

Financial Summary
Consolidated Financial Results for the Six months ended Sep 30, 2017 (2Q FY2017)
(Japanese standard)

October 26, 2017

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 and CEO
(Name) Shin AshidaPerson in charge of inquiries (Title) Corporate Officer, General Manager Administration Division
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Scheduled quarterly report submission day: November 13, 2017

Scheduled dividend payment start day: December 8, 2017

(Amounts of less than one million yen are rounded down to the nearest million yen.)

1. Consolidated Financial Results for Q2 FY2017 (Apr. 1, 2017 to September. 30, 2017)

(1) Consolidated Operating Results (Cumulative)

(Percentage shows year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six Months Ended								
Sep. 30, 2017	10,187	19.4	2,447	78.5	2,469	81.2	1,881	84.1
Sep. 30, 2016	8,534	-2.8	1,370	7.7	1,363	-6.8	1,022	-3.6

(Reference) Comprehensive income:

Six months ended Sep. 30, 2017: 1,929 million yen Six months ended Sep. 30, 2016: 816 million yen

	Net Income per Share (basic)		Net Income per Share (diluted)	
	Yen		Yen	
Six Months Ended				
Sep. 30, 2017	59.85		59.49	
Sep. 30, 2016	32.31		32.12	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of			
Sep. 30, 2017	38,208	26,603	68.7
Mar. 31, 2017	36,385	27,585	75.0

(Reference) Shareholders' Equity; As of September 30, 2017: 26,249 million yen As of Mar. 31, 2017: 27,305 million yen

2. Dividends

	Dividend per Share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	-	10.00	-	12.00	22.00
FY2017	-	12.00	-	-	-
FY2017 (Forecast)	-	-	-	12.00	24.00

(Note) Revisions of the latest forecast of dividends : Yes

3. Consolidated Forecasts for the Fiscal Year Ending Mar. 31, 2018 (Apr. 1, 2017 – Mar.31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Mar. 31,2018	20,400	12.8	3,500	48.2	3,530	39.3	2,650	42.2	85.24

(Note) Revisions of the latest forecast of consolidated operating performance: Yes

* Note

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): None
- (2) Application of the accounting method peculiar to quarterly consolidated financial statements: None
- (3) Changes and revisions/restatements in accounting principles and accounting estimates
- ① Changes associated with changes in accounting standards : None
 - ② Changes in accounting principles other than ① : None
 - ③ Changes in accounting estimates : None
 - ④ Revisions/restatements : None

(4) Number of shares outstanding (common stocks)

① Number of shares outstanding at the end of the period (including treasury stock)	As of Sep. 30, 2017	32,421,577 shares	As of Mar. 31, 2017	32,421,577 shares
② Number of shares treasury stock at the end of the period	As of Sep. 30, 2017	1,685,062 shares	As of Mar. 31, 2017	842,362 shares
③ Average number of shares outstanding during the period	Apr. -Sep. 2017	31,444,365 shares	Apr. -Sep. 2016	31,640,278 shares

* These quarterly financial results are not subject to quarterly review procedures.

* 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 cannot be guaranteed by the Company. Actual results may differ materially from the forecast depending on various factors.

○ 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.....	2
	(3) Explanation on the Forecasts such as those for Consolidated Financial Results.....	3
2.	Consolidated Financial Statements.....	5
	(1) Consolidated Balance Sheets	5
	(2) Consolidated Statements of Income.....	7
	Consolidated Statements of Comprehensive Income	8
	(3) Consolidated Statements Cash Flow	9
	(4) Notes for Consolidated Financial Statements	10
	(Notes for the premise of a going concern)	10
	(Notes for the time when there was a significant change in the amount of shareholders' equity).....	10
3.	Other.....	11
	R&D Pipeline.....	11

1. Qualitative Information for the Quarterly Financial Statements

(1) Explanation on Financial Results

The overview of the cumulative second quarter is as follows:

The sales of one of our core products, GROWJECT[®], a recombinant human growth hormone product, continuously expanded with the contribution of GROWJECT[®] 6 mg and 12 mg, a liquid formulation, and its dedicated injector, GROWJECTOR[®] L, which were introduced in this January. The sales of Epoetin Alfa BS Inj. JCR, a recombinant erythropoietin product (the treatment of renal anemia), and TEMCELL[®] HS Inj., regenerative medical product, also performed favorably. All of the three core products increased the profit on a year-on-year basis.

As for research and development, as of September 29, 2017, we have submitted the application for the marketing approval for a biosimilar of Agalsidase beta, a therapeutic enzyme for Fabry's disease (development code: JR-051). In addition, we also progressed in Phase III clinical trial of a biosimilar of darbepoetin, a long-acting erythropoiesis stimulating agent (development code: JR-131) as well as Phase I/II clinical trial of a therapeutic enzyme for Hunter syndrome that applied our unique blood-brain barrier penetrating technology, J-Brain Cargo[®] (JR-141) as we scheduled. As for preclinical, we are making progress in the research and development of products such as a long-acting growth hormone product (development code: JR-142) and a therapeutic enzyme for Pompe disease that utilizes J-Brain Cargo[®] (development code: JR-162). Furthermore, as of July 18, 2017, with Teijin Limited, we concluded a co-development and license agreement for regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (development code: JTR-161).

As a result, the sales of GROWJECT[®], Epoetin Alfa BS Inj. JCR and TEMCELL[®] HS Inj. recorded 5,601 million yen (426 million yen year-on-year increase), 2,098 million yen (273 million yen year-on-year increase) and 586 million yen (324 million yen year-on-year increase), respectively. In addition, we posted 1,625 million yen of revenue from contract money (899 million yen year-on-year increase). As a result, the sales of pharmaceuticals business segment amounted 9,950 million yen (1,629 million yen year-on-year increase). The sales of medical devices and laboratory equipment business segment ended at 236 million yen (23 million yen year-on-year increase). By combining the two, group total amounted to 10,187 million yen (1,653 million yen year-on-year increase).

As for profit, due to the increase in sales, gross margin recorded 7,508 million yen (1,544 million yen year-on-year increase). Moreover, although selling, general and administrative expenses including R&D expenditures of 1,812 million yen (77 million yen year-on-year increase) increased, operating profit, ordinary income and profit attributable to owners of parent recorded 2,447 million yen (1,076 million yen year-on-year increase), 2,469 million yen (1,106 million yen year-on-year increase), and 1,881 million yen (859 million yen year-on-year increase), respectively.

In addition, as of September 21, 2017, we concluded the agreement on the alliance with capital and business partnership with MEDIPAL HOLDINGS CORPORATION. On the same day, we also amended the comprehensive agreement in the biopharmaceutical business with GlaxoSmithKline Group. Following this, on September 22, 2017, we obtained 854,100 shares out of the total 7,986,923 shares of the common stock of our company that were owned by GlaxoSmithKline Group via GLAXO GROUP LIMITED as treasury stock. As for 7,132,823 shares, MEDIPAL HOLDINGS CORPORATION will acquire them based on share transfer agreement with GLAXO GROUP LIMITED. As a result, the largest stockholder of our company will change from GlaxoSmithKline Group to MEDIPAL HOLDINGS CORPORATION.

(2) Explanation on financial status

(i) Status of assets, liabilities and net assets

At the end of the second quarter consolidated accounting period, total assets, total liabilities and total net assets amounted to 38,208 million yen (1,823 million yen increase from the end of the previous consolidated accounting period), 11,605 million yen (2,806 million yen increase from the end of the previous consolidated accounting period) and 26,603 million yen (982 million yen increase from the end of the previous consolidated accounting period), respectively.

Due to the decrease of cash and deposits and the increase of inventories, current assets were up by 1,465 million yen to 21,781 million yen from the end of the previous consolidated accounting period. Due to the decrease of property, plant and equipment and the increase of investment securities, non-current assets increased by 357 million yen to 16,427 million yen from the end of the previous consolidated accounting period.

Current liabilities expanded by 3,116 million yen to 7,823 million yen from the end of the previous consolidated accounting period because short-term loans payable and income tax payable increased. Non-

current liabilities decreased by 310 million yen to 3,781 million yen from the end of the previous consolidated accounting period since long-term loans payable and lease obligations declined.

Net assets declined by 982 million yen to 26,603 million yen from the end of the previous consolidated accounting period after posting the quarterly net profit, the acquisition of treasury stock and the payment of dividends.

As a result, the equity ratio at the end of the second quarter consolidated accounting period was 68.7%, declining by 6.3 points compared to the end of the previous consolidated accounting period.

(ii) Cash flow status

Cash and cash equivalents during the consolidated cumulative second quarter decreased by 1,087 million yen to 4,377 million yen. The status of each cash flow and the main reasons are as follows:

(Cash flow from operating activities)

The fund obtained as the result of sales activities amounted to 1,830 million yen (79 million yen year-on-year decrease). This is mainly due to the posting of 2,478 million yen of profit before income taxes and 652 million yen of depreciation as well as the increase of inventories and notes and accounts receivable by 1,417 million yen and 693 million yen, respectively.

(Cash flow from investing activities)

The fund spent for investment activities amounted to 1,407 million yen (440 million yen year-on-year increase). This is mainly due to purchase of securities, investment securities, and property, plant and equipment, which amounted to 611 million yen, 448 million yen and 310 million yen respectively.

(Cash flow from financing activities)

The fund spent for financing activities amounted to 1,511 million yen (2,210 million yen year-on-year increase). This is mainly due to 1,600 million yen of the net increase of short-term-term loans payable as well as 2,609 million yen of the net increase of treasury shares and 379 million yen of cash dividends paid.

(3) Explanation on the forecasts such as those for consolidated financial results

As for the consolidated cumulative second quarter, the sales of one of our core products, GROWJECT[®], a recombinant human growth hormone product, exceeded our initial forecast, but due to factors such as the change in urine-derived products sales forecast in the second half, sales and gross margin resulted in the decrease from the initial forecast. In addition, actual general and administrative expenses including R&D expenditures was lower than the forecast due to efficient use, operating profit, ordinary income and quarterly net profit were also up from the forecast. Based on the status of the consolidated cumulative second quarter and the forecast of the second half year, we amended the forecast for the financial results for the fiscal year ending March 2018, which was announced on May 10, 2017.

Forecast of the consolidated financial results for the fiscal year ending March 2018

	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
Forecast that was previously announced (A)	19,800	2,640	2,650	1,970	62.38
Adjusted forecast (B)	20,400	3,500	3,530	2,650	85.24
Changes (B-A)	600	860	880	680	-
Changes (%)	3.0	32.6	33.2	34.5	-
(Reference) Actual result of the previous period (Fiscal year ended in March 2017)	18,085	2,362	2,534	1,863	58.95

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposit	5,509	4,422
Notes and accounts receivable–trade	5,343	6,128
Securities	300	912
Merchandise and finished goods	1,757	1,984
Work in process	1,591	1,851
Raw materials and supplies	4,389	5,303
Other	1,332	1,178
Total current assets	20,315	21,781
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,938	4,746
Land	3,882	3,882
Construction in progress	31	200
Other, net	2,536	2,457
Total property, plant and equipment	11,387	11,286
Intangible assets	67	124
Investments and other assets		
Investment securities	3,587	4,078
Other	1,049	960
Allowance for doubtful accounts	-22	-22
Total investments and other assets	4,614	5,015
Total non-current assets	16,069	16,427
Total assets	36,385	38,208
Liabilities		
Current liabilities		
Notes and accounts payable–trade	700	718
Short-term loans payable	1,493	3,290
Income taxes payable	69	818
Provision for bonuses	525	635
Provision for directors' bonuses	73	36
Other	1,844	2,324
Total current liabilities	4,706	7,823
Non-current liabilities		
Long-term loans payable	2,713	2,500
Provision for loss on guarantees	337	328
Net defined benefit liability	582	598
Other	458	354
Total non-current liabilities	4,092	3,781
Total liabilities	8,799	11,605

(Unit: Million yen)

	As of March 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	9,061	9,061
Capital surplus	10,964	10,961
Retained earnings	8,149	9,651
Treasury stock	-1,486	-4,089
Total shareholders' equity	26,689	25,586
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	569	601
Foreign currency translation adjustment	149	143
Remeasurements of defined benefit plans	-103	-81
Total accumulated other comprehensive income	616	663
Subscription rights to shares	279	352
Non-controlling interests	0	0
Total net assets	27,585	26,603
Total liabilities and net assets	36,385	38,208

(2) Consolidated Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	8,534	10,187
Cost of sales	2,570	2,679
Gross profit	5,963	7,508
Selling, general and administrative expenses		
Total selling, general and administrative expenses	4,593	5,060
Operating profit	1,370	2,447
Non-operating income		
Interest income	10	10
Dividend income	11	14
Foreign exchange gains	9	7
Other	4	10
Total non-operating income	35	42
Non-operating expenses		
Interest expenses	14	12
Other	28	6
Total non-operating expenses	43	19
Ordinary income	1,363	2,469
Extraordinary income		
Reversal of provision for loss on guarantees	9	9
Other	-	0
Total extraordinary income	9	10
Extraordinary losses		
Loss on disposal of non-current assets	2	1
Total extraordinary losses	2	1
Profit before income taxes	1,370	2,478
Income taxes – current	370	712
Income taxes – deferred	-22	-116
Total income taxes	348	596
Profit	1,022	1,881
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,022	1,881

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	1,022	1,881
Other comprehensive income		
Valuation difference on available-for-sale securities	-126	31
Foreign currency translation adjustment	-105	-6
Remeasurements of defined benefit plans, net of tax	25	21
Total other comprehensive income	-205	47
Comprehensive income	816	1,929
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	816	1,928
Comprehensive income attributable to non-controlling interests	0	0

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flow from operating activities		
Profit before income taxes	1,370	2,478
Depreciation	696	652
Increase (decrease) in provision for loss on guarantees	-9	-9
Increase (decrease) in net defined benefit liability	38	28
Increase (decrease) in provision for bonuses	98	109
Share-based compensation expenses	79	77
Interest and dividend income	-21	-24
Interest expenses	14	12
Foreign exchange losses (gains)	1	-2
Decrease (increase) in notes and accounts receivable - trade	797	-693
Decrease (increase) in accounts receivable - other	-33	268
Decrease (increase) in inventories	-1,204	-1,417
Increase (decrease) in notes and accounts payable - trade	57	18
Increase (decrease) in accounts payable - other	387	70
Increase (decrease) in accrued consumption taxes	-376	126
Other, net	700	74
Subtotal	2,598	1,770
Interest and dividend income received	25	24
Interest expenses paid	-14	-12
Income taxes (paid) refund	-699	48
Net Cash provided by (used in) operating activities	1,909	1,830
Cash flow from investing activities		
Purchase of securities	-	-611
Proceeds from sales and redemption of securities	50	-
Purchase of property, plant and equipment	-1,042	-310
Purchase of investment securities	-0	-448
Other, net	24	-37
Net cash provided by (used in) investing activities	-967	-1,407
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	100	1,600
Proceeds from long-term loans payable	2,000	-
Repayments of long-term loans payable	-150	-16
Repayments of lease obligations	-103	-105
Net decrease (increase) in treasury shares	-764	-2,609
Cash dividends paid	-383	-379
Net cash provided by (used in) financing activities	698	-1,511
Effect of exchange rate change on cash and cash equivalents	-94	2
Net increase (decrease) in cash and cash equivalents	1,545	-1,087
Cash and cash equivalents at beginning of period	3,523	5,464
Cash and cash equivalents at end of period	5,068	4,377

(4) 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)

Purchase of treasury shares

At the Extraordinary Board of Directors held on September 21, 2017, the company resolved the matters related to the purchase of treasury shares in accordance with the stipulation of Article 156, which is applied by replacing with the stipulation of the Company Act, Article 165, Clause 3, and conducted the purchase as below:

(1) Reasons for the purchase of treasury shares

It intended to prepare for the sales of the shares held by GlaxoSmithKline Group due to the amendment of the umbrella agreement with GlaxoSmithKline Group, and to return profits to our shareholders.

(2) Content of purchase

- Type of shares purchased Common stock of our company
- Total number of shares purchased 854,100 shares
- Total amount of shares purchased 2,622 million yen
- The date of purchase of shares September 22, 2017
- Purchase method Off-auction own share repurchase trading system (ToSTNeT-3)

3. Other

R&D Pipeline**Recombinant drug products**

Code Nonproprietary Name	Status (Japan)	Indication
		Remarks
JR- 041 Follicle stimulating hormone (rDNA origin)	Phase I / II	Infertility
		Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR- 051 Alpha-galactosidase A (rDNA origin)	Application for marketing approval filed	Fabry disease (lysosomal storage disease)
		ERT
JR- 032 Iduronate -2-sulfatase (rDNA origin)	Clinical trials in preparation	Hunter syndrome (lysosomal storage disease)
		ERT
JR-131 Darbepoetin (rDNA origin)	Phase III	Renal anemia
		Co-development with Kissei Pharmaceutical Co., Ltd.
JR- 101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher disease (lysosomal storage disease)
		ERT J-GlycoM [®]
JR- 141 BBB-Penetrating Iduronate -2-sulfatase (rDNA origin)	Phase I / II	Hunter syndrome (lysosomal storage disease)
		ERT J-Brain Cargo [®]
JR- 142 Long-acting Somatropin (rDNA origin)	Preclinical	Growth disorder
		J-MIG System [®]
JR- 162 J-Brain Cargo [®] applied acid alpha-glucosidase (Blood Brain Barrier passage) (rDNA origin)	Preclinical	Pompe disease (lysosomal storage disease)
		ERT J-Brain Cargo [®] J-MIG System [®]
JR- 171 BBB-Penetrating acid alpha-L-Iduronidase (rDNA origin)	Preclinical	Hurler syndrome (lysosomal storage disease)
		ERT J-Brain Cargo [®]

(Note) ERT= Enzyme Replacement Therapy

Allogeneic regenerative medical product

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