Financial Summary

Consolidated Financial Results for Fiscal Year 2013

May 9, 2014

(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, 2014 (Apr. 1, 2013 - Mar. 31, 2014)

(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	%
FY2013	15,705	11.4	1,545	34.3	1,680	45.4	1,296	77.4
FY2012	14,099	9.8	1,150	5.6	1,156	15.0	730	15.3

(Reference) Comprehensive income； FY2013：1,544 million yen FY2012：1,161 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	%	%	%
FY2013	40.79	40.52	5.4	5.2	9.8
FY2012	23.03	22.92	3.2	3.8	8.2

(Reference) Equity in earnings of affiliates； FY2013：(50) million yen FY2012：(67) 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, 2014	33,464	24,580	73.0	768.13
Mar. 31, 2013	31,286	23,496	74.7	735.86

(Reference) Shareholders' Equity； As of Mar. 31, 2014：24,417 million yen As of Mar. 31, 2013：23,368 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
FY2013	4,565	(2,668)	(369)	5,780
FY2012	1,661	(178)	(238)	4,148

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 2012	—	6.00	—	6.00	12.00	380	52.1	1.7
FY 2013	—	7.00	—	10.00	17.00	541	41.7	2.3
FY 2014 (Forecast)	—	8.50	—	8.50	17.00		41.6	

(note) FY2013 Year-end dividends comprised of the ordinary dividend of ¥7 and a special dividend of ¥3

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2015 (Apr. 1, 2014 - Mar. 31, 2015

(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, 2014	8,100	10.3	320	(52.0)	420	(39.1)	300	(31.5)	9.44
Year ending Mar. 31, 2015	16,300	3.8	1,770	14.6	1,810	7.7	1,300	0.3	40.90

※ 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 FY2013

The climate surrounding the Japanese pharmaceutical industry during this fiscal year has still been in rigorous conditions due to regulatory requirement on safety and quality to be more onerous to the industry and continuing national policy for medical expenditure containment.

Under these circumstances, the Company has achieved remarkable progress in sales and R&D under its own corporate strategy that focuses upon unique biotherapeutics. It should be noted that the Company has changed its corporate name (in Japanese) effective January 1, 2014 with a view to further increasing its enterprise value by means of making its corporate name globally known and enhancing distinctiveness of its identity.

On the sales side, thanks to positive impact on volume increase contributed by Growjector® 2, a new automatic injector launched last year and the additional indication, short stature due to small gestational age, the Company further expanded its sales of its main product Growject® (recombinant human growth hormone product) this fiscal year. As for Epoetin Alfa BS Inj. JCR, a follow-on biodrug for treatment of renal anemia, sales has also been growing as a result of increased recognition on its comparability to the branded drug in terms of quality and efficacy, together with economic advantage enjoyable to hemodialysis institutions and the increased demand for affordable follow-on biodrugs.

Regarding research and development, JR-031, Japan's first cellular drug candidate using human Mesenchymal Stem Cells (MSCs) for the treatment of acute graft-versus-host disease (GvHD), has officially obtained an orphan drug status from the Ministry of Health, Labour and Welfare of Japan. The Company is expediting preparatory work toward filing of JR-031 for marketing approval in Japan.

With regard to erythropoietin products for renal anemia, we will continue seeking further opportunity to commercialize overseas given that all marketing rights re-aquired from GSK Group. On the other hand, for the purpose of facilitating the development and commercialization of innovative drugs in the field of rare diseases, we have redefined the existing contractual arrangement since 2009, which covered all aspects of biodrugs mainly focused on follow-on products, and entered into a new research collaboration agreement with Glaxo Group. In addition, the Company has entered into a new co-development agreement with Kissei Pharmaceutical Co., Ltd. for development of a follow-on product of darbepoietin alfa, a long-acting erythropoiesis stimulating agent.

As a result, net sales of the Company's core products, Growject® and Epoetin Alfa BS Inj. JCR, reached ¥9,456 million, an increase of ¥629 million from the previous fiscal year, and ¥3,066 million, an increase of ¥574 million from the previous fiscal year, respectively. Furthermore, sales of anti-cancer bulk drug substance increased this year.

Consequently, the total sales of pharmaceutical business recorded ¥15,257 million, an increase of ¥1,624 million from the previous fiscal year, which offsets the decline in sales of urine-derived products. Furthermore, the total sales of medical device/laboratory equipment business recorded ¥448 million, a decrease of ¥18 million from the previous fiscal year. Consequently, the consolidated sales of JCR Group reached ¥15,705 million, an increase of ¥1,606 million from the previous fiscal year at fiscal year-end March

31, 2014.

In terms of profit and loss, the Company recorded operating income of ¥1,545 million, an increase of ¥394 million from the previous fiscal year, ordinary income of ¥1,680 million, an increase of ¥524 million from the previous fiscal year and net income of ¥1,296 million, an increase of ¥565 million from the previous fiscal year, respectively, due to the increase in gross margin associated with growing sales mentioned above.

R&D expenditures grew by ¥210 million to ¥2,202 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 2012 (Apr.1, 2012 - Mar. 31, 2013)		Consolidated Fiscal Year 2013 (Apr.1, 2013 - Mar. 31, 2014)		Increase and decrease
	JPY Million	Composition ratio (%)	JPY Million	Composition ratio (%)	JPY Million
Pharmaceuticals	13,632	96.7	15,257	97.1	1,624
Endocrinological & Gastrointestinal	8,827	62.7	9,456	60.2	629
Metabolic & Cardiovascular	3,647	25.8	4,034	25.6	386
Revenue from licenses	200	1.4	200	1.3	―
Others	957	6.8	1,566	10.0	608
Medical devices & laboratory equipment	467	3.3	448	2.9	(18)
Total	14,099	100.0	15,705	100.0	1,606

1.2 Forecast for FY2014

Forecast of consolidated business results

	FY2013 (Apr 1, 2013- Mar 31, 2014)	Forecast for FY2014 (Apr 1, 2014- Mar 31, 2015)	Increase and decrease	Increasing rate
Net sales (JPY Million)	15,705	16,300	+595	+3.8%
Operating income (JPY Million)	1,545	1,770	+225	+14.6%
Ordinary income (JPY Million)	1,680	1,810	+130	+7.7%
Net income (JPY Million)	1,296	1,300	+4	+0.3%

In terms of sales, the Company anticipates sales growth of Growject® and Epoetin Alfa BS Inj. JCR sequentially FY2013, and also an increase in license revenue.

Given these activities and taking into account of the negative impact of NHI drug price revision effective in April 2014 and the sales decrease of anti-cancer bulk drug substance, the overall sales forecast of JCR Group

is anticipated to reach ¥16,300 million (increase of 3.8% from FY2013).
In terms of profits, the Company anticipates operating income of ¥1,770 million (increase of 14.6% FY2013), ordinary income of ¥1,810 million (increase of 7.7% FY2013) and net income of ¥1,300 million (increase of 0.3% FY2013) due to the anticipated completion of the payment of consideration payable for the transfer of Growject® business in FY2014 along with the increase in gross margin associated with growing profit, which offsets the increase in R&D expenditures.

2. Financial Position

2.1 Assets, liabilities and net assets

Consolidated statements at the fiscal year-end resulted in total assets of ¥33,464 million (increase of ¥2,177 million from the previous fiscal year-end), liabilities of ¥8,883 million (increase of ¥1,093 million from the previous fiscal year-end), net assets of ¥24,580 million (increase of ¥1,084 million from the previous fiscal year-end).

Current assets increased ¥1,386 million from the previous fiscal year-end to ¥17,372 million mainly due to the decrease in notes and accounts receivable-trade and the increase in short-term investment securities, etc. Noncurrent assets increased ¥790 million from the previous fiscal year-end to ¥16,091 million mainly due to the completion of Kobe API plant and acquisition of structures and land adjoining Research Institute, which offsets the decrease in investment securities and long-term prepaid expenses.

Current liabilities increased ¥37 million from the previous fiscal year-end to ¥5,663 million due to the increase in advances received and income taxes payable etc, which offsets the decrease in short-term loans payable and accounts payable-other. Noncurrent liabilities increased ¥1,055 million from the previous fiscal year-end to ¥3,219 million, due to the increase in long-term advanced received, long-term loans payable and provisions for retirement benefit, which offsets the decrease in lease obligations.

Net assets increased ¥1,084 million from the previous fiscal year-end to ¥24,580 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 1.7 points from the previous fiscal year-end or 73.0%.

2.2 Cash flow

Cash and cash equivalents at the fiscal year-end increased by ¥1,632 million from that of the previous fiscal year-end or ¥5,780 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 ¥4,565 million, an increase of ¥2,903 million as compared with the same period of the previous year, primarily due to tabulating income tax payment of ¥485 million, increase in inventories of ¥138 million, income before income taxes of ¥1,677 million and depreciation and amortization of ¥1,111 million and decrease in notes and accounts payable-trade of ¥1,031 million.

Cash flow from investing activities

Net cash used by investing activities amounted to ¥2,668 million, an increase of ¥2,489 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from sales and redemption of securities of ¥ 493 million, the purchase of property, plant and equipment of ¥2,409 million, and the purchase of short-term investment securities of ¥500 million.

Cash flow from financing activities

Net cash used by financing activities amounted to ¥369 million, an increase of ¥131 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from long-term loans payable of ¥1,100 million, the repayment of long-term loans payable of ¥580 million, the cash dividends paid of ¥412 million, and the net decrease in short-term loans payable of ¥260 million.

Reference: Transition of cash flow-related indices

	FY2009 (ended Mar. 2010)	FY2010 (ended Mar. 2011)	FY2011 (ended Mar. 2012)	FY2012 (ended Mar. 2013)	FY2013 (ended Mar. 2014)
Equity ratio	70.2 %	76.3 %	77.8 %	74.7%	73.0%
Market base equity ratio	138.3 %	99.2 %	95.1 %	253.8%	225.1%
Ratio of cash flow and interest-bearing debts	2.2 years	-	-	2.5years	0.9years
Interest coverage ratio	34.1 fold	-	-	33.0 fold	105.1 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 FY2013 and FY2014

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 FY2013, on May 9, 2014 the Board of Directors approved the resolution for the year-end dividend of ¥10 per share (the special dividend of ¥3 to be paid in addition to the ordinary dividend of ¥7) in commemoration of the listing onto the First Section of Tokyo Stock Exchange. As a result, the total year-end applicable to FY2013 will be ¥17 per share including the interim dividend distributed. For the next fiscal year 2014, we anticipate distributing a full-year dividend of ¥17 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 2013.

(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 **Growject®**

Among the products, 60.2% (62.7 % 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 drug 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 in December, 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.

Under the Agreement, the development was supposed to be commenced simultaneously at a global level under the GSK Group's initiative with the Company. However, in March 2014, the Agreement was modified so that the Company has the initiative for the development in the area of Asia and Oceania with GSK Group's support.

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 develop drugs for treatment of rare diseases in Japan as well as outside of Japan. To strategically focus development of drugs for rare diseases at a global level, Rare Diseases Unit is centerd on. There is no business competition between JCR and GSK Group since development efforts are arranged on respective territory 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 2013, 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 listed below and no restriction on the corporate policies of business strategies and capital management, etc of the Company.

Name	Position in the Company	Position in GSK Group
Philippe Fauchet	Director	Representative Director, GlaxoSmithKline K.K.
Shunjiro Sugimoto, Ph. D.	Director	Director, GlaxoSmithKline K.K.

(Note: Under the Agreement, GSK Group may appoint not more than 2 candidates as Directors of the Company as of the end of the consolidated fiscal year.

b. Business relationship

Concerning the business transaction made until the end of the consolidated fiscal year 2013, 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 2013. 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 the Company or economic situation affecting pharmaceutical industry, the holding rate may be changed with the Company'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.

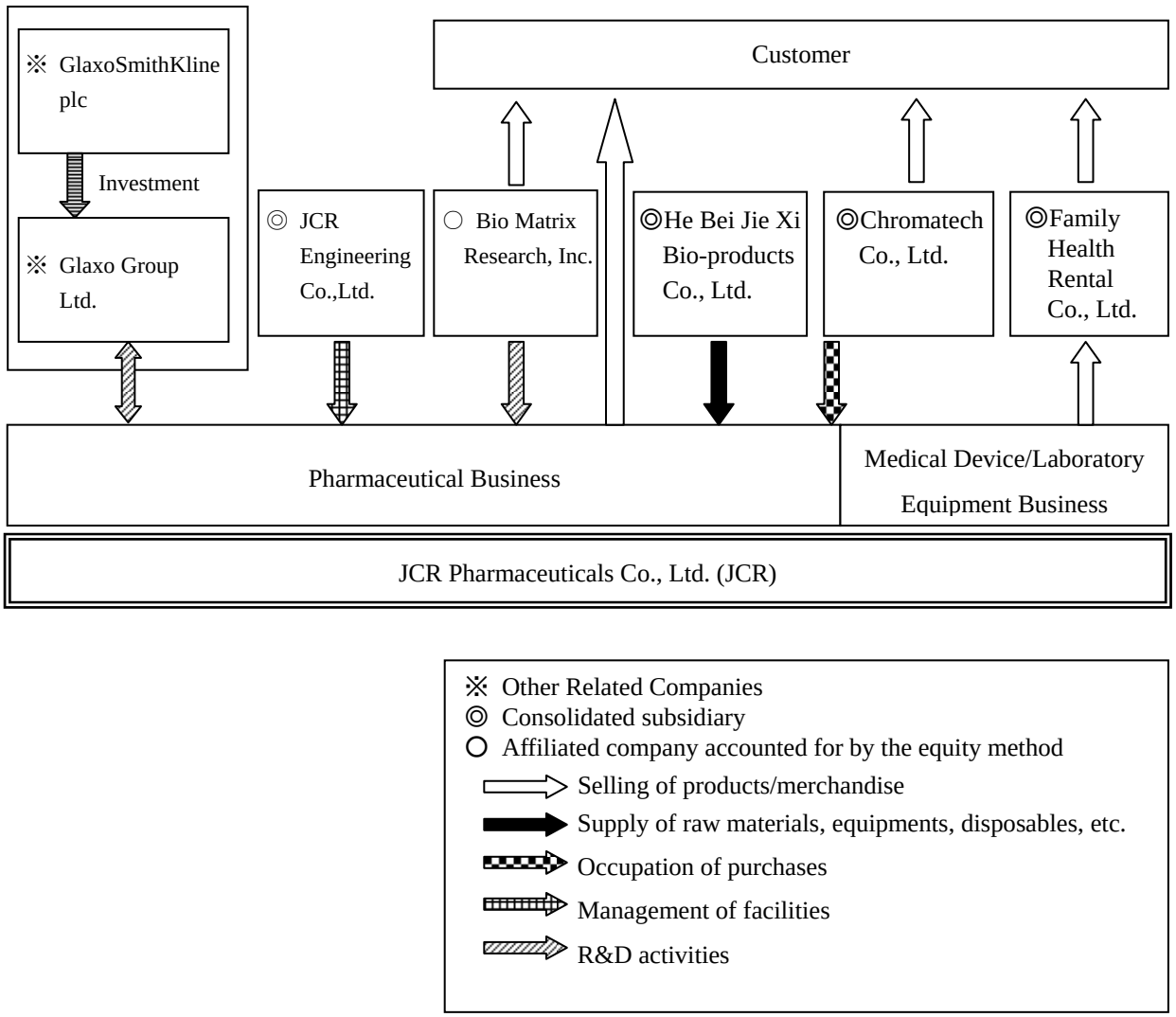
Pharmaceutical business

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 joint 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

It is said that biodrug business has been uprising in global market for therapeutic pharmaceuticals and reached one third or more of total sales these days, to which many business and investors are attracted. There has been surprisingly rapid progress in R&D in the field of regeneration medicine and cellular drugs driven by the advent of iPS cells,

JCR, since its inception has been engaged in research and development of various biologics, starting from human originated products, and later utilizing genetic recombination and cell cultivation which have made itself the first domestic supplier of the follow-on biodrug and eventually would make it the first marketing approval holder of cellular drug in Japan. Owing to amplified technology and experience by its sustained research, development and production, all focused upon biodrugs, JCR has grown to be a pharmaceutical industry that can handle wide variety of biological products including genetic recombinants and cellular medicine. In order to ensure its presence in these growing markets, JCR recognizes that the followings are major tasks to be resolved and it will vigorously tackle with those

issues.

(1) Sales expansion of marketed products

As for the Growject®, the Company obtained an additional sales, driven by a launch in 2012 of Growjector® 2, a new automatic injector and an additional indication, short stature due to small for gestational age (SGA), which recorded the highest sales in the Company's history. The Company will further endeavor to expand its market share by means of strategic and well-organized marketing and promotion based on its own market research and analysis, to say nothing of creating added value in Growject® by developing patient-friendly device and new drug formulation. As to Epoetin Alfa BS Inj. JCR after a five-year marketing effort, the Company successfully increased its share up to 50% or more of short-acting erythropoietin products, and Epoetin Alfa BS Inj. JCR has become another core product of JCR. We will continue to strive for further sales expansion under strategic co-promotion program, taking advantage of highly recognized quality. However, in view of the total market in renal anemia treatment, 80% was presumably captured by long-acting erythropoiesis stimulating agent

("ESA") in 2013, for the demand in the market was shifting from short-acting to long-acting ESAs. The Company has entered into a co-development agreement with Kissei Pharmaceutical Co., Ltd. on certain follow-on product of long-acting ESA, darbepoietin alfa ("JR-131") with a view to attaining the market entry in ESA. Since JR-131 is expected to be an important cash generator, we put the high priority on said co-development in the Company's R&D activities. Acquiring additional market share by selling the conventional EPO, Epoetin Alfa BS Inj. JCR would be a key to maximize the future revenue by JR-131.

(2) Market launch of the first cellular medicine JR-031 in Japan

Having perceived unique characteristics of Mesenchymal Stem Cells ("MSCs"), JCR has dedicated itself for a long while to development of a cellular drug, JR-031,that may be effective to treat many and unspecified patients suffering with acute GVHD by means of expanded cultivation of MSCs obtained from a healthy donor. Promising data having been obtained from clinical trials with JR-031, JCR is now involved in the construction of a GMP manufacturing facility in parallel with preparation for the filing toward marketing approval. We will make every effort to launch JR-031 the first cellular drug-to-be within 2015. In addition, the Company and Medipal Holdings Corporation ("Medipal") are planning to organize a sophisticated distribution system of cellular drugs utilizing very low temperature suitable for preservation by making use of the robust logistics resources available from Medipal.

(3) Accelerated development of new drugs for rare diseases

Although the patient population of lysosomal storage diseases pursued by the Company is estimated to range from several hundred to several tens of thousands of people, secured supply of affordable domestic biodrugs (biosimilars) for enzyme replacement therapy ("ERT") is being called for in Japan because of extremely high cost of imported innovator drugs. JCR is accelerating the ongoing development of ERT drugs, one for Fabry disease (α -galactosidase known as "JR-051") and the other for Hunter syndrome (iduronate sulfatase known as "JR-032") by focusing on Japan market for the time being, With regard to JR-051 in particular, JCR will expedite its development activities in the aim to initiate clinical trials within the fiscal year of 2015.

(4) Challenge to innovative technology

JCR, through utilizing unique technology and experience of its own to the maximum extent, dares to seek a few breakthroughs in technology applicable to lysosomal storage diseases, such as tissue targeting technology including Blood Brain Barrier passage, control of immunogenicity associated with ERT and the like, with aim to develop new biodrugs of high added value serving for improving patients' QOL. JCR 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, and studying optimized cultivation method of human corneal endothelial cells. Based on the results and experience hitherto acquired by said project, a clinical study under the initiative of medical doctors was started last December to carry out regenerative treatment transplanting cultured human corneal endothelial cells to patients of bullous keratopathy, which study is the first case in the world. JCR will

dedicate itself to vigorously develop novel drugs applying cells and tissues in a clinical setting, as well as to challenge into new therapeutic areas based on its experiences and technologies. As for said corneal regenerative medicine project, JCR, involved in developing an improved cultivation method best fit for treatment of bullous keratopathy, is aiming to make the corneal endothelial regenerative treatment in practice.

Responding to the currently raised issue on relations between pharmaceutical business and medical circles, JCR will ensure transparency in such relations by way of enforcement of laws and regulations in a more concrete manner and disclosure of monetary transactions to medical institutions and patients' associations.

4.Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Consolidated Balance Sheets	As of March, 31 2013	As of March, 31 2014
Assets		
Current assets		
Cash and deposits	822,405	1,047,494
Notes and accounts receivable-trade	4,900,282	3,869,221
Short-term investment securities	3,869,523	6,196,819
Merchandise and finished goods	1,313,365	1,472,119
Work in process	990,782	734,570
Raw materials and supplies	2,686,008	2,898,682
Deferred tax assets	548,842	695,518
Other	854,683	457,400
Allowance for doubtful accounts	(80)	(21)
Total current assets	15,985,814	17,372,805
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,280,499	4,199,931
Machinery, equipment and vehicles, net	575,680	1,319,340
Land	3,602,773	3,882,338
Lease assets, net	1,298,669	1,136,032
Construction in progress	1,180,646	277,754
Other, net	428,812	576,674
Total property, plant and equipment	10,367,081	11,392,071
Intangible assets	78,787	94,579
Investments and other assets		
Investment securities	3,533,602	3,296,291
Net defined benefit asset	–	168,803
Other	1,530,531	1,341,754
Allowance for doubtful accounts	(208,837)	(202,037)
Total investments and other assets	4,855,296	4,604,812
Total noncurrent assets	15,301,165	16,091,462
Total assets	31,286,980	33,464,268
Liabilities		
Current liabilities		
Notes and accounts payable-trade	735,632	697,061
Short-term loans payable	2,000,600	1,875,260
Lease obligations	277,525	226,127
Income taxes payable	308,755	501,658
Provision for bonuses	314,869	351,510
Provision for directors' bonuses	78,500	81,500
Other	1,910,097	1,930,786
Total current liabilities	5,625,981	5,663,903
Noncurrent liabilities		
Long-term loans payable	871,800	1,256,540
Lease obligations	1,002,612	901,609
Provision for retirement benefits	193,376	–
Provision for loss on guarantees	–	86,460
Net defined benefit liability	–	577,817
Other	96,614	397,122
Total noncurrent liabilities	2,164,403	3,219,551
Total liabilities	7,790,384	8,883,454

(Continued) Yen in thousands

Consolidated Balance Sheets	As of March, 31 2013	As of March, 31 2014
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,788,366	10,932,987
Retained earnings	3,562,042	4,445,285
Treasury stock	(544,519)	(649,076)
Total shareholders' equity	22,867,755	23,791,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	404,988	568,234
Deferred gains or losses on hedge	12,529	1,558
Foreign currency translation adjustments	82,759	178,727
Remeasurements of defined benefit plans	―	(121,841)
Total accumulated other comprehensive income	500,277	626,678
Subscription rights to shares	128,102	162,487
Minority interests	458	584
Total net assets	23,496,595	24,580,813
Total liabilities and net assets	31,286,980	33,464,268

(2) Consolidated Statements of Income

Yen in thousands

Consolidated Statements of Income	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)	FY2013 (From Apr. 1, 2013 to Mar. 31, 2014)
Net sales	14,099,910	15,705,912
Cost of sales	5,036,939	5,842,081
Gross profit	9,062,970	9,863,831
Selling, general and administrative expenses	7,912,050	8,318,362
Operating income	1,150,920	1,545,468
Non-operating income		
Interest income	36,402	34,395
Dividends income	19,309	20,702
Compensation for research and development	–	90,680
Insurance return	13,897	–
Foreign exchange gains	44,856	57,208
Other	24,236	38,363
Total non-operating income	138,702	241,350
Non-operating expenses		
Interest expenses	50,286	43,550
Equity in losses of affiliates	67,640	50,229
Other	15,436	12,154
Total non-operating expenses	133,363	105,934
Ordinary income	1,156,259	1,680,884
Extraordinary income		
Gain on sales of noncurrent assets	–	34,403
Gain on sales of investment securities	–	119,211
Total extraordinary income	–	153,614
Extraordinary loss		
Loss on disposal of noncurrent assets	20,694	20,461
Loss on redemption of securities	67,657	–
Provision for loss on guarantees	–	86,460
Expenses for change of the Company’s name	–	48,293
Other	3,119	1,816
Total extraordinary loss	91,470	157,033
Income before income taxes	1,064,789	1,677,466
Income taxes-current	447,589	672,783
Income taxes-deferred	(113,637)	(291,649)
Total income taxes	333,951	381,133
Income before minority interests	730,837	1,296,332
Minority interests in income	121	125
Net income	730,715	1,296,206

(3) Consolidated Statements of Comprehensive Income

Yen in thousands

Consolidated Statements of Comprehensive Income	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)	FY2013 (From Apr. 1, 2013 to Mar. 31, 2014)
Income before minority interests	730,837	1,296,332
Other comprehensive income		
Valuation difference on available-for-sale securities	359,516	163,245
Deferred gains or losses on hedges	29,760	(10,971)
Foreign currency translation adjustment	41,794	95,968
Total other comprehensive income	431,071	248,241
Comprehensive income	1,161,909	1,544,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,161,787	1,544,448
Comprehensive income attributable to minority interests	121	125

(4) Consolidated Statements of Cash Flows

Yen in thousands

Consolidated Statements of Cash Flows	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)	FY2013 (From Apr. 1, 2013 to Mar. 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	1,064,789	1,677,466
Depreciation and amortization	979,185	1,111,994
Increase (decrease) in allowance for doubtful accounts	(5,165)	(6,859)
Increase (decrease) in provision for bonuses	43,675	36,641
Increase (decrease) in provision for loss on guarantees	—	86,460
Increase (decrease) in net defined benefit liability	—	133,789
Loss (gain) on redemption of securities	74,553	—
Loss (gain) on sales of investment securities	118	(125,639)
Interest and dividends income	(55,712)	(55,097)
Interest expenses	50,286	43,550
Foreign exchange losses (gains)	(6,325)	(253)
Decrease (increase) in notes and accounts receivable-trade	(851,909)	1,031,061
Decrease (increase) in accounts receivable-other	(349,013)	260,597
Decrease (increase) in inventories	95,673	(138,811)
Increase (decrease) in notes and accounts payable-trade	506,194	(38,571)
Increase (decrease) in accounts payable-other	(57,424)	91,977
Increase (decrease) in long-term prepaid expenses	275,235	302,476
Increase (decrease) in long-term advanced received	—	540,000
Equity in (earnings) losses of affiliates	67,640	50,229
Other, net	88,330	23,011
Subtotal	1,920,134	5,024,023
Interest and dividends income received	76,130	70,413
Interest expenses paid	(50,318)	(43,433)
Income taxes (paid) refund	(284,582)	(485,642)
Net cash provided by (used in) operating activities	1,661,364	4,565,361
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	100,000	—
Purchase of short-term investment securities	—	(500,000)
Proceeds from sales and redemption of securities	1,050,537	493,385
Purchase of property, plant and equipment	(1,048,012)	(2,409,604)
Proceeds from sales of property, plant and equipment	—	64,583
Purchase of investment securities	(308,313)	(571,891)
Proceeds from sales of investment securities	4,670	256,793
Other, net	22,653	(1,550)
Net cash provided by (used in) investing activities	(178,465)	(2,668,285)

(Continued) Yen in thousands

Consolidated Statements of Cash Flows	FY2012 (From Apr. 1, 2012 to Mar. 31, 2013)	FY2013 (From Apr. 1, 2013 to Mar. 31, 2014)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(202,000)	(260,000)
Proceeds from long-term loans payable	1,000,000	1,100,000
Repayment of long-term loans payable	(430,800)	(580,600)
Repayments of lease obligations	(265,132)	(244,106)
Net decrease (increase) in treasury stock	42,054	27,767
Cash dividends paid	(382,196)	(412,511)
Net cash provided by (used in) financing activities	(238,073)	(369,450)
Effect of exchange rate change on cash and cash equivalents	38,971	104,446
Net increase (decrease) in cash and cash equivalents	1,283,795	1,632,071
Cash and cash equivalents at beginning of period	2,865,105	4,148,901
Cash and cash equivalents at end of period	4,148,901	5,780,972

5. R&D Pipeline

(i) Pharmaceuticals

Code Nonproprietary Name	**Status** (Japan)	**Indication** **Remarks**
JR- 041 Follicle stimulating hormone (rDNA origin)	Phase I / II	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-131 Darbopoietin (rDNA origin)	Preclinical	Renal anemia Manufactured using serum-free culture technology Co-development with Kissei Pharmaceutical Co., Ltd.
JR- 032 Iduronate-2-sulfatase (rDNA origin)	Clinical study 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)	Clinical study in preparation	Fabry disease (lysosomal storage disease) ERT Manufactured using serum-free culture technology Co-development with GSK Group
JR- 101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher disease (lysosomal storage disease) ERT Manufactured using serum-free culture technology

(Note) ERT= Enzyme Replacement Therapy

(ii) Cellular Medicine

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

Note: The licensor of the product has been changed to Mesoblast Group (Australia) following the assignment of hMSCs-related rights from Osiris to Mesoblast in October 2013.