

(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 11, 2019

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 44th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 44th 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.

If you are unable to attend the Meeting in person, you may exercise your voting rights by either of the methods specified below. Please review the “Reference Documents for General Meeting of Shareholders” described later and exercise your voting rights no later than 6:00 p.m., Wednesday, June 26, 2019 (Japan Standard Time).

■ 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.

(FOR REFERENCE PURPOSE)

■ 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 27, 2019 (Thursday)
2. **Place** ANA Crowne Plaza Hotel Kobe (Room “The Ballroom” on the 10th floor)
1 Chome, Kitano-cho, Chuo-ku, Kobe
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 44th Fiscal Year (from April 1, 2018 to March 31, 2019)
 - Matters to be Resolved:**
 - Proposal 1** Appointment of Nine (9) Directors
 - Proposal 2** Appointment of Three (3) Audit & Supervisory Board Members (*Kansayaku*)
 - Proposal 3** Issuance of Share Options to Directors, Presidents of overseas subsidiaries, and Corporate Officers for Stock Option Scheme as Stock-linked Compensation Plan.

- ⊙ 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 (<http://www.jcrpharm.co.jp/>) 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. (<http://www.jcrpharm.co.jp/>).

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 27, 2019
(Thursday)

Absentee Voting



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 26, 2019
(Wednesday)



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 26, 2019
(Wednesday)

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 26, 2019 (Wednesday)

***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., Wednesday, June 26, 2019 (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 election of nine (9) Directors.

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 44th Fiscal Year (from April 1, 2018 to March 31, 2019)
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 Yuji Sato, M.D., Ph.D.	Vice President Head of Research Division and Development Division	100%
4	Reappointed Mamoru Morita	Senior Executive Director Head of Sales Division and Administration Division	100%

(FOR REFERENCE PURPOSE)

Candidate No.	Candidate Name	(Reference)	
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings of Directors in the 44th Fiscal Year (from April 1, 2018 to March 31, 2019)
5	Reappointed Toru Ashida	Senior Executive Director	
		Head of Quality Assurance	
		Division, Corporate Planning	
		Division, Medical Affairs	100%
		Department, and Office of the President	
6	Reappointed Toshihiro Ishikiriyama	Outside Director	Outside Director 100%
		Independent Director	
7	Reappointed Takashi Suetsuna	Outside Director	Outside Director 100%
		Independent Director	
8	Reappointed Toshihide Yoda	Outside Director	Outside Director 90%
9	Reappointed Yuko Hayashi, Ph.D.	Outside Director	Outside Director 90%
		Independent Director	

(FOR REFERENCE PURPOSE)

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 5,538
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.

(FOR REFERENCE PURPOSE)

Candidate
No.

3

Reappointed



Yuji Sato, M.D., Ph.D. (June 28, 1964)

Number of Shares of
the Company Owned **53
shares**

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

November 2003	Joined Banyu Pharmaceutical Co., Ltd. (currently, MSD K.K., Japan) Director of Clinical Development Institute of Banyu Pharmaceutical Co., Ltd. (currently, MSD K.K., Japan)	September 2015	Joined Sanofi K.K., Japan Corporate Officer and Head of Japan of Research and Development of Sanofi K.K., Japan
January 2005	Director of CNS Development of Banyu Pharmaceutical Co., Ltd. (currently, MSD K.K., Japan)	December 2017	Joined JCR Pharmaceuticals Co., Ltd. Appointed Corporate Officer of the Company In charge of Development Strategy of the Company
April 2007	Professor of Center for Clinical Research of Keio University School of Medicine	April 2018	Executive Director of Development Division of the Company
October 2009	Director of Center for Clinical Research of Keio University School of Medicine	June 2018	Appointed Vice President (to present) Head of Research Division and Development Division of the Company (to present)

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 extensive experience and knowledge of clinical and research in the medical field as a medical doctor, professor in university and research and development department of pharmaceutical companies and is an appropriate person for enhancement of the corporate value of the Company.

Candidate
No.

4

Reappointed



Mamoru Morita (December 9, 1961)

Number of Shares of
the Company Owned **2,537
shares**

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

April 1990	Joined JCR Pharmaceuticals Co., Ltd.	June 2014	Appointed Corporate Officer of the Company
April 2006	Sales Director of West Japan Sales Department and Manager of Kyushu Area of Sales Division of the Company	April 2016	Head of Sales Division of the Company
		June 2016	Appointed Senior Executive Director of the Company (to present)
January 2014	Executive Director of Sales Division of the Company	June 2018	Head of Sales Division and Administration Division of the Company (to present)

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 actual achievements in promotion of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

(FOR REFERENCE PURPOSE)

Candidate
No.

5

Reappointed



Toru Ashida

(October 31, 1968)

Number of Shares of
the Company Owned

65,183
shares

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

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

[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.

(FOR REFERENCE PURPOSE)

Candidate
No.

6

Reappointed

Outside
Director

Independent
Director



Toshihiro Ishikiriyama (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.)	April 2012	Member of the Board of Directors, Managing Director and General Manager of Vaccine Business Promotion Division of GlaxoSmithKline K.K.
January 2002	Joined GlaxoSmithKline K.K.	July 2012	Representative Director and Chairman of Japan Vaccine Co., Ltd.
March 2002	Member of the Board of Directors and General Manager of Corporate Planning of GlaxoSmithKline K.K.	June 2014	Representative Director and President of Japan Vaccine Co., Ltd.
April 2005	Member of the Board of Directors, General Manager of Financial Affairs and in charge of Business Development of GlaxoSmithKline K.K.	June 2015	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals Co., Ltd. (to present)
June 2008	Member of the Board of Directors and Managing Director of GlaxoSmithKline K.K.	August 2016	Assistant to the President of MEDINET Co., Ltd. (to present)
		July 2018	Audit & Supervisory Board Member of GlaxoSmithKline K.K. (to present)

[Significant Concurrent Positions]

Audit & Supervisory Board Member of GlaxoSmithKline K.K.

Assistant to the President of MEDINET 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.

(FOR REFERENCE PURPOSE)

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

[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.

(FOR REFERENCE PURPOSE)

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.

Candidate
No.

9

Reappointed

Outside
DirectorIndependent
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.	June 2015	Professor of Graduate School of Innovation and Technology Management of Yamaguchi University (to present)
October 2003	Visiting Researcher of Research Center for Advanced Science and Technology of The University of Tokyo	April 2018	Visiting Researcher of Graduate School of Frontier Sciences of The University of Tokyo (to present)
April 2007	Lecturer of Graduate School of Innovation and Technology Management of Yamaguchi University	June 2018	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)
	Visiting Researcher of National Graduate Institute for Policy Studies		
April 2012	Associate Professor of Graduate School of Innovation and Technology Management of Yamaguchi University		

[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. Mr. Toshihide Yoda is a Senior Vice President of Medipal Holdings Corporation, and Medipal Holdings Corporation is a major shareholder of the Company.
2. There are no particular vested interests between other candidates and the Company.
3. Mr. Toshihiro Ishikiriya will have served as an Outside Director for four (4) years, Mr. Takashi Suetsuna will have served as an Outside Director for two (2) years, and Mr. Toshihide Yoda and Dr. Yuko Hayashi will have served as an Outside Director for one (1) year at the conclusion of this Shareholders' Meeting.
4. 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.
5. 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

Appointment of Three (3) Audit & Supervisory Board Members (*Kansayaku*)

The current three (3) Audit & Supervisory Board Members of the Company, Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, and, Mr. Kenjiro Miyatake 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 election of three (3) Audit & Supervisory Board Members.

The Audit & Supervisory Board has assented to this proposal.

The three (3) 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 44th Fiscal Year (from April 1, 2018 to March 31, 2019)	Attendance of the Board Meetings of Audit & Supervisory Board in the 44th Fiscal Year (from April 1, 2018 to March 31, 2019)
1	<div>Reappointed</div> Kazumasa Oizumi	Outside Audit & Supervisory Board Member	100%	100%
		Independent Audit & Supervisory Board Member		
2	<div>Reappointed</div> Kazuhiko Yamada	Outside Audit & Supervisory Board Member	100%	100%
		Independent Audit & Supervisory Board Member		
3	<div>Reappointed</div> Kenjiro Miyatake	Outside Audit & Supervisory Board Member	91%	100%
		Independent Audit & Supervisory Board Member		

(FOR REFERENCE PURPOSE)

Candidate
No.

1

Reappointed

Independent
Audit &
Supervisory
Board
Member



Kazumasa Oizumi (September 6, 1947)

Number of Shares of
the Company Owned 1,834
shares

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

March 1992	Utsunomiya Branch President of Nippon Life Insurance Company	April 2009	Corporate Officer of SOHGO SECURITY SERVICES CO.,LTD.
March 1997	Nihonbashi Branch Manager of Nippon Life Insurance Company	June 2013	Appointed Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd. (to present)
March 2001	No. 4 General Manager of Tokyo Metropolitan Area Agency, Nippon Life Insurance Company	June 2014	Full-time Audit & Supervisory Board Member of the Company (to present)
June 2002	Full-time Auditor of SOHGO SECURITY SERVICES CO.,LTD.		

Reason for election of the candidate Audit & Supervisory Board Member

The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company with his abundant knowledge and high level of insight in the financial industry and as a corporate executive.

Candidate
No.

2

Reappointed

Independent
Audit &
Supervisory
Board
Member



Kazuhiko Yamada (April 13, 1944)

Number of Shares of
the Company Owned 1,936
shares

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

July 1996	Head of Wadayama Tax Office	May 2006	Temporary Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd.
July 1999	Corporate Tax Section Chief of No. 2 Taxation Department, Osaka Regional Taxation Bureau	June 2006	Appointed Audit & Supervisory Board Member of the Company (to present)
July 2001	Chief of East Taxation Department	June 2016	Outside Director of Create Corporation (Member of Audit and Supervisory Committee) (to present)
September 2002	Head of Kazuhiko Yamada Tax Accountant Office (to present)		

[Significant Concurrent Positions]

Head of Kazuhiko Yamada Tax Accountant Offices
Outside Director of Create Corporation (Member of Audit and Supervisory Committee)

Reason for election of the candidate Audit & Supervisory Board Member

The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company with his experience as a tax accountant and his specialized knowhow to carry out audits from the perspective of taxes.

(FOR REFERENCE PURPOSE)

Candidate
No.

3

Reappointed

Independent
Audit &
Supervisory
Board
Member



Kenjiro Miyatake (February 16, 1938)

Number of Shares of
the Company Owned 1,701
shares

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

August 1981	Director of Dainippon Pharmaceuticals Co., Ltd. (Currently Sumitomo Dainippon Pharma Co., Ltd.)	February 2011	Outside Director of Japan Wool Textile Co., Ltd.
		June 2011	Advisor of Sumitomo Dainippon Pharma
June 1999	Representative Director and President of Dainippon Pharmaceuticals	June 2013	Appointed Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd. (to present)
October 2005	Representative Director and President of Sumitomo Dainippon Pharma	April 2015	Chairman of the Board, Kobe Pharmaceutical University (to present)
June 2008	Representative Director and Chairman of Sumitomo Dainippon Pharma		

[Significant Concurrent Positions]

Board Chairman of Kobe Pharmaceutical University

Reason for election of the candidate Audit & Supervisory Board Member

The Company has nominated him as a candidate for Outside Audit & Supervisory Board Member, finding that he will be able to contribute to the auditing of the Company with his abundant knowledge and high level of insight as management in the pharmaceuticals industry

- (Note) 1. There are no particular vested interests between three (3) candidates, Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, Mr. Kenjiro Miyatake, and the Company.
2. Mr. Kazumasa Oizumi will have served as an Outside Audit & Supervisory Board Member for six (6) years, Mr. Kazuhiko Yamada will have served as an Outside Audit & Supervisory Board Member for thirteen (13) years, and Mr. Kenjiro Miyatake will have served as an Outside Audit & Supervisory Board Member for six (6) years at the conclusion of this Shareholders' Meeting.
3. When this proposal is approved as proposed, Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, and Mr. Kenjiro Miyatake will be registered at the Tokyo Stock Exchange as Independent Audit & Supervisory Board Member without particular vested interests with the shareholders in general.
4. Pursuant to the Articles of Incorporation of the Company, the Company has concluded a contract with Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, and Mr. Kenjiro Miyatake 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.

Proposal 3

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 seven (7) 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 29,500 shares

(3) Total number of the new share subscription rights

Limited to a maximum of 295 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 rights (hereinafter referred to as the “Exercise Value”) shall be one (1) yen.

(FOR REFERENCE PURPOSE)

(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 2020, 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, 2018 to March 31, 2019)

1 Current Situation of the Corporate Group

1. Progress of business and its results

The overview of this consolidated fiscal year is as follows;

In terms of the sales performance, our core product GROWJECT®, (recombinant human growth hormone product), Epoetin Alfa BS Inj. JCR (renal anemia treatment) and TEMCELL® HS Inj. (regenerative medical product) all generated sales higher than in the prior year, significantly surpassing than initially anticipated, offsetting the negative impact of the NHI price revision. Furthermore, in November 2018 we launched Agalsidase Beta BS I.V. Infusion [JCR], a treatment for Fabry disease, being the first made-in-Japan product for lysosomal storage disease (LSD) therapy.

In terms of research and development, we filed for Japanese manufacturing and marketing approval applications in September 2018 for a biosimilar of the long-acting erythropoiesis-stimulating agent darbepoietin alfa (development code: JR-131), and in March 2019 for the additional indication of epidermolysis bullosa for the regenerative medical product TEMCELL® HS Inj. (JR-031EB). Clinical trials were initiated in Brazil (Phase II) and in Japan (Phase III) for a blood-brain barrier (BBB)-penetrating therapeutic enzyme for Hunter syndrome (JR-141). Clinical trials also commenced for a regenerative medical product composed of dental pulp stem cells for the indication of acute cerebral infarction (JTR-161/JR-161). Income from contractual milestone R&D payments increased significantly, reflecting the steady progress achieved on the R&D front.


In terms of our technology development, we succeeded in establishing manufacturing technologies for gene therapies which, together with our BBB penetration technology J-Brain Cargo®, will support the development for new drugs as well as drug licensing activities.

Consolidated net sales for the current fiscal year rose 12.5% year on year to 23,160 million yen, operating income rose 31.3% to 4,967 million yen, and ordinary income increased 31.9% to 5,068 million yen. Profit attributable to owners of parent increased 21.0% to 3,715 million yen. These figures marked the fifth consecutive year of higher sales and earnings, setting new performance records in the process.

Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
23,160 million yen	4,967 million yen	5,068 million yen	3,715 million yen
Against Previous Fiscal Year 12.5% increase	Against Previous Fiscal Year 31.3% increase	Against Previous Fiscal Year 31.9% increase	Against Previous Fiscal Year 21.0% increase


(FOR REFERENCE PURPOSE)

Situation in each business segment

Pharmaceuticals	Net Sales: 22,887 million yen (Against Previous Fiscal Year: 13.4% increase) (Composition Ratio: 98.8%)	
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(Note) All amounts are rounded down to the nearest million yen.

Strategic promotional activities helped continued growth of sales for the core product GROWJECT®, rising 4.2% year on year to 11,978 million yen. Sales of Epoetin Alfa BS Inj. JCR and TEMCELL® HS Inj. also increased steadily. With revenue from licensing boosting pharmaceutical business segment, sales rose 13.4% year on year to 22,887 million yen.

Medical Devices and Laboratory Equipment	Net Sales: 272 million yen (Against Previous Fiscal Year: 34.6% decrease) (Composition Ratio: 1.2%)	
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(Note) All amounts are rounded down to the nearest million yen.

Sales of the medical devices and laboratory equipment segment decreased 34.6% year on year to 272 million yen.

Total	Net Sales: 23,160 million yen (Against Previous Fiscal Year: 12.5% increase)	
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(Note) All amounts are rounded down to the nearest million yen.

Consolidated net sales posted a new record for the fifth year running.

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 1,517 million yen, including capital investments of 354 million yen in pharmaceutical manufacturing facilities and of 979 million yen in R&D facilities.

4. Challenges Need to be Addressed

Below is an outline of the initiatives the Company is undertaking to achieve the goals of the five-year Mid-Term Management Plan HIYAKU formulated in 2015 that target 25 billion yen in net sales and 5 billion yen in operating income. The aim is also 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.

(1) Initiatives in core products and related areas

Sales of core product GROWJECT® have grown since its launch in 1993 owing to regulatory approval of additional indications, the development and sale of a dedicated electronically-controlled injector, and reinforcement of promotional efforts. To further build the product portfolio, in July 2018 a Phase III clinical trial was initiated for the additional indication of SHOX deficiency (development code: JR-401X). Separately, in March 2019, JCR cooperated to a clinical research by providing a specialized smartphone app for GROWJECTOR® L electronically-controlled injector as part of efforts to improve dosing management and promote patient compliance. In May 2019, JCR also initiated Phase I studies for a long-acting growth hormone product (JR-142), utilizing JCR's expertise in drug delivery technology and human growth hormone.

Since its launch, sales of the regenerative medical product TEMCELL® HS Inj. have risen in line with its growing recognition among medical institutions as a new therapeutic option for the treatment of acute graft-versus-host disease (acute GVHD), a severe complication arising from hematopoietic stem cell transplant, an area where its use continues to be well received. In addition, in March 2019 JCR filed an application for manufacturing and marketing approval in Japan for the additional indication of epidermolysis bullosa (development code: JR-031EB). Of note, the Ministry of Health, Labour and Welfare (MHLW) designated JR-031EB as an orphan regenerative medical product in October 2018.

As for renal anemia treatments, besides the existing short-acting erythropoiesis-stimulating agent (ESA) Epoetin Alfa BS Inj. JCR, a manufacturing and marketing approval application was filed in Japan in September 2018 for JR-131, a long-acting ESA that is a proposed biosimilar for darbepoietin alfa. JCR aims to expand its presence in this field along with co-marketing partner Kissei Pharmaceutical Co., Ltd.

In November 2018, JCR launched Agalsidase Beta BS I.V. Infusion [JCR]. JCR is actively working to promote sales of its first therapeutic enzyme treatment for lysosomal storage disorders.

With these various core products, JCR is aiming to increase profits by growing sales through strategic marketing

efforts that leverage its strengths, while also continuing to seek a range of cost reductions in production, distribution and sales as part of raising the efficiency of operations.

(2) R&D pipeline developments

<Treatment for lysosomal storage disorders>

One of JCR's current areas of R&D focus is applying its in-house recombinant gene technology to create therapeutic enzymes for treating LSDs. LSDs are rare diseases or conditions occurring from the mutation in the genes coding for enzymes that process waste substances within the body. In particular, effective treatments do not yet exist for many LSDs involving central nervous system (CNS). JCR is prioritizing the development of treatments for such LSDs by using its proprietary BBB-penetration technology J-Brain Cargo®.

Major LSD-related programs on JCR's development pipeline are outlined below.

[JR-141] (BBB-penetrating therapy for Hunter syndrome)

JR-141 is an innovative treatment for Hunter syndrome that applies proprietary J-Brain Cargo® technology. It uses an original approach to address CNS symptoms involved in this rare disease, for which no effective therapy currently exists. JR-141 was designated under the SAKIGAKE Designation System in Japan by MHLW in March 2018, orphan drug designation from the US FDA in October 2018, and orphan drug designation from the European Medicines Agency in February 2019.

A Phase II clinical trial for JR-141 began in Brazil in June 2018, and a Phase III trial started in Japan in August 2018. Planning and preparation is being conducted with a view to initiating further clinical trials in the US and Europe as early as possible.

JCR aims to file for Japanese regulatory approval in 2020.

[JR-171] (BBB-penetrating therapy for Hurler syndrome) /

[JR-441] (BBB-penetrating therapy for Sanfilippo syndrome (Type A))

Following JR-141 are two investigational therapies in preclinical development. JR-171 and JR-441 also apply J-Brain Cargo® technology to treat LSDs. With both drugs, animal models have demonstrated effective reduction in accumulated target substances not only in peripheral tissues, but also in the brain. This suggests that the drugs could be effective in improving various symptoms, including CNS disorders.

R&D work is in progress with the aim of initiating further clinical studies for both these drugs as soon as possible.

[JR-162] (J-Brain Cargo®-based therapy for Pompe disease)

Pompe disease is one of the LSDs where enzyme replacement therapy can be an effective treatment option. However, the uptake of a drug into skeletal muscle can be an issue with patients whose symptoms manifest primarily

in respiratory or other skeletal muscles, or in heart muscle. JR-162, which applies J-Brain Cargo® technology, has demonstrated the effective absorption of the drug into skeletal muscle with concomitant symptomatic improvements in animal studies. Preparations are underway to start clinical trials as soon as possible.

JCR also aims to expand its clinical development pipeline via early-stage evaluation of compounds that apply J-Brain Cargo® technology or gene technologies to the treatment of other LSDs.

<Regenerative medical products>

JCR is developing regenerative medical products to follow TEMCELL® HS Inj., which was launched in February 2016.

R&D work on the regenerative medical products in development is outlined below.

[JTR-161/JR-161] (Treatment for acute cerebral infarction)

JCR concluded an agreement in July 2017 with TEIJIN LIMITED covering the joint development of this compound for the indication of acute cerebral infarction (stroke), based on JCR's proprietary production technology for dental pulp stem cells (DPCs). Phase I/II clinical studies have been underway in Japan since October 2018. Both partners are focused on collaborating to develop the drug as a significant next-generation regenerative medical product.

In 2018, overcoming previous challenges, JCR succeeded in developing proprietary technology for the manufacture of gene therapies, which have the potential to ameliorate or cure various diseases that cannot be treated using conventional approaches. With this progress, and in addition to its breakthrough J-Brain Cargo® technology, JCR has become one of the few companies in the world to own core platform technologies for the research, development and production of biopharmaceuticals in the three fields of recombinant protein therapeutics, regenerative medical products, and gene therapies. Looking ahead, while targeting further technical innovation, JCR is directed to developing novel drugs to treat various rare diseases, notably LSDs through the application of J-Brain Cargo® technology and technologies relating to gene therapies.

(3) Initiatives for further growth

Global development based on outward licensing of innovative products and technologies is a key challenge as JCR aims to become an R&D oriented specialty pharma with global exposure. Having set up the US-based subsidiary JCR USA, Inc. in January 2018, management is prioritizing the early overseas development of J-Brain Cargo® technology-applied LSD treatments, with JR-141 as the lead compound.

Strategic investment in facilities is another critical element alongside further technical innovation and global development. Construction work began in April 2019 on JCR's second manufacturing center for clinical trial materials. Plans to build a new plant in Luxembourg is under preparation as well. Management is also considering upgrades to research facilities in Japan as part of investments in the infrastructure needed to support further growth of the Company.

(FOR REFERENCE PURPOSE)

The five-year Mid-Term Management Plan that was released in 2015 set financial targets for the fiscal year 2019 of 25 billion yen in net sales and 5 billion yen in operating income. Record figures not far below these plan targets were posted in the fiscal year 2018. Management believes the Company remains on track to achieve the plan targets for the fiscal year 2019, reflecting strong sales of existing products and ongoing R&D progress in line with schedule.

Based on the corporate philosophy of “contributing towards people’s healthcare through pharmaceutical products,” JCR is focused on the mission of offering innovative pharmaceutical treatment options to patients with intractable and rare medical conditions. The many technical innovations achieved in recent years are the results of the determination, effort and enthusiasm of JCR employees. The Company’s greatest strength is its people and the workplace environment and culture that support such innovation. These factors are also a major source of growth. Going forward, JCR will stay focused on pursuing varied reforms so that its employees can continue to maximize their potential under conditions that nurture a spirit of challenge.

In addition, to ensure JCR retains the affection and trust of all stakeholders, the Company will continue to take proactive steps to fortify the management foundation, involving proper compliance practices based on the strong business ethics and morality expected of a pharmaceutical company, improved corporate governance, and greater transparency in corporate activities. JCR aims to sustain business development based on this approach.

(FOR REFERENCE PURPOSE)

[Reference] Research and Development Status of New Products (As of May 21, 2019)

Code (Nonproprietary name)	Indication	Status (Japan)	Remarks
JR-141 BBB-penetrating iduronate-2-sulfatase (rDNA origin)	Hunter syndrome (LSD)	Phase III (Phase II in Brazil)	• ERT • J-Brain Cargo®
JR-162 J-Brain Cargo® -applied acid α -glucosidase (rDNA origin)	Pompe disease (LSD)	Preclinical	• ERT • J-Brain Cargo® • J-MIG System®
JR-171 BBB-penetrating α -L iduronidase (rDNA origin)	Hurler syndrome (LSD)	Preclinical	• ERT • J-Brain Cargo® • J-MIG System®
JR-441 BBB-penetrating heparan N-sulfatase	Sanfilippo syndrome type A (LSD)	Preclinical	• ERT • J-Brain Cargo® • J-MIG System®
JR-131 Darbepoetin Alfa (rDNA origin)	Renal anemia	Filed	• Co-developed with Kissei Pharmaceutical Co., Ltd. • Biosimilar
JR-401X Somatropin (rDNA origin)	SHOX deficiency	Phase III	• Expanded Indication of GROWJECT®
JR-142 Long-acting growth hormone (rDNA origin)	Growth disorders	Phase I	• J-MIG System®
JR-041 Follicle stimulating hormone (rDNA origin)	Infertility	Phase I/II	• Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-031 Mesenchymal stem cells	Epidermolysis bullosa	Filed	• Expanded Indication of TEMCELL® HS Inj.
JTR-161/JR-161 Dental pulp stem cells	Acute cerebral infarction	Phase I/II	• Co-developed with Teijin Limited

LSD: Lysosomal storage disorder ERT: Enzyme replacement therapy

5. Trends in Assets and Profit and Loss

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

Category		41st term Fiscal year 2015	42nd term Fiscal year 2016	43rd term Fiscal year 2017	44th term (term under review) Fiscal year 2018
Sales	(million yen)	17,438	18,085	20,594	23,160
Operating income	(million yen)	2,152	2,362	3,784	4,967
Ordinary income	(million yen)	2,443	2,534	3,843	5,068
Current net income attributable to shareholders of parental company	(million yen)	1,789	1,863	3,070	3,715
Net income per share	(yen)	56.12	58.95	98.73	120.68
Total assets	(million yen)	35,346	36,385	38,398	42,516
Net assets	(million yen)	27,062	27,585	27,528	30,874

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

Category		41st term Fiscal year 2015	42nd term Fiscal year 2016	43rd term Fiscal year 2017	44th term (term under review) Fiscal year 2018
Sales	(million yen)	17,128	17,794	20,304	22,910
Operating income	(million yen)	2,052	2,265	3,732	4,967
Ordinary income	(million yen)	2,347	2,442	3,794	5,031
Net income	(million yen)	1,736	1,870	3,015	3,826
Net income per share	(yen)	54.46	59.19	96.97	124.31
Total assets	(million yen)	34,924	35,977	37,756	42,072
Net assets	(million yen)	26,855	27,399	27,049	30,524

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	99.3 %	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) He Bei Jie Xi Bio-products Co., Ltd. is currently in the process of liquidation.

(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.

(FOR REFERENCE PURPOSE)

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)

9. Employees

Business Division	Number of Employees
Pharmaceuticals	552
Medical devices and laboratory equipment	10
Company-wide (shared)	70
Total	632

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

10. Principal Lenders

Lender	Loan Value
Mizuho Bank, Ltd.	1,150 million yen
MUFG Bank, Ltd.	1,150 million yen
Sumitomo Mitsui Banking Corporation	1,100 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 1,525,779 shares held as treasury shares)
 (3) Number of shareholders at the end of the term under review 3,815 shareholders

2. Principal shareholders (Top 10)

Name of Shareholder	Number of Shares Held	Ratio of Shareholding
Medipal Holdings Corporation	7,282,823 shares	23.57%
Kissei Pharmaceutical Co., Ltd.	3,800,000 shares	12.29%
Future Brain Co., Ltd.	2,177,990 shares	7.04%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,108,000 shares	6.82%
The Master Trust Bank of Japan, Ltd.(Trust Account)	1,858,400 shares	6.01%
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	1,634,857 shares	5.29%
Sumitomo Dainippon Pharma Co., Ltd.	850,000 shares	2.75%
Mochida Pharmaceutical Co., Ltd.	550,000 shares	1.78%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	283,100 shares	0.91%
Employee Shareholding Association of JCR Pharmaceuticals Co., Ltd.	276,804 shares	0.89%

- (Note) 1. The Company holds 1,525,779 shares of the Company; however it is not included in the table above.
 2. 96,600 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 (1,525,779 shares).
 3. 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

- (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, and October 25, 2018 corresponds to 100 shares per new share subscription right.
2. With regard to the share subscription rights resolved on June 19, 2013, in addition to the above, six (6) 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)
October 25, 2018	From November 9, 2018 To November 8, 2048	1 yen	1 President of overseas subsidiary companies 6 Corporate Officers	15 90

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on October 25, 2018 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, 2019)

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 Executive Director of Development Division
Member, Board of Directors Senior Executive Director	Mamoru Morita	Head of Sales Division and Administration Division
Member, Board of Directors Senior Executive Director	Toru Ashida	Head of Quality Assurance Division, Corporate Planning Division, Medical Affairs Department, and Office of the President Representative Director and President of Future Brain Co., Ltd.
Member, Board of Directors (Outside Director)	Toshihiro Ishikiriya	Audit & Supervisory Board Member of GlaxoSmithKline K. K. Assistant to the President of Medinet 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 SPLine Corporation Director of Medie Co., Ltd. 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
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.

(FOR REFERENCE PURPOSE)

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. 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	Yoshihiko Onishi	Executive Director of Sales Division and Director of Tokyo Metropolitan Area Sales Department, Sales Division
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

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	11 members	346 million yen
(Outside Directors)	(4 members)	(32 million yen)
Audit & Supervisory Board Member	5 members	43 million yen
(Outside Auditors)	(5 members)	(43 million yen)

- (Note) 1 The number of Directors and Audit & Supervisory Board Members described in the table above includes three (3) Outside Directors who retired at the time of close of the 43rd General Shareholders Meeting held on June 27, 2018.
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 (70 million yen for eight (8) Directors and 7 million yen for five (5) Audit & Supervisory Board Members).
3. The amount of compensation, etc., includes 88 million yen (amount as compensation) worth of new share subscription rights allotted to five (5) Directors as stock options in November, 2018.

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 23.57% of the Company's stock, have entered into the agreement of investment in development pipeline of the Company.
2. SPLine 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 0.3% of the total sales of the Company.
3. Medie Co., Ltd. is a subsidiary of Medipal Holdings Corporation which is the largest shareholder of the Company, and there is no significant trading relationship with the Company.
4. 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 24.1% of the total sales of the Company.
5. JCR USA, Inc. is a subsidiary of the Company.
6. 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 twelve (12) 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 twelve (12) 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 ten (10) meetings held by the Board of Directors during the fiscal year under review after he assumed Outside Director on June 27, 2018, he attended nine (9) 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 ten (10) meetings held by the Board of Directors during the fiscal year under review after she assumed Outside Director on June 27, 2018, she attended nine (9) 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.

(FOR REFERENCE PURPOSE)

Category	Name	Principal Activities
Outside Audit & Supervisory Board Member	Kazumasa Oizumi	He attended all twelve (12) 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 twelve (12) 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 eleven (11) meetings out of twelve (12) 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 all twelve (12) meetings held by the Board of Directors and twelve (12) meetings out of 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 twelve (12) 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.

(Note) In addition to the above meetings of the Board of Directors, there were two (2) written resolutions that were deemed to have been resolved by the Board of Directors.

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

(FOR REFERENCE PURPOSE)

- (1) Amount of compensation for the auditing work as the Accounting Auditor of the Company
31 million yen
- (2) Amount of compensation for the non-auditing work as the Accounting Auditor of the Company
3 million yen
- (3) Total value of money that the Company and the Company's subsidiaries should pay and other economic benefits
34 million yen
- (Note) 1. 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.
- 2. 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 the implementation of cost management system" and "advisory work related to overseas expansion" 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 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.

(FOR REFERENCE PURPOSE)

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.

[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

(FOR REFERENCE PURPOSE)

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

(FOR REFERENCE PURPOSE)

- [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. Under this basic policy, and considering the Company's record-high financial result again in the term under review, the Board of Directors resolved a dividend of 17 yen per share as the term-end dividend for the term under review at the Board meeting on May 10, 2019. In combination with the interim dividend, this will provide a dividend of 30 yen per share for the full-term which is an increase of 4 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.

(FOR REFERENCE PURPOSE)

Consolidated Balance Sheet (as of March 31, 2019)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[27,368]	[Current liabilities]	[8,684]
Cash and deposits	7,836	Notes and accounts payable - trade	586
Notes and accounts receivable - trade	8,835	Short-term loans payable	3,630
Securities	661	Lease obligations	178
Merchandise and finished goods	2,281	Income taxes payable	801
Work in process	1,473	Provision for bonuses	666
Raw materials and supplies	5,363	Provision for directors' bonuses	77
Other	917	Other	2,744
		[Non-current liabilities]	[2,957]
[Non-current assets]	[15,147]	Long-term loans payable	1,850
Property, plant and equipment	(11,061)	Lease obligations	73
Buildings and structures	4,475	Provision for loss on guarantees	240
Machinery, equipment and vehicles	830	Provision for employee shares benefit	36
Land	3,882	Net defined benefit liability	710
Leased assets	239	Other	46
Construction in progress	851	Total liabilities	11,642
Other	782	Net Assets	
Intangible assets	(110)	[Shareholders' equity]	[29,397]
Investments and other assets	(3,975)	Capital stock	9,061
Investment securities	2,941	Capital surplus	10,922
Net defined benefit asset	297	Retained earnings	13,350
Deferred tax assets	378	Treasury shares	-3,937
Other	383	[Accumulated other comprehensive income]	[851]
Allowance for doubtful accounts	-24	Valuation difference on available-for-sale securities	773
		Foreign currency translation adjustment	149
		Remeasurements of defined benefit plans	-71
		[Subscription rights to shares]	[435]
		[Non-controlling interests]	[189]
		Total net assets	30,874
Total assets	42,516	Total liabilities and net assets	42,516

(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, 2018 to March 31, 2019)

(unit: million yen)

Accounting Item	Amount	
Net sales		23,160
Cost of sales		6,567
Gross profit		16,592
Selling, general and administrative expenses		11,625
Operating income		4,967
Non-operating income		
Interest income	20	
Dividend income	25	
Insurance income	39	
Foreign exchange gains	39	
Other	23	148
Non-operating expenses		
Interest expenses	21	
Loss on redemption of securities	19	
Other	7	47
Ordinary income		5,068
Extraordinary income		
Reversal of provision for loss on guarantees	75	
Other	6	82
Extraordinary loss		
Loss on disposal of non-current assets	37	
Loss on voluntary recall	181	
Other	2	221
Profit before income taxes		4,928
Income taxes-current	1,169	
Income taxes-deferred	48	1,217
Profit		3,710
Loss attributable to non-controlling interests		4
Profit attributable to owners of parent		3,715

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

(FOR REFERENCE PURPOSE)

Consolidated Statements of Changes in Equity (From April 1, 2018 to March 31, 2019)

(unit: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at beginning of current period	9,061	10,947	10,469	-4,042	26,435
Changes of items during period					
Dividends of surplus			-833		-833
Profit attributable to owners of parent			3,715		3,715
Purchase of treasury shares				-0	-0
Disposal of treasury shares		-25		105	80
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-25	2,881	105	2,961
Balance at end of current period	9,061	10,922	13,350	-3,937	29,397

	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	462	169	-67	563	344	185	27,528
Changes of items during period							
Dividends of surplus							-833
Profit attributable to owners of parent							3,715
Purchase of treasury shares							-0
Disposal of treasury shares							80
Net changes of items other than shareholders' equity	311	-19	-3	288	90	4	384
Total changes of items during period	311	-19	-3	288	90	4	3,345
Balance at end of current period	773	149	-71	851	435	189	30,874

(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, 2019)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[26,205]	[Current liabilities]	[8,641]
Cash and deposits	6,634	Accounts payable - trade	599
Accounts receivable - trade	8,835	Short-term loans payable	2,780
Securities	661	Current portion of long-term loans payable	850
Merchandise and finished goods	2,284	Lease obligations	177
Work in process	1,473	Accounts payable - other	1,872
Raw materials and supplies	5,382	Accrued expenses	220
Prepaid expenses	289	Income taxes payable	792
Other	644	Advances received	21
		Deposits received	126
		Provision for bonuses	663
		Provision for directors' bonuses	77
		Other	460
[Non-current assets]	[15,867]	[Non-current liabilities]	[2,906]
Property, plant and equipment	(11,046)	Long-term loans payable	1,850
Buildings	4,331	Lease obligations	73
Structures	142	Provision for retirement benefits	663
Machinery and equipment	817	Provision for loss on guarantees	240
Vehicles	0	Provision for employee shares benefit	36
Tools, furniture and fixtures	781	Asset retirement obligations	38
Land	3,882	Other	4
Leased assets	238	Total liabilities	11,547
Construction in progress	851		
Intangible assets	(105)	Net Assets	
Patent right	0	[Shareholders' equity]	[29,315]
Software	99	Capital stock	9,061
Telephone subscription right	5	Capital surplus	10,922
Investments and other assets	(4,715)	Legal capital surplus	7,827
Investment securities	2,941	Other capital surplus	3,094
Shares of subsidiaries and associates	491	Retained earnings	13,269
Investments in capital	2	Legal retained earnings	279
Investments in capital of subsidiaries and associates	233	Other retained earnings	12,990
Long-term loans receivable	19	General reserve	951
Long-term loans receivable from subsidiaries and associates	40	Retained earnings brought forward	12,039
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	Treasury shares	-3,937
Long-term prepaid expenses	36	[Valuation and translation adjustments]	[773]
Prepaid pension cost	297	Valuation difference on available-for-sale securities	773
Deferred tax assets	341	[Subscription rights to shares]	[435]
Other	375	Total net assets	30,524
Allowance for doubtful accounts	-64	Total liabilities and net assets	42,072
Total assets	42,072		

(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, 2018 to March 31, 2019)

(unit: million yen)

Accounting Item	Amount	
Net sales		22,910
Cost of sales		6,515
Gross profit		16,394
Selling, general and administrative expenses		11,427
Operating income		4,967
Non-operating income		
Interest income	1	
Interest on securities	17	
Dividend income	25	
Insurance income	39	
Foreign exchange gains	39	
Other	27	151
Non-operating expenses		
Interest expenses	20	
Loss on redemption of securities	19	
Other	46	86
Ordinary income		5,031
Extraordinary income		
Reversal of provision for loss on guarantees	75	
Other	0	75
Extraordinary losses		
Loss on voluntary recall	99	
Other	4	103
Profit before income taxes		5,003
Income taxes - current	1,165	
Income taxes - deferred	11	1,177
Profit		3,826

(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, 2018 to March 31, 2019)

(unit: million yen)

	Shareholders' equity				
	Capital Stock	Capital Surplus			Total Capital Surpluses
		Legal Capital Surplus	Other Capital Surplus		
Balance at beginning of current period	9,061	7,827	3,120		10,964
Changes of items during period					
Dividends of surplus					
Profit					
Purchase of treasury shares					
Disposal of treasury shares				-25	-25
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—		-25	-25
Balance at end of current period	9,061	7,827		3,094	10,922

	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	9,045	10,276	-4,042	26,242
Changes of items during period						
Dividends of surplus			-833	-833		-833
Profit			3,826	3,826		3,826
Purchase of treasury shares					-0	-0
Disposal of treasury shares					105	80
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—	2,993	2,993	105	3,073
Balance at end of current period	279	951	12,039	13,269	-3,937	29,315

	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	462	462	344	27,049
Changes of items during period				
Dividends of surplus				-833
Profit				3,826
Purchase of treasury shares				-0
Disposal of treasury shares				80
Net changes of items other than shareholders' equity	311	311	90	402
Total changes of items during period	311	311	90	3,475
Balance at end of current period	773	773	435	30,529

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