Financial Summary

Consolidated Financial Results for Fiscal Year 2012

May 10, 2013

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (Apr. 1, 2012 - Mar. 31, 2013)

(1) Consolidated Operating Results

(Percentage shows year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2012	14,099	9.8	1,150	5.6	1,156	15.0	730	15.3
FY2011	12,845	(11.2)	1,089	(22.6)	1,005	(23.4)	633	(31.6)

(Reference) Comprehensive income ; FY2012 : 1,161 million yen FY2011 : 664 million yen

	Net Income per Share (basic)	Net Income per Share (diluted)	Return on Equity	Ordinary Income ／Total Assets	Operating Income ／Net Sales
	Yen	Yen	%	%	%
FY2012	23.03	22.92	3.2	3.8	8.2
FY2011	19.75	19.69	2.8	3.4	8.5

(Reference) Equity in earnings of affiliates ; FY2012 : (67) million yen FY2011 : (108) million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	Million yen	Million yen	%	Yen
Mar. 31, 2013	31,286	23,496	74.7	735.86
Mar. 31, 2012	28,967	22,633	77.8	710.82

(Reference) Shareholders' Equity ; As of Mar. 31, 2013 : 23,368 million yen As of Mar. 31, 2012 : 22,535 million yen

(3) Consolidated Cash Flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2012	1,661	(178)	(238)	4,148
FY2011	(421)	1,539	(1,065)	2,865

2. Dividends

	Dividend per Share					Total Dividends (Annual)	Dividend Payout (Consolidated)	Dividend on Equity Ratio (Consolidated)
(Base date)	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2011	—	6.00	—	6.00	12.00	383	60.8	1.7
FY 2012	—	6.00	—	6.00	12.00	380	52.1	1.7
FY 2013 (Forecast)	—	7.00	—	7.00	14.00		44.5	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2014 (Apr. 1, 2013 - Mar. 31, 2014)

(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
Six months ending Sep. 30, 2013	7,000	5.6	310	(17.2)	320	(15.2)	200	(4.8)	6.30
Year ending Mar. 31, 2014	15,200	7.8	1,460	26.9	1,460	26.3	1,000	36.9	31.49

※ Information regarding audit procedures

These financial results are unaudited. At the time of disclosure of these financial results, audit procedures based on the Financial Instruments and Exchange Law of Japan are in progress.

※ 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. Actual results may differ materially from the forecast depending on various factors.

I. Operating results

1. Analysis of operating results

1.1 Operating results of FY2012

The Japanese pharmaceutical industry has still been in a rigorous climate under the ongoing national policy for medical expenditure containment including the NHI Price reduction of 6 % on average introduced in April 2012.

Under these circumstances, the Company completed its quality assurance system adopting globally acceptable standard, which the Company had been gearing to establish since 2012, as well as the new bio-drug manufacturing facility suitable for manufacturing clinical grade of active pharmaceutical ingredients for lysosomal storage diseases licensed to GlaxoSmithKline Group (GSK).

In sales operations, the Company launched **Growjector® 2**, a new automatic injector for its main product **Growject®** (recombinant human growth hormone product) in July and obtained the marketing approval for supplemental indication of short stature due to small for gestational age (SGA) in August 2012; those achievements enabled the Company to carry out combined promotion of **Growject®**. On the other front, promotion activities for **Epoetin Alpha BS Inj. JCR** for treatment of renal anemia were proactively run in collaboration with the co-marketer, Kissei Pharmaceutical Co., Ltd. against the background of the increasing recognition on its comparability to the branded drug in quality as well as the growing demand for affordable follow-on bio-drugs among hemodialysis institutions.

Regarding research and development, Phase II/III study of JR-031, Japan's first cellular drug candidate using human Mesenchymal Stem Cells (MSC) for the treatment of acute graft-versus-host disease (GvHD), progressed successfully and the target patient enrollment was achieved in November 2012 ahead of our timeline.

Osiris Therapeutics, Inc., the licensor of the MSC technology, obtained regulatory approval in Canada and New Zealand in May and June 2012, respectively.

Furthermore, the Company has started additional co-development program under the expanded collaboration with GSK which engages a new drug concept of co-formulating of its proprietary recombinant human alpha-Gal A enzyme with the pharmacological chaperone migalastat HCl developed by Amicus Therapeutics Inc. (USA) and licensed to GSK.

As a result, despite the NHI price reduction effected in April, the sales of core products, **Growject®** and **Epoetin Alpha BS Inj. JCR**, steadily reached ¥8,827 million, an increase of ¥430 million from the same period last year, and ¥2,491 million, an increase of ¥1,139 million, respectively. The sales growth of **Growject®** and **Epoetin Alpha BS Inj. JCR** offset the decline in sales of urine-derived products, anticancer bulk substance drug, and license revenues. Consequently, the total sales of pharmaceutical business recorded ¥13,632 million (an increase of ¥1,142 million).

Furthermore, the total sales of medical device/laboratory equipment business recorded ¥467 million (an increase of ¥111 million) boosted by strong sales of Babysense, infant respiratory monitor, and Echoscreen®, a hearing screening equipment for neonates, distributed by Family Health Rental Co., Ltd., subsidiary of the Company.

Consequently, the consolidated sales of JCR Group reached ¥14,099 million (an increase of ¥1,254 million) at fiscal year-end March 31, 2013.
In terms of profit and loss, the Company recorded operating income of ¥1,150 million (an increase of ¥61 million), ordinary income of ¥1,156 million (an increase of ¥150 million) and net income of ¥730 million (an increase of ¥96 million) , primarily due to the increase in gross margin with growing sales surmounting the increased costs incurred in the establishment of a global quality assurance system and sales promotion expenses.
R&D expenditures grew by ¥150 million to ¥1,991 million compared to the same period last year.

The sales and status of each business segment are as shown in the table.

Sales by business segments

Business segment	Consolidated Fiscal Year 2011 (Apr.1, 2011 - Mar. 31, 2012)		Consolidated Fiscal Year 2012 (Apr.1, 2012 - Mar. 31, 2013)		Increase and decrease
	JPY Million	Composition ratio	JPY Million	Composition ratio (%)	JPY Million
Pharmaceuticals	12,489	97.3	13,632	96.7	1,142
Endocrinological & Gastrointestinal	8,396	65.4	8,827	62.7	430
Metabolic & Cardiovascular	2,655	20.7	3,647	25.8	992
Revenue from licenses	300	2.3	200	1.4	(100)
Others	1,138	8.9	957	6.8	(180)
Medical devices & laboratory equipment	355	2.7	467	3.3	111
Total	12,845	100.0	14,099	100.0	1,254

1.2 Forecast for FY2013

Forecast of consolidated business results

	FY2012 (Apr 1, 2012- Mar 31, 2013)	Forecast for FY2013 (Apr 1, 2013- Mar 31, 2014)	Increase and decrease	Increasing rate
Net sales (JPY Million)	14,099	15,200	+1,100	+7.8%
Operating income (JPY Million)	1,150	1,460	+309	+26.9%
Ordinary income (JPY Million)	1,156	1,460	+303	+26.3%
Net income (JPY Million)	730	1,000	+269	+36.9%

The Company anticipates that the new automatic injector and supplementary indication will contribute to the sales increase of **Growject®** throughout the next Fiscal year. Although the promotion activities for **Epoetin**

Alpha BS Inj. JCR in collaboration with the co-marketer, Kissei Pharmaceutical Co., Ltd., have brought the Company notable achievements, proactive actions will continuously be taken aiming for further sales expansion..

Given these activities, the overall sales forecast of JCR Group is anticipated to reach ¥15,200 million (increase of 7.8% from FY2012).

In terms of profits, JCR anticipates operating income of ¥1,460 million (increase of 26.9%), ordinary income of ¥1,460 million (increase of 26.3%) and net income of ¥1,000 million (increase of 36.9%) despite the prospective increasing selling and general administrative expenses including R&D costs.

2. Financial Position

2.1 Assets, liabilities and net assets

Consolidated statements at the fiscal year-end resulted in total assets of ¥31,286 million (increase of ¥2,319 million from the previous fiscal year-end), liabilities of ¥7,790 million (increase of ¥1,456 million from the previous fiscal year-end), net assets of ¥23,496 million (increase of ¥863 million from the previous fiscal year-end).

Current assets increased ¥1,743 million from the previous fiscal year-end to ¥15,985 million mainly due to the increase in notes and accounts receivable-trade and short-term investment securities, accounts receivable-other, etc. Noncurrent assets increased ¥576 million from the previous fiscal year-end to ¥15,301 million mainly due to the increase in investment securities and construction in progress of the new manufacturing facility for bio-drug substance.

Current liabilities increased ¥1,205 million from the previous fiscal year-end to ¥5,625 million due to the increase in notes and accounts payable-trade and accounts payable-other, etc. Noncurrent liabilities increased ¥251 million from the previous fiscal year-end to ¥2,164 million, due to the decrease in lease obligations and the increase in long-term loans payable.

Net assets increased ¥863 million from the previous fiscal year-end to ¥23,496 million, the result of the amount of net income and the purchase of treasury stock.

As a result, the equity ratio at the fiscal year-end fell by 3.1 points from the previous fiscal year-end or 74.7%.

2.2 Cash flow

Cash and cash equivalents at the fiscal year-end increased by ¥1,283 million from that of the previous fiscal year-end or ¥4,148 million. The status of each cash flow and primary factors are as described below.

Cash flow from operating activities

Net cash provided by operating activities amounted to ¥1,661 million, an increase of ¥1,283 million as compared with the same period of the previous year, primarily due to tabulating increase in notes and accounts receivable-trade of ¥851 million, increase in accounts receivable-other of ¥349 million,income before income taxes of ¥1,064 million and depreciation and amortization of ¥979 million and increase in notes and accounts payable-trade of ¥506 million, decrease in long-term prepaid expenses of ¥275 million.

Cash flow from investing activities

Net cash used by investing activities amounted to ¥178 million, an increase of ¥1,718 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from sales and redemption of securities of ¥ 1,050 million, the purchase of property, plant and equipment of ¥1,048 million, and the purchase of investment securities of ¥308 million.

Cash flow from financing activities

Net cash used by financing activities amounted to ¥238 million, a decrease of ¥827 million as compared

with the same period of the previous year, primarily due to tabulating the proceeds from long-term loans payable of ¥1,000 million, the repayment of long-term loans payable of ¥430 million, the cash dividends paid of ¥382 million, and the repayments of lease obligations of ¥265 million.

Reference: Transition of cash flow-related indices

	FY2008 (ended Mar. 2009)	FY2009 (ended Mar. 2010)	FY2010 (ended Mar. 2011)	FY2011 (ended Mar. 2012)	FY2012 (ended Mar. 2013)
Equity ratio	68.2 %	70.2 %	76.3 %	77.8 %	74.7%
Market base equity ratio	33.3 %	138.3 %	99.2 %	95.1 %	253.8%
Ratio of cash flow and interest-bearing debts	2.4 years	2.2 years	-	-	2.5years
Interest coverage ratio	29.1 fold	34.1 fold	-	-	33.0 fold

Note: Equity ratio means equity / total assets
Market base equity ratio means total market value of shares / total assets
Ratio of cash flow and interest-bearing debts means interest-bearing debts / cash flow
Interest coverage ratio means cash flow / interest payment
* Calculations were based on consolidated financial figures.
* Total market value of shares was calculated based on the number of outstanding shares at the end of the fiscal year after deduction of treasury stock.
* Cash flow is the cash flow from operations of consolidated cash flow statement. Interest-bearing debts are all the debts listed on the balance sheet for which interest is paid. Interest payment is the amount of interest indicated in the cash flow statement.
* Ratio of cash flow and interest-bearing debts and interest coverage ratio are not indicated because of negative cash flow from operating activities.

2.3 Basic policy on the distribution of profits/dividends for FY2012 and FY2013

JCR regards the distribution of profits to shareholders as an important management policy and maintains the basic policy to pay dividends in a continuous and stable manner by taking into consideration the condition of business performance and cash flow while securing internal funds for strengthening management practices and new drug development that may generate future profits.

For FY2012, on May 10, 2013 the Board of Directors approved the resolution for the ordinary dividend of ¥6. As a result, the total year-end applicable to FY2012 will be ¥12 per share including the interim dividend distributed. For the next fiscal year 2013, we anticipate distributing a full-year dividend of ¥14 per share.

2.4 Risk Factors

The following risk factors could potentially affect the JCR Group's operating results and financial position.

In addition, the future events contained these items are envisioned as of the end of fiscal year 2011.

(1) Governmental regulation on pharmaceuticals

The business engaged in by the JCR Group is subject to strict regulation of relevant laws and regulations related to pharmaceutical affairs, such as the Pharmaceutical Affairs Laws (PAL). The approvals and licenses, etc. shown in the below table are obtained to operate JCR's businesses. JCR strives to meet regulatory requirements for maintaining these approvals and licenses, etc. and comply with the related laws. There are no concerns that may lead to cancellation of such. If the approvals and licenses, etc. are cancelled due to violation of the corresponding laws and regulations, the Company may be required for recall and discontinuation of manufacturing and marketing of final products, which can significantly influence the business.

Furthermore, prices of pharmaceuticals and such handled by the JCR Group are based on the government's National Health Insurance (NHI) drug price standards. Reduction of such NHI drug price standards potentially reduces the transfer price in the distribution level and would negatively impact our selling prices.

Status of Approvals and Licenses obtained by JCR

Name of approval or license	Authorization	Validity	Main reasons for cancellation of approval or license	Remarks
Type 1 of license for marketing business of drugs	Hyogo Prefecture	March 30, 2015 (5-year renewal)	Violation of the PAL or regulations related to pharmaceutical affairs or measures taken according to them, or incompetency of corporate officers, etc. (Article 75, Para. 1 of the PAL)	Headquarters
License of manufacturing sterile products	Hyogo Prefecture	March 30, 2015 (5-year renewal)	Same as above	Kobe Plant
License of manufacturing biological products	Kinki Regional Bureau of Health and Welfare	May 14, 2013 (5-year renewal)	Same as above	Murotani Plant
Wholesale license	Hyogo Prefecture	October 27, 2015 (6-year renewal)	Same as above	Logistics Center

(2) New product development and commercialization

JCR is engaged in R&D of pharmaceuticals and state-of-the-art medical technology. R&D costs in such fields require large investments of time and funds. If, prior to commercialization, the ongoing R&D projects are discontinued or delayed, the operating results and financial position of the JCR Group would be negatively impacted.

(3) Dependency on a **Growject®**

Among the products, 62.7% (65.4 % in the previous fiscal year) of the JCR Group's annual sales is generated by **Growject®**, its human growth hormone product.

Should an event leading to cancellation of marketing approval of **Growject®** and others occur, such a situation would negatively impact the operating activities of the JCR Group.

In addition, the bulk substance of **Growject®** is exclusively supplied by Ferring International Center SA. Although measures are taken to ensure sufficient material inventory for continuous manufacture of **Growject®**, any events leading to difficulty in continuous supply of the bulk drug substance might exert significant influence on the Company's business.

(4) Relationship with major shareholders

JCR entered into a master agreement with GSK Group regarding capital alliance and the development and commercialization of biological drugs on December 18, 2009 (the Agreement). Based on the Agreement, GlaxoSmithKline plc (GSK plc) holds 24.63% of the total outstanding shares of JCR through its subsdiary, Glaxo Group Ltd. (GGL), at the end of this fiscal year. Therefore, JCR is an equity-method affiliate of GSK plc.

GSK plc is a leading international pharmaceutical company which engages in development, manufacturing and distribution of ethical drugs and consumer healthcare products. Its stock is listed on London Stock Exchange and New York Stock Exchange. We consider GSK plc as our de facto parent company since GSK plc, a parent company of GGL, performs actual operation.

Under the Agreement, JCR collaborates with GSK Group to introduce **Epoetin Alfa BS Inj. JCR** into global market and develop drugs for treatment of rare diseases in Japan as well as outside of Japan. The overseas marketing right of **Epoetin Alfa BS Inj. JCR** is granted to GSK Group. To strategically focus development of drugs for rare diseases at a global level, Rare Diseases Unit was launched. There is no business competition between JCR and GSK Group since development effots are arranged on respective territory (Japan and outside Japan) and product-by-product basis. Moreover, there is no competition either of the final products marketed by JCR against the businesses of GSK plc and its group companies.

Based on the Agreement, JCR intends to strengthen the strategic alliance with GSK Group and enhance its corporate value. However, should any event occurs leading to amendment or termination of the Agreement with GSK Group or delay or discontinuation of product development of our portfolio due to development status of competitors, change in healthcare system and other

economic situations, such event might significantly impact the Company's business performance.

a. Personnel relationship

As of the end of the consolidated fiscal year 2012, two personnel are invited as an outside director from GSK Group to facilitate the co-development of the products under JCR and GSK Group collaboration and to leverage corporate expertise and experiences acquired in a global pharmaceutical company of the two.

There is no personnel relationship other than deployment of the directors and no restriction on the corporate policies of business strategies and capital management, etc of the Company.

b. Business relationship

Concerning the business transaction made until the end of the consolidated fiscal year 2012, license revenue and contribution to R&D expenses related to products under co-development were received from GSK Group.

c. Capital relationship

In order to reinforce the business alliance with GSK Group and encourage co-development and commercialization in the global market, GSK plc holds the Company's stock through GGL.

The stock holding ratio before exclusion of treasury stocks reached 24.63% at the end of consolidated fiscal year 2012. Subject to the Agreement, the ceiling of the holding rate, or 33.4%, is imposed on GGL until the end of 2015.

If an event occurs leading to changes in respective corporate policies or business strategies of either GSK Group or JCR or economic situation affecting pharmaceutical industry, the holding rate may be changed with JCR's prior consent.

(5) Financial market situation

JCR Group holds shares of its business partners and alliances (including foreign shares) over a long period. Therefore significant decrease in the price of stocks on the stock market as well as fluctuations in the foreign exchange quotation can negatively impact the JCR Group's operating results.

(6) In addition to the above, there are other risk factors such as delays, stoppage in manufacture due to natural disasters, intense competition with other companies, occurrence of side effects, dissolution of license or partnership, interruption of material supply from overseas, initiation of lawsuits, fluctuation of foreign exchange, etc. that would negatively impact the JCR Group's operating results and financial position.

II. Corporate Group

JCR Group is comprised of total eight, namely JCR Pharmaceuticals Co., Ltd., four consolidated subsidiaries, one affiliated company accounted for by the equity method and two other related companies. The main business description and position of each group company are as given below.

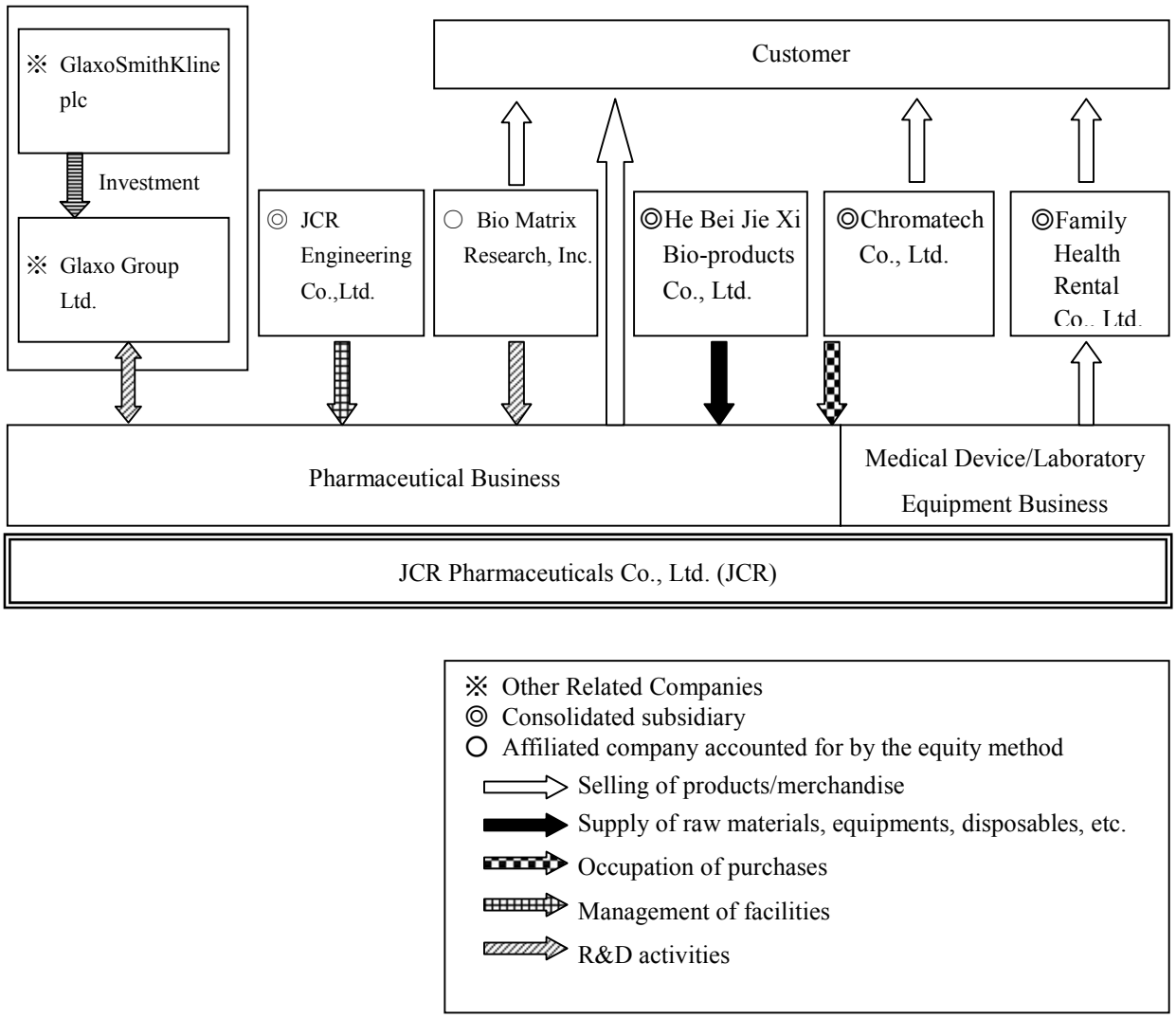
Pharmaceutical business

JCR is engaged in the manufacture, buying and selling of pharmaceuticals, active pharmaceutical ingredient and pharmaceutical raw materials. JCR receives supplies of certain pharmaceutical raw materials processed by He Bei Jie Xi Bio-products Co., Ltd. JCR outsources its occupations of purchases to Chromatech Co.,Ltd. ,its managements of facilities to JCR Engineering Co.,Ltd.and part of its R&D activities to Bio Matrix Research, Inc.JCR carries out jointiy R&D activities with Glaxo Group Ltd.

Medical device/laboratory equipment business

Family Health Rental Co., Ltd. and Chromatech Co., Ltd. are engaged in the selling of medical devices and laboratory equipment. For certain products, JCR buys and resells to Family Health Rental.

A schematic diagram of the above operation is as shown below.



III Management

3.1 Basic Corporate Policy of the Company

Under the corporate philosophy, "Contributing to People's Healthcare Through Pharmaceutical Products", the JCR Group conducts its business activities with the aim to become a profitable corporation in order to continue providing useful and novel pharmaceuticals products through continuous R&D, manufacture, and sales. We comply with corporate governance, laws and rules, and strive to establish a well-balanced relationship with its shareholders, customers, employees and society in general. In addition, the JCR Group strives toward transparency of company information and upgrading of its corporate values.

3.2 Objectives and managerial index

JCR Group's objectives are reflected in the following managerial index and values:

Operating profit on sales: 10 % and above

Return on Assets (ROA): 6 % and above

3.3 Tasks and mid to long term management strategy

The Company's basic policy is to develop world-class drugs from customer satisfaction perspective under the corporate philosophy "Contribute people's health through pharmaceutical products" along with three concept values that are "Faith", "Confidence" and "Belief".

JCR is going to establish a solid platform for future growth and promote forward-looking drug development utilizing its strong development capability in collaboration with GSK Group aiming to introduce its products into overseas markets. JCR has identified the following important tasks to be addressed.

(1) Sales expansion of marketed products

While the sales of our core products, **Growject®**, a recombinant human growth hormone, and **Epoetin Alfa BS Inj. JCR** for treatment of anemia are steadily growing, further sales expansion is still essential for the Company to reinforce the research platform by continuously investing in R&D, its lifeline, and to bring new leading drugs on the market.

As for the **Growject®**, the Company saw a favorable growth, led by the launch of **Growjector® 2**, a new automatic injector equipped with an automatic dissolution function and a large liquid crystal display incorporating patients' needs. However, as most of the users are children, development of more patient-friendly device is required. Complying with the demand, the Company will further endeavor to create added value in **Growject®** by keeping developing patient-friendly device and new drug formulation. In addition, the sales of **Epoetin Alfa BS Inj.JCR**, another core product, successfully expanded its share capturing the increasing recognition on the comparability to the branded drug in quality as well as the growing demand for affordable bio-drugs among hemodialysis institutions. We will continue to strive for sales expansion by appealing its contribution to the national medical economy, extending co-promotion highlighting its superiority as a bio-drug, and adding new presentation such as a high dose formulation.

(2) Reinforcement of quality assurance system and production capability for market expansion overseas

Under the global-standard quality assurance system established in September 2012, an implementation platform for the coming global clinical trial for lysosomal storage disease in collaboration with GSK is being developed.

In addition, we have completed the renovation of Kobe-Nishi Plant, which had been carried out since 2012, aiming for increase in manufacturing capacity for bio-drug substance.

This plant, which is to be put into commission in the summer 2013 as "Kobe API Plant", incorporates a most advanced drug substance manufacturing technology in compliance with the Global GMP (a guideline for ensuring manufacturing practice and quality assurance of medical products). In autumn 2013 Kobe API Plant shall start up manufacturing drug substance of an investigational drug for global clinical trials for lysosomal storage disease.

Under such global standard quality assurance system and manufacturing system, JCR strives to deliver value-added drugs based on our proprietary technology into the global market as soon as possible.

(3) Development of new drugs using proprietary biotechnology

Although the patient population of lysosomal diseases pursued by the Company is estimated to range from several hundred to several tens of thousands of people even on a global basis, low-priced bio-drugs (biosimilars) are being called for around the world because of extremely high cost of enzyme preparation for therapeutic use. Under such environment, JCR is advancing development of new drugs with a view to serving the unmet medical needs by providing solutions to unresolved medical problems applying its accumulated unique technology as well as striving for bio-drug development. An example is a new drug development utilizing the Company's tissue targeting technology including a highly advanced Blood Brain Barrier passage technology. Also, the Company has started a new drug development for Fabry's disease by combining its own technology with technology of Amicus Therapeutics, Inc. in collaboration with Amicus and GSK.

We will continue to develop bio-drugs to improve QOL of each individual patient in the rare disease area with our novel technologies.

(4) Development of cellular drug and approach to regenerative medicine

JCR is advancing the clinical trial of human mesenchymal stem cells (MSC) as Japan's first cellular drug candidate. The phase II/III study has made good progress, and we are aiming to file an application for the regulatory approval as early as possible in order to respond to the patients' and physicians' need for a much awaited treatment option for the life-threatening disease.

Distinctive feature of our cellular drug is that it is taken from a healthy donor and cultivated and it can be administered to unlimited number of patients whereas other conventional cellular treatments are for individual patients since the cells are taken from particular patient, processed and returned to the same patient only. Further, an unprecedented type of pharmaceutical product like our cellular drug may require a new approach to the storage and distribution system. The Company is expecting to gain significant advantage in the novel field of cellular drug by making use of the robust logistics system established by a co-developer, MEDIPAL HOLDINGS CORPORATION (MEDIPAL), and

by co-developing with MEDIPAL a distribution system which fulfils the special storage condition being differentiated from that of ordinary drugs.

The Company is also participating in the corneal regenerative medicine project promoted by Kyoto Prefectural University of Medicine et al. as part of industry-academia collaborative arrangement. We are studying optimized cultivation method of human corneal endothelial cells applicable to bullous keratopathy and aiming to put the corneal endothelial regenerative medicine into practical use.

JCR will dedicate itself to develop novel drugs dynamically, applying cells and tissues in a clinical setting, as well as new therapeutic areas based on its experiences and technologies.

4.Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Consolidated Balance Sheets	As of March, 31 2012	As of March, 31 2013
Assets		
Current assets		
Cash and deposits	865,961	822,405
Notes and accounts receivable-trade	4,048,373	4,900,282
Short-term investment securities	3,200,992	3,869,523
Merchandise and finished goods	1,165,546	1,313,365
Work in process	1,509,147	990,782
Raw materials and supplies	2,435,670	2,686,008
Deferred tax assets	531,785	548,842
Other	491,874	854,683
Allowance for doubtful accounts	(6,545)	(80)
Total current assets	14,242,806	15,985,814
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,488,708	3,280,499
Machinery, equipment and vehicles, net	587,842	575,680
Land	3,602,773	3,602,773
Lease assets, net	1,564,535	1,298,669
Construction in progress	72,654	1,180,646
Other, net	420,730	428,812
Total property, plant and equipment	9,737,244	10,367,081
Intangible assets	99,096	78,787
Investments and other assets		
Investment securities	3,249,966	3,533,602
Other	1,845,768	1,530,531
Allowance for doubtful accounts	(207,537)	(208,837)
Total investments and other assets	4,888,198	4,855,296
Total noncurrent assets	14,724,539	15,301,165
Total assets	28,967,345	31,286,980
Liabilities		
Current liabilities		
Notes and accounts payable-trade	229,438	735,632
Short-term loans payable	1,973,200	2,000,600
Lease obligations	265,476	277,525
Income taxes payable	138,444	308,755
Provision for bonuses	271,194	314,869
Provision for directors' bonuses	59,500	78,500
Other	1,483,630	1,910,097
Total current liabilities	4,420,884	5,625,981
Noncurrent liabilities		
Long-term loans payable	532,000	871,800
Lease obligations	1,269,157	1,002,612
Provision for retirement benefits	78,582	193,376
Other	33,561	96,614
Total noncurrent liabilities	1,913,301	2,164,403
Total liabilities	6,334,185	7,790,384

(Continued) Yen in thousands

Consolidated Balance Sheets	As of March, 31 2012	As of March, 31 2013
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,779,635	10,788,366
Retained earnings	3,211,907	3,562,042
Treasury stock	(586,759)	(544,519)
Total shareholders' equity	22,466,650	22,867,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,472	404,988
Deferred gains or losses on hedge	(17,230)	12,529
Foreign currency translation adjustments	40,964	82,759
Total accumulated other comprehensive income	69,206	500,277
Subscription rights to shares	96,966	128,102
Minority interests	337	458
Total net assets	22,633,160	23,496,595
Total liabilities and net assets	28,967,345	31,286,980

(2) Consolidated Statements of Income

Yen in thousands

Consolidated Statements of Income	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)
Net sales	12,845,064	14,099,910
Cost of sales	4,213,016	5,036,939
Gross profit	8,632,047	9,062,970
Selling, general and administrative expenses	7,542,281	7,912,050
Operating income	1,089,765	1,150,920
Non-operating income		
Interest income	50,248	36,402
Dividends income	17,784	19,309
Insurance return	1,146	13,897
Foreign exchange gains	6,496	44,856
Other	28,460	24,236
Total non-operating income	104,136	138,702
Non-operating expenses		
Interest expenses	57,505	50,286
Equity in losses of affiliates	108,348	67,640
Other	22,588	15,436
Total non-operating expenses	188,442	133,363
Ordinary income	1,005,459	1,156,259
Extraordinary loss		
Loss on disposal of noncurrent assets	59,500	20,694
Loss on redemption of securities	–	67,657
Other	3,900	3,119
Total extraordinary loss	63,400	91,470
Income before income taxes	942,059	1,064,789
Income taxes-current	325,398	447,589
Income taxes-deferred	(17,350)	(113,637)
Total income taxes	308,047	333,951
Income before minority interests	634,011	730,837
Minority interests in income	22	121
Net income	633,989	730,715

(3) Consolidated Statements of Comprehensive Income

Yen in thousands

Consolidated Statements of Comprehensive Income	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)
Income before minority interests	634,011	730,837
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,173)	359,516
Deferred gains or losses on hedges	38,098	29,760
Foreign currency translation adjustment	500	41,794
Total other comprehensive income	30,425	431,071
Comprehensive income	664,437	1,161,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	664,415	1,161,787
Comprehensive income attributable to minority interests	22	121

(4) Consolidated Statements of Cash Flows

Yen in thousands

Consolidated Statements of Cash Flows	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	942,059	1,064,789
Depreciation and amortization	1,101,422	979,185
Increase (decrease) in allowance for doubtful accounts	9,371	(5,165)
Increase (decrease) in provision for bonuses	22,039	43,675
Loss (gain) on redemption of securities	(12,100)	74,553
Interest and dividends income	(68,032)	(55,712)
Interest expenses	57,505	50,286
Foreign exchange losses (gains)	(3,679)	(6,325)
Decrease (increase) in notes and accounts receivable-trade	(143,449)	(851,909)
Decrease (increase) in accounts receivable-other	(28,222)	(349,013)
Decrease (increase) in inventories	(583,940)	95,673
Increase (decrease) in notes and accounts payable-trade	(725,769)	506,194
Increase (decrease) in accounts payable-other	(51,078)	(57,424)
Increase (decrease) in long-term prepaid expenses	(923,628)	275,235
Equity in (earnings) losses of affiliates	108,348	67,640
Other, net	356,007	88,449
Subtotal	56,853	1,920,134
Interest and dividends income received	91,410	76,130
Interest expenses paid	(57,466)	(50,318)
Payments for directors' retirement benefits	(6,080)	–
Income taxes (paid) refund	(505,827)	(284,582)
Net cash provided by (used in) operating activities	(421,110)	1,661,364
Net cash provided by (used in) investing activities		
Payments into time deposits	(45,000)	–
Proceeds from withdrawal of time deposits	500,000	100,000
Purchase of short-term investment securities	(200,000)	–
Proceeds from sales and redemption of securities	1,502,417	1,050,537
Purchase of property, plant and equipment	(292,119)	(1,048,012)
Purchase of investment securities	(328,452)	(308,313)
Other, net	402,843	27,323
Net cash provided by (used in) investing activities	1,539,688	(178,465)

(Continued) Yen in thousands

Consolidated Statements of Cash Flows	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	394,000	(202,000)
Proceeds from long-term loans payable	200,000	1,000,000
Repayment of long-term loans payable	(468,000)	(430,800)
Repayments of lease obligations	(288,251)	(265,132)
Net decrease (increase) in treasury stock	(517,256)	42,054
Cash dividends paid	(385,810)	(382,196)
Net cash provided by (used in) financing activities	(1,065,318)	(238,073)
Effect of exchange rate change on cash and cash equivalents	(297)	38,971
Net increase (decrease) in cash and cash equivalents	52,962	1,283,795
Cash and cash equivalents at beginning of period	2,812,143	2,865,105
Cash and cash equivalents at end of period	2,865,105	4,148,901

5. R&D Pipeline

(i) Pharmaceuticals

Code Nonproprietary Name	**Status** (Japan)	**Indication** **Remarks**
JR- 041 Follicle stimulating hormone (rDNA origin)	Phase II / III in preparation	Infertility Manufactured using serum-free culture technology Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-013-sc Erythropoietin (rDNA origin)	Phase I	Renal anemia and Predeposit autologous blood High dose formulation Co-development with Kissei Pharmaceutical Co., Ltd.
JR- 032 Iduronate-2-sulfatase (rDNA origin)	Global clinical trial in preparation	Hunter syndrome (lysosomal storage disease) ERT Manufactured using serum-free culture technology Co-development with GSK Group
JR- 051 Alpha-galactosidase A (rDNA origin)	Global clinical trial in preparation	Fabry disease (lysosomal storage disease) ERT Manufactured using serum-free culture technology Co-development with GSK Group
JR-121 Alpha-galactosidase A(rDNA origin) ＋pharmacological chaperone migalastat HCI	Preclinical	Fabry disease (lysosomal storage disease) Co-formulation of JR-051 with pharmacological chaperone migalastat HCl (developed by Amicus Therapeutics Inc.) Co-development with GSK Group
JR- 101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher disease (lysosomal storage disease) ERT Manufactured using serum-free culture technology Co-development with GSK Group

(Note) ERT= Enzyme Replacement Therapy

(ii) Cellular Medicine

Code Nonproprietary Name	**Status** (Japan)	**Indication** **Remarks**
JR-031 Human mesenchymal stem cells (hMSCs)	Phase II / III	Suppression of graft-versus-host disease (GVHD) associated with hematopoietic stem cell transplantation Licensed in from Osiris Therapeutics, Inc. (USA) Allo-transplantation of hMSCs