

**Financial Summary**  
**Consolidated Financial Results for the Nine Months Ended December 31, 2020 (3Q FY2020)**  
**(Japanese standard)**

January 28, 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 Ashida  
Person in charge of inquires (Title) Senior Corporate Officer, Executive Director, Administration Division  
(Name) Akihiro Haguchi TEL: 0797(32)1995  
Scheduled date to file quarterly report: February 12, 2021  
Scheduled date to commence dividend payments: -  
Preparation of supplemental information for the financial summary for the quarterly financial results: None  
IR Conference: None

(Fractions smaller than one million yen omitted)

1. Consolidated Financial Results for 3Q FY2020 (Apr. 1, 2020 to Dec. 31, 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months Ended Dec. 31, 2020	19,424	7.4	3,952	83.6	4,045	86.3	3,264	80.8
Dec. 31, 2019	18,077	16.4	2,152	(14.7)	2,171	(17.0)	1,805	(3.3)

(Reference) Comprehensive income: Nine months ended December 31, 2020: 3,245 million yen (90.1%),  
Nine months ended December 31, 2019: 1,707 million yen ((14.8)%)

	Net income per Share (basic)	Net Income per Share (diluted)
	Yen	Yen
Nine Months Ended Dec. 31, 2020	26.44	26.30
Dec. 31, 2019	14.65	14.56

(Note) We conducted a 4-for-1 stock split on October 1, 2020.

Calculations of "Quarterly 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.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	66,511	34,902	51.4
March 31, 2020	47,775	32,579	66.6

(Reference) Shareholders' equity: As of Dec. 31, 2020: 34,194 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	-	18.00	-	-	-
FY2020 (Forecast)	-	-	-	4.50	-

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

We conducted a 4-for-1 stock split on October 1, 2020.

For the year-end year-per-share divide for the fiscal year ending March 2021 (forecast), the amount taken into account the effect of the stock split is stated as "-" and the total annual dividend is stated as "-".

For the fiscal year ending March 31, 2021 (forecast) without taking into account the stock split, the year-end dividend per share would be 18 yen, and the annual dividend per share would be 36 yen.

For details, please refer to "Explanation on the appropriate use of the forecasts of financial results and other comments."

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.)

	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, 2021	27,200	9.8	6,000	84.9	6,000	82.2	4,800	79.2	38.86

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

We conducted a 4-for-1 stock split on October 1, 2020.

The effect of the stock split is taken into account for the net Profit per Share in the forecast of the fiscal year ending March 2021.

For details, please refer to "Explanation on the appropriate use of the forecasts of financial results and other comments."

\* 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 nine months ended Dec. 31, 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 Dec. 31, 2020	129,686,308 shares	As of March 31, 2020	129,686,308 shares
As of Dec. 31, 2020	6,074,608 shares	As of March 31, 2020	6,369,036 shares
As of Dec. 31, 2020	123,485,105 shares	As of Sep. 30, 2029	123,272,660 shares

(Note) We conducted a 4-for-1 stock split on October 1, 2020.

The number of outstanding shares at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

\* 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."

(Dividends paid and Consolidated Earnings Forecasts after the Stock Split)

At a meeting of the Board of Directors held on August 26, 2020, the Company resolved on a stock split and conducted a 4-for-1 stock split on October 1, 2020.

Dividend forecasts and consolidated earnings forecasts for the fiscal year ending March 31, 2021, calculated prior to the stock split, are as follows.

1. Dividend forecast for the year ending March 31, 2021

Dividends per share End of 2nd Quarter: ¥18.00 (Note 1) Year-end: ¥18.00 (Note 2)

2. Forecasts for the fiscal year ended March 31, 2021

Earnings per share Full year 155.44 yen

(Note 1) Dividends paid at the end of the second quarter will be paid on the number of shares before the stock split.

(Note 2) Figures are dividends paid calculated before considering stock splits.

(Note 3) The annual dividend for the year ended March 31, 2021 (prior to the stock split) is ¥36.00

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## 1. Qualitative information for the quarterly financial statements

### (1) Explanation on financial results

#### [1]Financial results during 3Q FY2020

Net sales amounted to 19,424 million yen (a year-on-year increase of 7.4%).

Sales of our mainstay products, such as our core product GROWJECT®, a recombinant human growth hormone product, increased year on year, due to an increase in sales volume, although there were NHI price revisions in April 2020.

In addition, revenue from licensing also exceeded year on year. Consequently, the JCR Group's overall net sales increased year on year.

On the profit front, SG&A expenses, including R&D expenses, declined year on year due to the effects of improved operational efficiency and cost reductions. As a result, operating income increased 83.6% year on year to 3,952 million yen, ordinary income increased 86.3% year on year to 4,045 million yen, and profit attributable to owners of parent increased 80.8% year on year to 3,264 million yen.

R&D expenses decreased 14.0%, to 3,776 million yen (down 613 million yen year on year).

In December 2020, we signed a provisional production master service agreement with AstraZeneca K.K. regarding the domestic production of stock solutions for vaccines (AZD1222) for COVID-19 using adenoviral vectors, which are under development. We will provide prompt notice of the impact of this matter on our consolidated results of operations when the necessity of disclosure arises.

	Previous Quarterly consolidated (Cumulative) (From April 1, 2019 to Dec. 31, 2019)	Current Quarterly consolidated (Cumulative) (From April 1, 2020 to Dec. 31, 2020)	Increase- decrease rate
	Amount (millions of yen)	Amount (millions of yen)	%
Net sales	18,077	19,424	7.4
Operating income	2,152	3,952	83.6
Ordinary income	2,171	4,045	86.3
Profit attributable to owners of the parent	1,805	3,264	80.8

#### [2]Main components of sales

	Previous Quarterly consolidated (Cumulative) (From April 1, 2019 to Dec. 31, 2019)	Current Quarterly consolidated (Cumulative) (From April 1, 2020 to Dec 31, 2020)	Increase- decrease rate
	Amount (millions of yen)	Amount (millions of yen)	%
Human growth hormone product GROWJECT®	9,606	10,011	4.2
Regenerative medicine products TEMCELL® HS Inj.	2,347	1,656	(29.4)
Treatment for renal anemia	3,791	5,625	48.4
Epoetin Alfa BS Inj. [JCR]	3,141	2,598	(17.3)
Darbepoetin Alfa BS Inj. [JCR]	649	3,027	366.1
Treatment for Fabry disease Agalsidase Beta BS I.V. Infusion [JCR]	213	346	62.7
Income from contractual payment	1,002	1,772	76.9

(Notes) 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. With regard to the revenue from licensing, the agreements for contracts related to the out-licensing of enzyme replacement therapy products for lysosomal storage disorders has been delayed until the 4Q of the consolidated fiscal year.

### [3]The status of R&D

#### [Lysosomal Disease Drugs]

- In order to develop drugs for lysosomal disease, which we are focusing on at present, we are developing new drugs using our own blood-brain barrier-crossing technology, J-Brain Cargo®. In September 2020, we filed for marketing approval of Pabinafusp Alfa (development code: JR-141), our blood-brain barrier (BBB) penetrating product candidate for the treatment of patients with Hunter syndrome. In March 2018, the Ministry of Health, Labour and Welfare of Japan (MHLW) designated JR-141 as a covered item under the SAKIGAKE Designation System in Japan. In Brazil, we filed for marketing approval of JR-141 in December 2020. In other regions, we have also been proceeding with preparations for global development. Notably, 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 been conducting discussions with the FDA on initiating global Phase III 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. As JCR's first global clinical trial, the trial 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 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 preparations].

- 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 December 2020, we submitted a notification to the Pharmaceuticals and Medical Devices Agency (PMDA) for the initiation of a Phase II clinical trial of a recombinant long acting growth hormone (development code: JR-142) and planned to begin the trial in March 2021.

(2) Explanation on financial status

As of December 31, 2020, total assets amounted to 66,511 million yen (an increase of 18,735 million yen from March 31, 2020), total liabilities were 31,609 million yen (an increase of 16,413 million yen from March 31, 2020), and net assets were 34,902 million yen (an increase of 2,322 million yen from March 31, 2020).

Current assets increased by 15,414 million yen from March 31, 2020 to 43,757 million yen, mainly due to an increase in cash and deposits, despite a decrease in notes and accounts receivable-trade and securities.

Non-current assets increased by 3,321 million yen from the end of the previous fiscal year to 22,754 million yen, mainly due to the recording of patents following the acquisition of ArmaGen, Inc. in the U.S.

Current liabilities increased by 15,776 million yen from the end of the previous fiscal year to 26,210 million yen, mainly due to an increase in short-term loans payable.

Non-current liabilities increased by 637 million yen from the end of the previous fiscal year to 5,398 million yen, mainly due to an increase in bonds payable and long-term loans payable.

Net assets increased by 2,322 million yen from the end of the previous fiscal year to 34,902 billion yen, mainly due to the recording of quarterly net income attributable to owners of the parent, despite the payment of dividends.

As a result, the shareholders' equity ratio at the end of 2nd quarter of the fiscal year under review decreased 15.2 percentage points from the end of the previous fiscal year to 51.4%.

At this point in time, the JCR Group has not felt the impact of the COVID-19 pandemic, other than having to postpone the timing of recording revenue from licensing to the fourth quarter onward. 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 nine months ended December 31, 2020, 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.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

As stated in (1) Explanation on financial results, the JCR Group's consolidated financial results for the nine months ended December 31, 2020 showed lower net sales and profits compared with initial forecasts, mainly due to the postponement of revenue from licensing to the fourth quarter onward.

Looking at the consolidated forecasts for the fiscal year ending March 31, 2021, we have maintained the full-year forecasts announced on May 12, 2020. We are currently negotiating agreements on matters such as the licensing out of enzyme replacement therapies for lysosomal storage disorders. If revisions become necessary based on future business performance trends, JCR will promptly disclose those revisions. The consolidated forecasts for the fiscal year ending March 31, 2021 are as follows.

	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, 2021	27,200	9.8	6,000	84.9	6,000	82.2	4,800	79.2	38.86

## 2. Quarterly consolidated financial statements and important notes

### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	10,973	21,143
Notes and accounts receivable - trade	7,977	10,971
Securities	220	207
Merchandise and finished goods	880	1,084
Work in process	2,929	2,596
Raw materials and supplies	5,046	7,256
Other	315	498
Total current assets	28,342	43,757
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,115	5,415
Land	5,664	5,664
Construction in progress	2,283	1,810
Other, net	1,811	2,278
Total property, plant and equipment	14,875	15,168
Intangible assets		
Patent right	—	3,057
Other	263	249
Total intangible assets	263	3,307
Investments and other assets		
Investment securities	2,408	2,441
Other	1,909	1,842
Allowance for doubtful accounts	△23	△4
Total investments and other assets	4,294	4,279
Total non-current assets	19,433	22,754
Total assets	47,775	66,511
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	679	1,392
Short-term borrowings	4,880	13,600
Income taxes payable	534	1,146
Provision for bonuses	713	392
Provision for bonuses for directors (and other officers)	77	47
Other	3,549	9,631
Total current liabilities	10,434	26,210
Non-current liabilities		
Bonds payable	—	500
Long-term borrowings	3,800	4,000
Provision for loss on guarantees	108	—
Retirement benefit liability	730	769
Other	122	129
Total non-current liabilities	4,761	5,398
Total liabilities	15,195	31,609

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Net assets		
Shareholders' equity		
Share capital	9,061	9,061
Capital surplus	10,891	10,941
Retained earnings	15,039	17,218
Treasury shares	△3,865	△3,686
Total shareholders' equity	31,127	33,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	583	577
Deferred gains or losses on hedges	—	△0
Foreign currency translation adjustment	134	104
Remeasurements of defined benefit plans	△39	△21
Total accumulated other comprehensive income	679	660
Share acquisition rights	584	517
Non-controlling interests	189	189
Total net assets	32,579	34,902
Total liabilities and net assets	47,775	66,511

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

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	18,077	19,424
Cost of sales	5,889	5,811
Gross profit	12,187	13,612
Selling, general and administrative expenses	10,035	9,659
Operating profit	2,152	3,952
Non-operating income		
Interest income	13	6
Dividend income	25	25
Foreign exchange gains	—	64
Dividend income of insurance	14	—
Other	15	62
Total non-operating income	68	159
Non-operating expenses		
Interest expenses	16	30
Commission expenses	—	7
Foreign exchange losses	23	—
Other	9	27
Total non-operating expenses	49	65
Ordinary profit	2,171	4,045
Extraordinary income		
Reversal of provision for loss on guarantees	123	108
Reversal of allowance for doubtful accounts	—	19
Total extraordinary income	123	127
Extraordinary losses		
Loss on disposal of non-current assets	2	2
Total extraordinary losses	2	2
Profit before income taxes	2,292	4,170
Income taxes - current	624	1,434
Income taxes - deferred	△141	△535
Total income taxes	483	899
Profit	1,809	3,271
Profit attributable to non-controlling interests	3	6
Profit attributable to owners of parent	1,805	3,264

## (Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	1,809	3,271
Other comprehensive income		
Valuation difference on available-for-sale securities	△112	△6
Deferred gains or losses on hedges	—	△0
Foreign currency translation adjustment	△42	△36
Remeasurements of defined benefit plans, net of tax	52	17
Total other comprehensive income	△101	△25
Comprehensive income	1,707	3,245
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,709	3,245
Comprehensive income attributable to non-controlling interests	△1	0

- (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<sup>®</sup>. 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