

Financial Summary
Consolidated Financial Results for the Nine Months Ended December 31, 2019 (3Q FY2019)
(Japanese standard)

January 30, 2020

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

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Scheduled date to file quarterly report: February 14, 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 Q3 FY2019 (April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results (Cumulative)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | |
|-------------------|-------------|------|------------------|--------|-----------------|--------|---|--------|
| Nine Months Ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Dec. 31, 2019 | 18,077 | 16.4 | 2,152 | (14.7) | 2,171 | (17.0) | 1,805 | (3.3) |
| Dec. 31, 2018 | 15,528 | 1.8 | 2,522 | (23.6) | 2,616 | (21.8) | 1,867 | (24.8) |

(Reference) Comprehensive income: Nine months ended Dec. 31, 2019: 1,707 million yen [(14.8)%]

Nine months ended Dec. 31, 2018: 2,005 million yen [(23.1)%]

| | Net Income per Share (basic) | Net Income per Share (diluted) |
|-------------------|------------------------------|--------------------------------|
| Nine months Ended | Yen | Yen |
| Dec. 31, 2019 | 58.60 | 58.24 |
| Dec. 31, 2018 | 60.66 | 60.30 |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio |
|---------------|--------------|-------------|--------------|
| As of | Million yen | Million yen | % |
| Dec. 31, 2019 | 45,693 | 31,779 | 67.9 |
| Mar. 31, 2019 | 42,516 | 30,874 | 71.1 |

(Reference) Shareholders' equity: As of Dec. 31, 2019: 31,005 million yen

As of Mar. 31, 2019: 30,249 million yen

2. Dividends

| | Dividend per Share | | | | |
|-------------------|--------------------|-------------|-------------|----------|--------|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2018 | – | 13.00 | – | 17.00 | 30.00 |
| FY2019 | – | 15.00 | – | – | – |
| FY2019 (Forecast) | – | – | – | 15.00 | 30.00 |

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

3. Consolidated Forecasts for the Fiscal Year Ending Mar. 31, 2020 (Apr. 1, 2019 – Mar. 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 Parent | | Net Income per Share |
|---------------------------|-------------|------|------------------|-----|-----------------|-----|---|-----|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Year ending Mar. 31, 2020 | 26,400 | 14.0 | 5,140 | 3.5 | 5,150 | 1.6 | 4,080 | 9.8 | 132.38 |

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

* Notes

(1) There was no transfer of important subsidiary (transfer of a specific subsidiary resulting in changes in the scope of the consolidation) during the nine months ended December 31, 2019.

(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 Dec. 31, 2019 | 32,421,577 shares | As of Mar. 31, 2019 | 32,421,577 shares |
| As of Dec. 31, 2019 | 1,594,332 shares | As of Mar. 31, 2019 | 1,622,379 shares |
| Apr. – Dec. 2019 | 30,818,165 shares | Apr.– Dec. 2018 | 30,780,291 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 3, “1. Qualitative information for the quarterly financial statements (3) Explanation on projections such as forecasts of consolidated financial results.”

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1. Qualitative information for the quarterly financial statements

(1) Explanation on financial results

An overview of the nine months ended December 31, 2019 is as follows.

On the marketing front, sales of our core product GROWJECT[®], a recombinant human growth hormone product, increased to 9,606 million yen (up 555 million yen year on year), mainly due to increased sales volume. Sales of TEMCELL[®] HS Inj., a regenerative medical product, increased steadily to 2,347 million yen (up 793 million yen year on year). We recorded sales of 213 million yen for Agalsidase Beta BS I.V. Infusion [JCR], a treatment for Fabry disease launched in November 2018. Furthermore, sales of Darbepoetin Alfa BS Injection [JCR], a long-acting erythropoiesis-stimulating agent that we are jointly developing with Kissei Pharmaceutical Co., Ltd., launched in November 2019 and we recorded net sales of 649 million yen. Combined with Epoetin Alfa BS Inj. [JCR], a recombinant human erythropoietin product with net sales of 3,141 million yen (down 321 million yen year on year), total sales for renal anemia treatments reached 3,791 million yen (up 328 million yen year on year). In addition, contract income was 1,002 million yen (down 53 million yen year on year). Net sales for the entire Group were 18,077 million yen (up 2,549 million yen year on year).

On the profit front, gross profit was 12,187 million yen (up 1,267 million yen year on year), tracking the increase in net sales. However, in line with proactive research activities, R&D expenses were 4,385 million yen (up 1,412 million yen year on year). As a result, operating income was 2,152 million yen (down 370 million yen year on year) and ordinary income was 2,171 million yen (down 445 million yen year on year). Profit attributable to owners of parent was 1,805 million yen (down 61 million yen year on year).

These 3Q's increases in sales and decreases in profit were as we originally expected.

The status of R&D is as follows.

Treatment for lysosomal storage disorders

In treatments for lysosomal storage disorders, a priority field for development, we are currently conducting development of innovative new drugs that employ our unique blood-brain barrier (BBB) technology, J-Brain Cargo[®]. In particular, we have made steady progress on our BBB-penetrating therapeutic enzyme for the treatment of Hunter Syndrome (development code: JR-141). We started a Phase II clinical trial of JR-141 in Brazil in June 2018 and initiated a Phase III clinical trial in Japan in August 2018, and clinical trials have been proceeding according to plan. We have also been proceeding with preparations for global development with the reception of orphan drug designation from the US Food and Drug Administration (FDA) in October 2018, and the European Medicines Agency (EMA) in February 2019. Following on from the foregoing, we have been successively developing treatments for lysosomal storage disorders, including a therapeutic enzyme for Pompe disease (development code: JR-162), a therapeutic enzyme for Hurler syndrome (development code: JR-171), and a therapeutic enzyme for Sanfilippo syndrome type A (development code: JR-441). Going forward, we will develop each of these new treatments globally.

Cell therapy and regenerative medicine

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/JR-161) with Teijin Limited in July 2017. We initiated Phase I/II clinical trial of JTR-161/JR-161 in February 2019, delivering the medicines to patients. Furthermore, 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).

Human growth hormone product

In July 2018, we started a Phase III clinical trial for an additional indication for GROWJECT[®], our human growth hormone product, 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).

(2) Explanation on financial status

As of December 31, 2019, total assets amounted to 45,693 million yen (an increase of 3,176 million yen from March 31, 2019), total liabilities were 13,914 million yen (an increase of 2,271 million yen from March 31, 2019), and net assets were 31,779 million yen (an increase of 905 million yen from March 31, 2019).

Current assets decreased by 122 million yen from March 31, 2019 to 27,246 million yen mainly due to a decrease in cash and deposits. Non-current assets increased by 3,299 million yen from March 31, 2019 to 18,446 million yen, mainly due to an increase in property, plants, and equipment related to research.

Current liabilities increased by 554 million yen from March 31, 2019 to 9,239 million yen, mainly due to an increase in short-term loans payable. Non-current liabilities increased by 1,716 million yen from March 31, 2019 to 4,674 million yen, mainly due to an increase in long-term loans payable in line with the expansion of these research facilities.

Net assets increased by 905 million yen from March 31, 2019 to 31,779 million yen, due to the recording of profit attributable to owners of parent, despite the payment of dividends.

As a result, the equity ratio was 67.9% as of December 31, 2019, a decrease of 3.2 percentage point from March 31, 2019.

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

There have been no changes to the consolidated forecasts for the fiscal year ending March 31, 2020 announced on October 31, 2019.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

(Unit: Million yen)

| | As of March 31, 2019 | As of December 31, 2019 |
|-------------------------------------|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposit | 7,836 | 7,637 |
| Notes and accounts receivable—trade | 8,835 | 8,781 |
| Securities | 661 | 657 |
| Merchandise and finished goods | 2,281 | 1,405 |
| Work in process | 1,473 | 2,563 |
| Raw materials and supplies | 5,363 | 5,507 |
| Other | 917 | 693 |
| Total current assets | 27,368 | 27,246 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,475 | 4,363 |
| Land | 3,882 | 5,664 |
| Construction in progress | 851 | 2,020 |
| Other, net | 1,852 | 1,832 |
| Total property, plant and equipment | 11,061 | 13,880 |
| Intangible assets | 110 | 274 |
| Investments and other assets | | |
| Investment securities | 2,941 | 2,530 |
| Other | 1,059 | 1,784 |
| Allowance for doubtful accounts | (24) | (23) |
| Total investments and other assets | 3,975 | 4,291 |
| Total non-current assets | 15,147 | 18,446 |
| Total assets | 42,516 | 45,693 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 586 | 835 |
| Short-term loans payable | 3,630 | 4,980 |
| Income taxes payable | 801 | 87 |
| Provisions for bonuses | 666 | 347 |
| Provision for directors' bonuses | 77 | 58 |
| Other | 2,922 | 2,930 |
| Total current liabilities | 8,684 | 9,239 |
| Non-current liabilities | | |
| Long-term loans payable | 1,850 | 3,700 |
| Provision for loss on guarantees | 240 | 116 |
| Net defined benefit liability | 710 | 729 |
| Other | 157 | 128 |
| Total non-current liabilities | 2,957 | 4,674 |
| Total liabilities | 11,642 | 13,914 |

(Unit: Million yen)

| | As of March 31, 2019 | As of December 31, 2019 |
|---|----------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 9,061 | 9,061 |
| Capital surplus | 10,922 | 10,890 |
| Retained earnings | 13,350 | 14,167 |
| Treasury stock | (3,937) | (3,869) |
| Total shareholders' equity | 29,397 | 30,250 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 773 | 661 |
| Foreign currency translation adjustments | 149 | 112 |
| Remeasurements of defined benefit plans | (71) | (18) |
| Total accumulated other comprehensive income | 851 | 755 |
| Subscription rights to shares | 435 | 585 |
| Non-controlling interests | 189 | 188 |
| Total net assets | 30,874 | 31,779 |
| Total liabilities and net assets | 42,516 | 45,693 |

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

| | (Unit: Million yen) | |
|---|--|--|
| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
| Net sales | 15,528 | 18,077 |
| Cost of sales | 4,607 | 5,889 |
| Gross profit | 10,920 | 12,187 |
| Selling, general and administrative expenses | 8,397 | 10,035 |
| Operating income | 2,522 | 2,152 |
| Non-operating income | | |
| Interest income | 15 | 13 |
| Dividends income | 25 | 25 |
| Foreign exchange gains | 32 | — |
| Insurance income | 39 | — |
| Dividend income of insurance | 13 | 14 |
| Other | 8 | 15 |
| Total non-operating income | 134 | 68 |
| Non-operating expenses | | |
| Interest expenses | 16 | 16 |
| Loss on redemption of securities | 19 | — |
| Foreign exchange losses | — | 23 |
| Other | 4 | 9 |
| Total non-operating expenses | 40 | 49 |
| Ordinary income | 2,616 | 2,171 |
| Extraordinary income | | |
| Reversal of provision for loss on guarantees | 66 | 123 |
| Other | 6 | — |
| Total extraordinary income | 72 | 123 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 37 | 2 |
| Loss related to voluntary recalling of products | 178 | — |
| Other | 2 | — |
| Total extraordinary loss | 218 | 2 |
| Profit before income taxes | 2,471 | 2,292 |
| Income taxes – current | 539 | 624 |
| Income taxes – deferred | 72 | (141) |
| Total income taxes | 612 | 483 |
| Profit | 1,859 | 1,809 |
| Profit (Loss) attributable to non-controlling interests | (7) | 3 |
| Profit attributable to owners of parent | 1,867 | 1,805 |

(Quarterly consolidated statements of comprehensive income)

(Unit: Million yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|--|--|--|
| Quarterly net profit | 1,859 | 1,809 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 114 | (112) |
| Foreign currency translation adjustment | 14 | (42) |
| Remeasurements of defined benefit plans, net of tax | 16 | 52 |
| Total other comprehensive income | 145 | (101) |
| Comprehensive income | 2,005 | 1,707 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 1,999 | 1,709 |
| Comprehensive income attributable to non-controlling interests | 5 | (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