen
March 31, 2019	3,905	240	(917)	8,091
March 31, 2018	3,133	(1,587)	(2,175)	4,850

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	%	%
FY2017	-	12.00	-	14.00	26.00	802	26.3	3.0
FY2018	-	13.00	-	17.00	30.00	926	24.9	3.2
FY2019 (Forecast)	-	15.00	-	15.00	30.00		22.6	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2nd quarter (accumulated)	10,900	6.1	640	(67.1)	630	(68.6)	500	(63.7)	16.23
Year ending March 31, 2020	26,400	14.0	5,140	3.5	5,150	1.6	4,080	9.8	132.47

*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)
2. Number of shares treasury stock at the end of the period
3. Average number of shares outstanding during the period

As of March 31, 2019	32,421,577 shares	As of March 31, 2018	32,421,577 shares
As of March 31, 2019	1,622,379 shares	As of March 31, 2018	1,665,930 shares
As of March 31, 2019	30,784,060 shares	As of March 31, 2018	31,097,129 shares

(Reference) Summary of Individual Business Results

1. Individual Business Results for FY2018 (From April 1, 2018 to March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Net income for the year	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2019	22,910	12.8	4,967	33.1	5,031	32.6	3,826	26.9
March 31, 2018	20,304	14.1	3,732	64.7	3,794	55.3	3,015	61.2

	Earnings per share (basic)	Earnings per share (diluted)
Year ended	Yen	Yen
March 31, 2019	124.31	123.56
March 31, 2018	96.97	96.36

(2) Individual Financial Conditions

	Total assets	Net assets	Equity ratio	Net asset per share
Year ended	million yen	million yen	%	yen
March 31, 2019	42,072	30,524	71.5	976.96
March 31, 2018	37,756	27,049	70.7	868.29

(Reference) Shareholders' equity; As of March 31, 2019 30,089 million yen
As of March 31, 2018 26,704 million yen

<Reason for the difference between individual business performance and their previous actual figures>

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, "Overview on Financial Results."

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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.

On the marketing front, the sales of our core product GROWJECT®, (recombinant human growth hormone product), Epoetin Alfa BS Inj. JCR (renal anemia treatment) and TEMCELL® HS Inj. (regenerative medical product) were all higher than in the prior year. Sales of these products were higher than initially anticipated, offsetting the negative impact of NHI price revisions. November 2018 also saw the launch of Agalsidase Beta BS I.V. Infusion [JCR], a treatment for Fabry disease that is the first lysosomal storage disease (LSD) therapy to be produced in Japan.

In terms of research and development, we filed Japanese manufacturing and marketing approval applications in September 2018 for a biosimilar of the long-acting erythropoiesis-stimulating agent darbepoietin alfa (development code: JR-131), and in March 2019 for the additional indication of epidermolysis bullosa for the regenerative medical product TEMCELL® HS Inj. (JR-031EB). Clinical trials were initiated in Brazil (Phase II) and in Japan (Phase III) for a blood-brain barrier (BBB)-penetrating therapeutic enzyme for Hunter syndrome (JR-141). Clinical trials also commenced for a regenerative medical product composed of dental pulp stem cells for the indication of acute cerebral infarction (JTR-161). Income from contractual milestone R&D payments increased significantly, reflecting the steady progress achieved on the R&D front.

In terms of technology, in addition to the BBB penetration technology, we established the manufacturing technologies for gene therapies to promote the development of new drugs and drug licensing activities.

As a result of such business activities, sales of our Group recorded 23,160 million yen (up 12.5% year on year). In terms of profit, operating income recorded 4,967 million yen (up 31.3% year on year), ordinary income recorded 5,068 million yen (up 31.9% year on year), and profit attributable to owners of the parent recorded 3,715 million yen (up 21.0% year on year), and all exceeded previous year and we attained a record high for five consecutive years.

Sales by each business segment

Name of business segment	Previous Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)		Current Consolidated Fiscal Year (From April 1, 2018 to March 31, 2019)		Increase or decrease
	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)
Pharmaceuticals					
Growject	11,495	55.8	11,978	51.7	483
Epoetin Alfa BS	4,115	20.0	4,511	19.5	396
Urine-derived products	834	4.1	690	3.0	(143)
TEMCELL	1,544	7.5	2,041	8.8	496
Agalsidase Beta BS	—	—	74	0.3	74
Revenue from licensing	2,137	10.4	3,560	15.4	1,422
Others	50	0.2	30	0.1	(19)
Medical devices and laboratory equipment	417	2.0	272	1.2	(144)
Total	20,594	100.0	23,160	100.0	2,565

[2] Forecast for the next term

Forecast for the next consolidated financial results are as follows.

	Current year actuals (Year ended March 2019)	Forecast for the next year (Year ended March 2020)	Increase or decrease	Increase-decrease rate
Net sales (millions of yen)	23,160	26,400	3,239	+14.0%
Operating income (millions of yen)	4,967	5,140	172	+3.5%
Ordinary income (millions of yen)	5,068	5,150	81	+1.6%
Profit attributable to owners of the parent (millions of yen)	3,715	4,080	364	+9.8%

(Net sales)

We anticipate net sales growth atop steady increases in sales volume for mainstay products such as GROWJECT®, erythropoiesis-stimulating agent (ESA) products, TEMCELL® HS Inj., and Agalsidase Beta BS I.V. Infusion [JCR]. In addition, we will continue our proactive efforts in the licensing business. Based on these factors, the overall sales forecast of the JCR Group is for 26,400 million yen (up 14.0% 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 5,140 million yen (up 3.5% year on year), ordinary income of 5,150 million yen (up 1.6% year on year), and profit attributable to owners of the parent of 4,080 million yen (up 9.8% year on year).

(2) Overview of Financial Conditions

[1] Status of assets, liabilities and net assets

As of the end of the current consolidated fiscal year, total assets, total liabilities and total net assets amounted to 42,516 million yen (4,117 million yen increase from the end of the previous consolidated fiscal year), 11,642 million yen (772 million yen increase from the end of the previous consolidated fiscal year), and 30,874 million yen (3,345 million yen increase from the end of the previous consolidated fiscal year), respectively.

Current assets increased by 4,537 million yen from March 31, 2018 to 27,368 million yen, mainly due to increases in cash and deposit and notes and accounts receivable-trade, which were partly offset by a decrease in securities. Due to a decrease in investment securities, non-current assets decreased by 419 million yen to 15,147 million yen from the end of the previous consolidated accounting period.

Current liabilities increased by 1,579 million yen from March 31, 2018 to 8,684 million yen, mainly due to an increase in short-term loans payable and provisions for bonuses. Non-current liabilities decreased by 806 million yen to 2,957 million yen from the end of the previous consolidated fiscal period since long-term loans payable and lease obligations declined.

Net assets increased by 3,345 million yen from March 31, 2018 to 30,874 million yen. This was mainly due to the recording of profit attributable to owners of parent, which was partially offset by a decrease in capital surplus.

As a result, the equity ratio at the end of the consolidated accounting year was 71.1%, inclining by 0.8 points compared to the end of the previous consolidated fiscal year.

[2] Status of cash flows

Cash and cash equivalents at the end of the current consolidated fiscal year was up by 3,241 million yen from the end of the previous consolidated fiscal year to 8,091 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 FY2018 amounted to 3,905 million yen (increase of 771 million yen as compared with the same period of the previous year) primarily due to increase in notes and accounts receivable of 1,732 million yen, increase in inventories of 157 million yen while recording profit before income taxes of 4,928 million yen and depreciation and amortization of 1,343 million yen.

(Cash flows from investing activities)

Net cash used by investing activities amounted to 240 million yen (increase of 1,827 million yen as compared with the same period of the previous year) primarily due to proceeds from sales and redemption of investment securities of 1,257 million yen, setting off purchase of property, plant, and equipment of 895 million yen.

(Cash flows from financing activities)

Net cash used by financing activities amounted to 917 million yen (decrease of 1,258 million yen as compared with the same period of the previous year) primarily due to cash dividends paid of 834 million yen.

(Reference) Changes in indicators related to cash flows

	Year ended March 2015	Year ended March 2016	Year ended March 2017	Year ended March 2018	Year ended March 2019
Equity ratio	76.6%	75.9%	75.0%	70.3%	71.1%
Market base equity ratio	235.1%	230.5%	214.3%	486.2%	472.3%
Ratio of cash flow and interest-bearing debts	3.6 years	1.5 years	1.8 years	1.9 years	1.5 years
Interest coverage ratio	13.2 times	67.7 times	92.0 times	113.0 times	182.4 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 FY2018 and FY2019

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 ¥17 per share, up ¥4 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 10, 2019. As a consequence, the anticipated annual dividend for the FY2018 is ¥30 including the interim dividend of ¥15.

For the dividend of next FY 2019 (year ending in March 2020), we anticipate distributing a full-year dividend of ¥30 per share (the interim dividend of ¥15 and the term-end dividend of ¥15).

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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposit	4,895	7,836
Notes and accounts receivable-trade	7,103	8,835
Securities	1,217	661
Merchandise and finished goods	1,759	2,281
Work in process	1,790	1,473
Raw materials and supplies	5,474	5,363
Other	592	917
Total current assets	22,831	27,368
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,755	4,475
Machinery, equipment and vehicles, net	1,044	830
Land	3,882	3,882
Lease assets, net	392	239
Construction in progress	—	851
Other, net	778	782
Total property, plant and equipment	10,853	11,061
Intangible assets	112	110
Investments and other assets		
Investment securities	3,194	2,941
Deferred tax assets	562	378
Net defined benefit assets	268	297
Other	599	383
Allowance for doubtful accounts	(22)	(24)
Total investments and other assets	4,600	3,975
Total non-current assets	15,567	15,147
Total assets	38,398	42,516

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	585	586
Short-term loans payable	2,893	3,630
Lease obligations	193	178
Income taxes payable	887	801
Provision for bonuses	560	666
Provision for directors' bonuses	80	77
Other	1,904	2,744
Total current liabilities	7,105	8,684
Non-current liabilities		
Long-term loans payable	2,500	1,850
Lease obligations	218	73
Provision for loss on guarantees	315	240
Allowance for employee stock ownership benefits	19	36
Net defined benefit liability	641	710
Other	69	46
Total non-current liabilities	3,764	2,957
Total liabilities	10,870	11,642
Net assets		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,947	10,922
Retained earnings	10,469	13,350
Treasury stock	(4,042)	(3,937)
Total shareholders' equity	26,435	29,397
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	462	773
Foreign currency translation adjustments	169	149
Remeasurements of defined benefit plans	(67)	(71)
Total accumulated other comprehensive income	563	851
Subscription rights to shares	344	435
Non-controlling interests	185	189
Total net assets	27,528	30,874
Total liabilities and net assets	38,398	42,516

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

(millions of yen)

	FY2017(From April 1, 2017 to March 31, 2018)	FY2018(From April 1, 2018 to March 31, 2019)
Net sales	20,594	23,160
Cost of sales	6,128	6,567
Gross profit	14,465	16,592
Selling, general and administrative expenses	10,681	11,625
Operating profit	3,784	4,967
Non-operating income		
Interest income	20	20
Dividend income	25	25
Foreign exchange gains	—	39
Gain on sale of investment securities	26	—
Insurance income	11	39
Other	21	23
Total non-operating income	105	148
Non-operating expenses		
Interest expenses	27	21
Foreign exchange losses	7	—
Loss on redemption of securities	—	19
Other	11	7
Total non-operating expenses	46	47
Ordinary income	3,843	5,068
Extraordinary income		
Gain on sale of non-current assets	54	—
Reversal of provision for loss on guarantees	22	75
Other	0	6
Total extraordinary income	77	82
Extraordinary losses		
Loss on disposal of non-current assets	25	37
Loss related to voluntary recalling of products	—	181
Other	—	2
Total extraordinary losses	25	221
Profit before income taxes	3,895	4,928
Income taxes – current	964	1,169
Income taxes – deferred	(139)	48
Total income taxes	825	1,217
Profit	3,069	3,710
Profit (loss) attributable to non-controlling interests	(0)	(4)
Profit attributable to owners of parent	3,070	3,715

(Consolidated Statements of Comprehensive Income)

(millions of yen)

	FY2017(From April 1, 2017 to March 31,2018)	FY2018(From April 1, 2018 to March 31,2019)
Profit	3,069	3,710
Other comprehensive income		
Valuation difference on available-for-sale securities	(107)	311
Foreign currency translation adjustment	19	(10)
Remeasurements of defined benefit plans, net of tax	35	(3)
Total other comprehensive income	(53)	297
Comprehensive income	3,016	4,008
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,016	4,003
Comprehensive income attributable to non-controlling interests	(0)	4

(3) Consolidated Statements of Changes in Net Assets
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)
Profit 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
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Beginning balance	569	149	(103)	616	279	0	27,585
Changes during the year							
Dividends paid							(750)
Profit 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

FY2018 (from April 1, 2018 to March 31, 2019)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	9,061	10,947	10,469	(4,042)	26,435
Changes during the year					
Dividends paid			(833)		(833)
Profit attributable to owners of the parent			3,715		3,715
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(25)		105	80
Changes of items other than shareholders' equity (net)					
Total changes for the year	—	(25)	2,881	105	2,961
Ending balance	9,061	10,922	13,350	(3,937)	29,397

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Beginning balance	462	169	(67)	563	344	185	27,528
Changes during the year							
Dividends paid							(833)
Profit attributable to owners of the parent							3,715
Purchase of treasury shares							(0)
Disposal of treasury shares							80
Changes of items other than shareholders' equity (net)	311	(19)	(3)	288	90	4	384
Total changes for the year	311	(19)	(3)	288	90	4	3,345
Ending balance	773	149	(71)	851	435	189	30,874

(4) Consolidated Statements of Cash Flows

(millions of yen)

	FY2017(From April 1, 2017 to March 31,2018)	FY2018(From April 1, 2018 to March 31,2019)
Net cash provided by (used in) operating activities		
Income before income taxes	3,895	4,928
Depreciation and amortization	1,382	1,343
Increase (decrease) in provision for loss on guarantees	(22)	(75)
Increase (decrease) in net defined benefit liability	75	69
Increase (decrease) in provision for bonuses	35	105
Share-based compensation expenses	77	144
Interest and dividends income	(46)	(45)
Interest expenses	27	21
Foreign exchange losses (gains)	13	(23)
Decrease (increase) in notes and accounts receivable-trade	(1,668)	(1,732)
Decrease (increase) in accounts receivable-other	290	93
Decrease (increase) in inventories	(1,314)	(157)
Increase (decrease) in accounts payable-trade	(114)	0
Increase (decrease) in accounts payable-other	(14)	57
Increase (decrease) in accrued consumption taxes	258	138
Increase (decrease) in advanced received	83	(83)
Other, net	288	364
Subtotal	3,246	5,150
Interest and dividends income received	48	49
Interest expenses paid	(27)	(21)
Income taxes (paid) refund	(133)	(1,272)
Net cash provided by (used in) operating activities	3,133	3,905
Net cash provided by (used in) investing activities		
Expenditures on time deposits	—	(100)
Purchase of securities	(611)	—
Proceeds from sales and redemption of securities	300	1,257
Purchase of property, plant and equipment	(922)	(895)
Purchase of investment securities	(494)	(0)
Proceeds from sales and redemption of investment securities	150	—
Other, net	(10)	(20)
Net cash provided by (used in) investing activities	(1,587)	240
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	1,220	300
Proceeds from long-term loans payable	200	200
Repayment of long-term loans payable	(233)	(413)
Proceeds from payment from non-controlling interests	184	—
Repayments of lease obligations	(212)	(196)
Net decrease (increase) in treasury stock	(2,585)	26
Cash dividends paid	(748)	(834)
Net cash provided by (used in) financing activities	(2,175)	(917)
Effect of exchange rate change on cash and cash equivalents	14	12
Net increase (decrease) in cash and cash equivalents	(614)	3,241
Cash and cash equivalents at beginning of period	5,464	4,850
Cash and cash equivalents at end of period	4,850	8,091

(5) Notes to Consolidated Financial Statements

(Notes on premises as a going concern)

No corresponding item existed.

(Changes in presentation methods)

Changes Accompanying the Adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has adopted “Partial Amendments to Accounting Standard for Tax Effecting Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Accordingly, the Company has changed its presentation method to a method whereby deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

As a result, in the consolidated balance sheet as of March 31, 2018, “deferred tax assets” of 496 million yen under “current assets” are included in “deferred tax assets” of 562 million yen under “investments and other assets.”

(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 is 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 segments 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
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).

FY2018 (From April 1, 2018 to March 31, 2019)

(millions of yen)

	Reporting Segment		Total
	Pharmaceuticals business	Medical devices and laboratory equipment business	
Net sales			
Sales to external customers	22,887	272	23,160
Internal sales and transfer to revenue between segments	—	47	47
Total	22,887	319	23,207
Segment profit	5,048	(81)	4,966
Segment assets	38,539	229	38,768
Other items			
Depreciation expenses (Note)	1,334	11	1,345
Increase in property, plant, and equipment and intangible assets (Note)	726	0	727

(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)

Net sales	FY 2017	FY2018
Reporting segment total	20,644	23,207
Elimination of intersegment transactions	(49)	(47)
Sales in the consolidated financial statements	20,594	23,160

(millions of yen)

Profit	FY 2017	FY2018
Reporting segment total	3,783	4,966
Elimination of intersegment transactions	1	0
Operating income in the consolidated financial statements	3,784	4,967

(millions of yen)

Assets	FY 2017	FY2018
Reporting segment total	33,842	38,768
Corporate assets	4,556	3,747
Total assets in the consolidated financial statements	38,398	42,516

(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	
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
Depreciation expense	1,383	1,345	(1)	(1)	1,382	1,343
Increase in property, plant, and equipment and intangible assets	907	727	1	1	908	728

(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, 2018	Fiscal year ended March 31, 2019
(1) Net asset per share (yen)	877.86	982.14
(Bases for calculations)		
Total net assets in the consolidated balance sheet (millions of yen)	27,528	30,874
Net assets associated with common shares (millions of yen)	26,999	30,249
Breakdown of major differences (millions of yen)		
Stock acquisition rights	344	435
Non-controlling interests	185	189
Number of common shares outstanding (shares)	32,421,577	32,421,577
Number of shares of treasury stock (common shares)	1,665,930	1,622,379
Number of common shares used for calculations of net asset per share (shares)	30,755,647	30,799,198

Item	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
(2) Net income per share (yen)	98.73	120.68
(Bases for calculations)		
Net income per share attributable to owners of the parent in the Consolidated Statements of Income (millions of yen)	3,070	3,715
Amount not attributable to common shares (millions of yen)	-	-
Net income attributable to owners of the parent associated with common shares (millions of yen)	3,070	3,715
Average number of common shares outstanding (shares)	31,097,129	30,784,060
(3) Diluted net income per share (yen)	98.11	119.96
(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	196,799	185,195
Increased number of common shares (shares)	196,799	185,195
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 99,825 shares for the previous consolidated accounting year, and 98,441 shares for the current consolidated accounting year, and the number of the said treasury shares excluded for calculations of net asset per share was 99,400 shares for the previous consolidated accounting year and 96,600 shares for the current consolidated accounting year.

4. Other

R&D Pipeline**Recombinant drug products**

Code Nonproprietary Name	Status (Japan)	Indication
		Remarks
JR-141 BBB-penetrating iduronate -2-sulfatase (rDNA origin)	Japan: Phase III Brazil: Phase II	Hunter syndrome (lysosomal storage disease)
		ERT J-Brain Cargo®
JR-162 J-Brain Cargo® -applied acid α-glucosidase (rDNA origin)	Preclinical	Pompe disease (lysosomal storage disease)
		ERT J-Brain Cargo® J-MIG System®
JR-171 BBB-penetrating α-L-iduronidase (rDNA origin)	Preclinical	Hurler syndrome (lysosomal storage disease)
		ERT J-Brain Cargo® J-MIG System®
JR-441 BBB-penetrating heparan N-sulfatase (rDNA origin)	Preclinical	Sanfilippo syndrome type A (lysosomal storage disease)
		ERT J-Brain Cargo® J-MIG System®
JR-131 Darbepoetin alfa (rDNA origin)	Application for marketing approval filed	Renal anemia
		Co-development with Kissei Pharmaceutical Co., Ltd. Biosimilar
JR-401X Somatropin (rDNA origin)	Phase III	SHOX deficiency
		Expanded Indication of GROWJECT®
JR-142 Long-acting growth hormone (rDNA origin)	Preclinical	Growth disorders
		Long-acting human growth hormone product J-MIG System®
JR-041 Follicle stimulating hormone (rDNA origin)	Phase I / II	Infertility
		Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-031EB Human mesenchymal stem cells	Application for marketing approval filed	Epidermolysis bullosa
		Expanded Indication of TEMCELL® HS

(Note) ERT= Enzyme Replacement Therapy

Allogeneic regenerative medical product

Code Nonproprietary Name	Status (Japan)	Indication
		Remarks
JTR-161 / JR-161 Dental pulp stem cells (DPCs)	Phase I / II	Acute cerebral infarction
		Co-development with Teijin Limited