Financial Summary

Consolidated Financial Results for Fiscal Year 2010

May 12, 2011

(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, 2011 (Apr. 1, 2010 - Mar. 31, 2011)

(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	%
FY2010	14,457	0.5	1,407	(29.9)	1,312	(29.5)	926	(28.9)
FY2009	14,387	19.1	2,007	267.4	1,861	190.1	1,302	141.3

(Reference) Comprehensive income； FY2010：783 million yen FY2009：1,481 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	%	%	%
FY2010	28.93	28.60	4.3	4.5	9.7
FY2009	50.77	45.55	7.0	6.9	14.0

(Reference) Equity in earnings of affiliates； FY2010：(78) million yen FY2009：(230) 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, 2011	29,817	22,832	76.3	704.96
Mar. 31, 2010	29,148	20,483	70.2	700.80

(Reference) Shareholders' Equity； As of Mar. 31, 2011：22,762 million yen As of Mar. 31, 2010：20,462 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
FY2010	(18)	(2,211)	(1,276)	2,812
FY2009	2,357	(3,396)	1,756	6,334

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 2009	—	5.00	—	10.00	15.00	412	29.5	2.2
FY 2010	—	6.00	—	6.00	12.00	387	41.5	1.7
FY 2011 (Forecast)	—	6.00	—	6.00	12.00		51.7	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2012 (Apr. 1, 2011 - Mar. 31, 2012)

(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, 2011	6,440	(8.5)	320	(69.4)	320	(68.3)	200	(67.0)	6.19
Year ending Mar. 31, 2012	14,220	(1.6)	1,200	(14.7)	1,200	(8.6)	750	(19.0)	23.23

※ 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 FY2009

The Japanese pharmaceutical industry struggled under severe environment with the continuous emphasis of cost constraint policy for medical spending as a result of prolonged economic slowdown and shrinking tax revenues while it faced ever demanding drug review and approval process on a global level, rising R&D expenditures over the years and a wave of patent expirations of blockbuster drugs. To overcome the situation, development of promising bio-drugs has captured the attention and its success or failure is likely to have a strong impact on the growth of pharmaceutical companies.

Under these circumstances, JCR, using its proprietary technology, launched its recombinant erythropoietin, **Epoetin Alpha BS Inj. JCR**, for treatment of anemia in dialysis patients in May 2011, which led to increase visibility of the Company. In addition, strengthened sales activities contributed to boost sales of its main product, **Growject®**, a recombinant human growth hormone product, by 5.8 % on a unit basis.

As to JCR's R&D, JCR made a steady progress in the clinical trials of JR-401S, a supplementary indication of **Growject®** for short stature due to small for gestational age, as well as JR-031, human mesenchymal stem cells for suppression of graft versus host disease (GVHD), which is expected to be the first cell-based drug to move onto commercialization in Japan. We also engaged in the research and development focused on rare diseases with our proprietary technologies. Furthermore, JCR proactively collaborated with our GlaxoSmithKline Group (GSK Group), our alliance partner, to globally market **Epoetin Alpha BS Inj. JCR** and biological products for treatment of rare diseases.

As a result of these business activities, the consolidated sales of JCR Group reached ¥14,457 million (increase of 0.5 % from the previous fiscal year) at fiscal year-end March 31, 2011. In terms of profits, license revenues decreased to ¥700 million in this fiscal year compared to ¥1,500 million posted in the previous fiscal year mainly due to the collaboration with GSK Group. JCR generated an operating income of ¥1,407 million (decrease of 29.9 % from the previous fiscal year), ordinary income of ¥1,312 million (decrease of 29.5 % from the previous fiscal year) and net income of ¥926 million (decrease of 28.9 % from the previous fiscal year).

JCR accomplished listing on the Second Section of Tokyo Stock Exchange on March 18, 2011. The Company's stock is listed on the Second Sections of Osaka Securities Exchange as well as Tokyo Securities Exchange thereafter. We sincerely express our appreciation for your continuous supports and cooperation.

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

(1) Pharmaceutical business

The sales of **Growject®** on a unit basis increased by 5.8% compared to the previous fiscal year. However, the sales of **Growject®** on a value basis fell to ¥8,425 million (decrease of 0.9% from the previous fiscal year) after deducting commission fees payable to dealership, as a consequence of

consolidation of **Growject®** marketing business from Dainippon Sumitomo Pharma, Co., Ltd. While the sales of bulk drug substances for oncology and others decreased compared to a year earlier, ¥1,502 million generated by **Epoetin Alpha BS Inj. JCR** launched in May 2010 contributed to the overall sales. As a result, the sales of final products including **Growject®** and bulk drug substances reached ¥13,386 million (increase of 7.0%). Total pharmaceutical business sales recorded ¥14,086 million (increase of 0.6%) with reduced license revenue of ¥700 million (decrease of 53.3 %).

(2) Medical device/laboratory equipment business

The sales of our medical device/laboratory equipment business including infant respiratory monitor, etc. distributed by our subsidiary, Family Health Rental Co., Ltd. recorded ¥371 million (decrease of 1.9% from the previous fiscal year).

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

Sales by business segments

Business segment	Consolidated Fiscal Year 2009 (Apr.1, 2009 - Mar. 31, 2010)		Consolidated Fiscal Year 2010 (Apr.1, 2010 - Mar. 31, 2011)		Increase and decrease
	JPY Thousand	Composition ratio (%)	JPY Thousand	Composition ratio (%)	JPY Thousand
Pharmaceuticals	14,009,065	97.4	14,086,843	97.4	77,777
Endocrinological & Gastrointestinal	8,499,525	59.1	8,425,348	58.3	(74,176)
Metabolic & Cardiovascular	1,155,360	8.0	2,433,092	16.8	1,277,731
Revenue from licenses	1,500,000	10.4	700,000	4.8	(800,000)
Others	2,854,180	19.9	2,528,402	17.5	(325,777)
Medical devices & laboratory equipment	378,334	2.6	371,003	2.6	(7,330)
Total	14,387,400	100.0	14,457,846	100.0	70,446

1.2 Forecast for FY2011

Revenues from **Growject®**, **Epoetin Alfa BS Inj. JCR** and urine-derived products are anticipated to increase while those from anti-cancer bulk drug substance and licensing are expected to decrease for FY2011. Given such, the overall sales forecast of JCR Group is anticipated to reach ¥14,220 million (decrease of 1.6% from the FY2010).

In terms of profits, contribution from growing sales of relatively high profitable biological products is expected. However, R&D expenses are anticipated to rise by ¥500 million compared to FY2010, attributing to development efforts with GSK Group for drugs related to rare diseases, including JR-032 (recombinant Iduronate-2-sulfatase) and others, in pursuit for New Biological Entities, improvement of dosage and administration, research of novel route of administration and optimization of production cell

lines. JCR anticipates operating income of ¥1,200 million (decrease of 14.7%), ordinary income of ¥1,200 million (decrease of 8.6%) and net income of ¥750 million (decrease of 19.0%).

2. Financial Position

2.1 Assets, liabilities and net assets

Consolidated statements at the fiscal year-end resulted in total assets of ¥29,817 million (increase of ¥669 million from the previous fiscal year-end), liabilities of ¥6,985 million (decrease of ¥1,679 million from the previous fiscal year-end), net assets of ¥22,832 million (increase of ¥2,348 million from the previous fiscal year-end).

Current assets decreased ¥1,130 million from the previous fiscal year-end to ¥13,820 million, the result of tabulating the total increase in inventories and notes and accounts receivable and decrease in short-term investment securities and trust beneficiary right. Noncurrent assets increased ¥1,799 million from the previous fiscal year-end to ¥15,996 million mainly due to the increase in property, plant and equipment following completion of a new manufacturing building in Kobe Plant.

Current liabilities decreased ¥529 million from the previous fiscal year-end to ¥4,832 million due to the decrease in accounts payable-other and income taxes payable, etc. Noncurrent liabilities decreased ¥1,149 million from the previous fiscal year-end to ¥2,152 million, due to the increase in lease obligations and conversion of total amount of the convertible bonds into stocks in May 2010.

Net assets increased ¥2,348 million from the previous fiscal year-end to ¥22,832 million, the result of the conversion of the convertible bonds.

As a result, the equity ratio at the fiscal year-end rose by 6.1 points from the previous fiscal year-end or 76.3%.

2.2 Cash flow

Cash and cash equivalents at the fiscal year-end decreased by ¥3,522 million from that of the previous fiscal year-end or ¥2,812 million. The status of each cash flow and primary factors are as described below.

Cash flow from operating activities

Net cash used by operating activities amounted to ¥18 million, an increase of ¥2,375 million as compared with the same period of the previous year, primarily due to tabulating income before income taxes of ¥1,274 million and depreciation and amortization of ¥975 million and increase in notes and accounts receivable-trade of ¥861 million, income taxes paid of ¥787 million, increase in inventories of ¥574 million and decrease in accounts payable-other of ¥192 million.

Cash flow from investing activities

Net cash used in investing activities amounted to ¥2,211 million, a decrease of ¥1,184 million as compared with the same period of the previous year, primarily due to tabulating the purchase of property, plant and equipment of ¥1,152 million and purchase of investment securities of ¥ 920 million.

Cash flow from financing activities

Net cash used by financing activities amounted to ¥1,276 million, an increase of ¥3,032 million as compared with the same period of the previous year, primarily due to repayment of long term loans payable of ¥666 million, cash dividends paid of ¥485 million and prepayment of lease fee of ¥446

million.

Reference: Transition of cash flow-related indices

	FY2006 (ended Mar. 2007)	FY2007 (ended Mar. 2008)	FY2008 (ended Mar. 2009)	FY2009 (ended Mar. 2010)	FY2010 (ended Mar. 2011)
Equity ratio	70.7 %	69.5 %	68.2 %	70.2 %	76.3 %
Market base equity ratio	57.5 %	58.7 %	33.3 %	138.3 %	99.2 %
Ratio of cash flow and interest-bearing debts	4.6 years	2.6 years	2.4 years	2.2 years	-
Interest coverage ratio	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.
* 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 FY2010 and FY2011

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 FY2010, on May 12, 2010 the Board of Directors approved the resolution for the ordinary dividend of ¥6. As a result, the total year-end applicable to FY2010 will be ¥12 per share including the interim dividend distributed. For the next fiscal year 2011, 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.

In addition, the future events contained these items are envisioned as of the end of fiscal year 2010.

(1) Governmental regulation on pharmaceuticals

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

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

Status of Approvals and Licenses obtained by JCR

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

(2) New product development and commercialization

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

(3) Dependency on a **Growject®**

Among the products, 58.3% (59.1 % in the previous fiscal year) of the JCR Group's annual sales is generated by **Growject®**, its human growth hormone product.

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

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

(4) Relationship with major shareholders

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

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

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

Based on the Agreement, JCR intends to strengthen the strategic alliance with GSK Group and enhance its corporate value. However, should any event occurs leading to amendment or termination of the Agreement with GSK Group or delay or discontinuation of product development of

our portfolio due to development status of competitors, change in healthcare system and other economic situations, such event might significantly impact the Company's business performance.

a. Personnel relationship

As of the end of the consolidated fiscal year 2010, 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	Title with JCR	Title with GSK Group
Mark Dunoyer	Executive Director	GSK plc Corporate Executive Team Representative Director & Chairman, GlaxoSmithKline K.K.
Shunjiro Sugimoto, Ph. D.	Executive Director	Director, GlaxoSmithKline K.K.

(Note: In accordance with the Agreement, GSK Group has a right to appoint not more than 2 candidates as executive directors of JCR 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 2010, mainly license revenue related to products under co-development was 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 2010. Subject to the Agreement, the ceiling of the holding rate, or 33.4%, is imposed on GGL until the end of 2015.

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

(5) Financial market situation

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

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

II. Corporate Group

JCR Group is comprised of total 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.

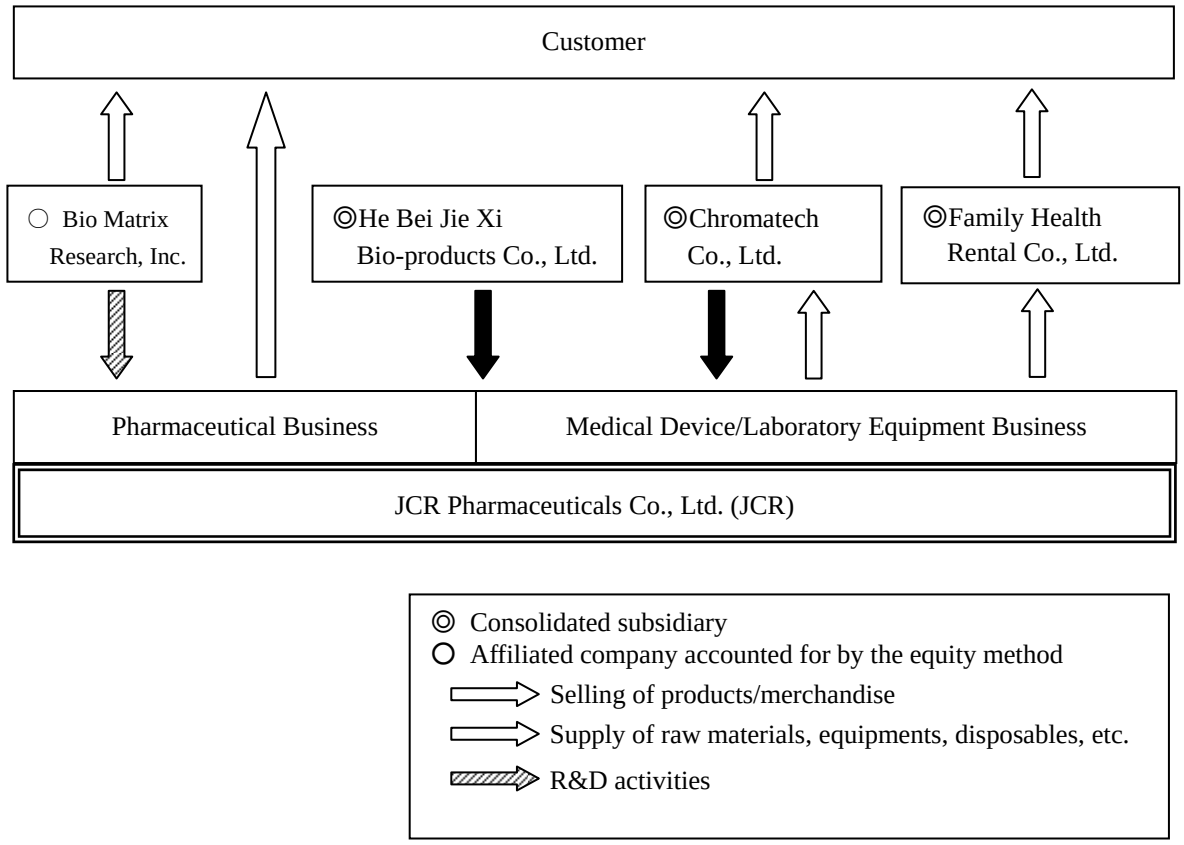
Pharmaceutical business

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

While in the pharmaceutical industry in recent years, as major drug companies have refocused their direction towards the development for bio-drugs and orphan drugs due to expiration of patents for blockbuster drugs, the Company has been working consistently on R&D of bio-drugs and orphan drugs. As a result of these efforts, the fruits of the Company's business policy and strategy are unveiled, including the business alliance with GSK Group two years ago, and the launch of **Epoetin Alpha BS Injection JCR** last year. Given the global development and more emphasis in the future to establish stable management foundation, we have identified the following important tasks to be addressed.

(1) Strengthening of the Company's sales and marketing system for **Growject®**

The Company terminated the co-marketing contract with Dainippon Sumitomo Pharma Co., Ltd. and an in-house sales and marketing system started from July 2010. In order to succeed competition in bio-drug development, which is foreseen to become ever more intensive in the future, expansion of sales of **Growject®** will be essential. Increased efficiency resulting from consolidated sales and marketing operations at JCR will be a big plus in terms of income. However, in order to cope with challenges including continuous NHI price reductions, we shall implement activities matched to regional characteristics, through increasing the number of Company MRs and newly establishing a Distributor Division, and centralizing information, all to aim at the strengthening of area marketing and the establishment of an efficient, concentrated sales and marketing system. Moreover, as a priority, the Company aims to obtain approval for the expanded indication of **Growject®** for short stature associated with small for gestational age which is currently under clinical trial. Sales Division and R&D Division will cooperate to advance the development of more convenient formulations and injectors, etc., to expand sales and further increase the market share.

(2) Expanded sales and overseas development of **Epoetin Alfa BS Inj. JCR**

In May 2010 we launched **Epoetin Alfa BS Inj. JCR**, a therapeutic agent for renal anemia that we developed using proprietary in-house technology. Looking at the dialysis patient population reaching

290,000 nationwide (from the data supplied by The Japanese Society for Dialysis Therapy, 2009) with expectation to increase in the future, many of these patients often develop renal anemia. While the price of bio-drugs is typically higher than low molecular drugs, we believe that penetration of our **Epoetin Alfa BS Inj. JCR**, at lower price than competing products will contribute significantly in suppressing the bulging medical costs. Lower pricing for bio-drugs is much hoped for globally and it becomes a duty for pharmaceutical companies to be able to supply affordable bio-drugs to low-income countries or emerging countries, where access to sufficient medical treatment is not easily available.

On the domestic front, JCR's introduction in the renal anemia treatment field through the distribution network of its co-marketing partner, Kissei Pharmaceutical Co., Ltd., has opened a crack in the market, dominated by two forerunners. As for the overseas, JCR will push ahead with development and sales in alliance with GSK Group, which has global distribution network not only in Europe and America, but also in the emerging countries. As for our manufacturing capability, a new building went into operation at Kobe Plant at the end of last year and the manufacturing capacity for formulated product has expanded with an outlook to meet the eventual overseas supply demand. In the future, construction of new manufacturing facilities for active pharmaceutical ingredients for bio-drugs will become assignment in the future. Engaging in the manufacturing activities to respond to the required product forms and supply configurations of each country will enable us to build robust systems that withstand competition and to aim in bringing our **Epoetin Alfa BS Inj. JCR** to the dialysis markets in the world worth more than ¥1 trillion.

(3) Development of orphan drugs for rare diseases using proprietary biotechnology

Lysosomal diseases such as Hunter syndrome and Fabry disease, for which the development of therapeutic enzymes is currently being advanced at the Company, are rare diseases. The patient population is estimated to range from several hundred to several tens of thousands of people even on a global basis. Even among therapeutic drugs for rare diseases, bio-drugs for these diseases are expensive. From the perspective of medical economics too, safe, low-priced drugs are being called for around the world. Under such environment, large multinational pharmaceutical companies are entering this therapeutic field one after the other for some years. JCR has been working in the rare disease area from early on. We are pursuing R&D of competitive and high value-added drugs for the treatment of rare diseases. Specifically, our proprietary technologies for serum-free cultivation without use of animal-derived components and culture process using disposables, etc. enable the supply of safe and inexpensive drugs. In addition, JCR is advancing R&D into unique and superior drugs for the treatment of rare diseases by improving dosage and administration, exploring new administration routes, optimizing cell lines for production, etc.

Furthermore, together with the rare diseases unit of GSK Group and in alignment with the R&D and manufacturing technology based on global standards, JCR will focus its efforts to enable the start of global clinical studies of its orphan drugs.

(4) Development of Japan's first therapeutic cellular drug to be

JCR is advancing the clinical trial of human mesenchymal stem cells (MSCs) for graft versus host disease (GVHD) treatment as Japan's first therapeutic cellular drug to be. Similar to the much talked about iPS cells and ES cells, MSCs are undifferentiated cells and are manufactured by separation from the bone marrow of healthy volunteers and proliferation of the cells. MSCs possess a remarkable characteristic of

being able to administer to a unspecified number of patients regardless of HLA matching. Osiris Therapeutics, Inc. (U.S.A.), the licensor of the technology, is conducting clinical trials of MSCs in America and aims to obtain an approval for pediatric GVHD in Canada. JCR will continue to strive towards the early obtention of approval in Japan. MSCs, given its immunomodulatory ability, may be effective in various immune-mediated diseases besides GVHD; it would be worthwhile to investigate potentials of other clinical applications as well.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Consolidated Balance Sheets	As of March 31, 2010	As of March, 31 2011
Assets		
Current assets		
Cash and deposits	1,901,996	1,439,264
Notes and accounts receivable-trade	3,043,201	3,904,924
Short-term investment securities	4,333,929	2,979,717
Trust beneficiary right	699,282	—
Merchandise and finished goods	1,807,461	668,566
Work in process	1,133,298	1,060,196
Raw materials and supplies	1,156,600	2,846,064
Deferred tax assets	335,075	502,651
Other	545,072	425,480
Allowance for doubtful accounts	(4,944)	(6,146)
Total current assets	14,950,973	13,820,720
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,027,395	3,700,457
Machinery, equipment and vehicles, net	564,627	657,828
Land	3,604,920	3,602,773
Lease assets, net	767,663	1,752,147
Construction in progress	580,610	123,437
Other, net	366,481	482,573
Total property, plant and equipment	8,911,699	10,319,218
Intangible assets	118,883	120,539
Investments and other assets		
Investment securities	4,522,796	4,412,021
Other	816,388	1,343,565
Allowance for doubtful accounts	(172,539)	(198,564)
Total investments and other assets	5,166,645	5,557,021
Total noncurrent assets	14,197,229	15,996,779
Total assets	29,148,202	29,817,499
Liabilities		
Current liabilities		
Notes and accounts payable-trade	914,855	955,207
Short-term loans payable	1,782,800	1,746,000
Lease obligations	211,667	279,454
Income taxes payable	553,220	323,914
Provision for bonuses	225,679	249,155
Provision for directors' bonuses	74,500	59,500
Other	1,599,389	1,219,677
Total current liabilities	5,362,113	4,832,908
Noncurrent liabilities		
Bonds payable	2,000,000	—
Long-term loans payable	634,800	633,200
Lease obligations	528,251	1,433,795
Provision for retirement benefits	51,913	50,655
Other	87,352	34,790
Total noncurrent liabilities	3,302,318	2,152,442
Total liabilities	8,664,431	6,985,350

(Continued) Yen in thousands

Consolidated Balance Sheets	As of March 31, 2010	As of March, 31 2011
Net assets		
Shareholders' equity		
Capital stock	8,061,866	9,061,866
Capital surplus	9,779,147	10,779,605
Retained earnings	2,523,798	2,964,585
Treasury stock	(83,912)	(82,722)
Total shareholders' equity	20,280,899	22,723,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111,404	53,646
Deferred gains or losses on hedge	4,998	(55,329)
Foreign currency translation adjustments	65,410	40,464
Total accumulated other comprehensive income	181,814	38,780
Subscription rights to shares	20,825	69,717
Minority interests	231	315
Total net assets	20,483,771	22,832,148
Total liabilities and net assets	29,148,202	29,817,499

(2) Consolidated Statements of Income

Yen in thousands

Consolidated Statements of Income	FY2009 (From Apr. 1, 2009 to Mar. 31, 2010)	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)
Net sales	14,387,400	14,457,846
Cost of sales	4,142,465	5,227,348
Gross profit	10,244,935	9,230,498
Selling, general and administrative expenses	8,237,308	7,822,914
Operating income	2,007,627	1,407,583
Non-operating income		
Interest income	47,054	56,697
Dividends income	16,900	18,379
Income from product development investment	32,530	–
Compensation income	38,093	–
Insurance return	25,172	–
Insurance and dividends income	–	12,524
Other	23,582	25,301
Total non-operating income	183,334	112,904
Non-operating expenses		
Interest expenses	69,045	58,957
Foreign exchange losses	21,647	30,065
Provision of allowance for doubtful accounts	–	26,024
Equity in losses of affiliates	230,807	78,951
Other	8,227	14,059
Total non-operating expenses	329,727	208,058
Ordinary income	1,861,234	1,312,429
Extraordinary income		
Gain on sales of investment securities	14,487	5,225
Other	–	17
Total extraordinary income	14,487	5,242
Extraordinary loss		
Loss on disposal of noncurrent assets	29,009	5,317
Impairment loss	–	23,504
Loss on valuation of investment securities	260,492	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	14,783
Other	2,275	–
Total extraordinary loss	291,776	43,605
Income before income taxes	1,583,945	1,274,065
Income taxes-current	527,462	569,388
Income taxes-deferred	(247,621)	(221,879)
Total income taxes	279,841	347,508
Income before minority interests	–	926,557
Minority interests in income	1,228	83
Net income	1,302,874	926,473

(3) Consolidated Statements of Comprehensive Income

Yen in thousands

Consolidated Statements of Comprehensive Income	FY2009 (From Apr. 1, 2009 to Mar. 31, 2010)	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)
Income before minority interests	–	926,557
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(57,758)
Deferred gains or losses on hedges	–	(60,328)
Foreign currency translation adjustment	–	(24,946)
Total other comprehensive income	–	(143,033)
Comprehensive income	–	783,523
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	–	783,440
Comprehensive income attributable to minority interests	–	83

(5) Consolidated Statements of Cash Flows

Yen in thousands

Consolidated Statements of Cash Flows	FY2009 (From Apr. 1, 2009 to Mar. 31, 2010)	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	1,583,945	1.274.065
Depreciation and amortization	743,334	975.705
Impairment loss	—	23,504
Loss (gain) on valuation of investment securities	260,492	—
Increase (decrease) in allowance for doubtful accounts	(2,944)	27,226
Increase (decrease) in provision for bonuses	26,896	23,475
Interest and dividends income	(63,955)	(75,077)
Interest expenses	69,045	58,957
Foreign exchange losses (gains)	20,017	(3,230)
Decrease (increase) in notes and accounts receivable-trade	(42,713)	(861,723)
Decrease (increase) in inventories	(953,587)	(574,422)
Increase (decrease) in notes and accounts payable-trade	105,935	40,351
Increase (decrease) in accounts payable-other	271,118	(192,969)
Equity in (earnings) losses of affiliates	230,807	78,951
Other, net	146,934	(52,526)
Subtotal	2,395,326	742,289
Interest and dividends income received	67,424	91,884
Interest expenses paid	(69,101)	(58,572)
Payments for directors' retirement benefits	(6,080)	(6,080)
Income taxes (paid) refund	(30,032)	(787,853)
Net cash provided by (used in) operating activities	2,357,537	(18,331)
Net cash provided by (used in) investing activities		
Payments into time deposits	(400,000)	(400,000)
Proceeds from withdrawal of time deposits	800,000	300,000
Purchase of short-term investment securities	(402,655)	(405,319)
Proceeds from sales and redemption of securities	1,195,278	400,399
Purchase of property, plant and equipment	(1,922,606)	(1,152,243)
Purchase of investment securities	(2,828,598)	(920,927)
Proceeds from sales of investment securities	234,363	21,492
Payments of loans receivable	(70,500)	(50,000)
Collection of loans receivable	—	59,633
Purchase of long-term prepaid expenses	(16,467)	—
Purchase of investments in capital of subsidiaries	(6,898)	—
Other, net	21,343	(64,826)
Net cash provided by (used in) investing activities	(3,396,740)	(2,211,791)

(Continued) Yen in thousands

Consolidated Statements of Cash Flows	FY2009 (From Apr. 1, 2009 to Mar. 31, 2010)	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	270,000	128,000
Proceeds from long-term loans payable	500,000	500,000
Repayment of long-term loans payable	(731,600)	(666,400)
Proceeds from issuance of common stock	1,014,000	–
Repayments of lease obligations	(232,303)	(308,113)
Prepayments of lease fee	–	(446,078)
Net decrease (increase) in treasury stock	1,242,462	1,648
Cash dividends paid	(253,234)	(485,595)
Other, net	(52,946)	–
Net cash provided by (used in) financing activities	1,756,377	(1,276,538)
Effect of exchange rate change on cash and cash equivalents	(3,259)	(15,634)
Net increase (decrease) in cash and cash equivalents	713,915	(3,522,295)
Cash and cash equivalents at beginning of period	5,620,523	6,334,439
Cash and cash equivalents at end of period	6,334,439	2,812,143

6. R&D Pipeline

(i) Pharmaceuticals

Code Nonproprietary Name	**Status** (Japan)	**Indication** **Remarks**
JR- 401S Somatropin (rDNA origin)	Phase III	Short stature due to small for gestational age
		Supplementary indication of Growject® In-house development
JR- 041 Follicle stimulating hormone (rDNA origin)	Phase I	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.