Financial Summary

Consolidated Financial Results for Fiscal Year 2011

May 11, 2012

(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, 2012 (Apr. 1, 2011 - Mar. 31, 2012)

(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	%
FY2011	12,845	(11.2)	1,089	(22.6)	1,005	(23.4)	633	(31.6)
FY2010	14,457	0.5	1,407	(29.9)	1,312	(29.5)	926	(28.9)

(Reference) Comprehensive income； FY2011：664 million yen FY2010：783 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	%	%	%
FY2011	19.75	19.69	2.8	3.4	8.5
FY2010	28.93	28.61	4.3	4.5	9.7

(Reference) Equity in earnings of affiliates； FY2011：(108) million yen FY2010：(78) 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, 2012	28,967	22,633	77.8	710.82
Mar. 31, 2011	29,817	22,832	76.3	704.96

(Reference) Shareholders' Equity； As of Mar. 31, 2012：22,535 million yen As of Mar. 31, 2011：22,762 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
FY2011	(421)	1,539	(1,065)	2,865
FY2010	(18)	(2,211)	(1,276)	2,812

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 2010	—	6.00	—	6.00	12.00	387	41.5	1.7
FY 2011	—	6.00	—	6.00	12.00	383	60.8	1.7
FY 2012 (Forecast)	—	6.00	—	6.00	12.00		56.8	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2013 (Apr. 1, 2012 - Mar. 31, 2013)

(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, 2012	6,500	1.8	310	(45.6)	300	(42.7)	180	(44.5)	5.68
Year ending Mar. 31, 2013	13,400	4.3	1,160	6.4	1,140	13.4	670	5.7	21.13

※ 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 FY2011

The Japanese pharmaceutical industry has remarkably shifted towards research and development (R&D) of bio-drugs due to shortfall of new drug candidates, while mergers and acquisitions of biopharmaceutical companies were actively pursued. At the same time, quick reaction to the changing business environment has become the key for the industry which tackled chronic issue of rising R&D expenditures under the national policy for medical expenditure containment.

Under these circumstances, JCR developed its business by expanding the field of the collaboration with GlaxoSmithKline Group (GSK Group) from biosimilar drugs to new bio-drugs. Furthermore, the Company started the construction of a bio-drug manufacturing facility designed to ensure global standard quality assurance system and developed a framework to facilitate new bio-drug development for rare diseases field with GSK Group.

In sales operations, the Company conducted promotion activities to enhance recognition of biosimilar in the Annual Meeting of the Japanese Society for Dialysis Therapy held in June 2011, and strengthened sales activities to focus on increasing sales of **Epoetin Alpha BS Inj. JCR** for July 2011 and beyond. In addition, the Company strived to boost sales of **Growject®** by reinforcing regional marketing and increasing the number of medical representatives.

As for R&D, the Company succeeded in filing a supplemental indication of **Growject®** for short stature due to small for gestational age (SGA) in December 2011 and entering Phase II/III clinical study with Mesenchymal Stem Cells (MSC), following positive results of Phase I/II.

As a result of these business activities, the sales of the Company's core product, **Growject®,** a recombinant human growth hormone, increased in volume but decreased in monetary value compared to the previous fiscal year. **Epoetin Alfa BS Inj. JCR** for treatment of renal anemia penetrated the market steadily. However, its sales decreased compared to the previous fiscal year because deliveries for initial inventory were included in the figures of the previous fiscal year. The sales of urine-derived products grew over the previous fiscal year. The total sales of pharmaceutical business recorded ¥12,489 million (decrease of 11.3%), due to the decline in license revenue and sales of carcinostatic bulk substance drug.

The total sales of medical device/laboratory equipment business recorded ¥355 million (decrease of 4.2%).

As a result, the consolidated sales of JCR Group reached ¥12,845 million (decrease of 11.2 % from the previous fiscal year) at fiscal year-end March 31, 2012. In terms of profits, JCR generated an operating income of ¥1,089 million (decrease of 22.6 % from the previous fiscal year), ordinary income of ¥1,005 million (decrease of 23.4 % from the previous fiscal year) and net income of ¥633 million (decrease of 31.6 % from the previous fiscal year), primarily due to the decline in license revenue.

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

Sales by business segments

Business segment	Consolidated Fiscal Year 2010 (Apr.1, 2010 - Mar. 31, 2011)		Consolidated Fiscal Year 2011 (Apr.1, 2011 - Mar. 31, 2012)		Increase and decrease
	JPY Million	Composition ratio	JPY Million	Composition ratio (%)	JPY Million
Pharmaceuticals	14,086	97.4	12,489	97.3	(1,597)
Endocrinological & Gastrointestinal	8,425	58.3	8,396	65.4	(28)
Metabolic & Cardiovascular	2,433	16.8	2,655	20.7	222
Revenue from licenses	700	4.8	300	2.3	(400)
Others	2,528	17.5	1,138	8.9	(1,390)
Medical devices & laboratory equipment	371	2.6	355	2.7	(15)
Total	14,457	100.0	12,845	100.0	(1,612)

1.2 Forecast for FY2012

Forecast of consolidated business results

	FY2011 (Apr 1, 2011- Mar 31, 2012)	Forecast for FY2012 (Apr 1, 2012- Mar 31, 2013)	Increasing rate
Net sales (JPY Million)	12,845	13,400	4.3%
Operating income (JPY Million)	1,089	1,160	6.4%
Ordinary income (JPY Million)	1,005	1,140	13.4%
Net income (JPY Million)	633	670	5.7%

For **Growject®,** JCR will strive to achieve an approval for supplementary indication of short stature due to small for gestational age (SGA) which was filed in December 2011, and capture additional market share by running effective promotional activities accompanied by the introduction of improved model of automatic injector to the market in the summer 2012.

Awareness activities on the economics of biosimilar will be actively conducted to facilitate market penetration of **Epoetin Alfa BS Inj. JCR**.

Given these activities and taking into account of negative impact of reduced NHI drug price effective April 2012, the overall sales forecast of JCR Group is anticipated to reach ¥13,400 million (increase of 4.3% from FY2011).

In terms of profits, R&D activities will be pursued continuously, however, the expenses thereon will remain the same level as FY2011 as a result of cost-sharing by the partner companies such as GSK Group and MEDIPAL HOLDINGS CORPORATION.

JCR anticipates operating income of ¥1,160 million (increase of 6.4%), ordinary income of ¥1,140 million

(increase of 13.4%) and net income of ¥670 million (increase of 5.7%).

2. Financial Position

2.1 Assets, liabilities and net assets

Consolidated statements at the fiscal year-end resulted in total assets of ¥28,967 million (decrease of ¥850 million from the previous fiscal year-end), liabilities of ¥6,334 million (decrease of ¥651 million from the previous fiscal year-end), net assets of ¥22,633 million (decrease of ¥198 million from the previous fiscal year-end).

Current assets increased ¥422 million from the previous fiscal year-end to ¥14,242 million, the result of tabulating the total decrease in cash and deposits and increase in short-term investment securities, prepaid expenses and inventories. Noncurrent assets decreased ¥1,272 million from the previous fiscal year-end to ¥14,724 million mainly due to the increase in long-term prepaid expenses and the decrease in investment securities.

Despite increase of short-term loan, current liabilities decreased ¥412 million from the previous fiscal year-end to ¥4,420 million due to the decrease in notes and accounts payable-trade and income taxes payable, etc. Noncurrent liabilities decreased ¥239 million from the previous fiscal year-end to ¥1,913 million, due to the decrease in long-term loans payable and lease obligations.

The increase of prepaid expenses and long-term prepaid expenses mainly due to the prepayment of the total royalty to TPG Biotechnology Partners II,L.P.,in accordance with the changed terms of payment in the contract. Net assets decreased ¥198 million from the previous fiscal year-end to ¥22,633 million, as a result of the amount of net income and the purchase of treasury stock.

As a result, the equity ratio at the fiscal year-end rose by 1.5 points from the previous fiscal year-end or 77.8%.

2.2 Cash flow

Cash and cash equivalents at the fiscal year-end increased by ¥52 million from that of the previous fiscal year-end to ¥2,865 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 ¥421 million, an increase of ¥402 million as compared with the same period of the previous year, primarily due to tabulating income before income taxes of ¥942 million and depreciation and amortization of ¥1,101 million and increase in long-term prepaid expenses of ¥923 million, decrease in notes and accounts payable-trade of ¥725 million, increase in inventories of ¥583 million and income taxes paid of ¥505 million.

Cash flow from investing activities

Net cash provided by investing activities amounted to ¥1,539 million, an increase of ¥3,751 million as compared with the same period of the previous year, primarily due to tabulating the proceeds from sales and redemption of securities of ¥ 1,502 million.

Cash flow from financing activities

Net cash used by financing activities amounted to ¥1,065 million, a decrease of ¥211 million as compared with the same period of the previous year, primarily due to net increase in treasury stock of

¥517 million and repayment of long term loans payable of ¥468 million.

Reference: Transition of cash flow-related indices

	FY2007 (ended Mar. 2008)	FY2008 (ended Mar. 2009)	FY2009 (ended Mar. 2010)	FY2010 (ended Mar. 2011)	FY2011 (ended Mar. 2012)
Equity ratio	69.5 %	68.2 %	70.2 %	76.3 %	77.8 %
Market base equity ratio	58.7 %	33.3 %	138.3 %	99.2 %	95.1 %
Ratio of cash flow and interest-bearing debts	2.6 years	2.4 years	2.2 years	-	-
Interest coverage ratio	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 FY2011 and FY2012

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 its business performance and cash flow while securing internal funds for strengthening management practices and new drug development that may generate future profits.

For FY2011, on May 11, 2012 the Board of Directors approved the resolution for the ordinary dividend of ¥6. As a result, the total year-end applicable to FY2011 will be ¥12 per share including the interim dividend distributed. For the next fiscal year 2012, 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 2011.

(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 pharmaceutical technology. R&D costs in such fields require large investments of time and funds. If, prior to commercialization, the ongoing R&D projects were discontinued or delayed, the operating results and financial position of the JCR Group would be negatively impacted.

(3) Dependency on **Growject®**

Among the products, 65.4% (58.3 % 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®** 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 significantly impact the Company's business.

(4) Relationship with major shareholders

JCR entered into a master agreement with GSK Group regarding capital alliance and development and commercialization of bio-drugs on December 18, 2009 (the "Agreement"). Based on the Agreement, GlaxoSmithKline plc ("GSK plc") through its subsidiary, Glaxo Group Ltd. ("GGL"), holds 24.63% of the total outstanding shares of JCR as at the end of this fiscal year, which defines JCR 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, the 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 in GSK under the supervision of Mr. Mark Dunoyer, Chairman of GlaxoSmithKline K.K. (a Japanese corporation). There is no business competition between JCR and GSK Group since development efforts are arranged on respective territory (Japan and outside Japan) and product-by-product basis. Moreover, there is no competition 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 in

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

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	Director	GSK plc Corporate Executive Team Representative Director & Chairman, GlaxoSmithKline K.K.
Shunjiro Sugimoto, Ph. D.	Director	Director, GlaxoSmithKline K.K.

(Note: In accordance with the Agreement, GSK Group has a right to appoint not more than 2 candidates as 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 2011. Subject to the Agreement, the ceiling of the stock holding ratio, or 33.4%, is imposed on GGL until the end of 2015.

If an event occurred leading to changes in respective corporate policies or business strategies of either GSK Group or JCR or economic situation affecting the pharmaceutical industry, GSK plc's stock holding ratio could 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 could negatively impact the JCR Group's operating results and financial position.

II. Corporate Group

JCR Group is comprised of total eight companies, namely JCR Pharmaceuticals Co., Ltd., four consolidated subsidiaries, one affiliated company accounted for by the equity method and two other related companies. The main business description and position of each group company are as given below.

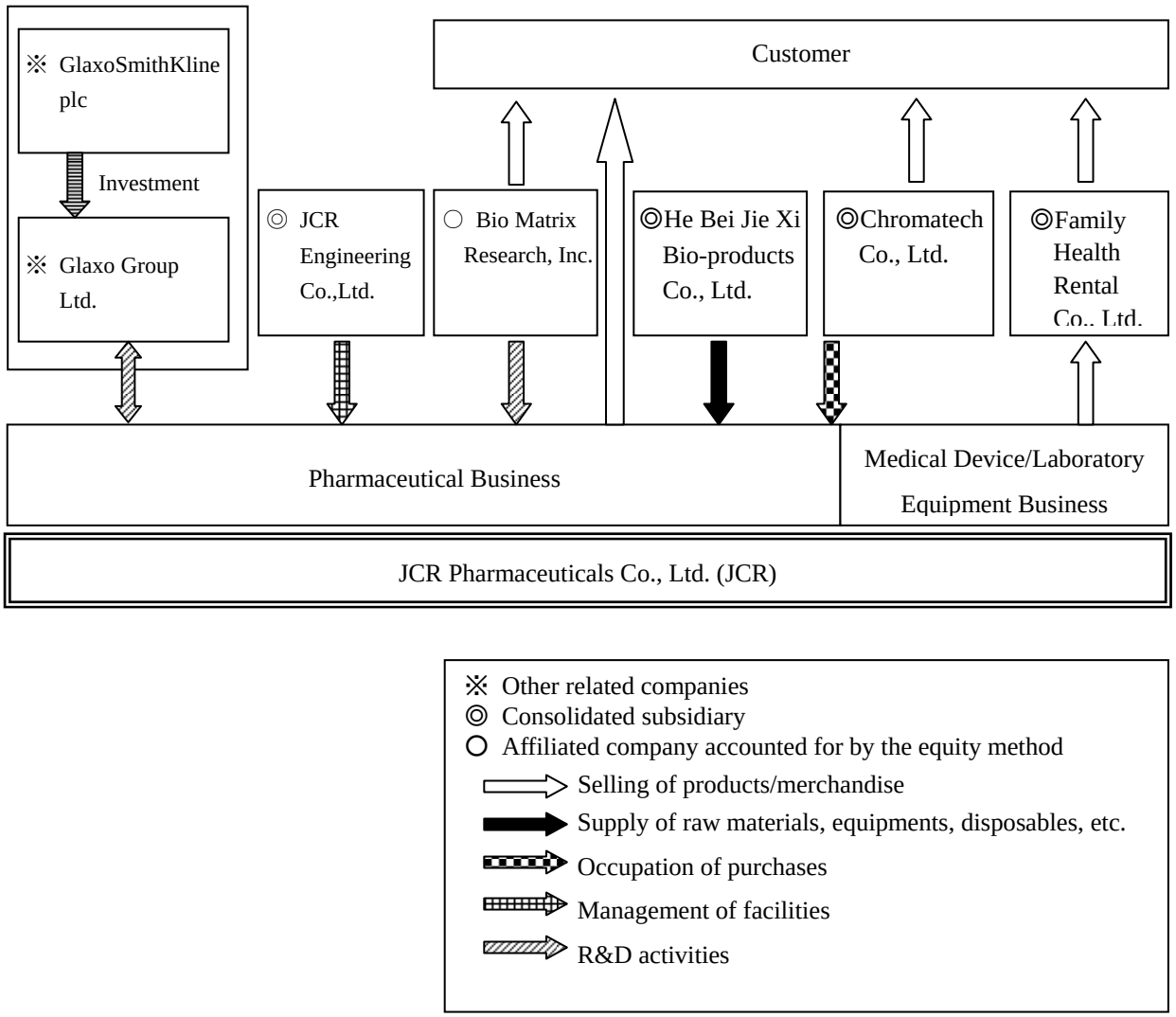
Pharmaceutical business

JCR is engaged in the manufacture, buying and selling of pharmaceuticals, active pharmaceutical ingredient and pharmaceutical raw materials. JCR receives supplies of certain pharmaceutical raw materials processed by He Bei Jie Xi Bio-products Co., Ltd. JCR outsources its occupations of purchases to Chromatech Co.,Ltd. ,its managements of facilities to JCR Engineering Co.,Ltd.and part of its R&D activities to Bio Matrix Research, Inc.JCR carries out jointiy R&D activities with Glaxo Group Ltd.

Medical device/laboratory equipment business

Family Health Rental Co., Ltd. and Chromatech Co., Ltd. are engaged in the selling of medical devices and laboratory equipment. For certain products, JCR buys and resells to Family Health Rental.

A schematic diagram of the above operation is as shown below.



III Management

3.1 Basic Corporate Policy of the Company

Under the corporate philosophy, "Contributing to People's Healthcare Through Pharmaceutical Products", the JCR Group conducts its business activities with the aim to become a profitable corporation in order to continue providing useful and innovative 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 Total Assets (ROA): 6 % and above

3.3 Tasks and mid to long term management strategy

Under the cost constraint policy on medical spending being promoted globally, key tactics to secure a firm position in the pharmaceutical industry could be either to expand the company size by M&A or to promote drug development for specific disease area using unique technology. The option for JCR is the latter. JCR is going to establish a solid platform for future growth and promote forward-looking drug development utilizing its strong development capabilities in collaboration with GSK Group with the aim to introduce its products to overseas markets as early as possible. In line with such approach, JCR has identified the following important tasks to be addressed.

(1) Sales expansion of marketed products

Expanding the market share of our main products, **Growject®**, a recombinant human growth hormone, and **Epoetin Alfa BS Inj. JCR** for treatment of renal anemia, is essential to reinforce the management base.

As for **Growject®**, a supplementary indication for short stature due to small for gestational age (SGA) was filed in December 2011. Considering that this indication has a large potential market and is expected to contribute to our market share, we will improve the sales and marketing operations and promote stronger market penetration that will lead to enhanced business results. In addition, "Growjecter 2", an improved model of current automatic injector with superior operability and durability developed from patients' perspective, is planned to be on the market in the summer 2012. We will strive to establish product differentiation in the market by appealing the advantage of this unique device.

The recognition of **Epoetin Alfa BS Inj. JCR** among medical institutions has been steadily increasing and the sales figures are on the rise as a result of positive promotional efforts of our co-marketer, Kissei Pharmaceutical Co., Ltd. More awareness programs will actively take place in the medical institutions to promote sales operations. Further, as there are demands for drug cost

reduction among medical institutions more than ever due to the change of comprehensive medical system for dialysis treatment, we will develop a co-promotion highlighting the product's superiority of cost effectiveness against the innovators' drugs.

We will continue to develop and sell products from patients' perspective in recognition of strengthening and enhancing the marketing system and developing user-friendly dosage forms and injectors that are vital for sales expansion of those products.

(2) Establishment of global quality assurance system

Drug development and commercialization must comply with the strict standard called GMP (Good Manufacturing Practice). Since JCR has bio-drug pipeline to co-develop with GSK Group and aims to introduce to the market outside Japan, it is vital to establish a quality assurance system which meets the GMP standard adapted to international regulations (Global GMP).

We position the system establishment as one of our important tasks and have stationed a consultant from the U.S. on our manufacturing site since January 2011. Manufacturing and quality assurance units are being developed, reflecting the consultant's various informative feedbacks ranging from facilities to software. The system which complies with the high-standard Global GMP is scheduled to complete in the coming year and then the system for global clinical study of bio-drugs will become available. Also, we are about to start renovation and expansion of Kobe Nishi Plant aiming to improve the manufacturing capability for bio-drugs. The plant, which goes into full-scale operation in the spring 2013, becomes the most advanced facility accommodating knowledge and experiences of GSK Group and one of the leading bio-drug manufacturing sites in Japan.

Under such global standard quality assurance system and manufacturing system, JCR strives to deliver value-added drugs based on our proprietary technology to the global market as soon as possible.

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

We have been developing drugs for various lysosome diseases including Hunter syndrome and Fabry disease. Although the patient population is estimated to range from several hundred to several tens of thousands of people even on a global basis, low-priced bio-drugs (biosimilars) are being called for around the world because of extremely high cost of enzyme preparations for therapeutic use. Under such environment, large multinational pharmaceutical companies are entering this therapeutic field one after the other for some years, and competition in development of biosimilars is expected to increase even in the area of orphan drug. As a countermeasure, the coverage of the development and manufacturing of bio-drugs in the master agreement with GSK Group was extended from biosimilar drugs to new drug entities. We are proud of it that JCR was accredited by GSK Group for its tissue targeting technology and hyperexpression technology based on the proprietary recombinant DNA technology as well as complete serum-free cultivation technology without use of any animal-derived materials. We continue to develop new drug entities for the improvement of every patient's QOL in the rare disease area with our novel technologies.

(4) Development of cellular drug and approach to regenerative medicine

JCR is advancing the clinical trial of human mesenchymal stem cells (MSC) as a cellular drug. Phase I/II study successfully completed in 2011 with positive results. Ongoing Phase II/III study is also in good progress and we are aiming to obtain a regulatory approval as Japan's first therapeutic cellular drug as early as possible. It is necessary for us to restrain R&D costs on an unprecedented drug like MSC to lower the development risks from the corporate management perspective. This led JCR to enter into a development investment agreement with MEDIPAL HOLDINGS CORPORATION (MEDIPAL) in September 2011, under which MEDIPAL will bear a part of the R&D costs for JCR's three drugs under development including MSC. Also MEDIPAL and JCR will co-develop logistic system for cellular drugs under this agreement. Both companies will further seek possibility to establish a new framework which hopefully covers development, logistics and sales promotion in the field of cellular drugs so that they will combine their respective resources to the maximum extent, such as R&D of JCR, logistics of MEDIPAL, etc.

We expect that the logistic system built by the two companies will create a huge advantage in the entirely-new area of cellular drugs because unlike ordinary drugs, MSC, a kind of cell, requires special storage and distribution system foreseeing the post-launch.

Moreover, JCR is approaching to the practical use of corneal regenerative medicine in collaboration with industry, academia and government. There are some critical eye diseases on which corneal transplants do not promise a certain level of effect including bullous keratopathy.

Bullous keratopathy is a kind of corneal endothelial diseases and there is no effective therapy established. Therefore, as an alternative treatment of corneal transplant, development of transplantation technology for corneal endothelial cell with rich in in-vitro cultivated stem cells has been eagerly anticipated. We are participating in the corneal regenerative medicine project promoted by Kyoto Prefectural University of Medicine etc. and studying cultivation method of human corneal endothelial cell which is applicable to bullous keratopathy with an aim to put the corneal endothelial regenerative medicine into practical use.

JCR will strive to develop innovative drugs applying cells and tissues in a clinical setting, as well as new therapeutic areas based on its experiences and technologies.

4.Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Consolidated Balance Sheets	As of March 31, 2011	As of March, 31 2012
Assets		
Current assets		
Cash and deposits	1,439,264	865,961
Notes and accounts receivable-trade	3,904,924	4,048,373
Short-term investment securities	2,979,717	3,200,992
Merchandise and finished goods	668,566	1,165,546
Work in process	1,060,196	1,509,147
Raw materials and supplies	2,846,064	2,435,670
Deferred tax assets	502,651	531,785
Other	425,480	491,874
Allowance for doubtful accounts	(6,146)	(6,545)
Total current assets	13,820,720	14,242,806
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,700,457	3,488,708
Machinery, equipment and vehicles, net	657,828	587,842
Land	3,602,773	3,602,773
Lease assets, net	1,752,147	1,564,535
Construction in progress	123,437	72,654
Other, net	482,573	420,730
Total property, plant and equipment	10,319,218	9,737,244
Intangible assets	120,539	99,096
Investments and other assets		
Investment securities	4,412,021	3,249,966
Other	1,343,565	1,845,768
Allowance for doubtful accounts	(198,564)	(207,537)
Total investments and other assets	5,557,021	4,888,198
Total noncurrent assets	15,996,779	14,724,539
Total assets	29,817,499	28,967,345
Liabilities		
Current liabilities		
Notes and accounts payable-trade	955,207	229,438
Short-term loans payable	1,746,000	1,973,200
Lease obligations	279,454	265,476
Income taxes payable	323,914	138,444
Provision for bonuses	249,155	271,194
Provision for directors' bonuses	59,500	59,500
Other	1,219,677	1,483,630
Total current liabilities	4,832,908	4,420,884
Noncurrent liabilities		
Long-term loans payable	633,200	532,000
Lease obligations	1,433,795	1,269,157
Provision for retirement benefits	50,655	78,582
Other	34,790	33,561
Total noncurrent liabilities	2,152,442	1,913,301
Total liabilities	6,985,350	6,334,185

(Continued) Yen in thousands

Consolidated Balance Sheets	As of March 31, 2011	As of March, 31 2012
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,779,605	10,779,635
Retained earnings	2,964,585	3,211,907
Treasury stock	(82,722)	(586,759)
Total shareholders' equity	22,723,335	22,466,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53,646	45,472
Deferred gains or losses on hedge	(55,329)	(17,230)
Foreign currency translation adjustments	40,464	40,964
Total accumulated other comprehensive income	38,780	69,206
Subscription rights to shares	69,717	96,966
Minority interests	315	337
Total net assets	22,832,148	22,633,160
Total liabilities and net assets	29,817,499	28,967,345

(2) Consolidated Statements of Income

Yen in thousands

Consolidated Statements of Income	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)
Net sales	14,457,846	12,845,064
Cost of sales	5,227,348	4,213,016
Gross profit	9,230,498	8,632,047
Selling, general and administrative expenses	7,822,914	7,542,281
Operating income	1,407,583	1,089,765
Non-operating income		
Interest income	56,697	50,248
Dividends income	18,379	17,784
Foreign exchange gains	–	6,496
Other	37,826	29,607
Total non-operating income	112,904	104,136
Non-operating expenses		
Interest expenses	58,957	57,505
Foreign exchange losses	30,065	–
Equity in losses of affiliates	78,951	108,348
Other	14,059	22,588
Total non-operating expenses	208,058	188,442
Ordinary income	1,312,429	1,005,459
Extraordinary income		
Gain on sales of investment securities	5,225	–
Other	17	–
Total extraordinary income	5,242	–
Extraordinary loss		
Loss on disposal of noncurrent assets	5,317	59,500
Impairment loss	23,504	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	14,783	–
Other	–	3,900
Total extraordinary loss	43,605	63,400
Income before income taxes	1,274,065	942,059
Income taxes-current	569,388	325,398
Income taxes-deferred	(221,879)	(17,350)
Total income taxes	347,508	308,047
Income before minority interests	926,557	634,011
Minority interests in income	83	22
Net income	926,473	633,989

(3) Consolidated Statements of Comprehensive Income

Yen in thousands

Consolidated Statements of Comprehensive Income	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)
Income before minority interests	926,557	634,011
Other comprehensive income		
Valuation difference on available-for-sale securities	(57,758)	(8,173)
Deferred gains or losses on hedges	(60,328)	38,098
Foreign currency translation adjustment	(24,946)	500
Total other comprehensive income	(143,033)	30,425
Comprehensive income	783,523	664,437
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	783,440	664,415
Comprehensive income attributable to minority interests	83	22

(4) Consolidated Statements of Cash Flows

Yen in thousands

Consolidated Statements of Cash Flows	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	1.274.065	942,059
Depreciation and amortization	975.705	1,102,422
Impairment loss	23,504	–
Increase (decrease) in allowance for doubtful accounts	27,226	9,371
Increase (decrease) in provision for bonuses	23,475	22,039
Interest and dividends income	(75,077)	(68,032)
Interest expenses	58,957	57,505
Foreign exchange losses (gains)	(3,230)	(3,679)
Decrease (increase) in notes and accounts receivable-trade	(861,723)	(143,449)
Decrease (increase) in inventories	(574,422)	(583,940)
Increase (decrease) in notes and accounts payable-trade	40,351	(725,769)
Increase (decrease) in accounts payable-other	(192,969)	(51,078)
Increase (decrease) in long-term prepaid expenses	–	(923,628)
Equity in (earnings) losses of affiliates	78,951	108,348
Other, net	(52,526)	315,685
Subtotal	742,289	56,853
Interest and dividends income received	91,884	91,410
Interest expenses paid	(58,572)	(57,466)
Payments for directors' retirement benefits	(6,080)	(6,080)
Income taxes (paid) refund	(787,853)	(505,827)
Net cash provided by (used in) operating activities	(18,331)	(421,110)
Net cash provided by (used in) investing activities		
Payments into time deposits	(400,000)	(45,000)
Proceeds from withdrawal of time deposits	300,000	500,000
Purchase of short-term investment securities	(405,319)	(200,000)
Proceeds from sales and redemption of securities	400,399	1,502,417
Purchase of property, plant and equipment	(1,152,243)	(292,119)
Purchase of investment securities	(920,927)	(328,452)
Proceeds from sales of investment securities	21,492	404,417
Payments of loans receivable	(50,000)	–
Other, net	(5,193)	(1,573)
Net cash provided by (used in) investing activities	(2,211,791)	1,539,688

(Continued) Yen in thousands

Consolidated Statements of Cash Flows	FY2010 (From Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (From Apr. 1, 2011 to Mar. 31, 2012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	128,000	394,000
Proceeds from long-term loans payable	500,000	200,000
Repayment of long-term loans payable	(666,400)	(468,000)
Repayments of lease obligations	(308,113)	(288,251)
Prepayments of lease fee	(446,078)	
Net decrease (increase) in treasury stock	1,648	(517,256)
Cash dividends paid	(485,595)	(385,810)
Net cash provided by (used in) financing activities	(1,276,538)	(1,065,318)
Effect of exchange rate change on cash and cash equivalents	(15,634)	(297)
Net increase (decrease) in cash and cash equivalents	(3,522,295)	52,962
Cash and cash equivalents at beginning of period	6,334,439	2,812,143
Cash and cash equivalents at end of period	2,812,143	2,865,105

5. R&D Pipeline

(i) Pharmaceuticals

Code Nonproprietary Name	Status (Japan)	Indication Remarks
JR- 401S Somatropin (rDNA origin)	Filed	Short stature due to small for gestational age Supplementary indication of Growject® In-house development
JR- 041 Follicle stimulating hormone (rDNA origin)	In preparation for Phase II / III	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 storage disease) ERT Manufactured using serum-free culture technology Co-development with GSK Group
JR- 051 Alpha-galactosidase A (rDNA origin)	Preclinical	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 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 II / III	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.*

*JCR and Mochida Pharmaceutical Co., Ltd. have already agreed to terminate the Agreement relating to the co-development described above.