

Financial Summary

Consolidated Financial Results for the Year ended March 31, 2021 (FY2020)

(Japanese standard)

May 13, 2021

Listed company name: JCR Pharmaceuticals Co., Ltd.

Listed stock exchange: Tokyo Stock Exchange

Code number: 4552 URL: <https://www.jcrpharm.co.jp/>Representative: (Title) Representative Director, Chairman and President
(Name) Shin AshidaPerson in charge of inquiries: (Title) Senior Corporate Officer, Executive Director, Administration Division
(Name) Akihiro Haguchi TEL: 0797(32)1995

Scheduled date to hold the ordinary general meeting of shareholders: June 23, 2021

Scheduled date to commence dividend payments: June 24, 2021

Scheduled date to file the Securities Report: June 23, 2021

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 FY2020 (April 1, 2020 to March 31, 2021)

(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, 2021	30,085	21.4	8,269	154.9	8,488	157.7	6,892	157.4
March 31, 2020	24,781	7.0	3,244	(34.7)	3,293	(35.0)	2,678	(27.9)

(Reference) Comprehensive income: Year ended March 31, 2021: 6,841 million yen (173.1%)

Year ended March 31, 2020: 2,504 million yen ((37.5)%)

	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, 2021	55.81	55.53	19.8	14.0	27.5
March 31, 2020	21.72	21.59	8.6	7.3	13.1

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

For the year ended March 31, 2021 — million yen For the year ended March 31, 2020 — million yen

(Note) We conducted a 4-for-1 stock split on October 1, 2020. Calculations of "Earnings per share (basic)" and "Earnings per share (diluted)" are based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
Year ended	million yen	million yen	%	yen
March 31, 2021	73,784	38,557	51.3	306.31
March 31, 2020	47,775	32,579	66.6	257.92

(Reference) Shareholders' equity: As of March 31, 2021: 37,864 million yen

As of March 31, 2020: 31,806 million yen

(Note) We conducted a 4-for-1 stock split on October 1, 2020. Calculation of "Net assets per share" is based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(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, 2021	10,341	(3,290)	8,304	26,260
March 31, 2020	4,927	(4,161)	2,048	10,928

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	%	%
FY2019	—	15.00	—	17.00	32.00	989	36.8	3.2
FY2020	—	18.00	—	7.50	—	1,487	21.5	4.3
FY2021 (Forecast)	—	8.00	—	8.00	16.00		14.9	

(Notes) 1. We conducted a 4-for-1 stock split on October 1, 2020. The presented year-end dividend per share for the fiscal year ended March 31, 2021 reflects the impact of this stock split, and the annual dividend is presented as “—”. If the stock split is not reflected, the year-end dividend per share for the fiscal year ended March 31, 2021 is 30.00 yen and the annual dividend per share is 48.00 yen.

2. Breakdown of the year-end dividend for the fiscal year ended March 31, 2021
 Ordinary dividend: 7.00 yen
 Commemorative dividend: 0.50 yen

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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
Year ending March 31, 2022	49,000	62.9	18,700	126.1	18,700	120.3	13,300	92.9	107.68

*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
- Changes associated with changes in accounting standards : None
 - Changes in accounting principles other than 1. : None
 - Changes in accounting estimates : None
 - 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, 2021	129,686,308 shares	As of March 31, 2020	129,686,308 shares
2. Number of shares treasury stock at the end of the period	As of March 31, 2021	6,071,644 shares	As of March 31, 2020	6,369,036 shares
3. Average number of shares outstanding during the period	As of March 31, 2021	123,517,401 shares	As of March 31, 2020	123,283,348 shares

(Note) We conducted a 4-for-1 stock split on October 1, 2020. Calculations of "Number of shares outstanding at the end of the period", "Number of shares treasury stock at the end of the period" and "Average number of shares outstanding during the period" are based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(Reference) Summary of Individual Business Results

1. Individual Business Results for FY2020 (From April 1, 2020 to March 31, 2021)

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

Year ended	Net sales		Operating income		Ordinary income		Net income for the year	
	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2021	30,085	21.7	8,641	162.8	8,594	157.1	7,081	158.3
March 31, 2020	24,725	7.9	3,287	(33.8)	3,342	(33.6)	2,741	(28.4)

	Earnings per share (basic)	Earnings per share (diluted)
Year ended	Yen	Yen
March 31, 2021	57.33	57.05
March 31, 2020	22.23	22.10

(Note) We conducted a 4-for-1 stock split on October 1, 2020. Calculations of "Earnings per share (basic)" and "Earnings per share (diluted)" are based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Individual Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
Year ended	million yen	million yen	%	yen
March 31, 2021	73,727	38,546	51.6	307.64
March 31, 2020	47,440	32,278	66.8	257.01

(Reference) Shareholders' equity; As of March 31, 2021: 38,028 million yen

As of March 31, 2020: 31,693 million yen

(Note) We conducted a 4-for-1 stock split on October 1, 2020. Calculation of "Net assets per share" is based on the assumption that the stock split was implemented at the beginning of the previous fiscal 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

Net sales amounted to 30,085 million yen (up 21.4% year on year), increasing for a ninth consecutive year to a record high.

Sales of our mainstay products, such as our recombinant human growth product GROWJECT®, increased year on year due to an increase in sales volume, despite an NHI price revision in April 2020.

Furthermore, total net sales for renal anemia treatments and license revenues also rose year on year, driving a 21.4% year increase from the previous fiscal year.

On the profit front, gross profit increased (up 31.9% year on year) on the back of higher sales revenues, while SG&A expenses also rose 2.7%. As a result, operating income increased 154.9% year on year to 8,269 million yen, ordinary income increased 157.7% year on year to 8,488 million yen, and profit attributable to owners of the parent increased 157.4% year on year to 6,892 million yen; all new record highs.

R&D expenses decreased 637 million yen, or 10.6%, year on year to 5,360 million yen, as a result of efficient R&D activities while R&D proceeded steadily.

	Previous Consolidated Fiscal Year (From April 1, 2019 to March 31, 2020)	Current Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Increase-decrease rate
	Amount (millions of yen)	Amount (millions of yen)	%
Net sales	24,781	30,085	21.4
Operating income	3,244	8,269	154.9
Ordinary income	3,293	8,488	157.7
Profit attributable to owners of the parent	2,678	6,892	157.4

[2] Main components of sales

	Previous Consolidated Fiscal Year (From April 1, 2019 to March 31, 2020)	Current Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Increase-decrease ratio
	Amount (millions of yen)	Amount (millions of yen)	%
Human growth hormone product GROWJECT®	12,650	13,256	4.8
Regenerative medicine products TEMCELL® HS Inj.	3,126	2,441	(21.9)
Treatment for renal anemia Epoetin Alfa BS Inj. [JCR]	5,509	7,087	28.6
Darbepoetin Alfa BS Inj. [JCR]	4,097	3,278	(20.0)
	1,412	3,809	169.7
Treatment for Fabry disease Agalsidase Beta BS I.V. Infusion [JCR]	317	470	48.2
AZD1222 stock solution	—	404	—
Income from contractual payment	2,050	6,406	212.4

(Note) 1. Sales of Epoetin Alfa BS Inj. [JCR], a short-acting renal anemia treatment, decreased due to the impact of the launch of Darbepoetin Alfa BS Inj. [JCR], a long-acting renal anemia treatment, in November 2019. However, total sales of renal anemia treatments increased year on year.

2. Income from contractual payment is derived from licensing arrangements such as milestone payments based on progress with research and development.

[3] The Status of R&D

[Treatments for lysosomal storage disorders]

- In treatments for lysosomal storage disorders, a priority field for development, we are currently conducting development of new drugs that employ our unique blood-brain barrier (BBB) technology, J-Brain Cargo®.
- Pabinafusp Alfa (development code: JR-141/ IZCARGO® for I.V. infusion 10mg), our blood-brain barrier (BBB) penetrating product candidate for the treatment of patients with Hunter syndrome received marketing approval in Japan in March 2021. Furthermore, in Brazil, we filed for marketing approval with the Brazilian Health Regulatory Agency (ANVISA) in December 2020, and in other regions JR-141 received orphan drug designation from the U.S. Food and Drug Administration (FDA) in October 2018 and the European Medicines Agency (EMA) in February 2019. Moreover, in February 2021, JR-141 received FDA Fast Track designation along with approval to begin Phase III clinical trial. The trial is a global clinical trial and preparations are underway to start the trial in Brazil and Europe after the US.
- As JCR's first global clinical trial, we submitted Phase I/II investigational new drug for our BBB-penetrating product candidate for the treatment of patients with mucopolysaccharidosis type I (MPS I) (development code: JR-171), to the Pharmaceuticals and Medical Devices Agency (PMDA) in July, 2020 and the first patient was dosed in October, 2020 in Japan. The trial is also scheduled for enrolling patients in Brazil and the US.
- We have also been successively conducting R&D into other treatments for lysosomal storage disorders that employ J-Brain Cargo®, including a treatment for Pompe disease (development code: JR-162), a treatment for Sanfilippo syndrome type A (development code: JR-441), a treatment for Sly syndrome (development code: JR-443), and a treatment for Sanfilippo syndrome type B (development code: JR-446). We will also develop each of these treatments globally.

[Regenerative medicine products]

- In July 2019, we commenced Phase I/II clinical trial of TEMCELL® HS Inj. for the additional indication of neonatal hypoxic ischemic encephalopathy (HIE) (development code: JR-031HIE).
- In March 2021, we decided to halt development of TEMCELL® HS Inj. for expanded indication for epidermolysis bullosa treatment (development code JR-031EB).
- In February 2019, we commenced Phase I/II clinical trial of an allogeneic regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction with Teijin Limited.(development code: JTR-161/JR-161).

[Human growth hormone product]

- In July 2018, we started a Phase III clinical trial for an additional indication for GROWJECT® in patients with short stature homeobox-containing gene (SHOX) deficiency.
- In March 2021, we initiated a Phase II clinical trial of a recombinant long-acting growth hormone (development code: JR-142).

[4] Forecast for the next term

Forecast for the next consolidated financial results are as follows.

	Current year actuals (Year ended March 2021)	Forecast for the next year (Year ended March 2022)	Increase or decrease	Increase-decrease rate
Net sales (millions of yen)	30,085	49,000	18,914	+62.9%
Operating income (millions of yen)	8,269	18,700	10,430	+126.1%
Ordinary income (millions of yen)	8,488	18,700	10,211	+120.3%
Profit attributable to owners of the parent (millions of yen)	6,892	13,300	6,407	+92.9%

(Net sales)

We anticipate an increase in sales of our core product GROWJECT® due to steady increase in sales volume. Moreover, we will start sales of IZCARGO® for Hunter syndrome, carry out manufacture of stock solution for AstraZeneca K.K.'s COVID-19 vaccine, and engage proactively in licensing operations. Based on these factors, the overall sales forecast of the JCR Group is for 49,000 million yen (up 62.9% 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 18,700 million yen (up 126.1% year on year), ordinary income of 18,700 million yen (up 120.3% year on year), and profit attributable to owners of the parent of 13,300 million yen (up 92.9% year on year).

(2) Overview of Financial Conditions

[1] Status of assets, liabilities and net assets

As of March 31, 2021, total assets amounted to 73,784 million yen (an increase of 26,008 million yen from March 31, 2020), total liabilities were 35,227 million yen (an increase of 20,031 million yen from March 31, 2020), and net assets were 38,557 million yen (an increase of 5,977 million yen from March 31, 2020).

Current assets increased by 20,203 million yen from March 31, 2020 to 48,545 million yen, mainly due to increases in cash and deposits and inventories. Non-current assets increased by 5,805 million yen from March 31, 2020 to 25,238 million yen, mainly due to the recording of patents following the acquisition of ArmaGen, Inc. in the US and the acquisition of land for establishing a new plant for manufacturing stock solution for COVID-19 vaccines.

Current liabilities increased by 18,594 million yen from March 31, 2020 to 29,028 million yen, mainly reflecting an increase in short-term loans payable. Non-current liabilities increased by 1,437 million yen from March 31, 2020 to 6,199 million yen, mainly due to increases in bonds payable and long-term loans payable.

Net assets increased by 5,977 million yen from March 31, 2020 to 38,557 million yen, mainly due to recording profit attributable to owners of the parent, despite the payment of dividends.

As a result, the equity ratio as of March 31, 2021 decreased 15.3 percentage points compared with March 31, 2020 to 51.3%.

At this point in time, the JCR group has not felt the impact of the COVID-19 pandemic. However, the global outlook remains uncertain. In order to achieve sustainable global growth, we need to secure a flexible and stable source of funds. In the fiscal year under review, we concluded commitment line agreements with our financial institutions for a total of 15.5 billion yen for the purpose of securing operating funds as a backup plan.

[2] Status of cash flows

Cash and cash equivalents at the end of the current consolidated fiscal year was up by 15,332 million yen from the end of the previous consolidated fiscal year to 26,260 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 FY2020 was 10,341 million yen (an increase of 5,413 million yen compared with the previous fiscal year). The main contributing factors were recording income before income taxes of 8,653 million yen, depreciation and amortization of 1,892 million yen, and an increase in advanced received of 2,493 million yen, which was offset by an increase in inventories of 4,699 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 3,290 million yen (decrease of 870 million yen in net cash used in the previous fiscal year). The main uses of cash were 4,780 million yen for the purchase of property, plant and equipment and 2,747 million yen for the purchase of patent rights, despite subsidies received of 3,892 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 8,304 million yen (an increase of 6,255 million yen in net cash provided compared with the previous fiscal year). This was mainly attributable to a net increase in short-term loans payable of 8,320 million yen, despite cash dividends paid of 1,083 million yen.

(Reference) Changes in indicators related to cash flows

	Year ended March 2017	Year ended March 2018	Year ended March 2019	Year ended March 2020	Year ended March 2021
Equity ratio	75.0%	70.3%	71.1%	66.6%	51.3%
Market base equity ratio	214.3%	486.2%	472.3%	607.9%	600.6%
Ratio of cash flow and interest-bearing debts	1.8 years	1.9 years	1.5 years	1.8 years	1.8 years
Interest coverage ratio	92.0 times	113.0 times	182.4 times	219.0 times	223.7 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 FY2020 and FY2021

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

The basic policy of JCR 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.

JCR marked its 45th founding anniversary on September 13, 2020. Therefore, to express our gratitude to our shareholders, we decided to pay a commemorative dividend of 0.5 yen per share upon the year-end dividend for the fiscal year ended March 31, 2021.

Moreover, since JCR achieved new record high operating results in the fiscal year under review, in accordance with the above basic policy, for the year-end dividend for the fiscal year under review the Board of Directors resolved at its meeting on May 13, 2021 to pay a dividend of 7.5 yen per share (including the commemorative dividend of 0.5 yen per share). Excluding the impact of the stock split, the year-end dividend for the fiscal year ended March 31, 2021 would be 30 yen per share, with the addition of the interim dividend making an annual dividend of 48 yen per share, an increase of 16 yen from the previous fiscal year.

For the next fiscal year (the fiscal year ending March 31, 2022), JCR plans to pay a dividend of 16 yen per share (interim dividend of 8 yen, year-end dividend of 8 yen).

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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposit	10,973	26,260
Notes and accounts receivable-trade	7,977	8,183
Securities	220	—
Merchandise and finished goods	880	1,367
Work in process	2,929	3,538
Raw materials and supplies	5,046	8,649
Other	315	546
Total current assets	28,342	48,545
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,115	6,295
Machinery, equipment and vehicles, net	867	1,282
Land	5,664	7,663
Construction in progress	2,283	841
Other, net	944	1,088
Total property, plant and equipment	14,875	17,172
Intangible assets		
Patent right	—	2,988
Other	263	244
Total Intangible assets	263	3,232
Investments and other assets		
Investment securities	2,408	2,572
Deferred tax assets	721	1,739
Net defined benefit asset	243	225
Other	943	300
Allowance for doubtful accounts	(23)	(4)
Total investments and other assets	4,294	4,833
Total non-current assets	19,433	25,238
Total assets	47,775	73,784

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	679	2,932
Short-term loans payable	4,880	12,850
Income taxes payable	534	2,646
Special suspense account for tax purpose reduction entry	—	3,828
Provision for bonuses	713	850
Provision for directors' bonuses	77	63
Other	3,549	5,855
Total current liabilities	10,434	29,028
Non-current liabilities		
Bonds payable	—	500
Long-term loans payable	3,800	4,750
Provision for loss on guarantees	108	—
Allowance for employee stock ownership benefits	47	62
Net defined benefit liability	730	798
Other	75	88
Total non-current liabilities	4,761	6,199
Total liabilities	15,195	35,227
Net assets		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,891	10,941
Retained earnings	15,039	20,904
Treasury stock	(3,865)	(3,685)
Total shareholders' equity	31,127	37,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	583	691
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustments	134	(18)
Remeasurements of defined benefit plans	(39)	(31)
Total accumulated other comprehensive income	679	641
Subscription rights to shares	584	517
Non-controlling interests	189	174
Total net assets	32,579	38,557
Total liabilities and net assets	47,775	73,784

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

(millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net sales	24,781	30,085
Cost of sales	7,901	7,812
Gross profit	16,880	22,272
Selling, general and administrative expenses	13,635	14,003
Operating profit	3,244	8,269
Non-operating income		
Interest income	19	7
Dividend income	25	25
Foreign exchange gains	8	206
Other	28	65
Total non-operating income	81	305
Non-operating expenses		
Interest expenses	22	42
Commission expenses	—	11
Other	9	31
Total non-operating expenses	32	85
Ordinary income	3,293	8,488
Extraordinary income		
Gain on liquidation of subsidiaries and associates	—	22
Reversal of provision for loss on guarantees	131	108
Reversal of allowance for doubtful accounts	—	19
Reversal of losses related to voluntary recall	—	19
Total extraordinary income	131	170
Extraordinary losses		
Loss on disposal of non-current assets	2	5
Total extraordinary losses	2	5
Profit before income taxes	3,422	8,653
Income taxes – current	1,017	2,836
Income taxes – deferred	(274)	(1,072)
Total income taxes	742	1,764
Profit	2,679	6,888
Profit (loss) attributable to non-controlling interests	1	(4)
Profit attributable to owners of parent	2,678	6,892

(Consolidated Statements of Comprehensive Income)

(millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Profit	2,679	6,888
Other comprehensive income		
Valuation difference on available-for-sale securities	(189)	107
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	(18)	(162)
Remeasurements of defined benefit plans, net of tax	32	7
Total other comprehensive income	(175)	(47)
Comprehensive income	2,504	6,841
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,505	6,855
Comprehensive income attributable to non-controlling interests	(0)	(14)

(3) Consolidated Statements of Changes in Net Assets FY2019
(From April 1, 2019 to March 31, 2020)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	9,061	10,922	13,350	(3,937)	29,397
Changes during the year					
Dividends paid			(989)		(989)
Profit attributable to owners of the parent			2,678		2,678
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(29)		73	43
Changes of shares of consolidated subsidiaries		(1)			(1)
Changes of items other than shareholders' equity (net)					
Total changes for the year	—	(31)	1,689	71	1,729
Ending balance	9,061	10,891	15,039	(3,865)	31,127

	Valuation difference on available-for-sale securities	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
		Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Beginning balance	773	—	149	(71)	851	435	189	30,874
Changes during the year								
Dividends paid								(989)
Profit attributable to owners of the parent								2,678
Purchase of treasury shares								(1)
Disposal of treasury shares								43
Changes of shares of consolidated subsidiaries								(1)
Changes of items other than shareholders' equity (net)	(189)		(15)	32	(172)	149	(0)	(24)
Total changes for the year	(189)		(15)	32	(172)	149	(0)	1,705
Ending balance	583	—	134	(39)	679	584	189	32,579

FY2020 (from April 1, 2020 to March 31, 2021)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	9,061	10,891	15,039	(3,865)	31,127
Changes during the year					
Dividends paid			(1,083)		(1,083)
Profit attributable to owners of the parent			6,892		6,892
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		49		181	230
Changes of shares of consolidated subsidiaries		1	55		56
Changes of items other than shareholders' equity (net)					
Total changes for the year	—	50	5,865	180	6,095
Ending balance	9,061	10,941	20,904	(3,685)	37,222

	Valuation difference on available-for-sale securities	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
		Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Beginning balance	583	—	134	(39)	679	584	189	32,579
Changes during the year								
Dividends paid								(1,083)
Profit attributable to owners of the parent								6,892
Purchase of treasury shares								(0)
Disposal of treasury shares								230
Changes of shares of consolidated subsidiaries								56
Changes of items other than shareholders' equity (net)	107	0	(152)	7	(37)	(66)	(14)	(118)
Total changes for the year	107	0	(152)	7	(37)	(66)	(14)	5,977
Ending balance	691	0	(18)	(31)	641	517	174	38,557

(4) Consolidated Statements of Cash Flows

(millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	3,422	8,653
Depreciation and amortization	1,434	1,892
Increase (decrease) in provision for loss on guarantees	(131)	(108)
Increase (decrease) in net defined benefit liability	37	74
Increase (decrease) in provision for bonuses	46	137
Share-based compensation expenses	175	149
Interest and dividends income	(44)	(33)
Interest expenses	22	42
Foreign exchange losses (gains)	(11)	(140)
Decrease (increase) in notes and accounts receivable-trade	857	(205)
Decrease (increase) in accounts receivable-other	35	1
Decrease (increase) in inventories	258	(4,699)
Increase (decrease) in accounts payable-trade	92	2,253
Increase (decrease) in accounts payable-other	357	202
Increase (decrease) in accrued consumption taxes	(164)	175
Increase (decrease) in advanced received	11	2,493
Other, net	(233)	265
Subtotal	6,167	11,156
Interest and dividends income received	44	39
Interest expenses paid	(22)	(46)
Income taxes (paid) refund	(1,262)	(807)
Net cash provided by (used in) operating activities	4,927	10,341
Net cash provided by (used in) investing activities		
Expenditures on time deposits	—	(300)
Purchase of securities	100	345
Proceeds from sales and redemption of securities	698	239
Purchase of property, plant and equipment	(4,838)	(4,780)
Subsidies received	—	3,892
Purchase of patent	—	(2,747)
Purchase of investment securities	(30)	(91)
Other, net	(91)	152
Net cash provided by (used in) investing activities	(4,161)	(3,290)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	1,000	8,320
Proceeds from long-term loans payable	3,050	1,250
Repayment of long-term loans payable	(850)	(650)
Proceeds from issuance of bonds	—	500
Repayments of lease obligations	(176)	(47)
Net decrease (increase) in treasury stock	15	13
Cash dividends paid	(989)	(1,083)
Other, net	(1)	1
Net cash provided by (used in) financing activities	2,048	8,304
Effect of exchange rate change on cash and cash equivalents	20	(22)
Net increase (decrease) in cash and cash equivalents	2,836	15,332
Cash and cash equivalents at beginning of period	8,091	10,928
Cash and cash equivalents at end of period	10,928	26,260

- (5) Notes to Consolidated Financial Statements
(Notes on premises as a going concern)
No corresponding item existed.

(Additional information)

(Acquisition of patent rights through acquisition of ArmaGen, Inc.)

At a meeting of the Board of Directors held on February 27, 2020, JCR passed a resolution to acquire ArmaGen, Inc. and completed the acquisition on April 10. JCR judged that it could secure its competitive edge by acquiring ArmaGen's technological assets, including intellectual property rights for its blood-brain barrier (BBB) penetration technology. The acquisition is accounted for the acquisition of assets.

1. Outline of acquisition of ArmaGen's shares

(1) Outline of share purchase

1) Name, business and scale of counterparty to share purchase

Name of the acquired company ArmaGen, Inc.

Location San Diego, California, USA

Business activities Development of innovative drugs, originally or jointly with other companies, to treat various types of mucopolysaccharidoses and other lysosomal storage disorders (LSDs) based on BBB penetration technology (base technology).

Scale, Share capital 41 thousand USD (As of December 31, 2019)

Total assets 1,244 thousand USD (As of December 31, 2019)

2) Purpose of share purchase

JCR is currently focused on the research and development of innovative drugs for LSDs on the platform of its unique BBB penetration technology, J-Brain Cargo®. ArmaGen is developing innovative drugs using its proprietary BBB penetration technology. ArmaGen has filed for and obtained a portfolio of intellectual property rights applicable to a broad spectrum of diseases, including LSDs, in several key markets around the world, such as the US.

JCR has extensively studied its strategy for developing treatment options for LSDs in the global market. Based on these studies, JCR has judged that it can solidify its technology led by acquiring ArmaGen's technology assets, including the intellectual property rights for its BBB penetration technology.

3) Date of share purchase: April 10, 2020

4) Number of shares to acquire and ownership ratio after acquisition: Number of shares to acquire: 100 shares*

Ownership ratio after acquisition: 100%

*JCR has owned 100 shares of ArmaGen after the merger by establishing specific purpose company with wholly owned investment of the Company as a subsidiary, merging (Cash-out Merger) the subsidiary with ArmaGen and turning the surviving company into ArmaGen.

(2) Acquisition cost of the acquired company

The acquisition cost is determined at an appropriate amount based on discussions between the two parties, based on the results of the calculation of the share value by an outside expert. However, the acquisition cost, etc. will not be disclosed as agreed upon by the parties.

(3) Financing and Payment Method: The Company used its own funds to pay for the acquisition

2. Acquisition of patent rights (acquisition cost, amortization method and period)

Acquisition cost of patent right	29,858 thousand USD (3,287 million yen)
Amortization method	Straight-line method
Weighted-average amortization method	11.88 years

(Segment information)

Segment information is not disclosed since the Group has only one segment, Pharmaceuticals.

(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, 2020	Fiscal year ended March 31, 2021
(1) Net asset per share (yen)	257.92	306.31
(Bases for calculations)		
Total net assets in the consolidated balance sheet (millions of yen)	32,579	38,557
Net assets associated with common shares (millions of yen)	31,806	37,864
Breakdown of major differences (millions of yen)		
Stock acquisition rights	584	517
Non-controlling interests	189	174
Number of common shares outstanding (shares)	129,686,308	129,686,308
Number of shares of treasury stock (common shares)	6,369,036	6,071,644
Number of common shares used for calculations of net asset per share (shares)	123,317,272	123,614,664

Item	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
(2) Net income per share (yen)	21.72	55.81
(Bases for calculations)		
Net income per share attributable to owners of the parent in the Consolidated Statements of Income (millions of yen)	2,678	6,892
Amount not attributable to common shares (millions of yen)	—	—
Net income attributable to owners of the parent associated with common shares (millions of yen)	2,678	6,892
Average number of common shares outstanding (shares)	123,283,348	123,517,401
(3) Diluted net income per share (yen)	21.59	55.53
(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	761,184	615,252
Increased number of common shares (shares)	761,184	615,252
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.	—	—

(Notes) 1. 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 382,966 shares for the previous consolidated accounting year, and 371,366 shares for the current consolidated accounting year, and the number of the said treasury shares excluded for calculations of net asset per share was 377,200 shares for the previous consolidated accounting year and 363,900 shares for the current consolidated accounting year.

2 We conducted a 4-for-1 stock split on October 1, 2020. Calculations of "Net assets per share," "Net income per share" and "Diluted net income per share" are based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(Important Subsequent Events)

None

4. Other

R&D Pipeline**Recombinant drug products**

Code	Status	Indication
		Remarks
JR-141 BBB-penetrating Iduronate-2-sulfatase (rDNA origin)	Japan: Marketing approval obtained	Mucopolysaccharidosis II (Hunter syndrome)
	Brazil: Filed for Marketing approval	ERT J-Brain Cargo®
	Global: Phase III	
JR-171 BBB-penetrating α -L-Iduronidase (rDNA origin)	Global: Phase I/II	Mucopolysaccharidosis I (Hurler syndrome, etc)
		ERT J-Brain Cargo® J-MIG System®
JR-162 J-Brain Cargo® - applied acid α - glucosidase (rDNA origin)	Japan: Preclinical	Pompe disease
		ERT J-Brain Cargo®
JR-441 BBB-penetrating heparan N-sulfatase (rDNA origin)	Japan: Preclinical	Mucopolysaccharidosis III-A (Sanfilippo syndrome type A)
		ERT J-Brain Cargo®
JR-443 BBB-penetrating β -glucuronidase (rDNA origin)	Japan: Preclinical	mucopolysaccharidosis VII (Sly's syndrome)
		ERT J-Brain Cargo®
JR-446 BBB-penetrating α -N-acetylglucosaminidase (rDNA origin)	Japan: Preclinical	mucopolysaccharidosis III-B (Sanfilippo syndrome type B)
		ERT J-Brain Cargo®
JR-401X Somatropin (rDNA origin)	Japan: Phase III	SHOX deficiency
		Expanded Indication of GROWJECT®
JR-142 Long-acting growth hormone (rDNA origin)	Japan: Phase II	Growth hormone deficiency dwarfism
		J-MIG System®

(Note) ERT= Enzyme Replacement Therapy

Allogeneic regenerative medical product

Code	Status	Indication
		Remarks
JR-031HIE Human mesenchymal stem cells	Japan: Phase I / II	Neonatal hypoxic ischemic encephalopathy
		Expanded Indication of TEMCELL® HS
JTR-161/JR-161 Dental pulp stem cells (DPCs)	Japan: Phase I / II	Acute cerebral infarction
		Co-development with Teijin Limited