

Financial Summary
Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2019
(Japanese standard)

July 26, 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
(Name) Shin Ashida
Person in charge of inquiries (Title) Corporate Officer, Executive Director Administration Division
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Scheduled quarterly report submission day: August 9, 2018

Scheduled date to commence dividend payments: -

Preparation of the supplemental information for the financial summary for the quarterly financial results: None

Arrangement of the briefing of quarterly financial results: None

(Fractions smaller than one million yen omitted)

1. Consolidated Financial Results for the first quarter of the fiscal year ending Mar. 31, 2019

(Apr. 1, 2018 to Jun. 30, 2018)

(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	%
FY 2018 1st quarter	4,677	6.6	539	-11.4	574	-8.6	282	-43.0
FY 2017 1st quarter	4,386	15.4	609	68.3	628	67.8	495	77.6

(Reference) Comprehensive income: The first quarter of the fiscal year ending Mar. 31, 2019: 343 million yen (-30.8%), The first quarter of the fiscal year ended Mar. 31, 2018: 496 million yen (217.1%)

	Net income per Share (basic)	Net Income per Share (diluted)
	Yen	Yen
FY 2018 1st quarter	9.19	9.14
FY 2017 1st quarter	15.70	15.61

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
FY2018 1st quarter	37,812	27,451	71.2
FY2017	38,398	27,528	70.3

(Reference) Shareholders' equity: As of Jun. 30, 2018: 26,928 million yen As of Mar. 31, 2018: 26,999 million yen

2. Dividends

	Dividend per Share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	-	12.00	-	14.00	26.00
FY2018	-	-	-	-	-
FY2018 (Forecast)	-	13.00	-	13.00	26.00

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

3. Consolidated Forecasts for the Fiscal Year Ending Mar. 31, 2019 (Apr. 1, 2018 – Mar.31, 2019)

(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)	9,400	-7.7	820	-66.5	870	-64.8	650	-65.5	21.13
Year ending Mar. 31, 2019	21,900	6.3	4,290	13.3	4,360	13.4	3,200	4.2	104.05

(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
 1. Changes in accounting policy due to the revision of accounting standards, etc. : None
 2. Changes in accounting policy other than 1 : None
 3. Changes in financial forecasts : None
 4. Retrospective restatement : None

- (4) Number of outstanding shares (common shares)

1. Number of outstanding shares as of the end of the term (including treasury stock)	FY2018 1st quarter	32,421,577 shares	FY2017	32,421,577 shares
2. Number of treasury stock as of the end of the term	FY2018 1st quarter	1,653,830 shares	FY2017	1,665,930 shares
3. Average number of shares during the term (quarterly cumulative amount)	FY2018 1st quarter	30,761,381 shares	FY2017 1st quarter	31,583,582 shares

* Quarterly financial statements are out of the scope of quarterly review by a certified public accountant or an audit firm.

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

(Note for forward-looking statements, etc.)

The 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 presentation method of dates)

Starting with the “Financial Summary for the 1st Quarter of the Year Ending March 31, 2019”, presentation of dates changed from dates based on imperial years to dates based on calendar years.

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1. Qualitative information for the quarterly financial statements

(1) Explanation on financial results

In the first quarter under review, ordinary income recorded 574 million yen (54 million yen year-on-year decrease). However, as a result that we recorded an extraordinary loss of 172 million yen in total as expenses expected to incur in relation to our voluntary recalling of apnea alarm “Babysense™” we announced on June 25, this year, profit attributable to owners of parent recorded 282 million yen (212 million yen year-on-year decrease).

As for sales, the sales of one of our main products, GROWJECT®, a recombinant human growth hormone product, increased to 2,888 million yen (150 million yen year-on-year increase) as its volume of sales increase while its prices were reduced. Also, the sales of TEMCELL® HS Inj., regenerative medical product, continuously expanded and recorded 543 million yen (271 million yen year-on-year increase). On the other hand, the sales of Epoetin Alfa BS Inj. JCR, a recombinant human erythropoietin product, recorded 1,113 million yen (75 million yen year-on-year decrease) despite its increase of sales volume. As a result, the sales of Pharmaceuticals business segment, medical devices and laboratory equipment business segment, and group total amounted to 4,567 million yen (318 million yen year-on-year increase), 110 million yen (26 million yen year-on-year decrease), and 4,677 million yen (291 million yen year-on-year increase), respectively.

As for profit, due to the increase in sales, gross margin recorded 3,096 million yen (102 million yen year-on-year increase). Moreover, selling expenses increased as sales increased and selling, general and administrative expenses including R&D expenditures of 825 million yen (30 million yen year-on-year increase) increased (171 million yen year-on-year increase), and as a result operating profit and ordinary income recorded 539 million yen (69 million yen year-on-year decrease) and 574 million yen (54 million yen year-on-year decrease), respectively. Also, as noticed above, as a result of an extraordinary loss recorded, profit attributable to owners of parent recorded 282 million yen (212 million yen year-on-year decrease).

As for research and development, in the field of our human growth hormone product, in July this year we started a Phase III clinical trial in patients with short stature homeobox-containing gene (SHOX) deficiency, aiming to add new indication to GROWJECT®, and a long-acting growth hormone product (development code: JR-142) is in the preclinical phase. In the field of lysosomal storage diseases, in September last year we submitted the application for marketing approval for a biosimilar of a therapeutic enzyme for Fabry disease (Agalsidase beta) (development code: JR-051). Also, in June this year we started a Phase II clinical trial of a therapeutic enzyme for Hunter syndrome that employed our unique blood-brain barrier technology, J-Brain Cargo® (development code: JR-141) in Republic of Brazil, and its Phase III clinical trial is expected to start from August in Japan. Following the foregoing, going forward we aim to progress in research and development of a “J-Brain Cargo®” applied therapeutic enzyme for Pompe disease (development code: JR-162) and a therapeutic enzyme for Hurler syndrome (development code: JR-171). As for 12 types of lysosomal storage diseases and central nervous system diseases in addition to these 3 types, we aim to put them in a development pipeline after going through basic research as early as possible. We consider marketing globally all our therapeutic products for lysosomal storage diseases, and JCR USA, Inc., a joint venture company we established with MEDIPAL HOLDINGS CORPORATION in the United States in January this year, is expected to make progress in clinical development. As for other therapeutic fields, we started the preparation for the application for marketing approval for a biosimilar (development code: JR-131) of a long-acting erythropoiesis-stimulating agent (Darbepoetin Alfa) jointly developed with Kissei Pharmaceutical Co., Ltd., and progress is being made as scheduled. In the field of cell therapy and regenerative medicine, we concluded a co-development and license agreement for an allogeneic regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (development code: JTR-161) with Teijin Limited in July last year, and we are advancing research and development.

(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 37,812 million yen (586 million yen decrease from the end of the previous consolidated accounting period), 10,360 million yen (509 million yen decrease from the end of the previous consolidated accounting period) and 27,451 million yen (76 million yen decrease from the end of the previous consolidated accounting period), respectively.

Due to the decrease of notes and accounts receivable-trade and inventories, etc., current assets were down by 523 million yen to 22,307 million yen from the end of the previous consolidated accounting period. Due to

the decrease of property, plant and equipment, etc., non-current assets declined by 62 million yen to 15,504 million yen from the end of the previous consolidated accounting period.

Current liabilities expanded by 82 million yen to 7,188 million yen from the end of the previous consolidated accounting period because income taxes payable, etc. decreased but short-term loans payable and provision for bonuses, etc. increased. Non-current liabilities decreased by 592 million yen to 3,172 million yen from the end of the previous consolidated accounting period since long-term loans payable and lease obligations declined.

Net assets decreased by 76 million yen to 27,451 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 71.2%, increasing by 0.9 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 sales and a decrease in 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 2019, which was announced on May 11, 2018.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

(Unit: Million yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposit	4,895	5,218
Notes and accounts receivable – trade	7,103	6,864
Securities	1,217	620
Merchandise and finished goods	1,759	1,570
Work in process	1,790	1,819
Raw materials and supplies	5,474	5,446
Other	592	766
Total current assets	22,831	22,307
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,755	4,703
Land	3,882	3,882
Construction in progress	-	5
Other, net	2,215	2,092
Total property, plant and equipment	10,853	10,683
Intangible assets	112	103
Investments and other assets		
Investment securities	3,194	3,276
Other	1,429	1,464
Allowance for doubtful accounts	-22	-22
Total investments and other assets	4,600	4,717
Total non-current assets	15,567	15,504
Total assets	38,398	37,812
Liabilities		
Current liabilities		
Notes and accounts payable - trade	585	491
Short-term loans payable	2,893	3,434
Income taxes payable	887	278
Provisions for bonuses	560	907
Provision for directors' bonuses	80	100
Other	2,097	1,975
Total current liabilities	7,105	7,188
Non-current liabilities		
Long-term loans payable	2,500	1,950
Provision for loss on guarantees	315	307
Net defined benefit liability	641	657
Other	307	257
Total non-current liabilities	3,764	3,172
Total liabilities	10,870	10,360

(Unit: Million yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,947	10,936
Retained earnings	10,469	10,320
Treasury stock	-4,042	-4,013
Total shareholders' equity	26,435	26,305
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	462	530
Foreign currency translation adjustments	169	155
Remeasurements of defined benefit plans	-67	-62
Total accumulated other comprehensive income	563	623
Subscription rights to shares	344	337
Non-controlling interests	185	185
Total net assets	27,528	27,451
Total liabilities and net assets	38,398	37,812

(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, 2017	Three months ended June 30, 2018
Net sales	4,386	4,677
Cost of sales	1,392	1,581
Gross profit	2,993	3,096
Selling, general and administrative expenses		
Total selling, general and administrative expenses	2,384	2,556
Operating income	609	539
Non-operating income		
Interest income	3	5
Dividends income	14	14
Foreign exchange gains	5	20
Other	3	3
Total non-operating income	27	43
Non-operating expenses		
Interest expenses	6	5
Loss on redemption of securities	-	1
Other	1	1
Total non-operating expenses	8	8
Ordinary income	628	574
Extraordinary income		
Reversal of provision for loss on guarantees	5	8
Other	0	-
Total extraordinary income	6	8
Extraordinary loss		
Loss related to voluntary recalling of products	-	172
Loss on disposal of non-current assets	0	0
Total extraordinary loss	0	172
Profit before income taxes	634	410
Income taxes – current	245	233
Income taxes – deferred	-106	-105
Total income taxes	138	127
Profit	495	282
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	495	282

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

(Unit: Million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Quarterly net profit	495	282
Other comprehensive income		
Valuation difference on available-for-sale securities	7	68
Foreign currency translation adjustment	-17	-13
Remeasurements of defined benefit plans, net of tax	10	5
Total other comprehensive income	0	60
Comprehensive income	496	343
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	496	343
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.

(Additional informatoin)

(Application of "Partial amendments to "accounting standard for tax effect accounting" ")

"Partial amendments to"accounting standard for tax effect accounting" " (Corporate Accounting Standards No. 28 issued on February 16, 2008) is adopted from the beginning of the 1st quarter under review, and deferred tax assets are presented in "investments and other assets."