

(FOR REFERENCE PURPOSE)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Security code: 4552)

June 3, 2020

To the Shareholders

3-19 Kasuga-cho, Ashiya, Hyogo, 659-0021

JCR Pharmaceuticals Co., Ltd.

Representative Director, Chairman and President

Shin Ashida

Notice of Convocation of The 45th Ordinary General Meeting of Shareholders

We wish to notify you as follows that the Company will hold the 45th Ordinary General Meeting of Shareholders of JCR Pharmaceuticals Co., Ltd. (“JCR” or the “Company”) to be held at the time and place as detailed below.

Uncertainties regarding the situation surrounding the COVID-19 pandemic persist, but the Company decided to hold the Ordinary General Meeting of Shareholders following careful consideration and after implementing various measures to prevent the spread of the virus. Seating arrangements are one aspect of those appropriate preventative measures, with spaces opened between seats and the meeting held with fewer seats than normal. We thank shareholders for your cooperation and understanding.

We request that shareholders exercise their voting rights for the Ordinary General Meeting of Shareholders in advance in writing or through the Internet to avoid the risk of spreading the virus, and to refrain from attending the venue on the day the meeting is being held.

Please review the following proposals and the “Reference Documents for General Meeting of Shareholders”

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described later and exercise your voting rights no later than 6:00 p.m., Tuesday, June 23, 2020 (Japan Standard Time).

You may exercise your voting rights by either of the methods specified below.

■ Voting in Writing

Please indicate your approval or disapproval of the proposals on the Voting Form enclosed herewith, and return the Form to the Company so that it will arrive by the deadline noted above.

■ Voting by Electromagnetic Methods (the Internet, etc.)

Please review the “Instructions for Voting by Electromagnetic Methods (the Internet, etc.)” (available only in Japanese as provided in the original document or on the online voting website), and indicate your approval or disapproval of the proposals by the deadline noted above by using one of two methods: by scanning the QR code provided on the enclosed Voting Form (“Smart Exercise” method), or by visiting the website for exercising voting rights (<https://www.web54.net>) and manually entering your “voter code” and “password.”

Yours faithfully,

Details

1. **Date and Time** 10:00 a.m., June 24, 2020 (Wednesday)
2. **Place** ANA Crowne Plaza Hotel Kobe (Room “The Ballroom” on the 10th floor)
1 Chome, Kitano-cho, Chuo-ku, Kobe
As mentioned earlier, we humbly request that shareholders refrain from attendance at the Ordinary General Meeting of Shareholders to avoid the risk of spreading the virus to shareholders or the Company’s officers and employees.
3. **Agenda:**
 - Matters to be Reported:** Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, and Audit Report of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 45th Fiscal Year (from April 1, 2019 to March 31, 2020)
 - Matters to be Resolved:**
 - Proposal 1** Appointment of Nine (9) Directors
 - Proposal 2** Issuance of Share Options to Directors, Presidents of overseas subsidiaries, and Corporate Officers for Stock Option Scheme as Stock-linked Compensation Plan.

< Requests to Shareholders >

- The abovementioned information is subject to updates through to the day of the Ordinary General Meeting of Shareholders due to factors such as the situation surrounding the pandemic and details of announcements by the government or other bodies. Please confirm the latest information through the corporate website (<https://www.jcrpharm.co.jp/en/site/en/index.html>).
- When exercising voting rights through the Voting Rights Exercise Form, there is a risk of transmitting the virus during the mailing process or collation operations. We request that voting rights exercised in advance be exercised online.

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- ⊙ Among documents that should be provided for the Notice of Convocation of the Ordinary General Meeting of Shareholders, the “Notes to Consolidated Financial Statements” and the “Notes to Non-consolidated Financial Statements” are posted on the Company’s website (<https://www.jcrpharm.co.jp/en/site/en/index.html>) pursuant to laws and regulations and Article 16 of Incorporation of the Company, and therefore, are not included in the present documents provided for the Notice of Convocation of the Ordinary General Meeting of Shareholders.
The Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited on the occasion of preparation of the audit report by Audit & Supervisory Board Members and the accounting audit report by the Accounting Auditor include matters that should be shown as the “Notes to Consolidated Financial Statements” and the “Notes to Non-consolidated Financial Statements” in addition to those described in the present documents provided.
- ⊙ Any required corrections to the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and/or the Reference Document for the Shareholders’ Meeting will be immediately posted on the Company’s website. (<https://www.jcrpharm.co.jp/en/site/en/index.html>).

Details of Voting Methods

Voting in Person by Attending Ordinary General Meeting of Shareholders



You are kindly requested to bring the enclosed Voting Form with you on the day of the Shareholders' Meeting, and please submit it at the reception desk. Also, please bring this document for your reference to the meeting.

Date and Time

10 a.m., June 24, 2020
(Wednesday)

Exercising your voting rights in advance



Voting by Mail

Please consider the reference documents for the Ordinary General Meeting of Shareholders described below, and indicate your approval or disapproval of the proposal on the enclosed Voting Form, and return it so that it will arrive by the following deadline.

Deadline for Exercise

6 p.m., June 23, 2020
(Tuesday)



Voting by Electromagnetic Methods (the Internet, etc.)

Please consider the reference documents for the Ordinary General Meeting of Shareholders described below, and enter your approval or disapproval of the proposal on the Company's designated website for exercising voting rights

(<https://www.web54.net>).

Please refer to the next
page for details

Deadline for Exercise

6 p.m., June 23, 2020
(Tuesday)

Note

- In the event that a voting right is exercised twice via the enclosed voting form and online, only the online vote shall be counted as an effective vote.
- In the event that a voting right is exercised online more than once, only the most recent vote shall be counted as an effective vote.
- Depending on the use environment of the Internet, the network service, and the device used for communication, the online voting website may not be available.
- Shareholders shall bear the connection charges of the Internet providers and the communication charges of the telecommunications carriers (telephone charges, etc.) for accessing the online voting website.

Instructions for Voting by Electromagnetic Methods (the Internet, etc.)

Deadline for Exercise

6:00 p.m., June 23, 2020 (Tuesday)

***Please be reminded that the online voting website and phone inquiries services are available only in Japanese.**

1. Exercising Voting Rights via the Internet

Please note the following matters if you chose to exercise your voting rights via the Internet.

- (1) Online voting is available only by accessing the following online voting website designated by the Company. This website is available through the Internet via cellular phone also.

[Online voting website URL] <https://www.web54.net>

*You may also access the online voting website by scanning the two-dimensional code (QR Code) on the right side of Voting Form [shown in the Japanese original] that allows you to directly login without entering voting code and password if your cellular phone is equipped with a barcode reader. For more detailed instructions on this procedure, please refer to the user manual of your cellular phone.

(QR Code is trademarked by DENSO WAVE INCORPORATED)



- (2) When you vote online, please enter the “voting code” and the “password” provided in the enclosed voting form, and indicate your approval or disapproval of the proposals by following the instructions displayed on the screen.
- (3) Online votes will be accepted until 6:00 p.m., Tuesday, June 23, 2020 (Japan Standard Time), the day immediately prior to the date of the Ordinary General Meeting of Shareholders. However, your early voting would be highly appreciated for the convenience of vote counting.
- (4) Shareholders shall bear the connection charges of the Internet providers and the communication charges of the telecommunications carriers (telephone charges, etc.) for accessing the online voting website.
- (5) If you have any question related to online voting, please contact the following for inquiry services.

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited.

[Special Phone Line] 0120-652-031

(9:00 a.m. to 9:00 p.m. (Japan Standard Time), toll-free within Japan)

2. Electronic Voting Platform for Institutional Investors

Institutional investors may also use the “Electronic Voting Platform” operated by ICJ, Inc. to vote in this Ordinary General Meeting of Shareholders.

Proposals and reference information

Proposal 1

Appointment of Nine (9) Directors

All of the current nine (9) Directors of the Company will reach the maturity of the term of office at the end of this Ordinary General Meeting of Shareholders. Therefore, we would like to request the appointment of a total of nine (9) Directors, including two (2) new internal Directors, in addition to reappointed seven (7) Directors excluding two (2) Directors who will retire.

The nine (9) candidates nominated by the Board are as follows.

Candidate No.	Candidate Name	(Reference)	
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings of Directors in the 45th Fiscal Year (from April 1, 2019 to March 31, 2020)
1	Reappointed Shin Ashida	Representative Director Chairman, President and CEO	100%
2	Reappointed Hiroshi Yoshimoto	Representative Director Senior Vice President Executive Director and Head of Production Division	100%
3	Reappointed Toru Ashida	Senior Executive Director Executive Director of Sales Division and In charge of Corporate Strategy	100%

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Candidate No.	Candidate Name	(Reference)	
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings of Directors in the 45th Fiscal Year (from April 1, 2019 to March 31, 2020)
4	Newly-appointed Hiroyuki Sonoda	Corporate Officer Executive Director of Research Planning Division	-
5	Newly-appointed Mathias Schmidt		-
6	Reappointed Toshihiro Ishikiriya	Outside Director Independent Director	Outside Director 100%
7	Reappointed Takashi Suetsuna	Outside Director Independent Director	Outside Director 100%
8	Reappointed Toshihide Yoda	Outside Director	Outside Director 92%
9	Reappointed Yuko Hayashi, Ph.D.	Outside Director Independent Director	Outside Director 100%

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Candidate
No.

1

Reappointed



Shin Ashida (January 2, 1943)

Number of Shares of
the Company Owned 2,600
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

September 1975	Appointed Representative Director and President at the establishment of JCR Pharmaceuticals Co., Ltd. (to present)	June 2007	Appointed President of the Company (to present) Appointed Chief Operating Officer (COO) of the Company (to present)
June 2005	Appointed Chairman of the Company (to present) Appointed Chief Executive Officer (CEO) of the Company (to present)		

[Significant Concurrent Positions]

Member of the Board of Directors of Future Brain Co., Ltd.
Representative Director and President of JCR INTERNATIONAL SA

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his ability and actual achievements as founder and business manager of the Company and for sustained enhancement of the company value in the future.

Candidate
No.

2

Reappointed



Hiroshi Yoshimoto (November 27, 1951)

Number of Shares of
the Company Owned 5,708
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1972	Joined Taito Pfizer Co., Ltd. (currently, Pfizer Japan Inc.)	July 2011	Appointed Corporate Officer of the Company
December 1999	Plant Manager of Basic Production Plant and Nagoya Plant of Pfizer Japan Inc.	June 2012	Appointed Senior Executive Director of the Company
August 2003	General Manager of Active Pharmaceutical Ingredients Manufacturing of Nagoya Plant of Pfizer Japan Inc.	June 2014	Appointed Managing Director of the Company
March 2011	Joined JCR Pharmaceuticals Co., Ltd.	June 2016	Appointed Senior Vice President of the Company (to present)
May 2011	Executive Director of Production Division of the Company (to present)	June 2018	Appointed Representative Director (to present) Head of Production Division of the Company (to present)

[Significant Concurrent Positions]

Chairman, He Bei Jie Xi Bio-products Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has abundant experience and knowledge in manufacturing and quality assurance of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

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Candidate
No.

3

Reappointed



Toru Ashida

(October 31, 1968)

Number of Shares of
the Company Owned 65,265
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1992	Joined Nippon Life Insurance Company	June 2018	Appointed Senior Executive Director of the Company (to present)
April 2002	Appointed Representative Director and President at the establishment of JBS Co., Ltd.		Head of Quality Assurance Division, Corporate Planning Division, and Medical Affairs Department of the Company
January 2014	Joined JCR Pharmaceuticals Co., Ltd.		
July 2014	Appointed Corporate Officer of the Company Executive Director of Corporate Business Support Division and Director of Corporate Strategy Department of the Company	June 2019	In charge of Corporate Strategy (to present) Head of Quality Assurance Division, Corporate Planning Division, Administration Division, and Medical Affairs Department of the Company
April 2016	Head of Office of the President of the Company	April 2020	Executive Director of Sales Division of the Company (to present)

[Significant Concurrent Positions]

Representative Director and President of Future Brain Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has abundant experience in managing the organization at a major financial institution and operating an organization which supports facilities for clinical trial and is an appropriate person for enhancement of the corporate value of the Company.

Candidate
No.

4

Newly-
appointed



Hiroyuki Sonoda, Ph.D. (June 15, 1978)

Number of Shares of
the Company Owned 175
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 2003	Joined JCR Pharmaceuticals Co., Ltd.	April 2018	Executive Director of Research Planning Division of the Company (to present)
April 2016	Director of Corporate Planning Division (Research) of the Company	June 2018	Appointed Corporate Officer of the Company (to present)
October 2017	Leader of Frontier Research Unit and Director of Corporate Planning Division (Research) of the Company		

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his leadership and outstanding capabilities in the research field demonstrated since he joined the Company. The Company expects that his wide range of ideas based on his abundant experience will not only contribute to clinical development but will greatly contribute in enhancing the corporate value of the Company such as gene therapy and regenerative medicine that will support the Company's future growth.

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Candidate
No.

5

Newly-
appointed



Mathias Schmidt, PD, Ph.D. (February 13, 1968) the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 2001	Laboratory Head and Senior Group Leader, Oncology, Altana Pharma AG, Germany	January 2010	Principal & Head of Biologics Department, Nycomed GmbH, Germany (currently, Takeda GmbH)
May 2003	Lecturer in Disease Biology, Pharmacology, Human Biology, Drug Discovery & Development, University of Constance, Germany	June 2012	Vice President Biological Sciences, Takeda California, USA
June 2007	Associate Principal Strategic Planning / Business Support Department, Nycomed GmbH, Germany (currently, Takeda GmbH)	October 2016	President and Chief Executive Officer, ArmaGen, Inc., USA (to present)
		March 2019	Executive Vice President, Head of Research and Development, Triphase Accelerator Corporation, USA (to present)

[Significant Concurrent Positions]

President and Chief Executive Officer ArmaGen, Inc., USA

Executive Vice President, Head of Research and Development, Triphase Accelerator Corporation, USA

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his research achievements at academia as well as extensive research activities and abundant experience of global clinical development at pharmaceutical companies. In approaching globalization, the Company expects that his high management abilities and achievements will greatly contribute in enhancing the corporate value of the Company.

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Candidate
No.

6

Reappointed

Outside
DirectorIndependent
Director

Toshihiro Ishikiriya (October 12, 1952)

Number of Shares of
the Company Owned 2,000
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

January 1996	General Manager of Corporate Planning of Hoechst Marion Roussel Inc. (currently, Sanofi K.K.)	June 2015	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals Co., Ltd. (to present)
January 2002	Joined GlaxoSmithKline K.K.	August 2016	Assistant to the President of MEDINET Co., Ltd.
March 2002	Member of the Board of Directors and General Manager of Corporate Planning of GlaxoSmithKline K.K.	July 2018	Audit & Supervisory Board Member of GlaxoSmithKline K.K. (to present)
April 2005	Member of the Board of Directors, General Manager of Financial Affairs and in charge of Business Development of GlaxoSmithKline K.K.	August 2019	Audit & Supervisory Board Member of GSK Capital K.K. (to present)
June 2008	Member of the Board of Directors and Managing Director of GlaxoSmithKline K.K.		Audit & Supervisory Board Member of GlaxoSmithKline Consumer Healthcare Japan K.K. (to present)
April 2012	Member of the Board of Directors, Managing Director and General Manager of Vaccine Business Promotion Division of GlaxoSmithKline K.K.		Audit & Supervisory Board Member of ViiV Healthcare K.K. (to present)
July 2012	Representative Director and Chairman of Japan Vaccine Co., Ltd.	September 2019	Representative Director and President of RegeNephro Co.,Ltd. (to present)
June 2014	Representative Director and President of Japan Vaccine Co., Ltd.		

[Significant Concurrent Positions]

Audit & Supervisory Board Member of GlaxoSmithKline K.K.
 Audit & Supervisory Board Member of GSK Capital K.K.
 Audit & Supervisory Board Member of GKK K.K.
 Audit & Supervisory Board Member of GlaxoSmithKline Consumer Healthcare Japan K.K.
 Audit & Supervisory Board Member of ViiV Healthcare K.K.
 Representative Director and President of RegeNephro Co.,Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for an Outside Director because the Company expects his contribution to the Company by leveraging his abundant experience and expert knowledge as a manager of pharmaceutical companies in the management of the Company.

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Candidate
No.

7

Reappointed

Outside
Director

Independent
Director



Takashi Suetsuna

(March 8, 1949)

Number of Shares of
the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1974	Joined the National Police Agency	June 2013	Audit & Supervisory Board Member of Marubeni Corporation
February 1994	Chief of Kochi Prefectural Police Headquarters	June 2015	Outside Director of Totetsu Kogyo Co., Ltd. (to present)
September 1997	Director of Finance Division of Commissioner-General's Secretariat of National Police Agency	June 2016	Audit & Supervisory Board Member of Keikyu Corporation (to present)
September 2001	Chief Inspector General of Commissioner-General's Secretariat of National Police Agency		Audit & Supervisory Board Member of Kandenko Co., Ltd. (to present)
August 2002	Chief of Kanagawa Prefectural Police Headquarters	June 2017	Appointed Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd.
August 2004	Deputy Superintendent General of National Police Agency	June 2018	Appointed Member of the Board of Directors (Outside Director) of the Company (to present)
September 2005	Grand Chamberlain to the Crown Prince at the Imperial Household Agency		Audit & Supervisory Board Member of Aioi Nissay Dowa Insurance Co., Ltd. (to present)
April 2009	Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg		
June 2012	Retired from the above office		

[Significant Concurrent Positions]

Outside Director of Totetsu Kogyo Co., Ltd.
Audit & Supervisory Board Member of Keikyu Corporation
Audit & Supervisory Board Member of Kandenko Co., Ltd.
Audit & Supervisory Board Member of Aioi Nissay Dowa Insurance Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for an Outside Director because the Company expects his contribution to the Company by leveraging his abundant experience in administrative agencies and a global perspective as a diplomat for use in management of the Company.

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Candidate
No.

8

Reappointed

Outside
Director



Toshihide Yoda

(January 8, 1963)

Number of Shares of
the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Position

April 1985	Joined Nippon Kangyo Kakumaru Securities	April 2012	Managing Director of Medipal Holdings Corporation In charge of IR and General Manager of Business Development Department CMA® (to present)
May 1989	Joined UBS Securities Japan Co., Ltd.	May 2016	Director of SPLine Corporation Director of Medie Co., Ltd.
July 1996	Joined ING Bearing Securities	June 2016	Director of Mediceo Corporation (to present)
December 2000	Joined Lehman Brothers	February 2018	Director of JCR USA, Inc. (to present)
October 2008	Joined Barclays Capital Securities Japan Limited (currently, Barclays Securities Japan Limited) Managing Director of Barclays Capital Securities Japan Limited (currently, Barclays Securities Japan Limited)	June 2018	Senior Vice President of Medipal Holdings Corporation. (to present) Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)
June 2010	Director of Medipal Holdings Corporation		

[Significant Concurrent Positions]

Senior Vice President of Medipal Holdings Corporation
Director of Mediceo Corporation
Director of JCR USA, Inc.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for an Outside Director because the Company expects his contribution to the Company by leveraging his extensive knowledge as an analyst of pharmaceutical sector in the financial industry and his various experiences of driving new business.

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Candidate
No.

9

Reappointed

Outside
Director

Independent
Director

Yuko Hayashi, Ph.D. (February 18, 1965) Number of Shares of the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Position

April 1988	Joined IBM Japan Ltd.	April 2012	Associate Professor of Graduate School of Innovation and Technology Management of Yamaguchi University
October 2003	Visiting Researcher of Research Center for Advanced Science and Technology of The University of Tokyo	June 2015	Professor of Graduate School of Innovation and Technology Management of Yamaguchi University (to present)
April 2007	Lecturer of Graduate School of Innovation and Technology Management of Yamaguchi University	January 2017	Executive Board Member of Special Olympics Nippon of Public Interest Incorporated Foundation (to present)
	Visiting Researcher of National Graduate Institute for Policy Studies	April 2018	Visiting Researcher of Graduate School of Frontier Sciences of The University of Tokyo (to present)
March 2011	Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association (to present)	June 2018	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)

[Significant Concurrent Positions]

Professor of Graduate School of Innovation and Technology Management of Yamaguchi University
Executive Board Member of Special Olympics Nippon of Public Interest Incorporated Foundation
Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association

Reason for Nomination as a Candidate for Director

The Company has nominated her as a candidate for an Outside Director because her expertise on practical application of innovation and a wide range of extensive experience such as research activities on advanced medical care, diversity and promotion of women's participation and advancement in the workplace will help enhancement of the corporate value of the Company.

- (Note) 1. The number of shares of the Company owned by each candidate includes the equity interests in the JCR Officer Shareholding Association and the JCR Pharmaceuticals Employee Shareholding Association.
2. Hiroyuki Sonoda and Mathias Schmidt are newly-appointed candidates for Director of the Company.
3. Mr. Toshihide Yoda is a Senior Vice President of Medipal Holdings Corporation, and Medipal Holdings Corporation is a major shareholder of the Company.
4. There are no particular vested interests between other candidates and the Company.
5. Mr. Toshihiro Ishikiriya will have served as an Outside Director for five (5) years, Mr. Takashi Suetsuna will have served as an Outside Director for three (3) years, and Mr. Toshihide Yoda and Dr. Yuko Hayashi will have served as an Outside Director for two (2) years at the conclusion of this Shareholders' Meeting.
6. When this proposal is approved as proposed, Mr. Toshihiro Ishikiriya, Mr. Takashi Suetsuna and Dr. Yuko Hayashi will be registered at the Tokyo Stock Exchange as Independent Director without particular vested interests with the shareholders in general.
7. Pursuant to the Articles of Incorporation of the Company, the Company has concluded a contract with Mr. Toshihiro Ishikiriya, Mr. Takashi Suetsuna, Mr. Toshihide Yoda, and Dr. Yuko Hayashi with respect to limiting their liabilities for damages under Paragraph 1 of Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1 of Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence. If the proposal is approved as originally proposed and both are re-elected, the above contract will be continued.

Criteria for independence of Outside Directors

In nomination of candidates for Outside Director or Member of the Board of Directors of the Company, the Company places great emphasis on abundant experience and high insight in corporate management etc. in addition to the requirements under the Company Law. Independent Director has been designated as a person who fulfills the qualification of an independent Director who is not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc.

Proposal 2

Issuance of Share Options to Directors, Presidents of Overseas Subsidiaries, and Corporate Officers for Stock Option Scheme as Stock-linked Compensation Plan.

The stock-linked compensation stock option allotted to Directors of the Company, and Presidents of overseas subsidiary companies, and the Corporate Officers of the Company are intended to further increase their motivation for contribution or the morale toward continued enhancement of the business performance and corporate value in the medium- and long-term by sharing with shareholders not only merits from stock price rises but also risks from stock price falls. The amount of compensation to the Directors is set at “No more than 500 million yen annually.” We seek the approval of issuance of new share subscription rights as the stock-linked compensation stock option within this limit.

In addition, we would like to request the approval to issue new share subscription rights as the stock-linked compensation stock option to Presidents of overseas subsidiary companies and Corporate Officers of the Company as well.

Under the stock-linked compensation stock option, a payment amount for allotting new share subscription rights is set as the fair price, and instead of the payment of said amount, the Directors of the Company, and Presidents of overseas subsidiary companies, and Corporate Officers of the Company shall offset the payment with their claims for compensation from the Company.

This system was introduced in 2009 as a system replacing the retirement benefit plan for directors which was abolished on June 27, 2007.

1. Outlines of the new share subscription rights

(1) Persons subject to the allotment of the new share subscription rights

Five (5) Directors excluding Outside Directors of the Company, one (1) President of an overseas subsidiary company and four (4) Corporate Officers of the Company

(2) Type and number of shares of the new share subscription rights

Common shares of the Company limited to a maximum of 17,000 shares

(3) Total number of the new share subscription rights

Limited to a maximum of 170 units (100 shares to be issued per one unit of the new share subscription right.)

(4) Paid-in amount for the new share subscription rights

The paid-in amount shall be the fair value calculated by Black-Scholes Option Pricing Model on the date of allotment. The Company shall regard the monetary compensation equivalent to the paid-in amount to be paid to those Directors of the Company, and Presidents of overseas subsidiary companies, and Corporate Officers of the Company subject to an allotment of the new share subscription rights, and they shall obtain the new share subscription rights by offsetting said payment liabilities with their claims for compensation from the Company.

(5) Value of property to be invested upon exercise of the new share subscription rights

The value of property per one share to be invested upon exercise of the new share subscription

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rights (hereinafter referred to as the “Exercise Value”) shall be one (1) yen.

(6) Conditions for the exercise of the new share subscription rights

- [1] The recipient of the new share subscription rights may exercise its rights no more than 10 days from the day following the date of loss of the position if he/she is a Director of the Company or a subsidiary company or from the day following the date of resignation of the position if he/she is a Corporate Officer. However, if a Corporate Officer who has become a Director of the Company or a Director of a subsidiary company resigns, he/she may exercise his/her rights for up to 10 days after the following day of the date he/she no longer occupies the position of Director. A Corporate Officer loses his/her rights if his/her resignation is due to dismissal or for personal reasons.
- [2] The new share subscription rights shall be exercised collectively and may not be divided and exercised in parts.
- [3] In the event the recipient of the new share subscription rights loses the position of Director of the Company or a subsidiary company or the Corporate Officer of the Company reaches retirement by the day before the Ordinary General Meeting of Shareholders scheduled to be held in June 2021, he/she will not be able to exercise the rights.
- [4] The Company prohibits the pledging or other disposal of the new share subscription rights in any manner whatsoever.
- [5] Other conditions for the exercise of rights shall accord with the provisions of the “New Share Subscription Rights Agreement” concluded between the Company and the recipient of the new share subscription rights.

(7) Inheritance of the new share subscription rights

If the recipient of the new share subscription rights deceases, only one of his/her legal heirs (hereinafter referred to as the “Successor to the Rights”) may exercise the new share subscription rights within one year only from the day following the date of death of the recipient of the new share subscription rights. In case the Successor to the Rights dies, the heirs of the Successor to the Rights may not inherit the new share subscription rights.

(8) Restrictions on the transfer of the new share subscription rights

The acquisition of the new share subscription rights by transfer requires the approval of the Board of Directors of the Company.

(9) Other matters

Other matters related to the new share subscription rights shall be determined by resolution of the Board of Directors.

2. Value of compensation, etc. of Directors and Corporate Officers based on the stock-linked compensation stock option

The total value of the new share subscription rights to be issued as the stock-linked compensation stock options to Directors of the Company, and Presidents of overseas subsidiary companies, and Corporate Officers of the Company shall be limited to a maximum of 200 million yen.





[Attachment] Report on business results (From April 1, 2019 to March 31, 2020)

1 Current Situation of the Corporate Group

1. Progress of business and its results

(1) Summary of consolidated operating results for the fiscal year under review

The overview of this consolidated fiscal year is as follows;

Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
24,781	3,244 million	3,293 million	2,678 million
million yen	yen	yen	yen
 Against Previous Fiscal Year	 Against Previous Fiscal Year	 Against Previous Fiscal Year	 Against Previous Fiscal Year
7.0%	34.7%	35.0%	27.9%
increase	decrease	decrease	decrease

(Note) All amounts are rounded down to the nearest million yen.

1. Net Sales

Net sales amounted to 24,781 million yen (up 7.0% year on year), marking the eighth consecutive year of sales growth.

Although there were NHI price revisions in October 2019, we posted our highest-ever net sales owing to increases in the sales volume of core products.

2. Operating Income and Ordinary Income

Profits decreased year on year at every level, with operating income of 3,244 million yen (down 34.7%), ordinary income of 3,293 million yen (down 35.0%), and profit attributable to owners of parent of 2,678 million yen (down 27.9%).






Profits decreased mainly because revenue from licensing associated with the licensing out of lysosomal storage disease (LSD) therapies, including JR-141, which was anticipated in the current fiscal year, is now expected to be pushed back to the next fiscal year.

Another reason was that R&D expenses rose 37.7% from the previous fiscal year to 5,997 million yen (up 1,642 million yen year on year).

3. Main components of sales

The main components of sales are as follows.

(FOR REFERENCE PURPOSE)

	Net sales for FY2019	Year-on-year change	
Recombinant human growth hormone product GROWJECT®	12,650 million yen	 +5.6%	672 million yen increase
Regenerative medical products TEMCELL® HS Inj.	3,126 million yen	 +53.2%	1,085 million yen increase
Renal anemia treatments Epoetin Alfa BS Inj. [JCR] Darbepoetin Alfa BS Inj. [JCR]	5,509 million yen 4,097 million yen 1,412 million yen	 +22.1%	997 million yen increase 414 million yen decrease Launched in November 2019
Fabry disease treatment Agalsidase Beta BS I.V. Infusion [JCR]	317 million yen	 +327.4%	243 million yen increase
Revenue from licensing	2,050 million yen	 △42.4%	1,509 million yen decrease

(Note) All amounts are rounded down to the nearest million yen.

- The NHI prices of all products except for TEMCELL®HS Inj. (regenerative medical product), were reduced through NHI price revision in October 2019.
- Sales increased for all products, except for Epoetin Alpha BS Inj. [JCR] (renal anemia treatment), due to sales volume growth.
- With the launch of Darbepoetin Alfa BS Inj. [JCR] (long-acting erythropoiesis-stimulating agent) in November 2019, overall sales of renal anemia treatments rose 22.1% year on year.
- Revenue from licensing is derived from sources such as milestone payments based on progress with research and development with contractpartners on joint R&D and other projects, and when new licensing agreements are signed. In the fiscal year ended March 31, 2020, revenue from licensing decreased year on year, mainly because JCR had expected to record licensing revenue associated with the licensing out of lysosomal storage disease (LSD) therapies, but this revenue was pushed back to the next fiscal year. Meanwhile, there were positive developments in the fiscal year under review, such as progress on a licensing agreement with Sumitomo Dainippon Pharma Co., Ltd.

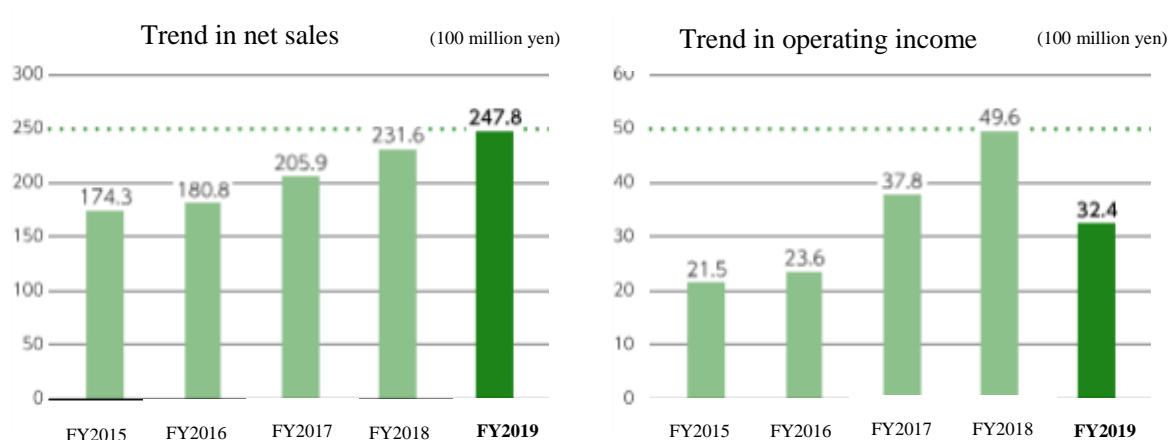
4. Mid-Term Management Plan “HIYAKU”

Under its five-year Mid-Term Management Plan “HIYAKU” (leap into the future) that began in 2015, JCR has pushed ahead with businesses, aiming to become a “R&D oriented specialty pharma with global exposure.”

In terms of products, we obtained manufacturing and marketing approval for and launched TEMCELL® HS Inj. (regenerative medical product), GROWJECT® Liquid Formulation (recombinant human growth hormone product), Agalsidase Beta BS I.V. Infusion [JCR] (Fabry disease treatment) and Darbepoetin Alfa BS Inj. [JCR] (renal anemia treatment).

In terms of research and development, we pursued R&D into new pharmaceuticals centered on the blood-brain barrier (BBB) penetration technology, J-Brain Cargo®, and carried out clinical trials including overseas trials.

With sales also increasing for existing products, we recorded our highest-ever sales. However, business performance fell short of our targets for net sales (25.0 billion yen) and operating income (5.0 billion yen) for the fiscal year ended March 31, 2020.



(Note) All amounts are rounded down to the nearest million yen.

(2) The Status of R&D

[Treatments for lysosomal storage diseases]

- In treatments for lysosomal storage diseases, a priority field for development, we are currently conducting development of new drugs that employ our unique blood-brain barrier (BBB) technology, J-Brain Cargo®.
- We started a Phase II clinical trial of our BBB-penetrating therapeutic enzyme for the treatment of Hunter Syndrome (development code: JR-141) in Brazil in June 2018 and initiated a Phase III clinical trial in Japan in August 2018. In other regions, we have also been proceeding with preparations for global development. JR-141 received orphan drug designation from the U.S. Food and Drug Administration (FDA) in October 2018, and the European Medicines Agency (EMA) in February 2019.
- We have also been successively conducting R&D into other treatments for lysosomal storage diseases that employ J-Brain Cargo®, including a treatment for Pompe disease (development code: JR-162), a treatment for Hurler syndrome (development code: JR-171), a treatment for Sanfilippo syndrome type A (development code: JR-441), a treatment for Sly syndrome (development code: JR-443), and a treatment for Sanfilippo syndrome type B (JR-446). We will also develop each of these treatments globally.

[Regenerative medicine products]

- In July 2019, we commenced Phase I/II clinical trials of TEMCELL® HS Inj. for the expanded indication of neonatal hypoxic ischemic encephalopathy (HIE) (development code: JR-031HIE).
- We filed an application for additional marketing approval of TEMCELL® HS Inj. for the indication of epidermolysis bullosa (EB) by subcutaneous administration (development code: JR-031EB) with the Ministry of Health, Labour and Welfare of Japan (MHLW). Following the filing, JCR carried out extensive discussions with the regulatory authority. However, in the aim to demonstrate the efficacy of TEMCELL® for EB with more clarity, JCR withdrew this application in September 2019. Future development plans are currently under review.
- In February 2019, we commenced Phase I/II clinical trials of an allogeneic regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (development code: JTR-161/JR-161).

[Human growth hormone product]

- In July 2018, we started a Phase III clinical trial for an additional indication for GROWJECT® in patients with short stature homeobox-containing gene (SHOX) deficiency.
- In May 2019, we initiated a Phase I clinical trial of a recombinant long-acting growth hormone (development code: JR-142).

[Treatment for renal anemia]

- In September 2019, we obtained marketing approval for Darbepoetin Alfa BS Injection JCR, a long-acting erythropoiesis-stimulating agent, and launched the product in November 2019.

(FOR REFERENCE PURPOSE)

[Reference] Research and Development Status of New Products (As of May 18, 2020)

Code (Nonproprietary name)	Indication	Status (Japan)	Remarks
JR-141 BBB-penetrating iduronate-2-sulfatase (rDNA origin)	LSD MPS type II (Hunter)	Phase III in Japan Phase II in Brazil	• ERT • J-Brain Cargo®
JR-162 J-Brain Cargo® -applied acid α -glucosidase (rDNA origin)	LSD Pompe disease	Preclinical	• ERT • J-Brain Cargo®
JR-171 BBB-penetrating α -L iduronidase (rDNA origin)	LSD MPS type I (Hurler etc.)	Preclinical	• ERT • J-Brain Cargo® • J-MIG System®
JR-441 BBB-penetrating heparan N-sulfatase (rDNA origin)	LSD MPS type III A (Sanfilippo A)	Preclinical	• ERT • J-Brain Cargo®
JR-443 BBB-penetrating β -glucuronidase (rDNA origin)	LSD MPS type VII (Sly)	Preclinical	• ERT • J-Brain Cargo®
JR-446 BBB-penetrating α -N-acetylglucosaminidase (rDNA origin)	LSD MPS type III B (Sanfilippo B)	Preclinical	• ERT • J-Brain Cargo®
JR-401X Somatropin (rDNA origin)	SHOX deficiency	Phase III	• Expanded Indication of GROWJECT®
JR-142 Long-acting human growth hormone (rDNA origin)	Pediatric growth hormone deficiency	Phase I	• J-MIG System®
JR-041 Follicle stimulating hormone (rDNA origin)	Infertility	Phase I/II	• Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-031EB Mesenchymal stem cells	Epidermolysis bullosa	Suspended (Application withdrawn)	• Expanded Indication of TEMCELL® HS Inj. • Regenerative medical product
JR-031HIE Mesenchymal stem cells	Neonatal Hypoxic Ischemic Encephalopathy	Phase I/II	• Expanded Indication of TEMCELL® HS Inj. • Regenerative medical product
JTR-161/JR-161 Dental pulp stem cells	Acute cerebral infarction	Phase I/II	• Co-developed with Teijin Limited • Regenerative medical product

BBB: Blood Brain Barrier LSD: Lysosomal storage disorder MPS: Mucopolysaccharidosis ERT: Enzyme replacement therapy

2. State of Financing

The Company did not raise funds by an increase in capital or issuance of corporate bonds during the fiscal year under review.

3. State of Capital Investment

Capital expenditures in the fiscal year under review totaled 5,296 million yen, including capital investments of 423 million yen in pharmaceutical manufacturing facilities and of 443 million yen in R&D facilities.

(Note) All amounts are rounded down to the nearest million yen.

4. Challenges Need to be Addressed

During “HIYAKU,” our previous five-year Mid-Term Management Plan (FY2015-FY2019), we successfully launched several key products that will support our future business performance, as planned. In addition, we actively enhanced our human resources and made capital investments in order to accelerate research and development of pipeline compounds that employ the BBB-penetrating technology, J-Brain Cargo®, which will drive our future growth.

As it looks toward its 50-year anniversary (in 2025) from FY2020, JCR has unveiled “HENKAKU” (REVOLUTION), its three-year Midterm Business Plan for FY2020-FY2022. During the period covered by the “HENKAKU” Midterm Business Plan, we will focus on research and development of treatments for a range of lysosomal storage diseases that employ JCR’s proprietary J-Brain Cargo® technology, including the Hunter syndrome treatment JR-141.

In FY2020, we plan to file for approval of JR-141 in Japan and Brazil and start clinical trials of JR-171 for Hurler syndrome on a global basis.

In addition, we will pursue research and development with the aim of starting clinical trials within the next three years for several compounds, including JR-162 for Pompe disease and JR-441 for Sanfilippo syndrome type A.

Moreover, from FY2020, the first year of the “HENKAKU” Midterm Business Plan, the global launch and clinical development of treatments for lysosomal storage diseases, including JR-141, will begin in earnest.

Under these business policies and in this operating environment, the Company will tackle the following challenges to realize JCR’s vision of becoming an R&D oriented specialty pharma with global exposure, built on proprietary biotechnologies and cell therapy and regenerative medicine technologies.

Top priority business challenge: Qualitative and quantitative reorganization of the quality assurance system

Under the Midterm Business Plan “HENKAKU” (REVOLUTION), we will make steady progress on development projects, including research and development in the field of lysosomal storage diseases. In anticipation of further growth in JCR’s importance in the field of rare diseases, “Qualitative and quantitative reorganization of the quality assurance system” has been identified as our top priority business challenge. The most important duty of a pharmaceutical company is to rapidly and steadily supply high-quality products to the clinical frontlines. We recognize that this is a critical challenge that can have a bearing on our continued existence as an enterprise. JCR’s treatments for lysosomal storage diseases that apply its BBB penetration technology J-Brain Cargo® have the potential to become the first-ever therapies for lysosomal storage diseases that manifest central nervous symptoms for which no effective therapy currently exists.

Additionally, JCR’s supply chain will continue to expand even further as the number of its products and pipeline compounds increases. Keeping this issue in mind, as a pharmaceutical company advancing the development of treatments for rare diseases, we recognize the importance of our duty to rapidly and steadily supply high-quality products. Recognizing this, we will step up our efforts even more than before to implement qualitative and quantitative reorganization of the quality assurance system.

Furthermore, JCR will accelerate measures to address the following five important business challenges.

(1) Action for sustainable growth of the sales of our products

Sales of existing products constitute the source of funding for treatments of lysosomal storage diseases such as JR-141 and all of our research and development activities. For this reason, we continue to identify the sustainable growth of sales of our products as an important business challenge. Notably, we believe that it is of utmost importance to strengthen the sales base of GROWJECT®, a recombinant human growth hormone product that accounts for around half of our net sales.

Even now, the market for growth hormone products continues to expand, due to activities such as efforts to develop additional indications for growth hormone products and programs to raise awareness of diseases by companies that market growth hormone products. On the other hand, growth hormone products are used primarily to treat growth disorders in children. In the near future, overall market growth is predicted to turn negative due to the falling birthrate in Japan.

JCR has continued to expand its market share in Japan by cultivating the hospital market, developing dedicated injectors to differentiate itself from other companies, and developing user-friendly dosage forms. By enhancing these measures further, JCR will offset the impacts of the projected decline in the size of the market and the impact of NHI price revisions as it works to preserve and drive growth in net sales.

In other compounds, we will also work to preserve and drive growth in net sales by appropriately responding to changes in the business environment.

(2) Expansion of basic research activities

In the pharmaceutical industry, it takes more than ten years for a new platform technology to be established as a pharmaceutical, including basic research. We expect that JCR's top priority of developing a series of treatments for lysosomal storage diseases will run its course in the next ten years or so. Therefore, we will strengthen measures to address basic research in order to create a new platform technology in anticipation of the period after we have developed treatments for lysosomal storage diseases. In addition, since J-Brain Cargo® is based on antibodies, special considerations and ingenuity are needed to deliver small molecules, nucleic acids and other substances to the brain. On the other hand, the technology to deliver drug substances to the brain can be applied to a variety of diseases, not just lysosomal storage diseases. Delivering small molecules and nucleic acids to the brain could pave the way for new treatment options for many more diseases.

In order to explore these possibilities, JCR will advance basic research to develop technologies that can efficiently deliver low to middle molecular compounds such as small molecules and nucleic acids to the brain.

(3) Evaluation and implementation of further capital investment for manufacturing and research

During the previous Mid-Term Management Plan, we implemented necessary capital investments in order to accelerate research and development. These included investments in the expansion of research facilities and establishment of a Cell Processing Center, Clinical Trial Material Manufacturing Centers and other sites.

Going forward, we will take active steps to make the necessary capital investments based on medium- and long-term predictions, while closely monitoring the business environment. These investments will seek to accelerate the research and development of a series of future treatments of lysosomal storage diseases and to enable the early start of clinical trials and product launches in the market.

(4) Product strategy planning including evidence generation

Pharmaceutical companies that develop treatments for lysosomal storage diseases have an important duty to provide useful information to those clinical sites worldwide engaged to treat lysosomal storage diseases. Doing so will also help to increase JCR's business value. Accordingly, JCR will push ahead with product strategy planning including evidence generation as an important business challenge.

For example, treatments for lysosomal storage diseases using J-Brain Cargo® technology are expected to provide patients with an improved prognosis through alleviation of central nervous system symptoms. However, in short-term clinical trials, it is difficult to obtain data about prognoses that require long-term monitoring. Because this sort of data is crucial to the clinical frontlines, JCR will conduct proactive and strategic data collection activities even after products have been launched in the market.

(FOR REFERENCE PURPOSE)

Furthermore, some medical conditions are difficult to identify as lysosomal storage diseases, because the main symptoms of those conditions are only central nervous system symptoms. Given that JCR's treatments for lysosomal storage diseases can be useful for these medical conditions, JCR believes that one of its important duties is to conduct activities that facilitate the early detection and treatment of these conditions.

(5) Transformation of operations and organizations along with human resource development

JCR's global activities will get under way in earnest from FY2020, and JCR will need to have achieved a major transformation in all aspects of its business by its 50th anniversary in 2025. Meanwhile, we are convinced that JCR's value originates from every member of Team JCR who embraces JCR's corporate culture. This will remain unchanged in the era of full-scale globalization, and will continue to inspire the creation of new value in manufacturing and research.

JCR believes that preserving and developing Team JCR's corporate culture is vital to JCR's creation of value. Accordingly, we believe that it is important to limit our operations to a size where we know—and can see—every member of Team JCR. For this reason, even in a phase of rapid business expansion, we will focus on high value-added operations and advance the necessary organizational reforms to ensure that we can still operate with only a certain number of dedicated staff. Additionally, we will carry out human resources development to foster the growth of every member of Team JCR supporting JCR's future development.

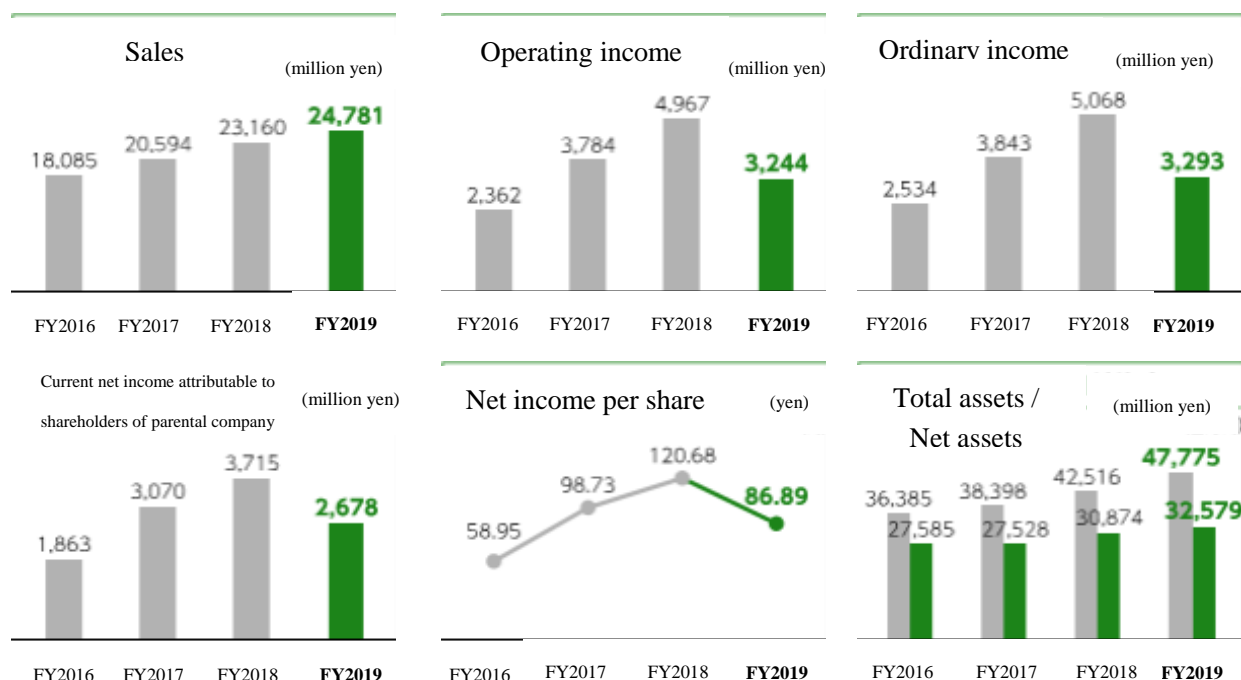
Forward-looking statements contained in this document are based on information available as of the end of the fiscal year under review.

5. Trends in Assets and Profit and Loss

(1) Trends in the state of business results and assets of JCR Group

Category		42nd term Fiscal year 2016	43rd term Fiscal year 2017	44th term Fiscal year 2018	45th term (term under review) Fiscal year 2019
Sales	(million yen)	18,085	20,594	23,160	24,781
Operating income	(million yen)	2,362	3,784	4,967	3,244
Ordinary income	(million yen)	2,534	3,843	5,068	3,293
Current net income attributable to shareholders of parental company	(million yen)	1,863	3,070	3,715	2,678
Net income per share	(yen)	58.95	98.73	120.68	86.89
Total assets	(million yen)	36,385	38,398	42,516	47,775
Net assets	(million yen)	27,585	27,528	30,874	32,579

(Note) All amounts are rounded down to the nearest million yen.



(FOR REFERENCE PURPOSE)

(2) Trends in the business results and assets of the Company

Category		42nd term Fiscal year 2016	43rd term Fiscal year 2017	44th term Fiscal year 2018	45th term (term under review) Fiscal year 2019
Sales	(million yen)	17,794	20,304	22,910	24,725
Operating income	(million yen)	2,265	3,732	4,967	3,287
Ordinary income	(million yen)	2,442	3,794	5,031	3,342
Net income	(million yen)	1,870	3,015	3,826	2,741
Net income per share	(yen)	59.19	96.97	124.31	88.94
Total assets	(million yen)	35,977	37,756	42,072	47,440
Net assets	(million yen)	27,399	27,049	30,524	32,278

(Note) All amounts are rounded down to the nearest million yen.

6. Important subsidiaries, etc.

(1) Subsidiaries

Company Name	Capital	Investment Ratio of the Company	Description of Main Business
He Bei Jie Xi Bio-products Co., Ltd.	25 million RMB	100.0 %	Currently in the process of liquidation
Family Health Rental Co., Ltd.	150 million yen	100.0 %	Sale, lease and rental of medical devices
Chromatech Co., Ltd.	10 million yen	100.0 %	Sale of medical and laboratory equipment
JCR Engineering Co., Ltd.	10 million yen	100.0 %	Processing and custody of facility information Facility management Construction management
JCR INTERNATIONAL SA	1 million CHF	100.0 %	Surveys toward market development and investments related to pharmaceuticals
JCR USA, Inc.	5 million USD	65.0 %	Management and supervision of outsourcing to the CRO related to clinical trials

(Note) 1. He Bei Jie Xi Bio-products Co., Ltd. is currently in the process of liquidation.

2. Based on the absorption-type merger agreement of August 29, 2019 between the Company and Family Health Rental Co., Ltd., the Company completed to be the company surviving by absorbing Family Health Rental Co., Ltd. on April 1, 2020.
3. On April 10, 2020, the Company completed the acquisition of ArmaGen, Inc. (a privately held US biopharmaceutical company headquartered in San Diego, California), which was agreed on March 26, 2020, and became a subsidiary of the Company.

(FOR REFERENCE PURPOSE)

(2) Affiliated company

No relevant items.

(3) Specified wholly-owned subsidiaries as of the last day of the fiscal year

No relevant items.

7. Scope of main business

The Company Group manufactures, purchases and sells ethical pharmaceuticals, regenerative medicine products, active pharmaceutical ingredients and raw materials and also purchases and sells laboratory instruments, apparatus and medical equipment.

8. Main places of business and manufacturing sites

(1) JCR Pharmaceuticals Co., Ltd.

Category	Name (Location)
Head Office	Head Office (Ashiya, Hyogo Prefecture)
Office	Tokyo Office (Minato-ku, Tokyo)
Manufacturing Sites	Seishin Plant (Nishi-ku, Kobe) Kobe Plant (Nishi-ku, Kobe) Murotani Plant (Nishi-ku, Kobe) Kobe API Plant (Nishi-ku, Kobe)
Research Laboratory	Research Institute (Nishi-ku, Kobe)

(2) Subsidiaries

Category	Name (Location)
Japan	Family Health Rental Co., Ltd. (Nishi-ku, Kobe) Chromatech Co., Ltd. (Nishinomiya , Hyogo) JCR Engineering Co., Ltd. (Nishi-ku, Kobe)
Overseas	He Bei Jie Xi Bio-products Co., Ltd. (China) *currently in the process of liquidation. JCR INTERNATIONAL SA (Switzerland) JCR USA, Inc. (USA)

- (Note) 1. Based on the absorption-type merger agreement of August 29, 2019 between the Company and Family Health Rental Co., Ltd., the Company completed to be the company surviving by absorbing Family Health Rental Co., Ltd. on April 1, 2020.
2. On April 10, 2020, the Company completed the acquisition of ArmaGen, Inc. (a privately held US biopharmaceutical company headquartered in San Diego, California), which was agreed on March 26, 2020, and became a subsidiary of the Company.

(FOR REFERENCE PURPOSE)

9. Employees

Business Division	Number of Employees
Pharmaceuticals	590
Medical devices and laboratory equipment	4
Company-wide (shared)	73
Total	667

(Note) The number of employees refers to the employed workforce.

10. Principal Lenders

Lender	Loan Value
MUFG Bank, Ltd.	3,350 million yen
Mizuho Bank, Ltd.	1,650 million yen
Sumitomo Mitsui Banking Corporation	1,600 million yen

(Note) All amounts are rounded down to the nearest million yen.

2 Matters Related to the Shares of the Company

1. State of shares

- (1) Total number of authorized shares 80,000,000 shares
 (2) Total number of outstanding shares 32,421,577 shares (including 1,497,959 shares held as treasury shares)
 (3) Number of shareholders at the end 3,734
 of the term under review shareholders

2. Principal shareholders (Top 10)

Name of Shareholder	Number of Shares Held	Ratio of Shareholding
Medipal Holdings Corporation	7,282,823 shares	23.55%
Kissei Pharmaceutical Co., Ltd.	3,800,000 shares	12.28%
Future Brain Co., Ltd.	2,177,990 shares	7.04%
The Master Trust Bank of Japan, Ltd.(Trust Account)	2,072,400 shares	6.70%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,783,400 shares	5.76%
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	1,630,857 shares	5.27%
Sumitomo Dainippon Pharma Co., Ltd.	850,000 shares	2.74%
Mochida Pharmaceutical Co., Ltd.	550,000 shares	1.77%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	287,000 shares	0.92%
Employee Shareholding Association of JCR Pharmaceuticals Co., Ltd.	275,204 shares	0.88%

- (Note) 1. For Ratio of Shareholding, all amounts are rounded down to the second decimal place.
 2. The Company holds 1,497,959 shares of the Company; however it is not included in the table above.
 3. 94,300 shares of the Company held with Trust Custody Services Bank, Ltd. (Trust E Account) following the adoption of Benefit Trust Scheme (J-ESOP), are not included in treasury shares of the Company (1,497,959 shares).
 4. Ratios of shareholding have been calculated after deducting treasury shares from the total number of outstanding shares.

3 Matters Related to the New Shares Subscription Rights of the Company

1. State of stock options granted as compensation for the execution of duties held by Directors and Audit & Supervisory Board Members on the last day of the fiscal year under review

Date of Resolution on Issue	Period of Exercise		Exercise Price	Recipients	Number of Rights (Note)
June 25, 2009	From To	July 1, 2009 June 30, 2039	1 yen	1 Director	6
June 25, 2010	From To	August 23, 2010 August 22, 2040	1 yen	1 Director	8
June 28, 2011	From To	July 15, 2011 July 14, 2041	1 yen	1 Director	60
June 27, 2012	From To	July 17, 2012 July 16, 2042	1 yen	2 Directors	100
June 19, 2013	From To	July 10, 2013 July 9, 2043	1 yen	2 Directors	40
July 25, 2014	From To	August 15, 2014 August 14, 2044	1 yen	2 Directors 1 Audit & Supervisory Board Member	70 10
June 24, 2015	From To	July 15, 2015 July 14, 2045	1 yen	4 Directors	110
June 22, 2016	From To	July 13, 2016 July 12, 2046	1 yen	4 Directors	130
June 28, 2017	From To	July 14, 2017 July 13, 2047	1 yen	4 Directors	140
October 25, 2018	From To	November 9, 2018 November 8, 2048	1 yen	5 Directors	165
June 27, 2019	From To	July 12, 2019 July 11, 2049	1 yen	5 Directors	165

- (Note) 1. The number of shares to be acquired by exercise of new share subscription rights resolved on June 25, 2009 and June 25, 2010 corresponds to 1,000 shares per new share subscription right. The number of shares to be acquired by exercise of new share subscription rights resolved on June 28, 2011, June 27, 2012, June 19, 2013, July 25, 2014, June 24, 2015, June 22, 2016, June 28, 2017, October 25, 2018 and June 27, 2019 corresponds to 100 shares per new share subscription right.
2. With regard to the share subscription rights issued separately before one of the Directors took office as a Director, and its exercise period is from July 1, 2015 to June 30, 2020. The exercise price is 2,020 yen corresponds to 100 shares per new share subscription right.
3. The above Directors do not include Outside Directors.

2. State of new share subscription rights granted to Company employees as compensation for the execution of duties during the fiscal year under review

Date of Resolution on Issue	Period of Exercise	Exercise Price	Recipients	Number of Rights (Note)
June 27, 2019	From To	July 12, 2019 July 11, 2049	1 yen	1 President of overseas subsidiary companies 7 Corporate Officers
				15 95

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on June 27, 2019 corresponds to 100 shares per new share subscription right

3. Other important matters related to new share subscription rights, etc.

No relevant items.

4 Officers (As of March 31, 2020)

1. Names, etc., of Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director, Chairman and President Chief Executive Officer (CEO) and Chief Operating Officer (COO)	Shin Ashida	Member of the Board of Directors of Future Brain Co., Ltd. Representative Director and President of JCR INTERNATIONAL SA
Representative Director and Senior Vice President	Hiroshi Yoshimoto	Head of Production Division Executive Director of Production Division Chairman, He Bei Jie Xi Bio-products Co., Ltd.
Member, Board of Directors Vice President	Yuji Sato, M.D., Ph.D.	Head of Research Division and Development Division
Member, Board of Directors Senior Executive Director	Mamoru Morita	Executive Director of Sales Division Director of Tokyo Metropolitan Area Sales Department
Member, Board of Directors Senior Executive Director	Toru Ashida	In charge of Corporate Strategy Head of Quality Assurance Division, Corporate Planning Division, Administration Division, and Medical Affairs Department Representative Director and President of Future Brain Co., Ltd.
Member, Board of Directors (Outside Director)	Toshihiro Ishikiriyama	Audit & Supervisory Board Member of GlaxoSmithKline K. K. Audit & Supervisory Board Member of GSK Capital K.K. Audit & Supervisory Board Member of GK K.K. Audit & Supervisory Board Member of GlaxoSmithKline Consumer Healthcare Japan K.K. Audit & Supervisory Board Member of ViiV Healthcare K.K. Representative Director and President of RegeNephro Co., Ltd.

(FOR REFERENCE PURPOSE)

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Member, Board of Directors (Outside Director)	Takashi Suetsuna	Outside Director of Totetsu Kogyo Co., Ltd. Outside Audit & Supervisory Board Member of Keikyu Corporation Outside Audit & Supervisory Board Member of Kandenko Co., Ltd. Outside Audit & Supervisory Board Member of Aioi Nissay Dowa Insurance Co., Ltd.
Member, Board of Directors (Outside Director)	Toshihide Yoda	Senior Vice President of Medipal Holdings Corporation Director of Mediceo Corporation Director of JCR USA, Inc.
Member, Board of Directors (Outside Director)	Yuko Hayashi, Ph.D.	Professor of Graduate School of Innovation and Technology Management of Yamaguchi University Executive Board Member of Special Olympics Nippon of Public Interest Incorporated Foundation Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association
Full-Time Audit & Supervisory Board Member	Kazumasa Oizumi	
Outside Audit & Supervisory Board Member	Kazuhiko Yamada	Head of Kazuhiko Yamada Tax Accountant Offices Outside Director of Create Corporation (Member of Audit and Supervisory Committee)
Outside Audit & Supervisory Board Member	Kenjiro Miyatake	Board Chairman of Kobe Pharmaceutical University
Outside Audit & Supervisory Board Member	Takeshi Komura	Outside Director of Maezawa Industries, Inc. Board Chairman of Capital Market Promotion Foundation of Public Interest Incorporated Foundation Board Chairman of The Iwatani Naoji Foundation
Outside Audit & Supervisory Board Member	Shuichi Tani	President Emeritus of International University of Health and Welfare

- (Note) 1. The Company designated four (4) Outside Directors; Mr. Toshihiro Ishikiriya, Mr. Takashi Suetsuna, Mr. Toshihide Yoda, and Dr. Yuko Hayashi, among which the three (3) Outside Directors; Mr. Toshihiro Ishikiriya, Mr. Takashi Suetsuna, and Dr. Yuko Hayashi are Independent Directors who are not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc..
2. The Company designated five (5) Outside Audit & Supervisory Board Members; Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, Mr. Kenjiro Miyatake, Mr. Takeshi Komura and Mr. Shuichi Tani are Independent Audit & Supervisory Board Members who are not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc.
3. Audit & Supervisory Board Member Mr. Kazumasa Oizumi has many years of experience at financial institutions; Audit & Supervisory Board Member Mr. Kazuhiko Yamada is a qualified tax accountant and has appreciable extent of knowledge with regard to finance and accounting; Audit & Supervisory Board Member Mr. Kenjiro Miyatake has experience as business manager in the pharmaceutical industry; Audit & Supervisory Board Member Mr. Takeshi Komura has extensive experience and high insight in administrative and financial institutions; Audit & Supervisory Board Member Mr. Shuichi Tani has extensive experience and high insight on health care and medical welfare.
4. As of April 1, 2020, Senior Executive Director Mr. Toru Ashida has been appointed as Executive Director of Sales Division and in charge of Corporate Strategy, and Senior Executive Director Mr. Mamoru Morita has been

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appointed as Deputy Executive Director of Sales Division.

5. Vice President Yuji Sato, M.D., Ph.D. will retire Vice President for the expiration of his terms after the 45th Ordinary General Meeting of Shareholders to be held on June 24, 2020, and will be appointed as Executive Fellow.
6. Senior Executive Director Mr. Mamoru Morita will retire Senior Executive Director for the expiration of his terms after the 45th Ordinary General Meeting of Shareholders to be held on June 24, 2020, and will be appointed as Senior Advisor.
7. The Company has introduced a Corporate Officer system in order to streamline the management organization and strengthen the functions of the Board of Directors.

The Corporate Officers are as follows.

Corporate Officer	Akihiro Haguchi	Executive Director of Administration Division
Corporate Officer	Takayo Egawa	Director of Overseas Business Promotion Office
Corporate Officer	Tohru Hirato, D.V.M.	Executive Director of Research Division and Director of Research Institute
Corporate Officer	Yutaka Honda	Executive Director of Corporate Planning Division
Corporate Officer	Hiroyuki Sonoda	Executive Director of Research Planning Division
Corporate Officer	Atsuko Sato	Executive Director of Quality Assurance Division and Director of Regulatory Affairs, Quality Assurance Division

As of April 1, 2020, Akihiro Haguchi has been appointed as Senior Corporate Officer, Head of Administration Division (Executive Director of Administration Division), and Yutaka Honda has been appointed as Senior Corporate Officer, Head of Corporate Planning Division (Executive Director of Corporate Planning Division).

2. Summary of the details of liability limitation contracts

The Company has set a provision in the Articles of Incorporation for concluding liability limitation contracts with Directors and Audit & Supervisory Board Members who do not participate in the execution of operation so that we can call on excellent and appropriate human resources readily and they can fully exercise their expected role.

Under the said provision, the Company has concluded contracts with the Outside Directors Mr. Toshihiro Ishikiriya, Mr. Takashi Suetsuna, Mr. Toshihide Yoda, Dr. Yuko Hayashi and the five (5) Audit & Supervisory Board Members with respect to limiting their liabilities for damages under Paragraph 1, Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1, Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.

3. Amount of compensation, etc., of Directors and Audit & Supervisory Board Members

Post	Recipients	Amount of Compensation, etc.
Director (Outside Directors)	8 members (3 members)	378 million yen (33 million yen)
Audit & Supervisory Board Member (Outside Auditors)	5 members (5 members)	45 million yen (45 million yen)

(Note) 1 All amounts are rounded down to the nearest million yen.

2. The amount of compensation, etc., includes 77 million yen posted as a reserve for bonuses for executives related to the fiscal year under review (77 million yen for five (5) Directors).

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3. The amount of compensation, etc., includes 105 million yen (amount as compensation) worth of new share subscription rights allotted to five (5) Directors as stock options in July, 2019.

4. Matters Regarding the Outside Directors and Outside Audit & Supervisory Board Members

- (1) The Relationships between the Company and the Companies or Organizations Where the Outside Directors and Outside Audit & Supervisory Board Members Concurrently Hold Significant Positions
1. The Company and Medipal Holdings Corporation, which holds 23.55% of the Company's stock, have entered into the agreement of investment in development pipeline of the Company.
 2. Mediceo Corporation is a subsidiary of Medipal Holdings Corporation which is the largest shareholder of the Company and has a trading relationship with the Company. The annual transaction amount is 28.3% of the total sales of the Company.
 3. JCR USA, Inc. is a subsidiary of the Company.
 4. There is no significant trading relationship between the Company and entities where its Outside Directors and Outside Audit & Supervisory Board Members hold concurrent positions, other than those indicated above.

(2) The Principal Activities of the Outside Directors and Outside Audit & Supervisory Board Members

Category	Name	Principal Activities
Outside Director	Toshihiro Ishikiriyama	Among the thirteen (13) meetings held by the Board of Directors during the fiscal year under review, he attended all meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager.
Outside Director	Takashi Suetsuna	Among the thirteen (13) meetings held by the Board of Directors during the fiscal year under review, he attended all meetings, and he made statements at those meetings, primarily based on his career and knowledge in public administrations over many years.
Outside Director	Toshihide Yoda	Among the thirteen (13) meetings held by the Board of Directors during the fiscal year under review, he attended twelve (12) meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager.
Outside Director	Yuko Hayashi, Ph.D.	Among the thirteen (13) meetings held by the Board of Directors during the fiscal year under review, she attended all meetings, and she made statements at those meetings, primarily from her expertise on a wide range of extensive experience such as research activities on advanced medical care and promotion of women's participation and advancement in the workplace.

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Category	Name	Principal Activities
Outside Audit & Supervisory Board Member	Kazumasa Oizumi	He attended all thirteen (13) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his career in the financial industry and experience as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Kazuhiko Yamada	He attended all thirteen (13) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his expertise as a tax accountant as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Kenjiro Miyatake	He attended all thirteen (13) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his career as a business manager of a pharmaceutical company over many years as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Takeshi Komura	He attended twelve (12) meetings out of thirteen (13) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his extensive experience in administrative agencies and a wide range of finance as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Shuichi Tani	He attended all thirteen (13) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his extensive experience on health care, deep insight into medical welfare and educational institutions as Outside Audit & Supervisory Board Member.

5 Accounting Auditor

1. Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

2. Amount of compensation, etc., for the Accounting Auditor related to the fiscal year under review

- (1) Amount of compensation for the auditing work as the Accounting Auditor of the Company
33 million yen
- (2) Amount of compensation for the non-auditing work as the Accounting Auditor of the Company
2 million yen
- (3) Total value of money that the Company and the Company's subsidiaries should pay and other economic benefits
35 million yen

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- (Note) 1. All amounts are rounded down to the nearest million yen.
2. Regarding the compensation, etc., for the Accounting Auditor, the Audit & Supervisory Board has given consent to it under Paragraph 1, Article 399 of the Companies Act after having checked the time of audits by audit item, the transition of compensations for audits, the audit plan and achievements of past fiscal years, in light of the “Practical Guidelines for Cooperation with Financial Auditors” released by the Japan Audit & Supervisory Board Members Association followed by considering the adequacy and applicability of the estimated time of audits and amount of compensations for the fiscal year under review.
3. The amounts of the audit compensation, etc., for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not clearly distinguished in the audit contract concluded between the Company and the Accounting Auditor, and cannot be distinguished in reality either therefore the values given above are the total values.

3. Details of non-auditing work

The Company entrusts the accounting auditor with "advisory work related to overseas expansion" and "Supporting work related to application of accounting standards for revenue recognition" which is a task (non-auditing work) other than the work under paragraph 1, Article 2 of the Certified Public Accountants Act.

4. Policy for determination of the dismissal or non-reappointment of an Accounting Auditor

- (1) The Audit & Supervisory Board may dismiss an Accounting Auditor with the unanimous consent of all Audit & Supervisory Board Members if they are of the opinion that the Accounting Auditor falls under one of the categories stipulated in the items of Article 340 Paragraph 1 of the Companies Act and would cause a material adverse effect against the auditing work of the Company. In that case, Audit & Supervisory Board Members nominated by the Audit & Supervisory Board shall present a report at the earliest General Meeting of Shareholders convened after the dismissal to the effect that the Accounting Auditor has been dismissed, together with the reason for the dismissal.
- (2) Apart from cases based on the circumstances of the Company, the Audit & Supervisory Board may also determine the contents of a proposal for the dismissal or non-reappointment of an Accounting Auditor and the Board of Directors may submit the proposal to a General Meeting of Shareholders based on the determination, if the Accounting Auditor violates or infringes a law such as the Companies Act or Certified Public Accountants Act, etc., and in the opinion of the Audit & Supervisory Board, the duties of the Accounting Auditor is not or will not be carried out appropriately, or if a material adverse effect has or will have arisen in the auditing work of the Company due to the Accounting Auditor being punished with a work suspension order by the supervisory authorities.

5. Summary of the details of liability limitation contracts

The Company has no contract with the Accounting Auditor that limits its liability for damages under Article 423 Paragraph 1 of the Companies Act.

6 Company Systems and Policies

1. Systems to ensure the appropriateness of work

(1) Systems to ensure the appropriateness of work

- [1] Systems to ensure that the execution of the duties of Directors and employees conforms to laws and regulations, and the Articles of Incorporation

The Company has stipulated compliance behavior standards to ensure that the execution of the duties of Directors and the execution of the duties of employees who execute their duties under the direction and supervision of Directors conforms to laws and regulations. Moreover, the Company has prepared compliance handbooks that have put the details of those standards into concrete form and is aiming for the diffusion and thorough implementation of the corporate philosophy, corporate ethics and compliance on an everyday basis by distributing those handbooks to all Directors and employees.

Furthermore, the Company will enhance educational activities by implementing internal training meetings organized by the Compliance Committee and issuing periodical compliance communications to ensure systems that enable strong awareness of both the Board of Directors and employees with regard to compliance at all times, and strive for the prevention of behavior that violates laws and regulations.

Moreover, the Company is maintaining an internal audit system by the Internal Audit Division, conducting audits of the appropriate processing and efficiency of work management and audits of cross checks and monitoring of work, and preparing systems that allow the results of internal audits to be reflected fully in compliance systems.

- [2] Systems related to the storage and control of information pertaining to the execution of the duties of Directors

The Company prepares, stores and controls documents such as requests for approval based on internal regulations such as the regulations on requests for approval, document control regulations, information security and control regulations, and contract work management regulations, etc., and ensures that system with regard to access to information pertaining to the execution of the duties of Directors and the execution of the duties of employees who execute their duties under the direction and supervision of Directors. The Company will strive for the further enhancement of these systems in the future.

- [3] Regulations related to management of the risk of loss and their systems

The Company establishes a basic risk management guideline and develops a risk management system under the guideline. The Company apprehends exposure of risk in corporate activities as a company that handles products, namely drugs, related to people's health, has established procedures related to risk control in each division, as well as systems with which it can prevent the occurrence of risk, manage risk, and respond to risk that has occurred in collaboration with the concerned committees such as the Risk Management Promotion Office, Internal Control Committee and Compliance Committee. In particular, as

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a pharmaceutical company, the Company regularly holds meetings of the three executives of manufacturing and marketing (the marketing supervisor-general, quality assurance manager and safety management supervisor) in accordance with laws/regulations, and has constructed systems that assure the quality, effectiveness and safety of drugs.

Moreover, while expanding its operations globally, the Company will introduce the global-standard drug quality system and pursue an even higher level of safety.

[4] Systems to ensure that the execution of the duties of Directors is carried out efficiently

The Company has introduced a Corporate Officer system and adopted systems whereby work based on decision-making by the Board of Directors is executed promptly and efficiently by each Corporate Officer. The Company holds regular meetings of the Board of Directors once a month, otherwise regularly holds meetings of a Management Council with members comprising Directors and Corporate Officers, aims for communication between both Directors and Corporate Officers with regard to the execution of duties and has established systems that enable appropriate measures to be taken quickly based on regular reporting of matters like the state of progress toward the work targets of each division.

Decision-making in the everyday execution of duties is carried out based on the regulations on the segregation of duties and the regulations on management authority, etc., and the Company will simplify decision-making routes and make the execution of duties more efficient in the future by the further revision of management authority, etc.

[5] Systems to ensure the appropriateness of work in the Company Group

The Company manages its subsidiaries based on regulations on the management of affiliated companies. In addition, regarding reporting to the Company about matters related to execution of duties of Directors, etc. of subsidiaries, the Company has appointed a Director to supervise affiliates, deploys Company's Directors and employees as Directors of subsidiaries, has supervisory Directors report regularly in regard to the status of execution of work at meetings of the Company's Board of Directors, and has adopted systems whereby the financial status and status of execution of work can be confirmed at all times.

Regarding the management of the risk of loss at subsidiary companies, we have constructed a system which enables us to deal with matters such as prevention of occurrence of risks, management of risks, and handling of risks having occurred by applying mutatis mutandis the Company's basic risk management guideline at subsidiary companies. We also have subsidiary companies report the status of the risk management to the Company periodically or as needed. Furthermore, in order to ensure that the duties of Directors, etc. at subsidiary companies are executed efficiently, the Company has streamlined the decision-making route, and periodically received reports of the status of these matters.

The Company's compliance behavior standards and compliance handbooks are applied mutatis mutandis at subsidiary companies to ensure that the duties of Directors, etc. and employees at subsidiary companies are executed in compliance with laws, regulations and the Articles of Incorporation.

Audit & Supervisory Board Members requests subsidiary companies to report on operations when it is necessary for Audit & Supervisory Board Members to execute its duties and also surveys the state of business and asset performance of the subsidiary companies.

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- [6] Matters related to the employees in question in the event of the appointment of employees having been requested by Audit & Supervisory Board Members to assist in its duties and matters related to the independence of those employees from Directors and the securing of the effectiveness of instructions by Audit & Supervisory Board Members to those employees

Employees who shall assist the duties of Audit & Supervisory Board Members shall be appointed in accordance with the needs of Audit & Supervisory Board Members and the Directors shall respect the opinions of Audit & Supervisory Board Members in regard to those personnel matters in order to ensure the independence of those employees from Directors. In securing the effectiveness of instructions by Audit & Supervisory Board Members to those employees, the employees shall execute their duties under the supervision and direction of Audit & Supervisory Board Members and the Company cooperates in improving the auditing environments.

- [7] Systems related to reports from the Company's and subsidiary companies' Directors and employees to Audit & Supervisory Board Members and systems to ensure that those reporters will not be unfavorably treated due to those reports

The Company's Directors and employees shall report in accordance with the laws and regulations to Audit & Supervisory Board Members on a case-by-case basis with regard to the work of the Company and important matters that exert an impact on the work of the Company.

In addition, the Company has set up a contact point for whistle-blowing inside and outside the Company for all of the Company's and subsidiary companies' employees, and from the viewpoints of laws, regulations and rules, the Company has adopted a system whereby behaviors against them and events that will have a significant influence will be promptly reported to Audit & Supervisory Board Members.

The Company ensures, pursuant to the whistle-blowing system, that individuals who make a report to Audit & Supervisory Board Members will not be unfavorably treated at all due to the report, and also periodically verify whether this is done in a thorough manner at the Internal Audit Dept.

- [8] Matters related to expenses incurred for the execution of duties of Audit & Supervisory Board Members or matters related to policies on the disposal of debts

When Audit & Supervisory Board Members request an advance payment of expenses incurred for the execution of their duties, a reimbursement of expenses, spent, or debts borne, this request shall be accepted according to predefined procedures unless the said expenses requested are recognized obviously unnecessary for the execution of duties of Audit & Supervisory Board Members.

- [9] Other systems to ensure that the audits by Audit & Supervisory Board Members are carried out effectively

Audit & Supervisory Board Members shall attend meetings of the Board of Directors and other important meetings, or review important documents related to the execution of work and arrange the auditing environments so that they can request explanations from Directors, employees or the Accounting Auditor as necessary.

- [10] The fundamental principles towards the exclusion of anti-social forces and its scheme

The basic policy of the Company is "to confront adamantly any anti-social force that threatens civil

society” and the Company raises that policy in its code of practice to familiarize all executives and employees thoroughly. The Company has also constructed and maintains close-knit cooperative relations with police forces of respective district and expert external institutions and gathers information on anti-social forces and groups proactively. The Company has constructed systems that enable it to cooperate closely with external institutions and legal experts and cope when any incident occurs.

(2) Summary of the operational status of systems to ensure the adequacy of work

[1] Operational status for ensuring that the execution of the duties of Directors and employees conforms to laws and regulations, and the Articles of Incorporation

We communicate and disseminate the compliance and the compliance behavior standards to all Directors and employees including subsidiary companies by means such as distribution of compliance handbooks, implementation of company-wide training twice a year, and regular issuance of compliance newsletters. Additionally, we make efforts for prevention and suppression of violating acts by setting up a contact point for whistle-blowing inside and outside the Company. Furthermore, we reflect the results of internal audits in the execution of work and enrichment of the compliance system.

[2] Operational status related to the storage and control of information pertaining to the execution of the duties of Directors

Regarding the handling of information at the Company, we have rigorous access restrictions in place for each job level, division, department and project. Information to be transmitted externally is utilized in a rigorous manner by means such as specified “Detailed Regulations on Handling of Internal Information to be Transmitted Outside the Company”.

[3] Operational status related to management of the risk of loss

In order to minimize losses or disadvantages, the Company regularly sorts out significant risks across the company and at each division under the initiative of the Risk Management Promotion Office, and constructs and runs preventive measures and countermeasures in collaboration with the Internal Control Committee, the Compliance Committee and the Safety and Health Committee.

[4] Operational status for ensuring that the execution of the duties of Directors is carried out efficiently

In addition to meetings of the Board of Directors and the Audit & Supervisory Board to be held once a month, we regularly hold meetings of a Management Council consisting of Directors and Corporate Officers twice a month, and confirm and evaluate whether the execution of work is operated efficiently and accurately at each conference body.

[5] Operational status for ensuring the adequacy of work in the Company Group

As subsidiary companies’ Directors, we dispatch the Company’s Directors and employees. They review the status of the execution of work and the status of financial affairs and then report to and evaluate at the Company’s Board of Directors. Also regarding the management of the risk of loss and the conformity to laws, regulations and the Articles of Incorporation, the Company regularly checks the operational status through making efforts for sorting out and handling risks and disseminating the compliance by applying mutatis mutandis the Company’s related regulations.

[6] Operational status for ensuring that the audits by Audit & Supervisory Board Members are carried out

effectively

Audit & Supervisory Board Members perform audits based on the auditing plan established by the Audit & Supervisory Board, and also conduct hearing of Corporate Directors, employees, Directors of subsidiary companies, and the Accounting Auditor as needed.

[7] Efforts toward the exclusion of anti-social forces

We make efforts for regularly communicating basic policies with Corporate Directors and employees and collecting information from related institutions, and at the time of occurrence of an event, we collaborate with the competent police and law firms.

2. Policy on the declaration of dividends of earned surplus

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

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

Although profits declined from the previous fiscal year, sales of main products and progress in R&D are proceeding steadily. Therefore, the Board of Directors resolved a dividend of 17 yen per share for the term-end dividend for the term under review at the Board meeting on May 12, 2020 under the above-mentioned basic policy of the Company. In combination with the interim dividend, this will provide a dividend of 32 yen per share for the full-term which is an increase of 2 yen from the previous term.

The Company intends to retain undistributed surplus as a resource for funding the enhancement of business structure and contribution to profit return.

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Consolidated Balance Sheet (as of March 31, 2020)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[28,342]	[Current liabilities]	[10,434]
Cash and deposits	10,973	Notes and accounts payable - trade	679
Notes and accounts receivable - trade	7,977	Short-term loans payable	4,880
Securities	220	Lease obligations	46
Merchandise and finished goods	880	Accounts payable	2,854
Work in process	2,929	Income taxes payable	534
Raw materials and supplies	5,046	Provision for bonuses	713
Other	315	Provision for directors' bonuses	77
		Other	648
		[Non-current liabilities]	[4,761]
[Non-current assets]	[19,433]	Long-term loans payable	3,800
Property, plant and equipment	(14,875)	Lease obligations	31
Buildings and structures	5,115	Provision for loss on guarantees	108
Machinery, equipment and vehicles	867	Provision for employee shares benefit	47
Land	5,664	Net defined benefit liability	730
Leased assets	74	Other	44
Construction in progress	2,283	Total liabilities	15,195
Other	869	Net Assets	
Intangible assets	(263)	[Shareholders' equity]	[31,127]
Investments and other assets	(4,294)	Capital stock	9,061
Investment securities	2,408	Capital surplus	10,891
Net defined benefit asset	243	Retained earnings	15,039
Deferred tax assets	721	Treasury shares	-3,865
Other	943	[Accumulated other comprehensive income]	[679]
Allowance for doubtful accounts	-23	Valuation difference on available-for-sale securities	583
		Foreign currency translation adjustment	134
		Remeasurements of defined benefit plans	-39
		[Subscription rights to shares]	[584]
		[Non-controlling interests]	[189]
Total assets	47,775	Total net assets	32,579
		Total liabilities and net assets	47,775

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

(FOR REFERENCE PURPOSE)

Consolidated Statement of Income (From April 1, 2019 to March 31, 2020)

(unit: million yen)

Accounting Item	Amount	
Net sales		24,781
Cost of sales		7,901
Gross profit		16,880
Selling, general and administrative expenses		13,635
Operating income		3,244
Non-operating income		
Interest income	19	
Dividend income	25	
Foreign exchange gains	8	
Dividend income of insurance	14	
Other	13	81
Non-operating expenses		
Interest expenses	22	
Other	9	32
Ordinary income		3,293
Extraordinary income		
Reversal of provision for loss on guarantees	131	131
Extraordinary loss		
Loss on disposal of non-current assets	2	2
Profit before income taxes		3,422
Income taxes-current	1,017	
Income taxes-deferred	-274	742
Profit		2,679
Profit attributable to non-controlling interests		1
Profit attributable to owners of parent		2,678

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

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Consolidated Statements of Changes in Equity (From April 1, 2019 to March 31, 2020)

(unit: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at beginning of current period	9,061	10,922	13,350	-3,937	29,397
Changes of items during period					
Dividends of surplus			-989		-989
Profit attributable to owners of parent			2,678		2,678
Purchase of treasury shares				-1	-1
Disposal of treasury shares		-29		73	43
Purchase of shares of consolidated subsidiaries		-1			-1
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-31	1,689	71	1,729
Balance at end of current period	9,061	10,891	15,039	-3,865	31,127

	Accumulated other comprehensive income				Subscription Rights to Shares	Non-controlling Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at beginning of current period	773	149	-71	851	435	189	30,874
Changes of items during period							
Dividends of surplus							-989
Profit attributable to owners of parent							2,678
Purchase of treasury shares							-1
Disposal of treasury shares							43
Purchase of shares of consolidated subsidiaries							-1
Net changes of items other than shareholders' equity	-189	-15	32	-172	149	-0	-24
Total changes of items during period	-189	-15	32	-172	149	-0	1,705
Balance at end of current period	583	134	-39	679	584	189	32,579

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

(FOR REFERENCE PURPOSE)

Balance Sheet (as of March 31, 2020)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[27,226]	[Current liabilities]	[10,430]
Cash and deposits	9,833	Accounts payable - trade	680
Accounts receivable - trade	7,954	Short-term loans payable	3,780
Securities	220	Current portion of long-term loans payable	1,100
Merchandise and finished goods	897	Lease obligations	45
Work in process	2,929	Accounts payable - other	2,874
Raw materials and supplies	5,065	Accrued expenses	228
Prepaid expenses	166	Income taxes payable	515
Other	159	Advances received	68
		Deposits received	55
[Non-current assets]	[20,214]	Provision for bonuses	713
Property, plant and equipment	(14,864)	Provision for directors' bonuses	77
Buildings	4,969	Other	291
Structures	145	[Non-current liabilities]	[4,732]
Machinery and equipment	857	Long-term loans payable	3,800
Vehicles	0	Lease obligations	30
Tools, furniture and fixtures	869	Provision for retirement benefits	701
Land	5,664	Provision for loss on guarantees	108
Leased assets	73	Provision for employee shares benefit	47
Construction in progress	2,283	Asset retirement obligations	38
Intangible assets	(261)	Other	5
Software	256	Total liabilities	15,162
Telephone subscription right	5	Net Assets	
		[Shareholders' equity]	[31,109]
Investments and other assets	(5,088)	Capital stock	9,061
Investment securities	2,408	Capital surplus	10,892
Shares of subsidiaries and associates	492	Legal capital surplus	7,827
Investments in capital	2	Other capital surplus	3,064
Investments in capital of subsidiaries and associates	233	Retained earnings	15,021
Long-term loans receivable	553	Legal retained earnings	279
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	Other retained earnings	14,742
Long-term prepaid expenses	41	General reserve	951
Prepaid pension cost	270	Retained earnings brought forward	13,791
Deferred tax assets	699	Treasury shares	-3,865
Other	409	[Valuation and translation adjustments]	[583]
Allowance for doubtful accounts	-23	Valuation difference on available-for-sale securities	583
		[Subscription rights to shares]	[584]
Total assets	47,440	Total net assets	32,278
		Total liabilities and net assets	47,440

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

(FOR REFERENCE PURPOSE)

Statement of Income (From April 1, 2019 to March 31, 2020)

(unit: million yen)

Accounting Item	Amount	
Net sales		24,725
Cost of sales		7,911
Gross profit		16,813
Selling, general and administrative expenses		13,525
Operating income		3,287
Non-operating income		
Interest income	1	
Interest on securities	15	
Dividend income	25	
Dividend income of insurance	14	
Foreign exchange gains	6	
Other	22	85
Non-operating expenses		
Interest expenses	21	
Other	9	31
Ordinary income		3,342
Extraordinary income		
Reversal of provision for loss on guarantees	131	131
Extraordinary losses		
Loss on disposal of non-current assets	2	2
Profit before income taxes		3,471
Income taxes - current	1,004	
Income taxes - deferred	-273	730
Profit		2,741

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

(FOR REFERENCE PURPOSE)

Statements of Changes in Equity (From April 1, 2019 to March 31, 2020)

(unit: million yen)

	Shareholders' equity			
	Capital Stock	Capital Surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surpluses
Balance at beginning of current period	9,061	7,827	3,094	10,922
Changes of items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares			-29	-29
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	-29	-29
Balance at end of current period	9,061	7,827	3,064	10,892

	Shareholders' Equity					
	Retained earnings				Treasury Shares	Total Shareholders' Equity
	Legal Retained Earnings	Other retained earnings		Total Other Retained Earnings		
		General Reserve	Retained Earnings Brought Forward			
Balance at beginning of current period	279	951	12,039	13,269	-3,937	29,315
Changes of items during period						
Dividends of surplus			-989	-989		-989
Profit			2,741	2,741		2,741
Purchase of treasury shares					-1	-1
Disposal of treasury shares					73	43
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—	1,752	1,752	71	1,793
Balance at end of current period	279	951	13,791	15,021	-3,865	31,109

	Valuation and Translation Adjustments		Subscription Rights to Shares	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Total Valuation and Translation Adjustments		
Balance at beginning of current period	773	773	435	30,524
Changes of items during period				
Dividends of surplus				-989
Profit				2,741
Purchase of treasury shares				-1
Disposal of treasury shares				43
Net changes of items other than shareholders' equity	-189	-189	149	-40
Total changes of items during period	-189	-189	149	1,753
Balance at end of current period	583	583	584	32,278

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