Financial Summary

Consolidated Financial Results for Fiscal Year 2015

May 12, 2016

(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, 2016 (Apr. 1, 2015 - Mar. 31, 2016)

(1) Consolidated Operating Results

(Percentage shows year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2015	17,438	3.5	2,152	6.9	2,443	4.4	1,789	6.4
FY2014	16,855	7.3	2,014	30.4	2,340	39.2	1,682	29.8

(Reference) Comprehensive income； FY2015：1,557 million yen FY2014：1,936 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	%	%	%
FY2015	56.12	55.81	6.8	7.0	12.3
FY2014	52.85	52.53	6.7	6.9	12.0

(Reference) Equity in earnings of affiliates； FY2015：－ million yen FY2014：－ 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, 2016	35,346	27,062	75.9	843.34
Mar. 31, 2015	34,086	26,264	76.6	818.64

(Reference) Shareholders' Equity； As of Mar. 31, 2016：26,819 million yen As of Mar. 31, 2015：26,101 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
FY2015	2,201	(980)	(1,314)	3,523
FY2014	499	(1,419)	(1,261)	3,643

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 2014	－	8.50	－	10.00	18.50	589	35.0	2.4
FY 2015	－	10.00	－	12.00	22.00	700	39.2	2.8
FY 2016 (Forecast)	－	10.00	－	10.00	20.00		31.9	

(note) FY2015 Year-end dividends comprised of the ordinary dividend of ¥10 and a commemorative dividend of ¥2

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2017 (Apr. 1, 2016 - Mar. 31, 2017)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending Sep. 30, 2016	9,200	4.8	1,540	21.0	1,570	7.3	1,130	6.6	35.76
Year ending Mar. 31, 2017	18,700	7.2	2,580	19.8	2,690	10.1	1,980	10.6	62.76

※ 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 FY2015

In the Japanese pharmaceutical industry during this consolidated fiscal year, the use of generic drugs has been further promoted while the governmental policy for medical expenditure containment has been continuing. On the other hand, the launch of therapeutic products for chronic hepatitis C with a new mechanism of action and other expensive medicine such as anticancer agents have placed a burden on healthcare financing, and the business environments have become severer, along with intensified competition among companies.

Under these circumstances, the Company has formulated a 5-year mid-term management plan “HIYAKU” (leap into the future) last year, and as an effort toward its realization, we have implemented an organizational reform intended to promote the sales of core products and strengthen the business development and licensing business for Company’s proprietary technologies.

On the sales side, the sales have increased for both of the Company’s core products, “GROWJECT®” (recombinant human growth hormone product) and “Epoetin Alfa BS Inj. JCR” (recombinant erythropoietin product for treatment of renal anemia).

Furthermore, we obtained the marketing approval of the Japan’s first allogeneic *1 regenerative medicine product “TEMCELL® HS Inj.”, a human mesenchymal stem cell-based product, in September 2015 and launched the product in February 2016. We consider that TEMCELL® HS Inj. is an unprecedented innovative regenerative medicine product and will contribute to not only earnings but also enhancement of the corporate visibility. TEMCELLL® HS Inj., composed of living cells, must be kept strictly under a special environment at a temperature of -130°C or lower until immediately before use. This is why we co-developed a liquid nitrogen-based ultra-low cold chain system with Medipal Holdings Corporation, and we are delivering the stable-quality product to clinical sites.

With regard to out-licensing the Company’s proprietary technologies, we concluded feasibility study*2 agreements intended for the licensing of the blood-brain barrier penetration technology “J-Brain Cargo®” with Sumitomo Dainippon Pharma Co., Ltd. in June 2015 and Eisai Co., Ltd. in July 2015, respectively. We will continue to strengthen our licensing businesses of the Company’s proprietary technologies in Japan and overseas.

On the research and development side, we filed the marketing approval application with the MHLW for the liquid formulation of GROWJECT® in July 2015. The clinical study of JR-051, the follow-on biologic of agalsidase beta,a therapeutic enzyme product for Fabry disease, an orphan disease, has made satisfactory progress. We also started the clinical study of JR-131, the follow-on biologic of darbepoetin alpha, a long-acting erythropoiesis-stimulating agent. Additional programs under research and development are progressing favorably, including JR-141, an innovative therapeutic enzyme product using J-Brain Cargo® for the treatment of Hunter syndrome and JR-142, a long-acting growth hormone product which is expected to further improve the patient’s QOL. As a result of such business activities, the consolidated sales of JCR Group reached ¥17,438 million, an increase of ¥582 million from the previous fiscal year, at fiscal year-end. Also, in terms of profits, the Company recorded operating income of ¥2,152 million yen, an increase of ¥138 million from the previous fiscal year, ordinary income of ¥2,443 million yen, an increase of ¥102 million from the previous fiscal year, and profit attributable to owners of parent of ¥1,789 million yen, an increase of ¥107 million from the previous fiscal year. All of them increased from the same period last year, thereby achieving record-high performance continuously from the previous term.

(Note)

*1 : It refers to cases where cells of another person such as a donor are used, unlike using the patient's own cells (autologous). TEMCELL® HS Inj. can be used at any time when necessary in patients who need it, because of its being donor-derived cells, cultured, and cryopreserved at an extremely low temperature; and therefore the product has a merit of being available for distribution in the same way as for ordinary drugs.

*2 : It refers to an investigation/research which is conducted preliminarily in advance in order to see whether a business or project is feasible before the implementation.

Sales by business segments

Business segment	Consolidated Fiscal Year 2014 (Apr.1, 2014 - Mar. 31, 2015)		Consolidated Fiscal Year 2015 (Apr.1, 2015 - Mar. 31, 2016)		Increase and decrease
	JPY Million	Composition ratio (%)	JPY Million	Composition ratio (%)	JPY Million
Pharmaceuticals	16,442	97.5	17,040	97.7	597
Endocrinological & Gastrointestinal	9,580	56.8	10,222	58.6	642
Metabolic & Cardiovascular	4,683	27.8	4,800	27.5	116
Revenue from licenses	1,270	7.5	723	4.1	(546)
Others	908	5.4	1,294	7.4	385
Medical devices & laboratory equipment	413	2.5	398	2.3	(15)
Total	16,855	100.0	17,438	100.0	582

1.2 Forecast for FY2016

Forecast of consolidated business results

	FY2015 (Apr 1, 2015- Mar 31, 2016)	Forecast for FY2016 (Apr 1, 2016- Mar 31, 2017)	Increase and decrease	Increasing rate
Net sales (JPY Million)	17,438	18,700	+1,262	7.2%
Operating income (JPY Million)	2,152	2,580	+428	19.8%
Ordinary income (JPY Million)	2,443	2,690	+247	10.1%
Profit attributable to owners of parent (JPY Million)	1,789	1,980	+191	10.6%

In terms of sales, the Company anticipates sales growth of GROWJECT® and Epoetin Alfa BS Inj. JCR sequentially in FY2016. TEMCELL® HS Inj. would contribute to the sales increase throughout the next fiscal year. We also work proactively on out-licensing our proprietary technologies such as J-Brain Cargo®, the blood-brain barrier penetration technology.

Given these activities expected to offset the negative impact of NHI drug price revision effective in April 2016, the overall sales forecast of JCR Group is anticipated to reach ¥18,700 million (increase of 7.2% from FY2015).

In terms of profits, the Company anticipates operating income of ¥2,580 million (increase of 19.8% from FY2015), ordinary income of ¥2,690 million (increase of 10.1% from FY2015) and profit attributable to owners of parent of ¥1,980 million (increase of 10.6% from FY2015) due to 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 ¥35,346 million (increase of ¥1,260 million from the previous fiscal year-end), liabilities of ¥8,284 million (increase of ¥462 million from the previous fiscal year-end), net assets of ¥27,062 million (increase of ¥797 million from the previous fiscal year-end).

Current assets increased ¥1,175 million from the previous fiscal year-end to ¥18,366 million mainly due to the increase in cash and deposits and inventories, which offsets the decrease in short-term investment securities, etc. Noncurrent assets increased ¥85 million from the previous fiscal year-end to ¥16,980 million mainly due to the increase in investment securities.

Current liabilities increased ¥932 million from the previous fiscal year-end to ¥6,067 million due to the increase in trade notes and accounts payable and income taxes payable and etc, which offsets the decrease in short-term loans payable. Noncurrent liabilities decreased ¥469 million from the previous fiscal year-end to ¥2,217 million, due to the decrease in lease obligations, which offsets the increase in net defined benefit liability.

Net assets increased ¥797 million from the previous fiscal year-end to ¥27,092 million as the result of the amount of net income, etc.

As a result, the equity ratio at the fiscal year-end recorded 75.9%, falling by 0.7 points from the previous fiscal year-end.

2.2 Cash flow

Cash and cash equivalents at the fiscal year-end recorded ¥3,523 million, a decrease by ¥120 million from that of the previous fiscal year-end. 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 ¥2,201 million, an increase of ¥1,702 million as compared with the same period of the previous year, primarily due to tabulating increase in inventories of ¥947 million and income tax payment of ¥205 million, income before income taxes of ¥2,459 million and depreciation and amortization of ¥1,407 million.

Cash flow from investing activities

Net cash used by investing activities amounted to ¥980 million, a decrease of ¥439 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from sales and redemption of securities of ¥ 1,182 million, the purchase of property, plant and equipment of ¥1,413 million and the purchase of investment securities of ¥724 million.

Cash flow from financing activities

Net cash used by financing activities amounted to ¥1,314 million, an increase of ¥52 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from long-term loans payable of ¥500 million, the repayment of long-term loans payable of ¥759 million, the cash dividends paid of ¥640 million and decrease in repayments of lease obligations of ¥209 million.

Reference: Transition of cash flow-related indices

	FY2011 (ended Mar. 2012)	FY2012 (ended Mar. 2013)	FY2013 (ended Mar. 2014)	FY2014 (ended Mar. 2015)	FY2015 (ended Mar. 2016)
Equity ratio	77.8 %	74.7%	73.0%	76.6%	75.9%
Market base equity ratio	95.1 %	253.8%	225.1%	235.1%	230.5%
Ratio of cash flow and interest-bearing debts	-	2.5years	0.9years	3.6years	1.5years
Interest coverage ratio	-	33.0 fold	105.1 fold	13.2fold	67.7fold

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 here 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 has been paid. Interest payment is the amount of interest paid as 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 FY2015 and FY2016

The Company regards the distribution of its profits to shareholders as an important management policy.

The basic policy of the Company in regard to the declaration of dividends of earned surplus, etc., is to provide continuous and stable dividends by taking into account of factors such as business performance and cash flow while securing sufficient internal reserves for the development of new drug products and the strengthening of financial status that will be the source of future profits.

The Company commemorated its 40th anniversary on September 13 last year. This is all owing to many years' supports from stakeholders including shareholders. We would like to extend our heartfelt appreciation to all of you.

In line with this, regarding the term-end dividend for the current term under review, a commemorative dividend of ¥2 per share, as an expression of our gratitude to shareholders, was approved at the meeting of the Board of Directors held on May 12, 2016. As the term-end dividend for the FY2015, this will provide ¥12 consisting of the ordinary dividend of ¥10 and the commemorative dividend of ¥2.

As a consequence, the anticipated annual dividend for the FY2015 is ¥22 (ordinary dividend of ¥20 and commemorative dividend of ¥2) combined with the interim dividend of ¥10.

For the dividend of next fiscal year 2016, we anticipate distributing a full-year dividend of ¥20 per share (the interim dividend of ¥10 and the term-end dividend of ¥10).

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 2015.

(1) Governmental regulation on pharmaceuticals

The business engaged in by the JCR Group is subject to relevant laws and regulations. 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, 2020 (5-year renewal)	Violation of the PMDL 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 for marketing business of regenerative medicine products	Hyogo Prefecture	March 30, 2020 (5-year renewal)	Same as above	Headquarters
License of manufacturing sterile products	Hyogo Prefecture	March 30, 2020 (5-year renewal)	Same as above	Kobe Plant
License of manufacturing biological products	Kinki Regional Bureau of Health and Welfare	May 14, 2018 (5-year renewal)	Same as above	Murotani Plant
Wholesale license	Hyogo Prefecture	October 27, 2021 (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, 58.6% (56.8 % 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 biopharmaceuticals 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 pharmaceuticals 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 pharmaceuticals 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 centered 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 2015, 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.
Kananko Kikuchi.	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 2015, 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 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 and two other related companies. The main business description and position of each group company are as given below.

During this fiscal year, Bio Matrix Research, Inc., which was an affiliated company accounted for by the equity method, was excluded from it, due to transferring the part of the company stock held by JCR.

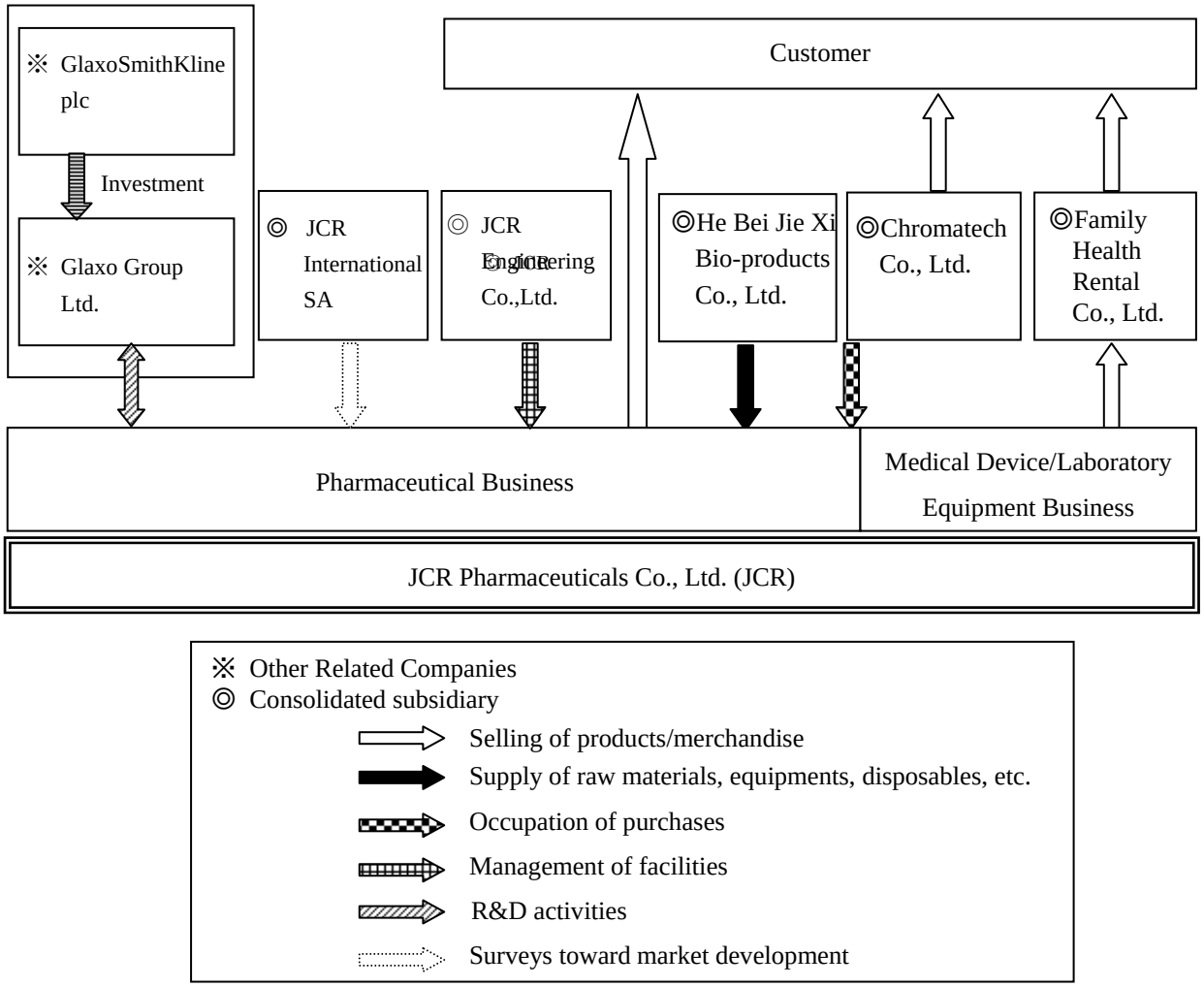
Pharmaceutical business

JCR is engaged in the manufacture, buying and selling of pharmaceuticals, active pharmaceutical ingredients 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. JCR International SA is engaged in surveys towards market development. JCR carries out joint R&D activities with Glaxo Group Ltd. and GlaxoSmithKline plc indirectly holds 99.9% of shares of 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

The JCR Group aims to be a corporation trusted and highly evaluated by all stakeholders through enhancement of its corporate values by the sustained growth. We make an effort toward improvement of the operating income to net sales for the realization of this target.

3.3 Tasks and mid to long term management strategy

(1) Toward achievement of numerical targets for the mid-term management plan “HIYAKU” (leap into the future)

The Company considers that further expansion of revenues from existing products and the progress of development pipelines on schedule are indispensable in order to achieve the numerical targets for the final fiscal year of the 5-year mid-term management plan “HIYAKU”: sales of 25 billion yen and operating income of 5 billion yen.

For GROWJECT®, the existing product, we have been expanding indications and developing and providing user-friendly injectors with the mind frame to give top priority in enhancing the patient’s QOL since its launch in 1993. Its liquid formulation product which eliminates the reconstitution procedure is expected to be launched in FY2016. We will strive for achieving further growth with synergetic effects with the existing product. For Epoetin Alfa BS Inj. JCR, its sales have been increasing favorably, and we will further exert efforts to expand its market share under the government policy to promote follow-on biologics which serves as a tailwind. In 2019, we anticipate to bring JR-131, the follow-on biologic of darbepoetin alpha as a next-generation product, to the market, and to adopt a business strategy to maximize the merits of both products. For TEMCELL® HS Inj., its sales have been growing favorably since its launch in February this year. We will accumulate information on its use in terms of the efficacy and safety and will provide it as information on proper use as we expand sales with a cautious approach while establishing a stable manufacturing structure.

Regarding development pipeline, we plan to obtain marketing approval of JR-051, the follow-on biologic of agalsidase beta, and that of the follow-on biologic of darbepoetin alpha and also file the application of marketing approval for JR-141, the blood-brain barrier penetrating therapeutic product for Hunter syndrome within FY2019. By making full use of our biotechnologies accumulated to date and know-hows on clinical development in various fields, we will strive for making these plans progress as scheduled, and at the same time proactively carry forward the licensing business.

(2) Innovative technologies

The Company created J-Brain Cargo®, a blood-brain barrier penetration technology, arising from our

abundant experience of research and production of biopharmaceuticals and free thinking of researchers. We have also established other proprietary technologies such as the long-acting technology, J-Mab System® which enables to effectively obtain highly functional antibodies, J-MIG System® which is an effective recombinant protein manufacturing technology, and glyocoengineering technologies, namely J-GlycoM® and J-GlycoS®.

J-Brain Cargo® is an innovative technology to deliver the drug compound to the brain by intravenous administration. Development is ongoing with JR-141 for Hunter syndrome which uses this technology, and favorable results have been already obtained in animal studies and a clinical study is scheduled to be started by the end of FY2016.

J-Brain Cargo® has potential for application to various drug compounds from small to large molecule proteins and peptides. We will not only use this technology for the Company but also for third parties out-licensing arising from feasibility study agreements concluded with two companies last year and joint research agreements.

In the Company's core growth hormone business, we embarked on development of JR-142, the long-acting growth hormone product to which the aforementioned long-acting technology is used.

We will continuously promote the use of these technologies for in-house development of therapeutic products and licensing out to third parties. .

(3) Development of cell therapy and regenerative medicine business

The market of regenerative medicine products is expected to further expand in the future because of emerging medical needs, and the advance of technologies and improvement of relevant systems. The Company embarked on the development of TEMCELL® HS Inj. and accumulated know-hows in the cell therapy and regenerative medical technologies over many years. As a pioneer in this field, we believe to have a mission to proactively develop businesses in this field.

In addition to the bone marrow-derived TEMCELL® HS Inj., the Company is engaged in the research of dental pulp-derived stem cells (DPC). Based on our strength in the cell culture technology, we will focus on all functions that cells may have and explore possibilities for treatment options for a wide-range of diseases.

(4) Toward "R&D oriented specialty pharma with global exposure"

We will work towards realizing the Company's corporate vision "R&D oriented specialty pharma with global exposure through proprietary biotechnologies, cell therapy and regenerative medical technologies."

Based on the Company's innovative technologies, the Company will aggressively carry forward partnering with foreign companies by making use of its subsidiary company established in Switzerland last year. We will challenge the overseas expansion from both aspects of technology licensing and drug substance supply.

As a foothold to realize the overseas expansion, the Company has already established a global standard quality assurance system. We will continue to promote actions in compliance with regulations on quality such as PIC/S*1.

We believe the mission of the Company under the corporate philosophy of "Contributing towards people's healthcare through pharmaceutical products" is to create innovative drugs in domains of intractable diseases and rare diseases. For realization of this mission, it is indispensable to continuously strengthen the management platform including nurturing excellent human resources with willingness to take on challenges.

To foster a company appreciated and trusted by not just customers but all stakeholders including the

Company's employees, we will continuously value the open-minded corporate culture which has been existing from the time of establishment and drive to further strengthening of compliance and corporate governance, transparency of corporate activities and realization of diversity*2 with the aim of sustained expansion.

We will indeed strive for responding to the trust and expectations of our shareholders and appreciate your continued support.

(Note)

*1: Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme:
It refers to harmonized GMP standards in the field of pharmaceuticals and an informal collaborative framework between inspection authorities intended for the international development, implementation and maintenance of the quality system of inspection authorities.

*2: It refers to a concept of actively utilizing various human resources regardless of race, gender, nationality, age, etc.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Consolidated Balance Sheets	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	1,137,461	1,948,605
Notes and accounts receivable-trade	5,203,535	5,384,377
Short-term investment securities	3,735,997	1,926,989
Merchandise and finished goods	1,522,844	1,582,482
Work in process	1,163,508	1,135,086
Raw materials and supplies	3,715,196	4,625,293
Deferred tax assets	417,554	609,996
Other	294,939	1,153,407
Allowance for doubtful accounts	(12)	(3)
Total current assets	17,191,026	18,366,235
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,611,447	4,544,593
Machinery, equipment and vehicles, net	1,430,079	1,189,175
Land	3,882,338	3,882,338
Lease assets, net	962,980	755,985
Construction in progress	135,011	396,177
Other, net	590,043	676,718
Total property, plant and equipment	11,611,900	11,444,988
Intangible assets	75,242	83,996
Investments and other assets		
Investment securities	3,891,136	4,247,640
Net defined benefit assets	357,658	280,955
Other	982,006	945,893
Allowance for doubtful accounts	(22,915)	(22,915)
Total investments and other assets	5,207,886	5,451,573
Total noncurrent assets	16,895,030	16,980,559
Total assets	34,086,056	35,346,794
Liabilities		
Current liabilities		
Notes and accounts payable-trade	534,008	783,372
Short-term loans payable	1,949,860	1,760,280
Lease obligations	208,316	225,072
Income taxes payable	76,894	764,170
Provision for bonuses	389,552	481,266
Provision for directors' bonuses	75,200	76,520
Other	1,901,108	1,976,367
Total current liabilities	5,134,939	6,067,049
Noncurrent liabilities		
Long-term loans payable	716,680	646,800
Lease obligations	763,154	561,529
Provision for loss on guarantees	374,920	358,519
Net defined benefit liability	457,021	566,341
Other	374,449	83,813
Total noncurrent liabilities	2,686,225	2,217,003
Total liabilities	7,821,164	8,284,052

(Continued) Yen in thousands

Consolidated Balance Sheets	As of March 31, 2015	As of March 31, 2016
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,949,502	10,961,049
Retained earnings	5,780,476	6,930,146
Treasury stock	(571,078)	(781,615)
Total shareholders' equity	25,220,767	26,171,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,890	587,933
Deferred gains or losses on hedge	11,077	–
Foreign currency translation adjustments	235,928	205,840
Remeasurements of defined benefit plans	(99,363)	(145,560)
Total accumulated other comprehensive income	880,533	648,213
Subscription rights to shares	162,956	242,323
Non-controlling interests	634	757
Total net assets	26,264,892	27,062,741
Total liabilities and net assets	34,086,056	35,346,794

(2) Consolidated Statements of Income

Yen in thousands

Consolidated Statements of Income	FY2014 (From Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)
Net sales	16,855,654	17,438,377
Cost of sales	5,740,928	6,459,424
Gross profit	11,114,725	10,978,952
Selling, general and administrative expenses	9,100,125	8,826,182
Operating income	2,014,600	2,152,770
Non-operating income		
Interest income	31,075	27,075
Dividends income	24,233	23,307
Foreign exchange gains	54,700	11,799
Gain on redemption of securities	110,587	162,335
Subsidy income	60,354	98,224
Other	122,498	25,542
Total non-operating income	403,449	348,284
Non-operating expenses		
Interest expenses	38,099	32,668
Loss on insurance cancellation	–	8,567
Other	39,640	16,748
Total non-operating expenses	77,739	57,983
Ordinary income	2,340,310	2,443,071
Extraordinary income		
Reversal of provision for loss on guarantees	–	16,401
Total extraordinary income	–	16,401
Extraordinary loss		
Loss on disposal of noncurrent assets	5,999	212
Total extraordinary loss	5,999	212
Income before income taxes	2,334,311	2,459,259
Income taxes-current	371,089	851,770
Income taxes-deferred	280,803	(182,109)
Total income taxes	651,892	669,661
Profit	1,682,418	1,789,597
Profit attributable to non-controlling interests	50	123
Profit attributable to owners of parent	1,682,368	1,789,474

(3) Consolidated Statements of Comprehensive Income

Yen in thousands

Consolidated Statements of Comprehensive Income	FY2014 (From Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)
Profit	1,682,418	1,789,597
Other comprehensive income		
Valuation difference on available-for-sale securities	164,656	(144,956)
Deferred gains or losses on hedges	9,519	(11,077)
Foreign currency translation adjustment	57,201	(30,088)
Remeasurements of defined benefit plans	22,477	(46,197)
Total other comprehensive income	253,854	(232,319)
Comprehensive income	1,936,273	1,557,278
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,936,223	1,557,155
Comprehensive income attributable to non-controlling interests	50	123

(4) Consolidated Statements of Cash Flows

Yen in thousands

Consolidated Statements of Cash Flows	FY2014 (From Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	2,334,311	2,459,259
Depreciation and amortization	1,352,388	1,407,655
Increase (decrease) in provision for bonuses	38,042	91,714
Share-based compensation expenses	54,704	85,590
Increase (decrease) in provision for loss on guarantees	288,459	(16,401)
Increase (decrease) in net defined benefit liability	148,340	160,639
Loss (gain) on redemption of securities	(110,587)	(162,335)
Interest and dividends income	(55,309)	(50,382)
Interest expenses	38,099	32,668
Foreign exchange losses (gains)	533	110
Decrease (increase) in notes and accounts receivable-trade	(1,334,314)	(180,842)
Decrease (increase) in accounts receivable-other	116,922	(106,864)
Decrease (increase) in inventories	(1,292,489)	(947,050)
Decrease (increase) in deposits paid	296	(775,490)
Increase (decrease) in notes and accounts payable-trade	(163,052)	249,364
Increase (decrease) in accounts payable-other	(5,370)	(53,185)
Increase (decrease) in long-term prepaid expenses	163,218	126,734
Increase (decrease) in long-term advanced received	(180,000)	(180,000)
Other, net	(136,027)	240,722
Subtotal	1,258,168	2,381,907
Interest and dividends income received	65,666	57,613
Interest expenses paid	(37,819)	(32,529)
Income taxes (paid) refund	(786,962)	(205,244)
Net cash provided by (used in) operating activities	499,052	2,201,746
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(1,200,000)	–
Proceeds from sales and redemption of securities	1,957,591	1,182,940
Purchase of property, plant and equipment	(1,277,615)	(1,413,936)
Purchase of investment securities	(840,581)	(724,401)
Other, net	(59,057)	(25,201)
Net cash provided by (used in) investing activities	(1,419,662)	(980,599)

(Continued) Yen in thousands

Consolidated Statements of Cash Flows	FY2014 (From Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	200,000	500,000
Repayment of long-term loans payable	(665,260)	(759,460)
Repayments of lease obligations	(243,965)	(209,318)
Net decrease (increase) in treasury stock	40,278	(205,214)
Cash dividends paid	(592,414)	(640,032)
Net cash provided by (used in) financing activities	(1,261,360)	(1,314,024)
Effect of exchange rate change on cash and cash equivalents	44,302	(27,149)
Net increase (decrease) in cash and cash equivalents	(2,137,669)	(120,027)
Cash and cash equivalents at beginning of period	5,780,972	3,643,303
Cash and cash equivalents at end of period	3,643,303	3,523,276

5. R&D Pipeline

Recombinant drug products

Code Nonproprietary Name	**Status** (Japan)	**Indication** **Remarks**
JR- 041 Follicle stimulating hormone (rDNA origin)	Phase I / II	Infertility Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR- 051 Alpha-galactosidase A (rDNA origin)	Phase II / III	Fabry disease (lysosomal storage disease) ERT Co-developed with GSK Group
JR- 032 Iduronate-2-sulfatase (rDNA origin)	Clinical study in preparation	Hunter syndrome (lysosomal storage disease) ERT Co-developed with GSK Group
JR-131 Darbopoietin (rDNA origin)	Phase I	Renal anemia Co-developed with Kissei Pharmaceutical Co., Ltd.
JR- 101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher's disease (lysosomal storage disease) ERT Uses Glycoengineering Technology "J-GlycoM®"
JR- 141 BBB-Penetrating Iduronate-2-sulfatase (rDNA origin)	Preclinical	Hunter syndrome (lysosomal storage disease) ERT Uses Blood Brain Barrier Penetration Technology "J-Brain Cargo®"
JR- 142 Long-Acting Somatropin (rDNA origin)	Preclinical	Growth disorder Long-acting human growth hormone product using Modified Albumin Fusion Technology and High-Level Protein Expression Technology "J-MIG System®"

(Note) ERT= Enzyme Replacement Therapy