JCR Pharmaceuticals Co., Ltd.
Securities Code: 4552
2nd Section of OSE
http://www.jcrpharm.co.jp

Financial Report 2009

(Year ended March 31, 2010)

May 14, 2010

(Any fraction sum of less than a million yen is discarded.)

1. Consolidated Business Performance FY 2009 (From April 1, 2009 to March 31, 2010)

(1) Consolidated Operating Results (% indicates percent change to the previous fiscal year.)

*(Amount in millions except *)*

	Net Sales		Operating Income		Ordinary Income		Net Income	
FY 2009	¥ 14,387	19.1 %	¥ 2,007	267.4 %	¥ 1,861	190.1 %	¥ 1,302	141.3 %
FY 2008	¥ 12,082	1.8 %	¥ 546	93.8 %	¥ 641	(7.7) %	¥ 539	35.0 %

	Earning Per Share *	Diluted Earning Per Share *	Return On Equity	Return On Assets	Ordinary Profit Ratio
FY 2009	¥ 50.77	¥ 45.55	7.0 %	6.9 %	14.0 %
FY 2008	¥ 20.09	¥ 20.09	3.2 %	2.6 %	4.5 %

Note: Equity in earnings or losses of affiliates FY2009 (230) million yen FY 2008 - million yen

(2) Consolidated Financial Condition

*(Amount in millions except *)*

	Total Assets	Total Net Assets	Equity Ratio	Book Value Per Share*
FY 2009	¥ 29,148	¥ 20,483	70.2 %	¥ 700.80
FY 2008	¥ 24,767	¥ 16,984	68.2 %	¥ 635.20

Note: Equity FY2009 20,462 million yen FY 2008 16,879 million yen

(3) Consolidated Cash Flows

(Amount in millions)

	Cash Flows From Operations	Cash Flow From Investments	Cash Flow From Financial Activities	Ending Cash And Cash Equivalents
FY 2009	¥ 2,357	¥ (3,396)	¥ 1,756	¥ 6,334
FY 2008	¥ 1,825	¥ 121	¥ (1,276)	¥ 5,620

2. Dividends

*(Amount in millions except *)*

	Dividend Per Share *					Total Dividend Amount (Annual)	Dividend Payout (Consolidated)	Dividend On Equity Ratio (Consolidated)
(Record date)	Q1 -end	Q2 -end	Q3 -end	Year -end	Full			
FY 2008		¥ 5.00		¥ 5.00	¥ 10.00	¥ 267	49.8 %	1.6 %
FY 2009		¥ 5.00		¥ 10.00	¥ 15.00	¥ 412	29.5 %	2.2 %
FY 2010 (Forecast)		¥ 6.00		¥ 6.00	¥ 12.00	—	46.3 %	—

3. Consolidated Business Forecast FY 2010 (From April 1, 2010 to March 31, 2011)

(% indicates percentage change to the same period of the previous fiscal year)

*(Amount in millions except *)*

	Net sales		Operating Income		Ordinary Income		Net Income		Earning Per Share *
Interim fiscal year ended Sep. 30, 2010	¥ 7,200	19.3 %	¥ 970	198.6 %	¥ 970	169.0 %	¥ 590	412.6 %	¥ 18.57
Full fiscal year	¥ 14,400	0.1 %	¥ 1,320	(34.3) %	¥ 1,320	(29.1) %	¥ 830	(36.3) %	¥ 25.92

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(Reference) Summary of Nonconsolidated Business Performance

1. Nonconsolidated Business Performance FY 2009 (From April 1, 2009 to March 31, 2010)

(1) Nonconsolidated Operating Results (% indicates percent change to the previous fiscal year.)

*(Amount in millions except *)*

	Net Sales	Operating Income	Ordinary Income	Net Income
FY 2009	¥ 14,092 19.7 %	¥ 1,895 338.6 %	¥ 1,992 260.0 %	¥ 1,225 164.9 %
FY 2008	¥ 11,770 4.3 %	¥ 432 280.8 %	¥ 553 4.4 %	¥ 462 84.2 %

	Earning Per Share *	Diluted Earning Per Share *
FY 2009	¥ 47.76	¥ 42.86
FY 2008	¥ 17.22	¥ 17.22

(2) Nonconsolidated Financial Condition

*(Amount in millions except *)*

	Total Assets	Total Net Assets	Equity Ratio	Book Value Per Share*
FY 2009	¥ 28,864	¥ 20,595	71.3 %	¥ 704.63
FY 2008	¥ 24,480	¥ 17,172	69.7 %	¥ 642.44

Note: Equity FY2009 20,574 million yen FY 2008 17,072 million yen

2. Nonconsolidated Business Forecast FY 2010 (From April 1, 2010 to March 31, 2011)

(% indicates percentage change to the same period of the previous fiscal year)

*(Amount in millions except *)*

	Net sales	Operating Income	Ordinary Income	Net Income	Earning Per Share*
Six months ended September 30, 2010	¥ 7,100 19.1 %	¥ 940 249.9 %	¥ 950 208.3 %	¥ 580 679.7 %	¥ 18.26
Full fiscal year	¥ 14,100 0.1 %	¥ 1,240 (34.6) %	¥ 1,260 (36.8) %	¥ 800 (34.7) %	¥ 24.98

※ Explanation on appropriate use of "Business Forecast" and other special instructions
The aforementioned forecast is based on available data as at the issue date of this document.
Actual results may differ from those anticipated in the forecast due to various factors.

I. Operating results

1. Analysis of operating results

1.1 Operating results of FY2009

The Japanese pharmaceutical industry remained to be under severe environment with the continuous emphasis of medical expense restraint policy as a result of declining birthrate and aging population, economic slowdown and shrinking tax revenues while it faced ever demanding drug review and approval process on a global level and rising R&D expenditures over the years.

Despite such, JCR strengthened the sales activities of its main product, **Growject®**, a recombinant human growth hormone product, by obtaining the approval for supplementary indication for adult growth hormone deficiency (JR-401A) and introducing an updated model of a pen device, **BD Penjector™**.

As to JCR's R&D, in January 2010, we successfully obtained the marketing authorization from the JMHLW (Ministry of Health Labour and Welfare in Japan) for our recombinant erythropoietin, **Epoetin Alpha BS Inj. JCR**, being the first domestic follow-on biologics in Japan for treating renal anemia and anemia of prematurity. With this product, we look forward to offering a new treatment option for patients with renal anemia. (According to the report published by The Japanese Society for Dialysis Therapy, the number of chronic dialysis patients in Japan in 2008 reached 280,000.)

Furthermore, JCR made a steady progress in the clinical trials of JR-031, human mesenchymal stem cells for suppression of graft versus host disease (GVHD), which is expected to be the first cell-based drug in Japan, as well as JR-401S, a supplementary indication of **Growject®** for short stature due to small for gestational age.

It was against such a background that, JCR entered in a master agreement with a major global healthcare leader, GlaxoSmithKline Group Limited (UK) and GlaxoSmithKline K.K. (Japan), for development, production and commercialization of JCR's biologics and received certain upfront payment from GSK. This alliance with GSK enables JCR to accelerate introduction of its products into domestic as well as overseas markets.

As a result of these business activities, the consolidated sales of JCR Group at fiscal year-end March 31, 2010 reached ¥14,387 million (increase of 19.1 % from the previous fiscal year), and generated an operating income of ¥2,007 million (an increase of 267.4 % from the previous fiscal year), ordinary income of ¥1,861 million (increase of 190.1 % from the previous fiscal year) and net income of ¥1,302 million (increase of 141.3 % from the previous fiscal year). JCR marked a robust growth in both sales and profits, excelling the business performance of the previous fiscal year.

The sales and status of each business segment are as shown below:

(1) Pharmaceutical business

Sales of **Growject®** continued to make a solid increase reaching ¥8,499 million, an increase of 5.6 % from the previous fiscal year. Furthermore, sales of active pharmaceutical ingredient (API) for oncology and other APIs increased favorably. As a result, pharmaceutical business sales recorded

¥14,009 million, an increase of 19.5 % from the previous fiscal year.

(2) Medical device/laboratory equipment business

The sales performance of subsidiaries, Family Health Rental Co., Ltd. for infant respiratory monitor, etc. excelled that of the previous year. As a result, total sales of our medical device/laboratory equipment business recorded ¥378 million, an increase of 6.5 % from the previous fiscal year.

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

Sales by business segments

Business segment	Consolidated Fiscal Year 2008 (Apr.1, 2008 - Mar. 31, 2009)		Consolidated Fiscal Year 2009 (Apr.1, 2009 - Mar. 31, 2010)		Increase and decrease
	JPY Thousand	Composition ratio (%)	JPY Thousand	Composition ratio (%)	JPY Thousand
Pharmaceuticals	11,727,449	97.1	14,009,065	97.4	2,281,616
Endocrinological & Gastrointestinal	8,049,951	66.6	8,499,525	59.1	449,573
Metabolic & Cardiovascular	1,079,478	8.9	1,155,360	8.0	75,881
Revenue from licenses	750,000	6.2	1,500,000	10.4	750,000
Others	1,848,018	15.4	2,854,180	19.9	1,006,161
Medical devices & laboratory equipment	355,269	2.9	378,334	2.6	23,065
Total	12,082,718	100.0	14,387,400	100.0	2,304,682

1.2 Forecast for FY2010

Despite the sales of **Growject®** expected to remain at the same level as the FY2009 due to the impact of the recent NHI price revision, JCR anticipates the sales of pharmaceutical products to increase with the commercial launch of **Epoetin Alfa BS Inj. JCR** starting May 2010. On the other hand, revenue from licenses and sales of APIs are expected to decrease for FY2010. As a result, our sales from pharmaceutical business as well as from medical device/laboratory equipment business are expected to remain at the same level as the FY 2009. The overall sales forecast of JCR Group is anticipated to reach ¥14,400 million, an increase of 0.1% from the FY2009.

In terms of profits, although selling and general administrative expenses may remain at the same level as the FY2009, gross profit is expected to decrease due to substantial decline of revenue from licenses. JCR anticipates operating income of ¥1,320 million, a decrease of 34.3% from the FY2009, ordinary income of ¥1,320 million, a decrease of 29.1 % from the FY2009 and net income of ¥830 million, an increase of 36.3 % from the FY2009.

2. Financial Position

2.1 Assets, liabilities and net assets

Consolidated statements at the fiscal year-end resulted in total assets of ¥29,148 million (increase of ¥4,381 million from the previous fiscal year-end), liabilities of ¥8,664 million (increase of ¥881 million from the previous fiscal year-end), net assets of ¥20,483 million (increase of ¥3,499 million from the previous fiscal year-end).

Current assets and fixed assets increased ¥4,381 million from the previous fiscal year-end, the result of tabulating the total increase of ¥1,684 million in short-term investment securities, trust beneficiary right and investment securities, the increase of ¥1,476 million in property, plant and equipment, and the increase of ¥882 million in merchandise and finished goods, work in process and raw materials and supplies.

Current liabilities increased ¥868 million from the previous fiscal year-end to ¥5,362 million, due to tabulating the increase in income taxes payable and short-term loans payable. Fixed liabilities increased ¥13 million from the previous fiscal year-end to ¥3,302 million which was at a similar level as the previous fiscal year-end, due to tabulating the decrease in long-term loans payable and increase in lease obligations.

Net assets increased ¥3,499 million from the previous fiscal year-end, the result of tabulating the increase in capital stock and legal capital surplus in association with issuance of new shares, and the increase in retained earnings.

As a result, equity ratio at the fiscal year-end rose by 2.0 points from the previous fiscal year-end or 70.2 %.

2.2 Cash flow

Cash and cash equivalents at the fiscal year-end increased by ¥713 million from that of the previous fiscal year-end or ¥6,334 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 ¥2,357 million, an increase of ¥531 million as compared with the same period of the previous year, primarily due to tabulating increase in inventories of ¥953 million, income before income taxes and minority interests of ¥1,583 million, depreciation and amortization of ¥743 million, increase in accounts payable-other of ¥271 million and loss on valuation of investment securities of ¥260 million.

Cash flow from investing activities

Net cash used in investing activities amounted to ¥3,396 million, an increase of ¥3,518 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from sales and redemption of securities of ¥1,195 million, purchase of investment securities of ¥ 2,828 million and purchase of property, plant and equipment of ¥1,922 million

Cash flow from financing activities

Net cash provided by financing activities amounted to ¥1,756 million, an increase of ¥3,032 million as compared with the same period of the previous year, primarily due to net decrease in treasury stock of ¥1,242 million and proceeds from issuance of common stock of ¥1,014 million.

Reference: Transition of cash flow-related indices

	FY2005 (ended Mar. 2006)	FY2006 (ended Mar. 2007)	FY2007 (ended Mar. 2008)	FY2008 (ended Mar. 2009)	FY2009 (ended Mar. 2010)
Equity ratio	74.4 %	70.7 %	69.5 %	68.2 %	70.2 %
Market base equity ratio	72.5 %	57.5 %	58.7 %	33.3 %	138.3 %
Ratio of cash flow and interest-bearing debts	5.7 years	4.6 years	2.6 years	2.4 years	2.2 years
Interest coverage ratio	14.3 fold	18.9 fold	29.4 fold	29.1 fold	34.1 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

2.3 Basic policy on the distribution of profits/dividends for FY2009 and FY2010

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 FY2009, on May 14, 2010 the Board of Directors approved the resolution for a special year-end dividend of ¥10 per share (the commemorative dividend of ¥5 to be paid in addition to the ordinary dividend of ¥5) in order to commemorate the record high sales and profit and the marketing approval of **Epoetin Alfa BS Inj. JCR** obtained during the year. As a result, the total year-end applicable to FY2009 will be ¥15 per share including the interim dividend of ¥5 distributed. For the current fiscal year 2010, we anticipate distributing a full-year dividend of ¥12 per share.

2.4 Risk Factors

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

(1) Governmental regulation on pharmaceuticals

The business engaged in by the JCR Group is subject to the Pharmaceutical Affairs Laws (PAL). PAL regulates matters related to pharmaceutical drugs, quasi-drugs, cosmetics and medical devices and stipulates manufacturing approval, re-evaluation, manufacturing control, standards and inspections, handling thereof, etc. of such products in order to assure quality, efficacy and safety of the same. In the event that our manufacturing method or indication of its products cannot adapt to regulatory changes, such a situation is expected to disable the sales and supply of those products.

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.

(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, 59.1 % (66.6 % 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 significant decrease of **Growject®** sales occur, such a situation would negatively impact the operating activities of the JCR Group.

(4) 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.

(5) Others

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 five, namely JCR Pharmaceuticals Co., Ltd., three consolidated subsidiaries and one affiliated company accounted for by the equity method. The main business description and position of each group company are as given below.

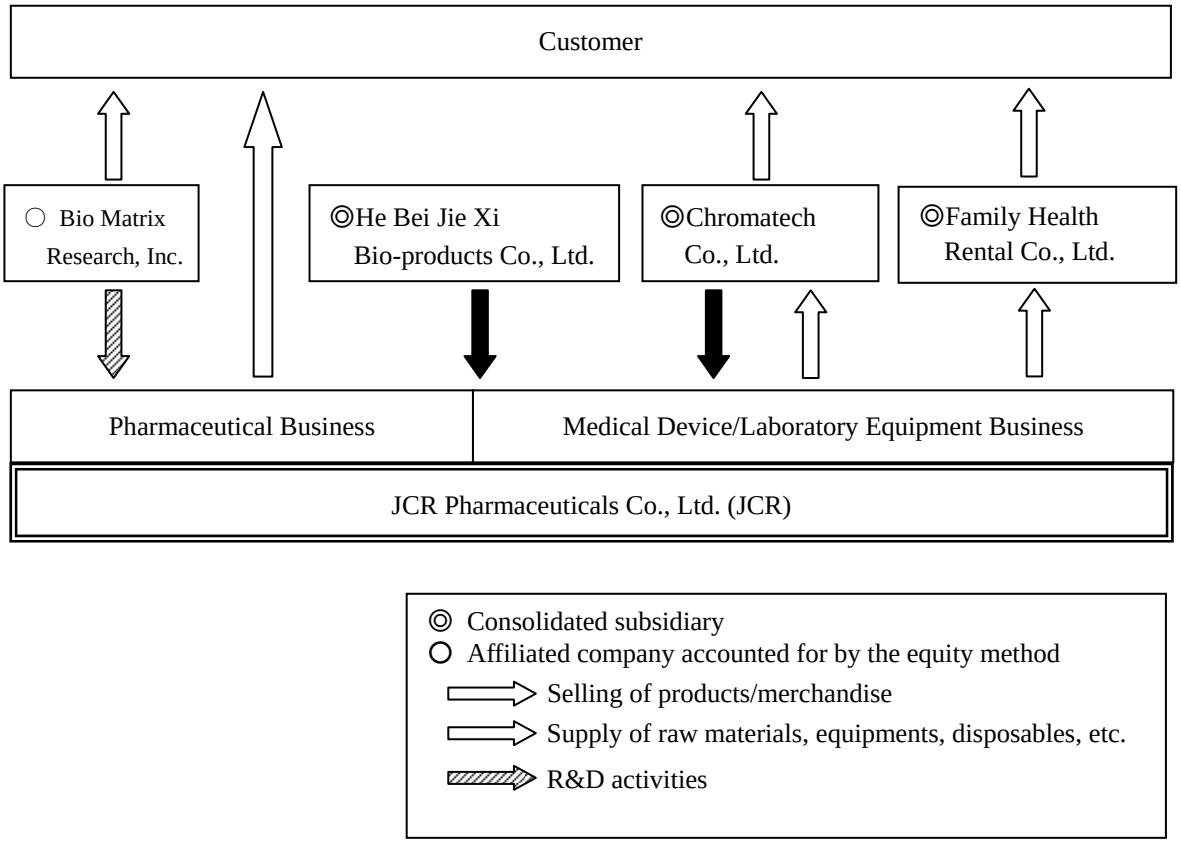
Pharmaceutical business

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. and certain equipments and disposables, etc. purchased by Chromatech Co., Ltd. JCR outsources part of its R&D activities to Bio Matrix Research, Inc.

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 and Chromatech.

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

JCR is one of the few Japanese companies fully integrated with capabilities for research, development, manufacturing and distribution of biologics. Recent trend in the pharmaceutical industry shows a number of companies shifting their development portfolios from synthetic drugs to biodrugs. Given such environment, robust business strategy for development of biologics is the key to our continued growth. In order to establish a solid position in the field of biodrug business, we have identified the following important tasks to be addressed.

(1) Consolidated distribution network for **Growject®**:

To pursue R&D activities of biologics on an ongoing basis, stable financial resources are indispensable to sustain such activities. This then necessitates JCR to increase profitability of its main product **Growject®**, which is currently sold through two distribution channels, JCR's own channel and consignment sale by Dainippon Sumitomo Pharma Co., Ltd (DSP). As a result of discussion between JCR and DSP, we have agreed to terminate the existing co-marketing agreement and consolidate **Growject®** marketing business in JCR starting July 2010. JCR believes that this new sale structure will reinforce our promotion activities of **Growject®**. Furthermore, ongoing efforts in the development of electronic auto-injector and clinical trial of short stature due to small for gestational age as a supplementary indication of **Growject®**, have shown steady progress. We will make every effort to expand our market share with proactive sales promotion and R&D activities.

(2) Commercial launch of **Epoetin Alfa BS Inj. JCR** in Japan and overseas development of the product:

In May 2010, JCR will launch **Epoetin Alfa BS Inj. JCR**, which was approved this January as the first domestic follow-on biologics in Japan for treatment of renal anemia and anemia of prematurity. Due to the completeness of clinical trials, an NHI price was granted with a 10 % premium over existing generics pricing rule. While our EPO product will be distributed by Kissei Pharmaceutical Co., Ltd. (Kissei), JCR will co-promote the product with Kissei through participation in the medical

intelligence activities. Although the Japan market of follow-on biologics has not yet been established, the market is expected to have potentials to be of a substantially large scale at a rapid growth rate. JCR is fully committed to cooperating with Kissei to promote our EPO product in Japan.

As to overseas development and distribution of our EPO product, JCR has collaboration with GlaxoSmithKline Group (GSK). JCR intends to supply its EPO product through GSK's global distribution system for countries not only the U.S. and Europe but also to emerging countries; such global market for EPOs, in general, is said to be of a size exceeding one trillion yen. To fulfill worldwide requirements, JCR will establish a large-scale production system featuring a new manufacturing facility located on the same premises of Kobe Plant which its operation is aimed to start by the end of FY2010. We shall make endeavors to win global competition based on our solid strategies including streamlined production cost and supply of formulated products to meet each market's requirements.

(3) Development of orphan drug business:

As the next target following **Epoetin Alfa BS Inj. JCR,** JCR is focused on development of biologics indicated for orphan drug diseases. We are engaged in development of therapeutics for lysosomal storage diseases, such as Hunter syndrome and Fabry's disease. Generally speaking, medicines for treatment of orphan diseases are expensive. We consider as one of our missions to deliver our therapeutic products at affordable price to countries where treatment with conventional medication may be deprived due to cost issues. We believe our proprietary technology for biodrugs will enable us to fulfill this mission. Given the relatively small population of patients suffering from orphan diseases, with possibly less competition and low cost sales promotion activities, development of orphan drugs is suitable for a small-medium sized company like JCR. This strategy is in alignment with that of GSK, our collaboration partner under the Master Agreement. JCR aims to commence clinical trials in Japan and outside Japan in close cooperation with GSK. Furthermore, JCR will strive to adding values to its products by means of optimizing cell-lines for target enzymes and hormones, improving dosage and administration and aiming at low cost manufacturing by using disposable technology for cell cultivation. We endeavor to provide global markets not simply with follow-on biologics, but "Biobetters".

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

	FY2008 (As of March 31, 2009)	FY2009 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	2,032,785	1,901,996
Notes and accounts receivable-trade	3,000,487	3,043,201
Short-term investment securities	3,919,851	4,333,929
Trust beneficiary right	1,448,558	699,282
Merchandise and finished goods	1,352,911	1,807,461
Work in process	822,692	1,133,298
Raw materials and supplies	1,038,937	1,156,600
Deferred tax assets	―	335,075
Other	618,879	545,072
Allowance for doubtful accounts	(178)	(4,944)
Total current assets	**14,234,926**	**14,950,973**
Noncurrent assets		
Property, plant and equipment		
Building and structures, net	2,322,233	3,027,395
Machinery, equipment and vehicles, net	475,402	564,627
Land	3,492,049	3,604,920
Lease assets, net	766,788	767,663
Construction in process	73,198	580,610
Other, net	305,366	366,481
Total property, plant and equipment	7,435,038	8,911,699
Intangible assets	59,336	118,883
Investment and other assets		
Investment securities	2,503,379	4,522,796
Other	714,756	816,388
Allowance for doubtful accounts	(180,250)	(172,539)
Total investments and other assets	3,037,885	5,166,645
Total noncurrent assets	**10,532,261**	**14,197,229**
Total assets	**24,767,187**	**29,148,202**

(Continued) Yen in thousands

	FY2008 (As of March 31, 2009)	FY2009 (As of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	808,920	914,855
Short-term loans payable	1,547,200	1,782,800
Lease obligations	345,958	211,667
Income taxes payable	—	553,220
Provision for bonuses	198,783	225,679
Provision for directors' bonuses	37,500	74,500
Other	1,555,265	1,599,389
Total current liabilities	**4,493,627**	**5,362,113**
Noncurrent liabilities		
Bonds payable	2,000,000	2,000,000
Long-term loans payable	832,000	634,800
Lease obligations	358,432	528,251
Provision for retirement benefits	46,872	51,913
Other	51,541	87,352
Total noncurrent liabilities	**3,288,846**	**3,302,318**
Total liabilities	**7,782,473**	**8,664,431**
Net assets		
Shareholders' equity		
Capital stock	7,504,866	8,061,866
Capital surplus	8,411,316	9,779,147
Retained earnings	1,474,082	2,523,798
Treasury stock	(515,545)	(83,912)
Total shareholders' equity	**16,874,721**	**20,280,899**
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(38,327)	111,404
Deferred gains or losses on hedges	(18,751)	4,998
Foreign currency translation adjustment	62,265	65,410
Total valuation and translation adjustments	5,186	181,814
Subscription rights to shares	100,000	20,825
Minority interests	4,805	231
Total net assets	**16,984,713**	**20,483,771**
Total liabilities and net assets	**24,767,187**	**29,148,202**

(2) Consolidated Statements of Income (For the years ended March 31, 2009 and 2010)

Yen in thousands

	FY2008	FY2009
Net sales	12,082,718	14,387,400
Cost of sales	3,555,732	4,142,465
Gross profit	**8,526,985**	**10,244,935**
Selling, general and administration expenses	7,980,515	8,237,308
Operating income	**546,470**	**2,007,627**
Non-operating income		
Interest income	58,419	47,054
Dividends income	16,071	16,900
Income from product development investment	100,000	32,530
Compensation income	—	38,093
Insurance return	—	25,172
Other	24,937	23,582
Total non-operating income	199,427	183,334
Non-operating expenses		
Interest expenses	62,966	69,045
Foreign exchange losses	21,945	21,647
Equity in losses of affiliates	—	230,807
Other	19,305	8,227
Total non-operating expenses	104,217	329,727
Ordinary income	**641,680**	**1,861,234**
Extraordinary income		
Gain on sales of investment securities	—	14,487
Reversal of allowance for doubtful accounts	127	—
Total extraordinary income	127	14,487
Extraordinary loss		
Loss on disposal of noncurrent assets	3,384	29,009
Impairment loss	13,794	—
Loss on valuation of investment securities	36,015	260,492
Provision of allowance for doubtful accounts	22,638	—
Other	3,850	2,275
Total extraordinary loss	79,682	291,776
Income before income taxes and minority interests	562,125	1,583,945
Income taxes-current	13,807	527,462
Income taxes-deferred	7,391	(247,621)
Total income taxes	21,198	279,841
Minority interests in income	1,016	1,228
Net income	**539,911**	**1,302,874**

(3) Consolidated Statements of Cash Flow (For the years ended March 31, 2009 and 2010)

Yen in thousands

	FY2008	FY2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	562,125	1,583,945
Depreciation and amortization	694,771	743,334
Income (gain) on valuation of investment securities	36,015	260,492
Increase (decrease) in allowance for doubtful accounts	26,360	(2,944)
Increase (decrease) in provision for bonuses	9,153	26,896
Interest and dividends income	(74,490)	(63,955)
Interest expenses	62,966	69,045
Foreign exchange losses (gains)	(1,710)	20,017
Decrease (increase) in notes and accounts receivable-trade	(93,757)	(42,713)
Decrease (increase) in inventories	112,503	(953,587)
Increase (decrease) in notes and accounts payable-trade	370,613	105,935
Increase (decrease) in accounts payable-other	(135,391)	271,118
Equity in (earnings) losses of affiliates	—	230,807
Other, net	266,758	146,934
Subtotal	1,835,919	2,395,326
Interest and dividends income received	76,567	67,424
Interest expenses paid	(62,724)	(69,101)
Payments for directors' retirement benefits	(12,080)	(6,080)
Income taxes paid (paid) refund	(12,096)	(30,032)
Net cash provided by (used in) operating activities	**1,825,586**	**2,357,537**
Net cash provided by (used in) investing activities		
Payments into time deposits	(300,000)	(400,000)
Proceeds from withdrawal of time deposits	100,000	800,000
Purchase of short-term investment securities	(499,208)	(402,655)
Proceeds from sales and redemption of securities	2,700,000	1,195,278
Purchase of trust beneficiary right	(323,939)	—
Proceeds from redemption of trust beneficiary right	600,115	—
Purchase of property, plant and equipment	(523,202)	(1,922,606)
Purchase of investment securities	(1,596,219)	(2,828,598)
Proceeds from sales of investment securities	—	234,363
Repayments of loans receivable	—	(70,500)
Purchase of long-term prepaid expenses	(12,948)	(16,467)
Purchase of investments in subsidiaries	(8,888)	—
Purchase of investments in capital of subsidiaries	—	(6,898)
Other, net	(13,886)	21,343
Net cash provided by (used in) investing activities	**121,821**	**(3,396,740)**

(Continued) Yen in thousands

	FY2008	FY2009
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(630,000)	270,000
Proceeds from long-term loans payable	300,000	500,000
Repayment of long-term loans payable	(367,200)	(731,600)
Proceeds from issuance of common stock	—	1,014,000
Proceeds from sale and leaseback transactions	174,883	—
Repayments of lease obligations	(306,266)	(232,303)
Net decrease (increase) in treasury stock	(176,687)	1,242,462
Cash dividends paid	(270,194)	(253,234)
Other, net	(764)	(52,946)
Net cash provided by (used in) financing activities	**(1,276,228)**	**1,756,377**
Effect of exchange rate change on cash and cash equivalents	**(35,443)**	**(3,259)**
Net increase (decrease) in cash and cash equivalents	**635,735**	**713,915**
Cash and cash equivalents at beginning of period	**4,984,788**	**5,620,523**
Cash and cash equivalents at end of period	**5,620,523**	**6,334,439**

6. R&D Pipeline

(i) Pharmaceuticals

Code Nonproprietary Name	**Status** (Japan)	**Indication**	**Remarks**
JR-401A Somatropin (rDNA origin)	Approved in July 2009	Adult growth hormone deficiency	Supplementary indication of Growject® In-house development
JR- 401S Somatropin (rDNA origin)	Phase III	Short stature due to small for gestational age	Supplementary indication of Growject® In-house development
JR- 013 Erythropoietin (rDNA origin)	To be launched on May 27, 2010	Renal anemia during dialysis Anemia of prematurity	Manufactured using serum-free culture technology Co-developed with Kissei Pharmaceutical Co., Ltd. Product Name: Epoetin Alfa BS Inj. JCR
JR- 041 Follicle stimulating hormone (rDNA origin)	Preclinical	Infertility	Manufactured using serum-free culture technology Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR- 032 Iduronate-2-sulfatase (rDNA origin)	Preclinical	Hunter syndrome (lysosomal disease)	ERT Manufactured using serum-free culture technology Co-development with GSK Group
JR- 051 Alpha-galactosidase A (rDNA origin)	Preclinical	Fabry disease (lysosomal disease)	ERT Manufactured using serum-free culture technology Co-development with GSK Group
JR- 101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher disease (lysosomal disease)	ERT Manufactured using serum-free culture technology Co-development with GSK Group

(Note) ERT= Enzyme Replacement Therapy

(ii) Cellular Therapy

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