

R-TECH UENO (4573)

Fiscal Year (Parent) (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2014		5,618	1,419	1,477	1,062	55.1	25.0	473.6
FY03/2015		6,681	1,731	1,884	1,377	71.4	30.0	621.9
FY03/2016CoE		7,483	2,300	2,303	1,612	83.5	35.0	-
	YoY	18.9%	22.0%	27.6%	29.7%	-	-	-
	YoY	12.0%	32.9%	22.2%	17.0%	-	-	-
Half Year (Parent) (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2015		2,728	411	462	356	-	-	-
Q3 to Q4 FY03/2015		3,953	1,319	1,422	1,021	-	-	-
Q1 to Q2 FY03/2016CoE		3,384	594	596	417	-	-	-
Q3 to Q4 FY03/2016CoE		4,099	1,706	1,707	1,195	-	-	-
	YoY	24.0%	44.5%	28.9%	17.1%	-	-	-
	YoY	3.7%	29.3%	20.0%	17.0%	-	-	-
Quarter (Parent) (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2015		1,146	138	136	114	-	-	-
Q2 FY03/2015		1,581	272	326	241	-	-	-
Q3 FY03/2015		1,543	450	550	397	-	-	-
Q4 FY03/2015		2,409	868	871	623	-	-	-
Q1 FY03/2016		1,768	183	225	171	-	-	-
	YoY	54.2%	32.5%	65.6%	49.7%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (18 August 2015)

Improving Awareness & Expansion to Europe

On 12 August 2015, R-TECH UENO, a drug discovery venture, released its Q1 FY03/2016 results. It has been revealed that sales and earnings are steadily increasing over the year.

In regards to contacted manufacturing services of "AMITIZA® Capsules" (therapeutic agent for chronic idiopathic constipation symptom, etc.), having accounted for almost 90% of sales as a whole for the Company, the Company continues to see surging demand in Japan, where their excellent therapeutic effect has been well recognized across the board, triggered by being taken up in a very popular TV program broadcasted by NHK (Japan Broadcasting Corporation). Meanwhile, it is spotted that they could be newly launched as early as in H2, in Europe where approval for marketing has been applied for some time. If it is the case in reality, this will be a factor for Company forecasts to be exceeded.

On the drug discovery venture side, where the Company came up with new measure of "strengthening the

development pipelines by selection and concentration”, corporate efforts are made for implementing licensing out, in regards to compound for severe dry eye as target indication (code number: RU-101) and compound for alopecia as target indication (RK-023). Going forward, the Company is to conduct phase 1 repeat-dose studies, in regards to compound for diabetic retinopathy, etc. as target indication (RTU-1096) very soon. At present, all those three issues should be mentioned as good candidates to generate cash flow in the near future, as far as we could gather.

Our latest report: [R-TECH UENO \(4573\) Mid-Term & Long-Term Earnings Growth \(16 June 2015\)](#)

Q1 FY03/2016 Results

In Q1 FY03/2016, sales came in at ¥1,768m (up 54.2% YoY), operating profit ¥183m (up 32.5%), recurring profit ¥225m (up 65.6%) and net profit ¥177m (up 49.7%), while operating profit margin 10.4% (down 1.7% points).

Out of prospective figures in Q1 to Q2 (H1) Company forecasts, the Company has achieved 52.2% in sales and 30.8% in operating profit. Superficially, it looks the Company sees some shortfalls on the earnings side, but the results were in line, according to the Company. In terms of results over the year, progress rates were, respectively, 42.0% and 33.7%. When compared with these figures, the Company saw sales larger and operating profit smaller, suggesting expenses larger over the year. This has a lot to do with surging R&D expenses, driven by one-off factor.

Sales ¥1,768m (up 54.2% and/or up ¥621m) comprised ¥1,549m (up 88.2% and/or up ¥726m) for “AMITIZA® Capsules”, ¥182m (down 30.5% and/or down ¥79m) for “Rescula® Eye Drops” and ¥36m (down 40.5% and/or down ¥24m) for R&D support services.

In regards to “AMITIZA® Capsules”, sales came in at ¥763m (up 2.4 times and/or up ¥450m) in Japan and ¥786m (up 54.4% and/or up ¥277m) overseas. As discussed, demand for “AMITIZA® Capsules” is picking up sharply in Japan. On the other hand, it appears that sales of “Rescula® Eye Drops” were delayed due mainly to timing issues of shipping, etc.

Meanwhile, R&D expenditures came in at ¥667m (up 67.8% and/or up ¥270m), while the ratio of R&D expenditures to sales 37.7% (up 3.1% points). As full-year Company forecasts assume ¥1,831m (24.5% of sales), this means that the Company has spent as much as 36.4% of full-year budget for R&D expenditures in Q1, but this was in line with assumption, according to the Company.

While R&D expenditures associated with termination of clinical trial for phase 3, in regards to compound for retinitis pigmentosa as target indication (UF-021), came up, the Company implemented clinical trial for phase 1, in regards to compound for diabetic retinopathy, etc. as target indication (RTU-1096). On top of this, expenses to have been generated in line with termination of all license agreements with a 100% subsidiary of Sucampo Pharmaceuticals, Inc., in regards to “Rescula® Eye Drops” (generic name: unoprostone isopropyl), were included in R&D expenditures.

FY03/2016 Company Forecasts

FY03/2016 initial Company forecasts have remained unchanged, calling for prospective sales ¥7,483m (up 12.0% YoY), operating profit ¥2,300m (up 32.9%), recurring profit ¥2,303m (up 22.2%) and net profit ¥1,612m (up 17.0%), while operating profit margin 30.7% (up 4.8% points). Meanwhile, prospective dividend per share has also remained unchanged at ¥35.0, implying payout ratio 41.9%.

Company forecasts assume ¥115 per US\$, while a swing of ¥1 against US\$ is estimated to make a swing of ¥20m pa in operating profit. Given yen weaker than assumed in here so far, Company forecasts could be exceeded due to this.

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2.0 Company Profile

Drug Discovery Venture, Specializing in Ophthalmology and Dermatology

Company Name	R-TECH UENO, LTD. Company Website IR Information Share Price	 R-Tech Ueno
Established	21 September 1989	
Listing	9 April 2008, Tokyo Stock Exchange JASDAQ Standard (Ticker: 4573)	
Capital	¥662m (As of the end of June 2015)	
No. of Shares	19,312,300 shares, including 52 treasury shares (As of the end of June 2015)	
Main Features	<ul style="list-style-type: none"> ● Involved with Drug Discovery, Manufacturing and Sales of Drugs and Contracted Manufacturing of Drugs ● Contracted manufacturing services for “AMITIZA® Capsules”, the current earnings pillar ● Expectations for “strengthening the development pipelines by selection and concentration” for drug discovery 	
Businesses	“Research & Development”, “Manufacturing & Sales and Services for R&D Support” and “Contracted Manufacturing”, all for drugs	
Top Management	President: Yukihiro Mashima	
Shareholders	S&R Technology Holdings, LLC 33.0%, Ryuji Ueno 16.6% (As of the end of March 2015)	
Headquarters	Chiyoda-ku, Tokyo, JAPAN	
No. of Employees	Parent: 80 (As of the end of March 2015)	

Source: Company Data

3.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016	03/2016	
Sales	1,146	2,728	4,272	6,681	1,768	-	-	-	-	+621
Costs of Sales	418	1,000	1,575	2,286	684	-	-	-	-	+265
Gross Profit	728	1,727	2,696	4,395	1,084	-	-	-	-	+355
SG&A	589	1,316	1,834	2,664	900	-	-	-	-	+310
Operating Profit	138	411	862	1,731	183	-	-	-	-	+44
Non Operating Balance	(2)	51	151	153	41	-	-	-	-	+44
Recurring Profit	136	462	1,013	1,884	225	-	-	-	-	+89
Extraordinary Balance	-	-	-	-	(7)	-	-	-	-	(7)
Pretax Profit	136	462	1,013	1,884	217	-	-	-	-	+81
Tax Charges, etc.	21	106	259	506	45	-	-	-	-	+24
Net Profit	114	356	754	1,377	171	-	-	-	-	+57
Sales YoY	(24.5%)	(2.4%)	+1.4%	+18.9%	+54.2%	-	-	-	-	-
Operating Profit YoY	(69.7%)	(42.3%)	(20.3%)	+22.0%	+32.5%	-	-	-	-	-
Recurring Profit YoY	(72.9%)	(38.8%)	(12.5%)	+27.6%	+65.6%	-	-	-	-	-
Net Profit YoY	(67.5%)	(33.3%)	(7.3%)	+29.7%	+49.7%	-	-	-	-	-
Gross Profit Margin	63.5%	63.3%	63.1%	65.8%	61.3%	-	-	-	-	(2.2%)
(SG&A / Sales)	51.4%	48.2%	42.9%	39.9%	50.9%	-	-	-	-	(0.5%)
Operating Profit Margin	12.1%	15.1%	20.2%	25.9%	10.4%	-	-	-	-	(1.7%)
Recurring Profit Margin	11.9%	17.0%	23.7%	28.2%	12.7%	-	-	-	-	+0.9%
Net Profit Margin	10.0%	13.1%	17.7%	20.6%	9.7%	-	-	-	-	(0.3%)
Tax Charges, etc. / Pretax Profit	15.8%	23.0%	25.6%	26.9%	21.1%	-	-	-	-	+5.4%

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016	03/2016	
Sales	1,146	1,581	1,543	2,409	1,768	-	-	-	-	+621
Costs of Sales	418	582	574	710	684	-	-	-	-	+265
Gross Profit	728	999	968	1,698	1,084	-	-	-	-	+355
SG&A	589	726	518	830	900	-	-	-	-	+310
Operating Profit	138	272	450	868	183	-	-	-	-	+44
Non Operating Balance	(2)	53	100	2	41	-	-	-	-	+44
Recurring Profit	136	326	550	871	225	-	-	-	-	+89
Extraordinary Balance	-	-	-	-	(7)	-	-	-	-	(7)
Pretax Profit	136	326	550	871	217	-	-	-	-	+81
Tax Charges, etc.	21	84	152	247	45	-	-	-	-	+24
Net Profit	114	241	397	623	171	-	-	-	-	+57
Sales YoY	(24.5%)	+24.0%	+8.8%	+71.5%	+54.2%	-	-	-	-	-
Operating Profit YoY	(69.7%)	+6.3%	+22.4%	+157.6%	+32.5%	-	-	-	-	-
Recurring Profit YoY	(72.9%)	+28.8%	+36.5%	+173.9%	+65.6%	-	-	-	-	-
Net Profit YoY	(67.5%)	+33.5%	+41.7%	+150.2%	+49.7%	-	-	-	-	-
Gross Profit Margin	63.5%	63.2%	62.8%	70.5%	61.3%	-	-	-	-	(2.2%)
(SG&A / Sales)	51.4%	45.9%	33.6%	34.4%	50.9%	-	-	-	-	(0.5%)
Operating Profit Margin	12.1%	17.3%	29.2%	36.1%	10.4%	-	-	-	-	(1.7%)
Recurring Profit Margin	11.9%	20.6%	35.7%	36.2%	12.7%	-	-	-	-	+0.9%
Net Profit Margin	10.0%	15.3%	25.8%	25.9%	9.7%	-	-	-	-	(0.3%)
Tax Charges, etc. / Pretax Profit	15.8%	26.0%	27.8%	28.4%	21.1%	-	-	-	-	+5.4%

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016	03/2016	
Operating Cash Flow	-	(182)	-	1,138	-	-	-	-	-	-
Investing Cash Flow	-	(21)	-	(30)	-	-	-	-	-	-
Operating CF & Investing CF	-	(203)	-	1,108	-	-	-	-	-	-
Financing Cash Flow	-	(255)	-	(82)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

Sales by Business (Cumulative, Quarterly)

Sales by Business (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY Net Chg.
	Q1 03/2015	Q1 to Q2 03/2015	Q1 to Q3 03/2015	Q1 to Q4 03/2015	Q1 03/2016	Q1 to Q2 03/2016	Q1 to Q3 03/2016	Q1 to Q4 03/2016		
Japan	261	604	868	1,291	182	-	-	-	(79)	
Overseas	-	-	-	-	-	-	-	-	-	
Rescula® Eye Drops	261	604	868	1,291	182	-	-	-	(79)	
Japan	313	716	1,073	1,651	763	-	-	-	+450	
Overseas	509	1,342	2,247	3,642	786	-	-	-	+277	
AMITIZA® Capsules	823	2,059	3,320	5,293	1,549	-	-	-	+726	
Manufacturing & Marketing of Drugs	1,084	2,664	4,188	6,584	1,732	-	-	-	+648	
R&D Support Services	61	64	83	96	36	-	-	-	(24)	
Sales	1,147	2,728	4,272	6,681	1,768	-	-	-	+621	
Japan	(24.7%)	(13.2%)	(13.2%)	(6.6%)	(30.5%)	-	-	-	-	
Overseas	-	-	-	-	-	-	-	-	-	
Rescula® Eye Drops	(41.7%)	(24.3%)	(24.1%)	(12.9%)	(30.5%)	-	-	-	-	
Japan	+130.2%	+98.8%	+83.6%	+93.6%	+143.1%	-	-	-	-	
Overseas	(45.1%)	(14.1%)	(4.5%)	+15.9%	+54.4%	-	-	-	-	
AMITIZA® Capsules	(22.6%)	+7.1%	+13.0%	+32.5%	+88.2%	-	-	-	-	
Manufacturing & Marketing of Drugs	(28.3%)	(2.1%)	+2.6%	+20.2%	+59.8%	-	-	-	-	
R&D Support Services	+844.9%	(11.9%)	(36.2%)	(30.5%)	(40.5%)	-	-	-	-	
Sales (YoY)	(24.5%)	(2.4%)	+1.4%	+18.9%	+54.1%	-	-	-	-	
Japan	22.8%	22.2%	20.3%	19.3%	10.3%	-	-	-	-	
Overseas	-	-	-	-	-	-	-	-	-	
Rescula® Eye Drops	22.8%	22.2%	20.3%	19.3%	10.3%	-	-	-	-	
Japan	27.3%	26.2%	25.1%	24.7%	43.2%	-	-	-	-	
Overseas	44.4%	49.2%	52.6%	54.5%	44.5%	-	-	-	-	
AMITIZA® Capsules	71.8%	75.5%	77.7%	79.3%	87.6%	-	-	-	-	
Manufacturing & Marketing of Drugs	94.5%	97.7%	98.0%	98.6%	98.0%	-	-	-	-	
R&D Support Services	5.3%	2.3%	1.9%	1.4%	2.0%	-	-	-	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	

Sales by Business (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY Net Chg.
	Q1 03/2015	Q2 03/2015	Q3 03/2015	Q4 03/2015	Q1 03/2016	Q2 03/2016	Q3 03/2016	Q4 03/2016		
Japan	261	343	263	423	182	-	-	-	(79)	
Overseas	-	-	-	-	-	-	-	-	-	
Rescula® Eye Drops	261	343	263	423	182	-	-	-	(79)	
Japan	313	403	357	578	763	-	-	-	+450	
Overseas	509	833	905	1,395	786	-	-	-	+277	
AMITIZA® Capsules	823	1,236	1,261	1,973	1,549	-	-	-	+726	
Manufacturing & Marketing of Drugs	1,084	1,580	1,524	2,396	1,732	-	-	-	+648	
R&D Support Services	61	3	18	13	36	-	-	-	(24)	
Sales	1,147	1,582	1,544	2,409	1,768	-	-	-	+621	
Japan	(24.7%)	(1.7%)	(23.9%)	+24.8%	(30.5%)	-	-	-	-	
Overseas	-	-	-	-	-	-	-	-	-	
Rescula® Eye Drops	(41.7%)	(1.7%)	(23.9%)	+24.8%	(30.5%)	-	-	-	-	
Japan	+130.2%	+81.5%	+58.0%	+115.7%	+143.1%	-	-	-	-	
Overseas	(45.1%)	+30.8%	+14.7%	+76.6%	+54.4%	-	-	-	-	
AMITIZA® Capsules	(22.6%)	+43.9%	+24.3%	+86.5%	+88.2%	-	-	-	-	
Manufacturing & Marketing of Drugs	(28.3%)	+30.7%	+12.1%	+71.3%	+59.8%	-	-	-	-	
R&D Support Services	+844.9%	(95.3%)	(67.2%)	+85.7%	(40.5%)	-	-	-	-	
Sales (YoY)	(24.5%)	+24.0%	+8.8%	+71.6%	+54.1%	-	-	-	-	
Japan	22.8%	21.7%	17.0%	17.6%	10.3%	-	-	-	-	
Overseas	-	-	-	-	-	-	-	-	-	
Rescula® Eye Drops	22.8%	21.7%	17.0%	17.6%	10.3%	-	-	-	-	
Japan	27.3%	25.5%	23.1%	24.0%	43.2%	-	-	-	-	
Overseas	44.4%	52.7%	58.6%	57.9%	44.5%	-	-	-	-	
AMITIZA® Capsules	71.8%	78.1%	81.7%	81.9%	87.6%	-	-	-	-	
Manufacturing & Marketing of Drugs	94.5%	99.9%	98.7%	99.5%	98.0%	-	-	-	-	
R&D Support Services	5.3%	0.2%	1.2%	0.5%	2.0%	-	-	-	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2015	03/2015	03/2015	03/2015	03/2016	03/2016	03/2016	03/2016		
Cash & Deposit	5,977	6,198	6,312	7,762	6,926	-	-	-		+949
Accounts Receivables	320	519	632	824	844	-	-	-		+524
Inventory	1,572	1,586	1,713	1,544	1,822	-	-	-		+250
Other	590	682	650	543	529	-	-	-		(60)
Current Assets	8,460	8,986	9,308	10,675	10,124	-	-	-		+1,663
Tangible Assets	398	385	366	348	337	-	-	-		(60)
Intangible Assets	79	79	70	62	65	-	-	-		(13)
Investments & Other Assets	1,808	1,838	4,328	4,699	5,052	-	-	-		+3,243
Fixed Assets	2,286	2,304	4,765	5,109	5,455	-	-	-		+3,168
Total Assets	10,747	11,290	14,074	15,785	15,579	-	-	-		+4,832
Accounts Payables	273	257	235	360	508	-	-	-		+235
Short Term Debt	-	-	-	-	-	-	-	-		-
Other	455	499	298	800	596	-	-	-		+140
Current Liabilities	728	757	533	1,160	1,104	-	-	-		+376
Long Term Debt	647	873	970	1,049	1,049	-	-	-		+401
Other	599	606	1,503	1,491	1,505	-	-	-		+906
Fixed Liabilities	1,247	1,480	2,474	2,541	2,555	-	-	-		+1,308
Total Liabilities	1,975	2,237	3,008	3,702	3,660	-	-	-		+1,684
Shareholders' Equity	7,633	7,878	8,276	8,900	8,493	-	-	-		+859
Other	1,137	1,175	2,790	3,182	3,425	-	-	-		+2,287
Net Assets	8,771	9,053	11,066	12,083	11,919	-	-	-		+3,147
Total Liabilities & Net Assets	10,747	11,290	14,074	15,785	15,579	-	-	-		+4,832
Equity Capital	8,717	8,981	10,995	12,009	11,841	-	-	-		+3,124
Interest Bearing Debt	647	873	970	1,049	1,049	-	-	-		+401
Net Debt	(5,329)	(5,324)	(5,341)	(6,713)	(5,876)	-	-	-		(547)
Capital Ratio	81.1%	79.5%	78.1%	76.1%	76.0%	-	-	-		(5.1%)
Net Debt Equity Ratio	(69.8%)	(67.6%)	(64.5%)	(75.4%)	(69.2%)	-	-	-		+0.6%
ROE (12 months)	9.7%	10.2%	9.9%	13.0%	14.0%	-	-	-		+4.3%
ROA (12 months)	10.8%	11.1%	10.5%	13.9%	15.0%	-	-	-		+4.2%
Quick Ratio	864%	887%	1301%	740%	703%	-	-	-		-
Current Ratio	1161%	1187%	1744%	920%	916%	-	-	-		-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of "IR Information" of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. "IR Information" of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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