

Financial Summary
Consolidated Financial Results for the Three Months Ended June 30, 2020 (1Q FY2020)
(Japanese standard)

July 30, 2020

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 Ashida
Person in charge of inquiries (Title) Senior Corporate Officer, Executive Director, Administration Division
(Name) Akihiro Haguchi TEL: 0797(32)1995
Scheduled date to file quarterly report: August 13, 2020
Scheduled date to commence dividend payments: -
Preparation of supplemental information for the financial summary for the quarterly financial results: None
Arrangement of briefing on the quarterly financial results: None

(Fractions smaller than one million yen omitted)

1. Consolidated Financial Results for 1Q FY2020 (Apr. 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
Three Months Ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2020	5,181	0.5	784	70.2	862	84.8	767	107.4
June 30, 2019	5,155	10.2	461	(14.6)	467	(18.7)	369	30.8

(Reference) Comprehensive income: Three months ended June 30, 2020: 767 million yen (215.2%),
Three months ended June 30, 2019: 243 million yen ((29.1)%)

	Net income per Share (basic)	Net Income per Share (diluted)
Three Months Ended	Yen	Yen
June 30, 2020	24.88	24.73
June 30, 2019	12.00	11.93

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	Million yen	Million yen	%
June 30, 2020	56,396	32,860	56.9
March 31, 2020	47,775	32,579	66.6

(Reference) Shareholders' equity: As of Jun. 30, 2020: 32,088 million yen, As of Mar. 31, 2020: 31,806 million yen

2. Dividends

	Dividend per Share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	-	15.00	-	17.00	32.00
FY2020	-				
FY2020 (Forecast)		18.00	-	18.00	36.00

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

3. Consolidated Forecasts for the Fiscal Year Ending Mar. 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)

(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)	14,400	28.2	3,600	260.6	3,600	266.9	2,900	214.2	94.07
Year ending Mar. 31, 2021	27,200	9.8	6,000	84.9	6,000	82.2	4,800	79.2	155.70

(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 resulting in changes in the scope of the consolidation) during the Three months ended June 30, 2020.

(2) No specific accounting process was applied to the preparation of the quarterly consolidated financial statements.

(3) Changes in accounting policy, changes in accounting estimates 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 accounting estimates: 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)
2. Number of treasury stock as of the end of the term
3. Average number of shares during the term (quarterly cumulative amount)

As of June 30, 2020	32,421,577 shares	As of March 31, 2020	32,421,577 shares
As of June 30, 2020	1,588,196 shares	As of March 31, 2020	1,592,259 shares
As of June 30, 2020	30,831,215 shares	As of June 30, 2019	30,802,499 shares

* The quarterly financial statements are outside 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 on forward-looking statements, etc.)

The forward-looking statements such as the forecasts of financial results contained in this document are based on the information that the company currently holds and certain assumption that the company judges as rational. The company does not assure the achievement of those forecasts. In addition, actual financial results may differ significantly from forecasts due to various reasons. For the assumptions underlying the forecasts of financial results and notes for the appropriate use of the forecasts of financial results, please refer to the attached material on Page 4, "1. Qualitative information for the quarterly financial statements (3) Explanation on projections such as forecasts of consolidated financial results."

○ Table of Contents for Attached Material

1. Qualitative information for the quarterly financial statements	2
(1) Explanation on financial results	2
(2) Explanation on financial status.....	3
(3) Explanation on projections such as forecasts of consolidated financial results	4
2. Quarterly consolidated financial statements and important notes	5
(1) Quarterly consolidated balance sheets.....	5
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	7
(Quarterly consolidated statements of income).....	7
(Quarterly consolidated statements of comprehensive income).....	8
(3) Notes for quarterly consolidated financial statements	9
(Notes for going concern assumption).....	9
(Notes for any significant changes in the amount of shareholders' equity).....	9
(Additional Information)	9

1. Qualitative information for the quarterly financial statements

(1) Explanation on financial results

[1]Financial results during 1Q FY2020

Net sales amounted to 5,181 million yen (up 0.5% year on year).

Although there were NHI price revisions in April 2020, we increased revenue owing to increases in the sales volume of core products.

Profits increased year on year at every level, with operating income of 784 million yen (up 70.2%), ordinary income of 862 million yen (up 84.8%), and quarterly profit attributable to owners of parent of 767 million yen (up 107.4%).

R&D expenses fell by 11.4% from the previous fiscal year to 1,133 million yen (down 145 million yen year on year).

	Previous Quarterly consolidated (Cumulative) (From April 1, 2019 to June 30, 2019)	Current Quarterly consolidated (Cumulative) (From April 1, 2020 to June 30, 2020)	Increase- decrease rate
	Amount (millions of yen)	Amount (millions of yen)	%
Net sales	5,155	5,181	0.5
Operating income	461	784	70.2
Ordinary income	467	862	84.8
Profit attributable to owners of the parent	369	767	107.4

[2]Main components of sales

	Previous Quarterly consolidated (Cumulative) (From April 1, 2019 to June 30, 2019)	Current Quarterly consolidated (Cumulative) (From April 1, 2020 to June 30, 2020)	Increase- decrease rate
	Amount (millions of yen)	Amount (millions of yen)	%
Human growth hormone product GROWJECT®	3,143	3,302	5.1
Regenerative medicine products TEMCELL® HS Inj.	712	235	(66.9)
Treatment for renal anemia Epoetin Alfa BS Inj. [JCR]	1,193	1,508	26.4
Darbepoetin Alfa BS Inj. [JCR]	1,193 —	903 604	(24.3) —
Treatment for Fabry disease Agalsidase Beta BS I.V. Infusion [JCR]	65	112	71.3
Income from contractual payment	2	10	354.5

Notes : 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.

[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) penetration technology, J-Brain Cargo®.
- We started a Phase II clinical trial of our BBB-penetrating therapeutic enzyme for the treatment of Hunter Syndrome (development code: JR-141) in Brazil in June 2018 and initiated a Phase III clinical trial in Japan in August 2018. In other regions, we have also been proceeding with preparations for global development. 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.
- 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 Hurler syndrome (development code: JR-171), 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 (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).
- We had filed an application for additional marketing approval of TEMCELL® HS Inj. for the indication of epidermolysis bullosa (EB) by subcutaneous administration (development code: JR-031EB) with the Ministry of Health, Labour and Welfare of Japan (MHLW). Following the filing, JCR has carried out extensive discussions with the regulatory authority. However, in the aim to demonstrate the efficacy of TEMCELL for EB with more clarity, JCR withdrew this application in September 2019. Future development plans are currently under review.
- 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 (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 May 2019, we initiated a Phase I clinical trial of a recombinant long-acting growth hormone (development code: JR-142).

[Treatment for renal anemia]

- In September 2019, we obtained marketing approval for Darbepoetin Alfa BS Injection [JCR], a long-acting erythropoiesis-stimulating agent, and launched the product in November 2019.

(2) Explanation on financial status

As of June 30, 2020, total assets amounted to 56,396 million yen (an increase of 8,620 million yen from March 31, 2020), total liabilities were 23,535 million yen (an increase of 8,339 million yen from March 31, 2020), and net assets were 32,860 million yen (an increase of 280 million yen from March 31, 2020).

Current assets increased by 5,988 million yen from March 31, 2020 to 34,331 million yen, mainly due to a increase in cash and deposits, which was partly offset by a decrease in notes and accounts payable-trade. Non-current assets increased by 2,631 million yen from March 31, 2020 to 22,064 million yen, mainly due to insertion of patent right following acquisition of Armagen, Inc. in U.S.

Current liabilities increased by 8,439 million yen from March 31, 2020 to 18,874 million yen, mainly due to increases in short-term loans payable. Non-current liabilities decreased by 100 million yen from March 31, 2020 to 4,661 million yen, mainly due to a decrease in long-term loans payable.

Net assets increased by 280 million yen from March 31, 2020 to 32,860 million yen. This decrease was mainly due to insertion of profit attributable to owners of parent, despite the payment of dividends.

As a result, the equity ratio was 56.9% as of June 30, 2020, a decrease of 9.7 percentage point from March 31, 2020.

At this point in time, the JCR Group has not felt the impact of the COVID-19 pandemic, but the global outlook remains uncertain. In order to achieve sustainable global growth, we need to secure a flexible and stable source of funds. In April and May, 2020, we have concluded commitment line agreements with our financial institutions for a total 15 billion yen for the purpose of securing operating funds as a backup plan.

(3) Explanation on projections such as forecasts of consolidated financial results

Looking at consolidated financial results for the three months ended June 30, 2020, we posted higher earnings on higher net sales, which was largely in line with our initial forecasts. Accordingly, there have been no changes to the forecasts for the six months ending September 30, 2020 and the year ending March 31, 2021 announced on May 12, 2020.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	10,973	17,456
Notes and accounts receivable - trade	7,977	6,362
Securities	220	217
Merchandise and finished goods	880	1,055
Work in process	2,929	3,533
Raw materials and supplies	5,046	5,258
Other	315	447
Total current assets	28,342	34,331
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,115	5,014
Land	5,664	5,664
Construction in progress	2,283	2,361
Other, net	1,811	1,641
Total property, plant and equipment	14,875	14,682
Intangible assets		
Patent right	—	3,217
Other	263	257
Total intangible assets	263	3,474
Investments and other assets		
Investment securities	2,408	2,422
Other	1,909	1,488
Allowance for doubtful accounts	(23)	(4)
Total investments and other assets	4,294	3,907
Total non-current assets	19,433	22,064
Total assets	47,775	56,396
Liabilities		
Current liabilities		
Notes and accounts payable - trade	679	1,470
Short-term borrowings	4,880	13,700
Income taxes payable	534	317
Provision for bonuses	713	1,133
Provision for bonuses for directors (and other officers)	77	93
Other	3,549	2,159
Total current liabilities	10,434	18,874
Non-current liabilities		
Long-term borrowings	3,800	3,700
Provision for loss on guarantees	108	101
Retirement benefit liability	730	736
Other	122	123
Total non-current liabilities	4,761	4,661
Total liabilities	15,195	23,535

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	9,061	9,061
Capital surplus	10,891	10,893
Retained earnings	15,039	15,310
Treasury shares	(3,865)	(3,856)
Total shareholders' equity	31,127	31,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	583	585
Foreign currency translation adjustment	134	126
Remeasurements of defined benefit plans	(39)	(33)
Total accumulated other comprehensive income	679	678
Share acquisition rights	584	581
Non-controlling interests	189	191
Total net assets	32,579	32,860
Total liabilities and net assets	47,775	56,396

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated statements of income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	5,155	5,181
Cost of sales	1,607	1,532
Gross profit	3,548	3,648
Selling, general and administrative expenses		
Total selling, general and administrative expenses	3,087	2,864
Operating profit	461	784
Non-operating income		
Interest income	3	1
Dividend income	12	11
Foreign exchange gains	—	64
Other	4	14
Total non-operating income	20	92
Non-operating expenses		
Interest expenses	5	8
Commission expenses	—	4
Foreign exchange losses	7	—
Other	1	1
Total non-operating expenses	13	14
Ordinary profit	467	862
Extraordinary income		
Reversal of provision for loss on guarantees	9	6
Reversal of allowance for doubtful accounts	—	19
Total extraordinary income	9	25
Extraordinary losses		
Loss on disposal of non-current assets	—	3
Other	0	—
Total extraordinary losses	0	3
Profit before income taxes	476	885
Income taxes - current	191	206
Income taxes - deferred	(85)	(91)
Total income taxes	106	115
Profit	370	770
Profit attributable to non-controlling interests	0	3
Profit attributable to owners of parent	369	767

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	370	770
Other comprehensive income		
Valuation difference on available-for-sale securities	(178)	1
Foreign currency translation adjustment	8	(9)
Remeasurements of defined benefit plans, net of tax	43	5
Total other comprehensive income	(126)	(2)
Comprehensive income	243	767
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	243	766
Comprehensive income attributable to non-controlling interests	0	1

- (3) Notes for quarterly consolidated financial statements
(Notes for going concern assumption)

None

(Notes for any significant changes in the amount of shareholders' equity)

None

(Additional Information)

(Acquisition of patent right 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 acquired company: ArmaGen, Inc. (ArmaGen)

Location: San Diego, California, USA

Business: 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 U.S.

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

By own fund.

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

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