

Financial Summary**Consolidated Financial Results for the Six Months Ended Sep. 30, 2014 (Q2 FY2014)**

Oct 31, 2014

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

1. Consolidated Financial Results for Q2 FY2014 (Apr. 1, 2014 - Sep. 30, 2014)**(1) Consolidated Operating Results (Cumulative)**

(Percentage shows year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six Months Ended								
Sep. 30, 2014	8,155	11.0	445	(33.3)	616	(10.7)	461	5.3
Sep. 30, 2013	7,344	10.8	667	78.4	690	83.1	438	108.8

(Note) Comprehensive income ;

Six months ended Sep. 30, 2014 : 495 million yen Six months ended Sep. 30, 2013 : 639 million yen

	Net Income per Share	Net Income per Share
	(basic)	(diluted)
Six Months Ended	Yen	Yen
Sep. 30, 2014	14.52	14.43
Sep. 30, 2013	13.81	13.72

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	Million yen	Million yen	%
Sep. 30, 2014	34,638	25,069	71.8
Mar. 31, 2014	33,464	24,580	73.0

(Reference) Shareholders' Equity ; As of Sep. 30, 2014 : 24,882 Million yen As of Mar. 31, 2014 : 24,417 Million yen

2. Dividends

	Dividend per Share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
(Base date)	Yen	Yen	Yen	Yen	Yen
FY 2013	—	7.00	—	10.00	17.00
FY 2014	—	8.50			
FY 2014 (Forecast)			—	8.50	17.00

(Note) Revisions of the latest forecast of dividends : None

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
Year ending Mar. 31, 2015	16,300	3.8	1,770	14.6	1,810	7.7	1,300	0.3	40.90

(Note) Revisions of the latest forecast of consolidated operating performance : None

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope) : None
- (2) Application of the accounting method peculiar to quarterly consolidated financial statements : None
- (3) Changes and revisions/restatements in accounting principles and accounting estimates
- ① Changes associated with changes in accounting standards : Yes
 - ② Changes in accounting principles other than ① : None
 - ③ Changes in accounting estimates : None
 - ④ Revisions/restatements : None
- (4) Number of shares outstanding (common stock)
- ① Number of shares outstanding at the end of the period (including treasury stocks) :
As of Sep. 30, 2014 32,421,577 shares As of Mar. 31, 2014 32,421,577 shares
 - ② Number of shares of treasury stock at the end of the period :
As of Sep. 30, 2014 586,194 shares As of Mar. 31, 2014 633,178 shares
 - ③ Average number of shares outstanding during the period :
Apr. -Sep. 2014 31,810,294 shares Apr. -Sep. 2013 31,770,153 shares

※ Information regarding the implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures. At the time of disclosure of these financial results, the quarterly consolidated Financial statement review 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, which are inherently speculative and cannot be guaranteed by the Company. Actual results may differ materially from the forecast depending on various factors.

1. Narrative Information and Financial Statements

Narrative Information on Consolidated Operating Results

During the second quarter ended September 30, 2014, the climate surrounding the Japanese pharmaceutical industry has still been in rigorous conditions due to the revision of the National Health Insurance (NHI) Price this April.

On the sales side, the Company has established “Koshigaya Distribution Center” as its logistic depot in eastern Japan for Growject® (recombinant human growth hormone product) and “ESA the Sales Promotion Division” for further enhancing the promotional activity of Epoetin Alpha BS Inj. JCR.

Regarding research and development, we are pleased to inform that on September 26, 2014 the Company has filed an application with the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan for marketing approval of JR-031, expected to be the first domestic cellular drug using human Mesenchymal Stem Cells (MSCs).

In addition, among several projects in progress, we have executed preparatory work to initiate its clinical trials of its enzyme replacement therapy drug candidate (α -galactosidase A, known as “JR-051”) for treatment of Fabry disease, one of lysosomal storage diseases.

As a result, although the sales of Growject® recorded ¥4,686 million, a slight decrease of ¥18 million from the same period last year, under the influence of the NHI price revision., Total sales of pharmaceutical business recorded ¥7,924 million (an increase of ¥807 million), reflecting the increased sales of Epoetin Alpha BS Inj. JCR that reached ¥1,712 million (an increase of ¥190 million) and anticancer bulk substance drug and license revenues as well as the sales of medical device/laboratory equipment business recorded ¥230 million (an increase of ¥2 million).

In total, the consolidated sales of the Company’s group during the first quarter recorded ¥8,155 million, an increase of ¥810 million from the same period of the previous fiscal year.

In terms of profit and loss, the Company recorded operating income of ¥445 million (a decrease of ¥222 million) affected by the R&D expenditures with its progress amounting to ¥1,752 (¥718 million increase compared to that of the same period last year) which offset positive impact of increase in sales.

We also recorded ordinary income of ¥616 million (a decrease of ¥74 million) and net income of ¥461 million (an increase of ¥23 million) from the same period of the previous fiscal year, primarily due to subsidy income obtained as shown in non-operating income on “Project to Promote the Industrialization of Regenerative Medicine in FY2013 “ by contract from Ministry of Economy, Trade and Industry, of Japan.

2. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

Yen in thousands

Consolidated Balance Sheets	As of March 31, 2014	As of Sep. 30, 2014
Assets		
Current assets		
Cash and deposits	1,047,494	1,768,872
Notes and accounts receivable-trade	3,869,221	4,698,448
Short-term investment securities	6,196,819	4,242,963
Merchandise and finished goods	1,472,119	1,143,416
Work in process	734,570	1,474,402
Raw materials and supplies	2,898,682	3,644,486
Other	1,153,918	956,733
Allowance for doubtful accounts	(21)	(21)
Total current assets	17,372,805	17,929,302
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,199,931	4,441,216
Land	3,882,338	3,882,338
Construction in progress	277,754	87,607
Other, net	3,032,047	3,076,902
Total property, plant and equipment	11,392,071	11,488,064
Intangible assets	94,579	86,794
Investments and other assets		
Investment securities	3,296,291	3,752,075
Other	1,510,558	1,400,797
Allowance for doubtful accounts	(202,037)	(18,679)
Total investments and other assets	4,604,812	5,134,193
Total noncurrent assets	16,091,462	16,709,052
Total assets	33,464,268	34,638,354
Liabilities		
Current liabilities		
Notes and accounts payable-trade	697,061	1,922,478
Short-term loans payable	1,875,260	2,049,160
Income taxes payable	501,658	57,961
Provision for bonuses	351,510	488,814
Provision for directors' bonuses	81,500	40,750
Other	2,156,914	2,396,928
Total current liabilities	5,663,903	6,956,091
Noncurrent liabilities		
Long-term loans payable	1,256,540	850,010
Provision for loss on guarantees	86,460	86,460
Provision for retirement benefits	577,817	423,637
Other	1,298,732	1,252,743
Total noncurrent liabilities	3,219,551	2,612,851
Total liabilities	8,883,454	9,568,943

(Continued)

Yen in thousands

Consolidated Balance Sheets	As of March 31, 2014	As of Sep. 30, 2014
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,932,987	10,939,450
Retained earnings	4,445,285	4,831,484
Treasury stock	(649,076)	(610,767)
Total shareholders' equity	23,791,063	24,222,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568,234	604,113
Deferred gains or losses on hedge	1,558	11,965
Foreign currency translation adjustments	178,727	148,833
Remeasurements of defined benefit plans	(121,841)	(104,913)
Total accumulated other comprehensive income	626,678	659,999
Subscription rights to shares	162,487	186,693
Minority interests	584	682
Total net assets	24,580,813	25,069,410
Total liabilities and net assets	33,464,268	34,638,354

(2) Consolidated Statements of Income

Yen in thousands

Consolidated Statements of Income	Six months ended Sep. 30, 2013	Six months ended Sep. 30, 2014
Net sales	7,344,532	8,155,379
Cost of sales	2,587,678	2,794,205
Gross profit	4,756,853	5,361,173
Selling, general and administrative expenses	4,089,066	4,916,033
Operating income	667,787	445,140
Non-operating income		
Interest income	16,742	17,339
Dividends income	10,424	13,386
Foreign exchange gain	13,080	—
Gain on redemption of securities	—	48,480
Subsidy income	—	60,354
Reversal of allowance for doubtful accounts	60	48,946
Other	13,704	14,513
Total non-operating income	54,011	203,021
Non-operating expenses		
Interest expenses	22,322	19,641
Foreign exchange losses	—	7,452
Equity in losses of affiliates	3,142	—
Other	5,723	4,609
Total non-operating expenses	31,187	31,703
Ordinary income	690,611	616,457
Extraordinary loss		
Loss on disposal of noncurrent assets	11,915	3,168
Other	4,218	—
Total extraordinary loss	16,133	3,168
Income before income taxes	674,478	613,289
Income taxes-current	273,526	30,741
Income taxes-deferred	(37,822)	120,522
Total income taxes	235,703	151,264
Income before minority interests	438,774	462,024
Minority interests in income	72	98
Net income	438,702	461,926

(3) Consolidated Statements of Comprehensive Income

Yen in thousands

Consolidated Statements of Comprehensive Income	Six months ended Sep. 30, 2013	Six months ended Sep. 30, 2014
Income before minority interests	438,774	462,024
Other comprehensive income		
Valuation difference on available-for-sale securities	142,631	35,879
Deferred gains or losses on hedges	(2,370)	10,407
Foreign currency translation adjustment	60,259	(29,894)
Remeasurements of defined benefit plans	—	16,927
Total other comprehensive income	200,519	33,320
Comprehensive income	639,294	495,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	639,221	495,246
Comprehensive income attributable to minority interests	72	98

(4) Consolidated Statements of Cash Flows

Yen in thousands

Consolidated Statements of Cash Flows	FY2013 (From Apr. 1, 2013 to Sep. 30, 2013)	FY2014 (From Apr. 1, 2014 to Sep. 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	674,478	613,289
Depreciation and amortization	453,609	646,752
Increase (decrease) in allowance for doubtful accounts	440	(183,357)
Increase (decrease) in net defined benefit liability	—	74,672
Increase (decrease) in provision for bonuses	111,721	137,304
Interest and dividends income	(27,167)	(30,725)
Interest expenses	22,322	19,641
Foreign exchange losses (gains)	(144)	806
Equity in (earnings) losses of affiliates	3,142	—
Decrease (increase) in notes and accounts receivable-trade	697,378	(829,227)
Decrease (increase) in accounts receivable-other	289,648	117,423
Decrease (increase) in inventories	276,092	(1,158,162)
Increase (decrease) in long-term prepaid expenses	150,761	95,030
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(390)	210,286
Increase (decrease) in notes and accounts payable-trade	(71,474)	1,225,417
Increase (decrease) in accounts payable-other	56,563	310,116
Increase (decrease) in long-term advanced received	—	(90,000)
Other, net	133,632	27,398
Subtotal	2,770,613	1,186,667
Interest and dividends income received	34,536	36,181
Interest expenses paid	(22,578)	(19,580)
Income taxes (paid) refund	(272,683)	(464,195)
Net cash provided by (used in) operating activities	2,509,888	739,072
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	—	(500,000)
Proceeds from sales and redemption of securities	200,197	1,218,851
Purchase of property, plant and equipment	(779,540)	(862,305)
Purchase of intangible assets	(2,029)	(61,213)
Purchase of investment securities	(266,634)	(601,388)
Other, net	39,711	1,756
Net cash provided by (used in) investing activities	(808,295)	(804,299)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(210,000)	—
Proceeds from long-term loans payable	300,000	—
Repayment of long-term loans payable	(131,300)	(232,630)
Repayments of lease obligations	(122,075)	(129,049)
Net decrease (increase) in treasury stock	15,510	18,467
Cash dividends paid	(190,488)	(320,467)
Net cash provided by (used in) financing activities	(338,353)	(663,679)
Effect of exchange rate change on cash and cash equivalents	45,902	(28,412)
Net increase (decrease) in cash and cash equivalents	1,409,140	(757,319)
Cash and cash equivalents at beginning of period	4,148,901	5,780,972
Cash and cash equivalents at end of period	5,558,041	5,023,653

(5) Notes on Assumption of a Going Concern None

(6) Notes on Significant Changes in Shareholders' Equity None

3. 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-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)	Filed on Sep 26,2014	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) as a result of the assignment of hMSCs-related rights from Osiris to Mesoblast in October 2013.