JCR Pharmaceuticals Co., Ltd.

"HIYAKU"

Leap into the Future

Annual Report 2016

JCR Pharmaceuticals Co.,Ltd.

Year Ended March 31, 2016

A company which “takes one step beyond” at all times

Engaging in rare diseases and intractable diseases including inborn errors of metabolism with our advanced biotechnologies and further developing and creating of regenerative medicine products are important missions of JCR Pharmaceuticals Co., Ltd. (JCR). Since our inception, we have held the spirit of challenge under a corporate culture with a high degree of freedom and that has made us what JCR is today. Every employee continues to display the spirit of “Hayosei (Pronto)!”, time-consciously taking on challenges to take one step ahead of our competitors in a unified manner as “Team JCR”.

Rare Diseases

Biotechnologies

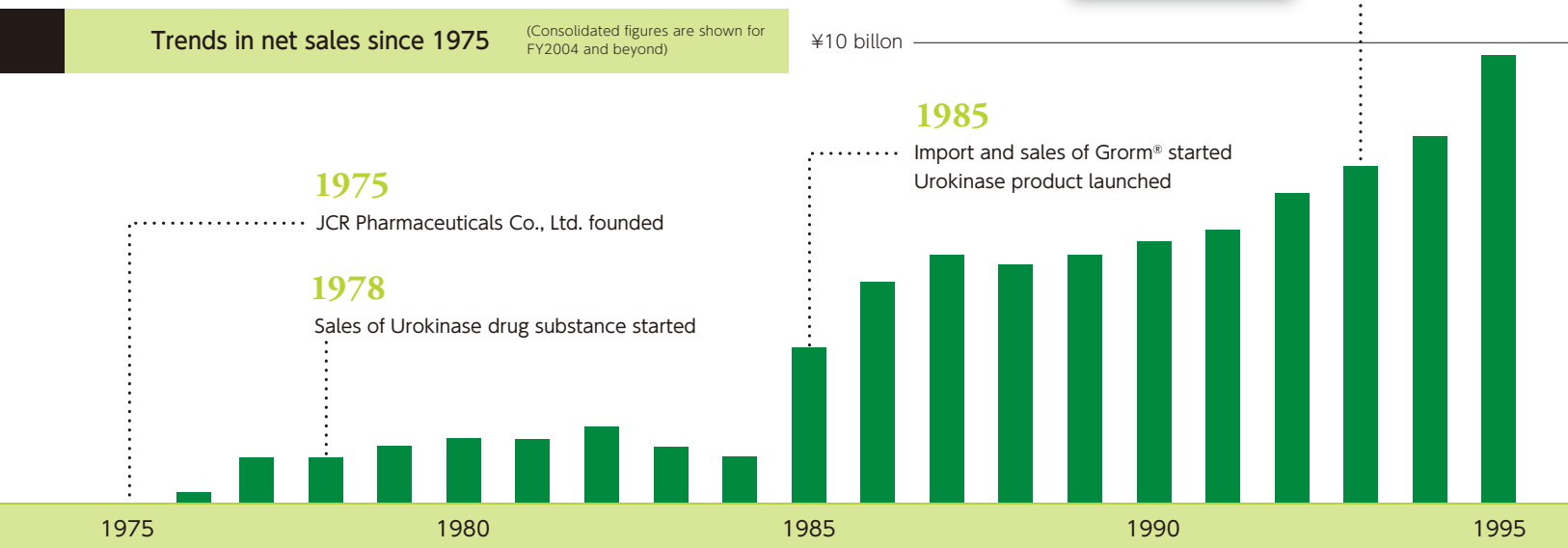
Cell Therapy & Regenerative Medicine Technologies

The spirit of venture has been passed down to us since our foundation and we have realized sustainable growth as a company that “takes one step beyond”.

Since its inception in 1975, JCR has been working on proprietary technology developments and creation of products in a manner taking one step ahead of competitors at all times. This has led to a steady growth and recognition as “JCR, the biopharma” and the successful listing on the First Section of the Tokyo Stock Exchange in 2013. In 2015 which marked the 40th anniversary of JCR, we received the marketing approval for TEMCELL® HS Inj., the first allogeneic regenerative medicine product in Japan. We will continue to actively take on challenges for developments also in the field of cell therapy and regenerative medicine.

Trends in net sales since 1975

(Consolidated figures are shown for FY2004 and beyond)



The Birth of JCR

JCR’s history started from the production of “Urokinase”, a urine-derived protein-degrading enzyme. In 1983, we obtained an approval for production of Urokinase product and drug solution, which brought us into the limelight.


Production at the time of foundation


Production today

“Accumulated Technologies” Leading Us to the Stage of “HIYAKU” (leap into the future)

A variety of technologies and knowhow accumulated to date are now beginning to yield results. JCR aims to achieve further “HIYAKU” as a specialty pharma that keeps taking on challenges in the drug development for rare diseases, which has been our target since our inception, with our proprietary biotechnologies and technologies for cell therapy and regenerative medicine.

Related page:
P.16 Research and Development

Technologies for Developing Recombinant DNA Product

- High-level Protein Purification Technology (Urokinase, GROWJECT® Inj. 4IU)

2010
Epoetin Alfa BS Inj. JCR
for treatment of renal anemia,
the first biosimilar in Japan, launched

2015
JCR's 40th anniversary marked

40th ANNIVERSARY

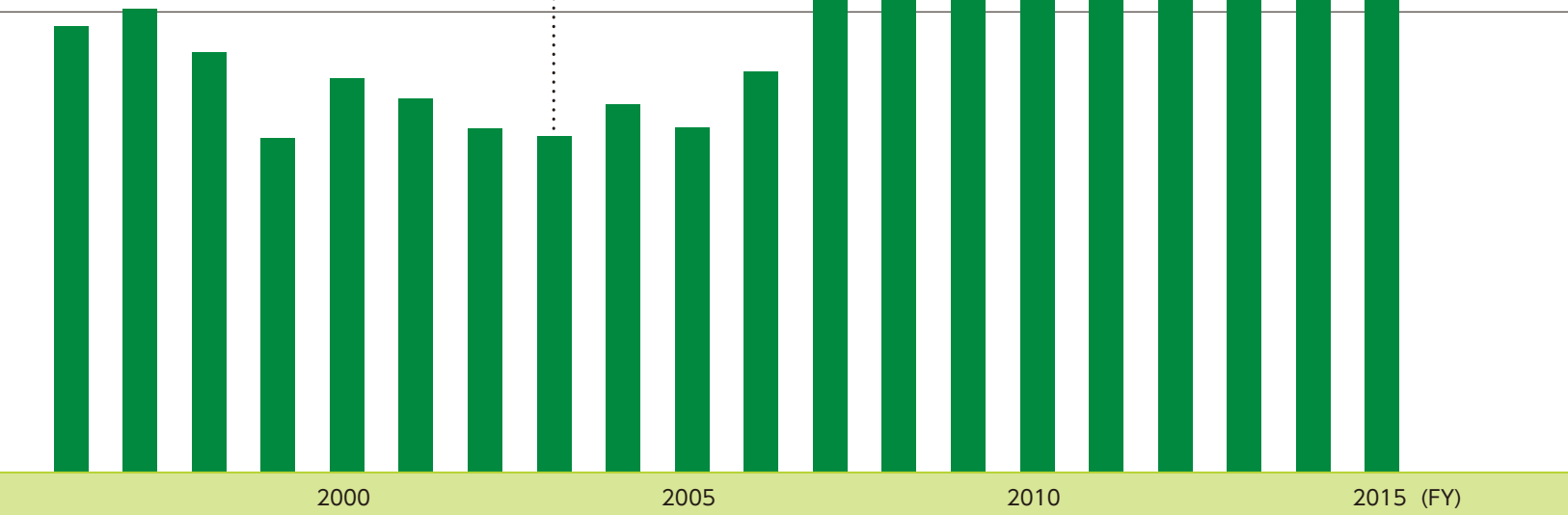
2016
TEMCELL® HS Inj., the first allogeneic
regenerative medicine product in Japan, launched

2014
Japanese corporate name changed to
JCRファーマ 株式会社

2013
Listing on the First
Section of the Tokyo
Stock Exchange (TSE)

2009
Master agreement with GlaxoSmithKline (GSK) Group
on JCR's biopharmaceuticals concluded

2003
License agreement for
Mesenchymal Stem Cells (MSCs) with
Osiris Therapeutics Inc. (U.S.)* concluded
(* The licensor changed to Mesoblast Group (Australia) in 2013.)



Challenge to New Technologies	• Gene therapy • iPS cells
Tissue Targeting Technologies	• Blood-Brain Barrier Penetration Technology, J-Brain Cargo®
Technologies for Cell Therapy and Regenerative Medicine	• Regenerative Medicine Technology (TEMCELL® HS Inj.)

• Recombinant DNA Technology (Epoetin Alfa BS Inj. JCR) • Cell Culture Technology • Scale up Cultivation Technology

With the strengths cultivated for 40 years as our drivers, JCR will leap into a new stage.

JCR formulated the "Mid-Term Management Plan for FY2015 to FY2019" with "HIYAKU (leap into the future)" towards a new stage as the key concept in June 2015. We are advancing a variety of measures, aiming to become a "research-oriented specialty pharma with global exposure" leveraging our strengths cultivated since the inception as drivers of HIYAKU.

Related page:
P.10 Top Message

JCR's Strengths (Drivers to achieve "HIYAKU")

1. **Proprietary Biotechnologies**
   - at the age of innovation
2. **Cell Therapy and Regenerative Medicine Technologies**
   - achievement of our challenges
3. **Development Capabilities**
   - full-fledged from research to commercialization
4. **Product System**
   - adapted to global standard
5. **Business Structure**
   - focused in the target domain
6. **Management Structure**
   - capable of speedy decision making
7. **Proactive Team of Multi-Talented Human Resources**

[What JCR Is Today]

R&D oriented pharmaceutical company with leading technologies

Proprietary biotechnologies and cell therapy and regenerative medicine technologies

2015

[JCR's Vision]

Research oriented specialty pharma with global exposure

Key Concept of Mid-Term Management Plan
for FY2015 to FY2019

飛躍 HIYAKU

Now is the time to leap into the future

2019

2018

2017

2016

Points of Focus to Achieve our Goals

1. Advancing R&D activities one step beyond
2. Reinforcing our capabilities via new businesses development
3. Further enhancing "Business Structure" and "Product Strategy"
4. Reinforcing "Management Platform"

Numerical Goals

	Achievements in FY2015	Goals for FY2019
Net sales	17.4 billion yen	**25.0 billion yen**
Operating income	2.2 billion yen	**5 billion yen**
R&D expenditure ratio to sales	19.2%	**20%**
Dividend ratio	39.2%	**40%**

Future business developments

- Utilizing J-mAb System®, J-MIG System®, J-GlycoM® and J-GlycoS®, our proprietary technologies for developing recombinant DNA products, we plan to introduce new products in the fields of growth hormone business, ESA business and rare diseases.
- We intend to continuously work on improving our business performance by maximizing the value of TEMCELL® HS Inj., the first allogeneic regenerative medicine product in Japan, launched in February 2016.
- As a new business development, we intend to advance our licensing business in Japan and overseas with our proprietary technologies such as J-Brain Cargo®, our blood-brain barrier penetration technology.
- We intend to promote the globalization of in-house developed products supplied from our production under our quality assurance system of global standard through alliance with our partners.
- We also aim to work on the development and creation of regenerative medicine products following TEMCELL® HS Inj. by positioning our cell therapy and regenerative medicine technologies as a new pillar of our research and development.

We continue taking on challenges as a specialty pharma for patients suffering from various diseases.

Basic Philosophy

Corporate philosophy of JCR Pharmaceuticals Co., Ltd. is "Contributing towards people's healthcare through pharmaceutical products."
Under this philosophy, we aim to contribute to health improvements with better treatment options as a pioneer company engaged in research, development, production and marketing of biopharmaceuticals and regenerative medicine.

Reliability

We strive to establish a reliable company for all stakeholders by actions with high sense of duty in addition to compliance.

Confidence

We take a unique approach in advancing our research and development and provide high-quality products and information with confidence in the aim of providing world-class pharmaceuticals.

Belief

We aim for further corporate growth in the belief of "Think by oneself, Act by oneself" under the basic philosophy.

Contents

Compilation Policy

In this "Annual Report 2016", we mainly focus on the business management and financial information and also provide non-financial information including CSR activities to provide readers to understand our business activities in a comprehensive manner.

- Period covered: FY2015 (From April 1, 2015 to March 31, 2016)
  *This report contains some contents of FY2016.
- Organizations covered: JCR Pharma Group (JCR Pharmaceutical Co., Ltd. and other five consolidated subsidiaries)

Forward-Looking Statements

This Annual Report contains forward-looking statements that are subject to known and unknown risks and uncertainties, many of which are outside our control and are based on our judgments derived from the information available to us at this time. Factors or events that could cause our actual results to be materially different from those expressed in our forward-looking statements include, but not limited to, a deterioration of economic conditions, a change in the legal or governmental system, a delay in launching a new product, impact on competitors' pricing and product strategies, a decline in marketing capabilities relating to our products, production difficulties or delays, an infringement of our intellectual property rights, an adverse court decision in a significant lawsuit and regulatory actions.

Details concerning financial information

For details of financial information concerning FY2015, please refer to the "Financial Report".

http://www.jcrpharm.co.jp/en/site/en/ir/financial.html

Consolidated Financial Highlights

JCR Pharmaceutical Co., Ltd. and Subsidiaries

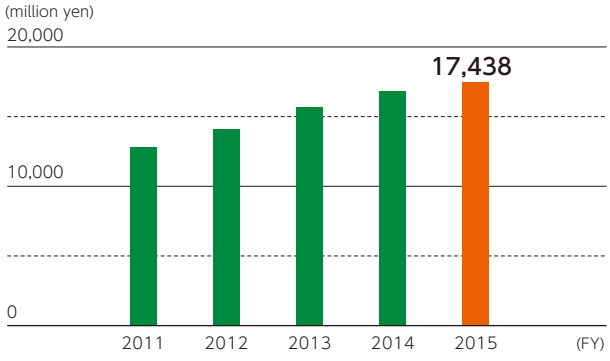
Unit: million yen

	FY2011	FY2012	FY2013	FY2014	**FY2015**
Fiscal year					
Net sales	12,845	14,099	15,705	16,855	**17,438**
Operating income	1,089	1,150	1,545	2,014	**2,152**
Profit attributable to owners of parent	633	730	1,296	1,682	**1,789**
Comprehensive Income	664	1,161	1,544	1,936	**1,557**
R&D expenditures	1,841	1,991	2,202	3,334	**3,348**
Capital investment	487	1,494	2,260	1,522	**1,237**
Depreciation and amortization	1,101	979	1,111	1,352	**1,407**
Cash flow from operating activities	(421)	1,661	4,565	499	**2,201**
Cash flow from investing activities	1,539	(178)	(2,668)	(1,419)	**(980)**
Cash flow from financing activities	(1,065)	(238)	(369)	(1,261)	**(1,314)**
End of fiscal year					
Total assets	28,967	31,286	33,464	34,086	**35,346**
Net assets	22,633	23,496	24,580	26,264	**27,062**
Shareholders' equity	22,535	23,368	24,417	26,101	**26,819**

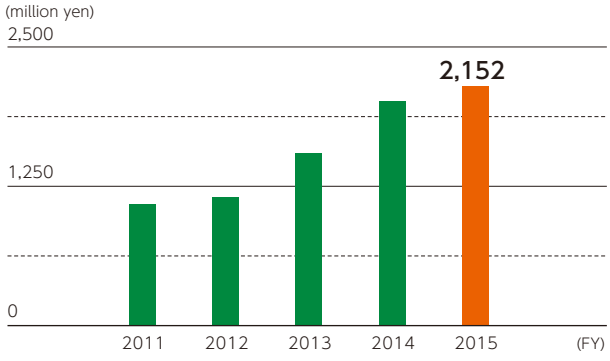
Unit: yen

Information per share					
Earnings per share (EPS)	19.75	23.03	40.79	52.85	**56.12**
Net assets	710.82	735.86	768.13	818.64	**843.34**
Dividends	12.00	12.00	17.00	18.50	**22.00**
Financial indicators					
Equity ratio (%)	77.8	74.7	73.0	76.6	**75.9**
Return on equity (ROE) (%)	2.8	3.2	5.4	6.6	**6.8**
Dividend ratio (%)	60.8	52.1	41.7	35.0	**39.2**
Numbers of employees	424	437	472	501	**526**

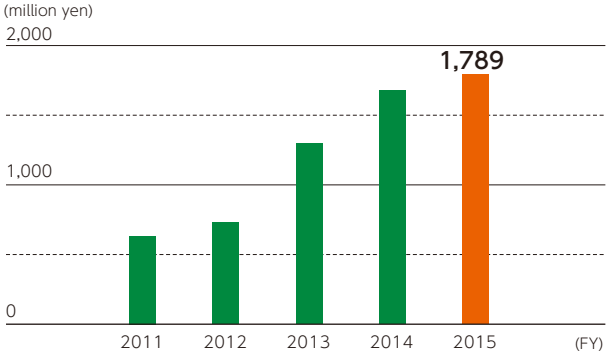
Net sales



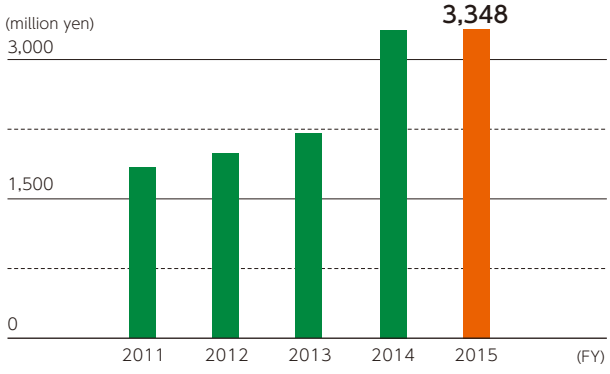
Operating income



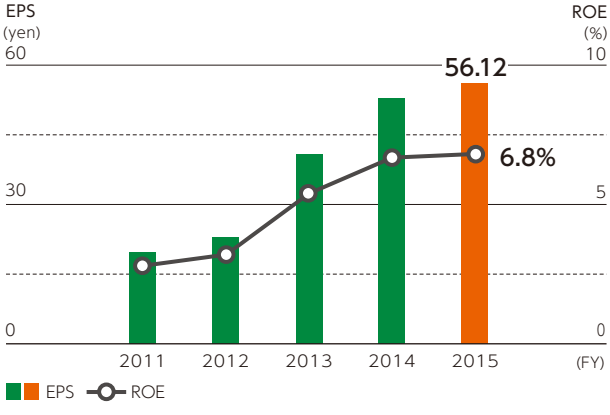
Profit attributable to owners of parent



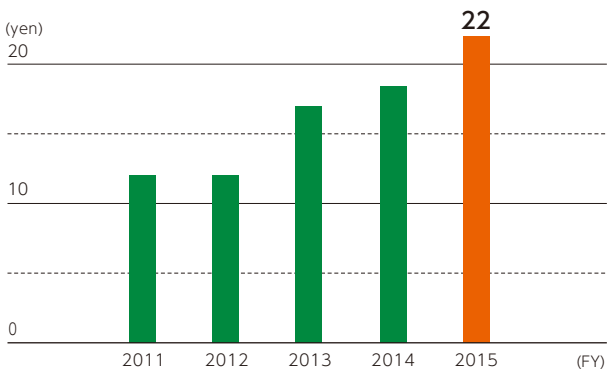
R&D expenditures



EPS and ROE



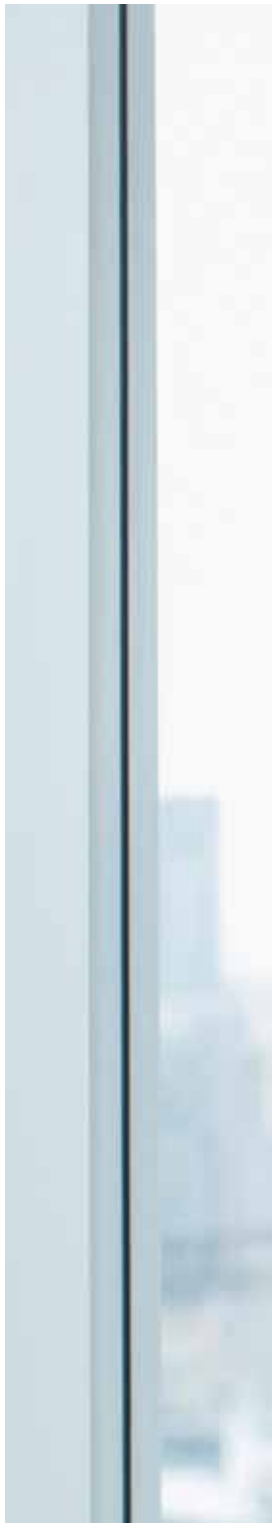
Dividend per share



With proprietary biotechnologies and cell therapy and regenerative medicine technologies, JCR has set out for "HIYAKU" (leap into the future) toward a "Research oriented specialty pharma with global exposure."

Ever since the foundation of JCR in 1975, we have maintained the spirit of venture and have taken on challenges in developing original technologies. This has driven us to become "JCR, the biopharma". To kick off the 40th anniversary of JCR in 2015, we formulated the "Mid-Term Management Plan for FY2015 to FY2019" with the inspiration of HIYAKU towards "Research oriented specialty pharma with global exposure." We are continuing to take on bold challenges whilst using the various technologies and experience that we have accumulated so far as our driving force.
The fiscal year 2015 was a great year, gearing up our HIYAKU to a new stage. The highlights were the new record high financial results rewriting the previous year performance, and the launch of TEMCELL®HS Inj. as Japan's first allogeneic regenerative medicine product. We also proactively developed our out-licensing business for our proprietary technologies.
We will continue to leverage our proprietary biotechnologies and technologies for cell therapy and regenerative medicine to operate as a specialty pharma working to create ground-breaking new therapeutics that respond to unmet medical needs, particularly in the rare diseases field.
In doing so, we will realize sustainable growth.
I thank you profoundly for your continuing support and encouragement.

August 2016
Representative Director
Chairman, President, CEO and COO
Shin Ashida



Outline of business results in FY2015

The increase in sales and profit was achieved due to the favorable growth of our core products.

FY2015 was the first year of our "Mid-Term Management Plan for FY2015 to FY2019" The sales achieved in FY2015 were 17,438 million yen (3.5% increase from previous period). The operating income was 2,152 million yen (6.9% increase from previous period) and the profit attributable to owners of parent for the period was 1,789 million yen (6.4% increase from previous period). Having achieved new record high results for both sales and profits from the previous term, we have taken a solid first step of HIYAKU towards "Research oriented specialty pharma with global exposure."

These results were due to the favorable growth of our core products achieved by our steady implementation of "further enhancing Business Structure and Product Strategy" as one of the focal points of our Mid-Term Management Plan. The sales of GROWJECT®, the recombinant natural human growth hormone, expanded remarkably to 10,222 million yen (6.7% increase from previous period). The sales of Epoetin Alfa BS Inj. JCR, the recombinant erythropoietin product, and urine-derived products also performed favorably. As a result, the profit for our main business of pharmaceuticals reached 17,040 million yen (3.6% increase from previous period). This accounted for 97.7% of our total sales.

Outline of consolidated results for FY2015		Compared with previous period
Net Sales	17,438 million yen	3.5% increase ↑
Operating income	2,152 million yen	6.9% increase ↑
Profit attributable to owners of parent	1,789 million yen	6.4% increase ↑

Shareholders return

In gratitude to our shareholders, we distributed a commemorative dividend to mark the 40th anniversary of JCR.

JCR regards the returning of our profits to our shareholders is an important management priority. In FY2015, we implemented a commemorative dividend of 2 yen per share to mark the 40th anniversary of the company's foundation. This made the total dividend for the year of 22 yen per share. As a result, the dividend ratio was 39.2%, in close proximity of the 40% target announced in the Mid-Term Management Plan. Furthermore, at the meeting of the Board of Directors held in February 2016, it was resolved to acquire treasury stocks with an aim to raise the shareholders return and capital efficiency. As of June 30, 2016, the number of cumulative shares acquired is 265,500 shares and the acquisition amount paid is 700 million yen.

Creating new growth drivers

We launched the world's first therapeutic product for graft-versus-host disease using mesenchymal stem cells.

In September 2015, JCR received the marketing approval for TEMCELL® HS Inj., the first human mesenchymal stem cell-based commercial product in the world for the treatment of acute graft-versus-host disease (acute GVHD) following hematopoietic stem cell transplantation. The sales of the product began in February 2016. It is the first allogeneic regenerative medicine product in Japan. TEMCELL® HS Inj. is an unprecedented innovative regenerative medicine and expected to be a new driver of growth, contributing to not only earnings but also largely enhancing the corporate visibility. TEMCELL® HS Inj. is composed of living cells and must be kept frozen under a special environment of minus 130°C or below until immediately before use. This is why we jointly developed a liquid-nitrogen-based ultra-low cold chain system with MEDIPAL HOLDINGS CORPORATION so as to deliver a stable quality product to clinical sites.

Advancing our research and development

We are accelerating advancement of our R&D that is one step ahead of competitors.

In our Mid-Term Management Plan, we positioned "Advancing R&D activities one step beyond" as one focal point. We are promoting various programs for the development of biopharmaceuticals and regenerative medicine products that will address unmet medical needs.

In July 2015, we filed the application for a marketing approval of the liquid formulation of GROWJECT®. Clinical trials are proceeding favorably for our biosimilar "JR-051", a therapeutic enzyme product for the treatment of Fabry disease, a rare disease. Clinical trials have also begun for our biosimilar "JR-131", a long-acting erythropoiesis-stimulating agent. Furthermore, various other research and development themes are progressing favorably, including "JR-141", a therapeutic enzyme product for Hunter syndrome as an innovative drug candidate using our J-Brain Cargo® blood-brain barrier penetration technology, and "JR-142" a long-acting growth hormone product using a new technology designed to extend the circulatory half-life of biopharmaceuticals.

J-Brain Cargo® is an innovative technology of JCR that enables drug compounds of large or small molecules to cross the "blood-brain barrier" which is the barrier function of the brain. Our studies demonstrated that this technology enabled a drug compound to cross the blood-brain barrier at 20 to 100 fold more efficiently than normally possible. Because a sufficient amount of a drug compound to exhibit a pharmacological effect can be delivered by this technology into the brain by an intravenous injection, we can expect a significant therapeutic effect in diseases with central nervous system (CNS) manifestations that have been difficult to treat to date.

In February 2016, we signed a joint development agreement with PeptiDream Inc. with the aim of identifying a special cyclic peptide capable of delivering substances across the blood-brain barrier. Through the combination of J-Brain Cargo® and PeptiDream's technologies, we promote activities widely open to many approaches for the development of therapeutic products for diseases with CNS manifestations. We will continue to exert our efforts each day so as to respond to the expectations of the patients eagerly awaiting new therapeutic options at the earliest possible time.

Reinforcing our capabilities

We reinforce our business development and licensing functions and proceed with establishing bases for globalization of JCR.

In achieving "Reinforcing our capabilities via new businesses development" set as a focal point in our Mid-Term Management Plan", JCR is proactively promoting measures such as the licensing of our proprietary technologies. We concluded feasibility study* agreements aimed at out licensing of J-Brain Cargo® with Sumitomo Dainippon Pharma Co., Ltd. in June 2015 and with Eisai Co., Ltd. in July 2015. We will continue to reinforce our licensing opportunities with our technologies to third parties in Japan and overseas. We will also work on building solid cooperative relationships with various companies toward the development of new regenerative medicine products to follow TEMCELL®HS Inj. launched in February 2016.

In November 2015, we established JCR INTERNATIONAL SA, a new subsidiary in Switzerland, as a base for future globalization. Through this company, we will promote business activities such as investigation for overseas market development and investment related to pharmaceuticals.

* The preparatory investigation and research that are performed before a business or project is implemented in order to evaluate the viability of such proposed business or project.

Board of Directors, Corporate Auditors and Corporate Officers

(As of June 22, 2016)

Directors

Shin Ashida
Representative Director
Chairman, President, CEO and COO

1975 Appointed Representative Director (current post) at the establishment of JCR Pharmaceuticals
Appointed President and Director
2005 Appointed Chairman and Director (current post)
Appointed Chief Executive Officer (CEO) (current post)
2007 Appointed President and Director (current post)
Appointed Chief Operating Officer (COO) (current post)

Katsuya Nishino
Executive Vice President and Assistant to the President

1988 Entered Novo Pharmaceutical Co., Ltd. (currently Novo Nordisk Pharma Ltd.)
1999 Entered JCR Pharmaceuticals
2004 Appointed Corporate Officer
2007 Appointed Director
2008 Supervisor for Corporate Planning
2010 General Manager, Research Division
2012 Appointed Managing Director
2013 Supervisor for Planning Division (currently Business Development Division)
2014 Appointed Representative Director (current post)
Appointed Executive Vice President and Director (current post)
Assistant to the President (current post)

(Front row, from left) Shin Ashida, Katsuya Nishino
(Back row, from left) Tatsuo Suzuki, Mamoru Morita, Hiroshi Yoshimoto

Hiroshi Yoshimoto
Senior Managing Director
General Manager, Production Division

1972 Entered Taito Pfizer Co., Ltd. (currently Pfizer Japan Inc.)
1999 Plant Manager, Basic Production Plant, Nagoya Plant of the same
2003 Executive Officer, Pharmaceutical Bulk Manufacturing, Nagoya Plant of the same
2011 Entered JCR Pharmaceuticals
General Manager, Production Division (current post)
Appointed Corporate Officer
2012 Appointed Director
2014 Appointed Managing Director
2016 Appointed Senior Managing Director (current post)

Tatsuo Suzuki, Ph.D.
Managing Director
General Manager, Quality Assurance Division and Director, Regulatory Affairs

1978 Entered Tanabe Pharmaceutical Co., Ltd. (currently Mitsubishi Tanabe Pharma Corp.)
2005 General Manager, Drug Regulatory Affairs Department of the same
2007 General Manager, Pharmaceutical Affairs, UMN Pharma Inc.
2008 Entered JCR Pharmaceuticals
Director, Regulatory Affairs (current post)
2009 Appointed Corporate Officer
General Manager, Quality Assurance Division (current post)
2011 Appointed Director
2016 Appointed Managing Director (current post)

Mamoru Morita
Director
Head of Sales

1990 Entered JCR Pharmaceuticals
2006 Sales Manager, West Japan Sales Dept, Sales Division and Manager, Kyushu Area
2014 General Manager, Sales Division
Appointed Corporate Officer
2016 Head of Sales (current post)
Appointed Director (current post)

Corporate Officers

Teiji Tomio
Corporate Officer
General Manager, Development Division

Takayo Egawa
Corporate Officer
General Manager, Business Development Division
Director, International Business & Licensing

Toru Ashida
Corporate Officer
Head, Office of the President

Tohru Hirato, D.V.M
Corporate Officer
General Manager, Research Division

Yoshihiko Ohnishi
Corporate Officer
General Manager, Sales Division

Yutaka Honda
Corporate Officer
General Manager, Corporate Planning Division

Akihiro Haguchi
Corporate Officer
Director, Accounting

(From left) Kanako Kikuchi, Toshihiro Ishikiriyama, Philippe Fauchet, Takashi Kobayashi

(Front row) Kazumasa Oizumi
(Back row, from left) Kazuhiko Yamada, Kenjiro Miyatake, Takashi Suetsuna

Philippe Fauchet

Outside Director

1996 Entered Sanofi S. A. (France)
2001 President and Representative Director, Sanofi-Synthelabo K.K. (currently Sanofi K.K,)
2005 President and Representative Director, Sanofi-Aventis K.K. (currently Sanofi K.K.)
2010 President and Representative Director, GlaxoSmithKline K. K. (current post)
2013 Appointed Director, JCR Pharmaceuticals (current post)

Takashi Kobayashi

Outside Director

1967 Entered Nippon Life Insurance Company
1993 Director, General Manager, Related Business of the same
1994 Senior Managing Director, Seiwa Real Estate Co., Ltd. (currently Obayashi-Shinseiwa Real Estate Co., Ltd.)
1996 Managing Director, Nippon Life Insurance Company
1999 Representative Director and President, Nissay Information Technology Co., Ltd.
2006 Representative Director and Chairman, NLI Research Institute
2009 Representative Director and Chairman, Nissay Information Technology Co., Ltd.
Outside Director, Kawasaki Kisen Kaisha, Ltd
2014 Appointed Director, JCR Pharmaceuticals (current post)

Toshihiro Ishikiriyama

Outside Director

1996 General Manager, Corporate Planning, Hoechst Marion Roussel Inc.
2002 Entered GlaxoSmithKline K.K.
Director and General Manager, Corporate Planning of the same
2005 Director, General Manager, Financial Affairs and Head of Business Development of the same
2008 Managing Director of the same
2012 Managing Director and General Manager, Vaccine Business Promotion Division of the same
Chairman and Representative Director, Japan Vaccine Co., Ltd.
2014 President and Representative Director of the same
2015 Appointed Director, JCR Pharmaceuticals (current post)

Kanako Kikuchi

Outside Director

2002 Global Strategy Director, Bausch & Lomb Inc. (New York and Florida, USA)
2004 Entered Novartis Pharma K.K.
General Manager, Ophthalmics of the same
2006 General Manager, OTC of the same
2010 General Manager, Scientific Affairs, Oncology of the same
2012 General Manager, Solid Tumor Domain, Oncology of the same
2013 Entered GlaxoSmithKline K.K.
Corporate Officer and Head of Corporate Strategy
2014 Director and General Manager, Corporate Strategy of the same
2015 Appointed Director and Head of Corporate Strategy and Multichannel Marketing of the same
Appointed Director, JCR Pharmaceuticals (current post)
2016 Managing Director and Head of Corporate Strategy, Marketing and Multichannel, GlaxoSmithKline K.K. (current post)

Corporate Auditors

Kazumasa Oizumi

Full-time Outside Auditor

1992 Utsunomiya Branch Manager, Nippon Life Insurance Company
1997 Nihonbashi Branch Manager, Nippon Life Insurance Company
2001 No. 4 General Manager of Tokyo Metropolitan Area Agency, Nippon Life Insurance Company
2002 Full-time Auditor, SOHGO SECURITY SERVICES CO., LTD.
2009 Corporate Officer, SOHGO SECURITY SERVICES CO., LTD.
2013 Appointed Outside Auditor, JCR Pharmaceuticals (current post)

Kenjiro Miyatake

Outside Auditor

1981 Director, Dainippon Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)
1999 Representative Director and President of Dainippon Pharmaceuticals
2005 Representative Director and President of Sumitomo Dainippon Pharma
2008 Representative Director and Chairman of the same
2011 Outside Director of Japan Wool Textile Co., Ltd. (current post)
Advisor, Sumitomo Dainippon Pharma
2013 Appointed Outside Auditor, JCR Pharmaceuticals (current post)
2015 Chairman of the Board, Kobe Pharmaceutical University (current post)

Kazuhiko Yamada

Outside Auditor

1996 Head of Wadayama Tax Office
1999 Corporate Tax Section Chief, No. 2 Taxation Department, Osaka Regional Taxation Bureau
2001 East Taxation Department Chief
2002 Head of Kazuhiko Yamada Tax Accountant Office (current post)
2006 Appointed Temporary Auditor, JCR Pharmaceuticals
Appointed Outside Auditor, JCR Pharmaceuticals (current post)

Takashi Suetsuna

Outside Auditor

1974 Entered the National Police Agency
1994 Chief, Kochi Prefectural Police Headquarters
1997 Director, Finance Division, Commissioner-General's Secretariat, National Police Agency
2001 Chief Inspector General, Commissioner-General's Secretariat, National Police Agency
2002 Chief, Kanagawa Prefectural Police Headquarters
2004 Deputy Superintendent General, National Police Agency
2005 Grand Chamberlain to the Crown Prince at the Imperial Household Agency
2009 Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg
2012 Retired from the above office
2013 Outside Auditor, Marubeni Corporation (current post)
2015 Outside Director, Totetsu Kogyo Co., Ltd. (current post)
2016 Outside Auditor, Kandenko Co., Ltd. (current post)
Outside Auditor, Keikyu Corporation (current post)
Appointed Outside Auditor, JCR Pharmaceuticals (current post)

R&D

esearch evelopment

JCR accelerates R&D activities of biopharmaceuticals for rare diseases utilizing its proprietary technologies.

Our abundant experience in R&D of biopharmaceuticals accumulated since our inception and innovative ideas of our researchers have successfully brought forth a number of unique technologies. JCR takes on challenges for development of the world's first "innovative biopharmaceuticals" originating from Japan.

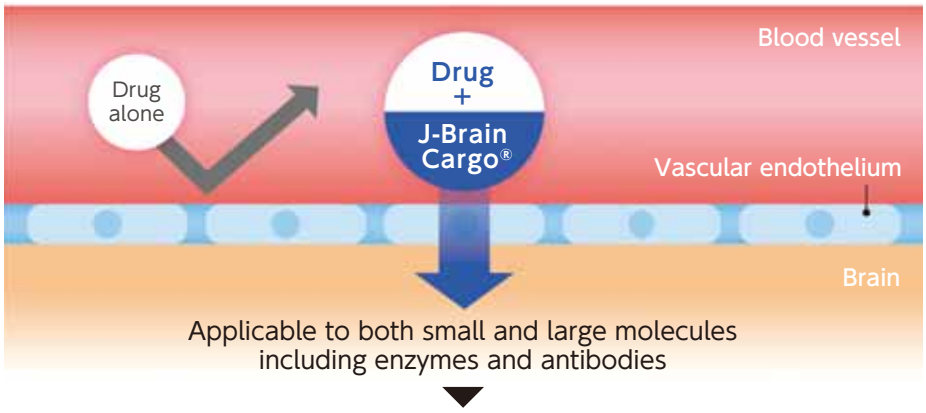
J-Brain Cargo® (BBB-penetration technology)

J-Brain Cargo® is an innovative technology that enables delivery of intravenously administered drug compounds of large molecular size (e.g., proteins) into the brain. The brain has a highly complex structural barrier called the "blood-brain barrier" (BBB) formed by endothelial cells connected by tight junctions that selectively limits the passage of substances from blood to the brain. This BBB not only prevents passage of harmful substances into the brain but also useful drug compounds. There are many candidate drug compounds which despite of having an effective mode of action cannot be formulated into useful therapeutic products because of their inability to penetrate the BBB.

J-Brain Cargo® is our platform technology that enables delivery of target substances across the BBB through a certain receptor expressed on the surface of capillary endothelial cells of the brain. It is potentially applicable to a wide range of drug compounds from small molecules to proteins such as enzymes or antibodies.

Based on J-Brain Cargo®, research and development of a series of BBB-penetrating enzymes for treating lysosomal storage diseases is now underway. Our current focus is on "JR-141", a BBB-penetrating therapeutic enzyme for Hunter syndrome, as the first product of top priority (See page 20 "Partnering" for out licensing of J-Brain Cargo®).

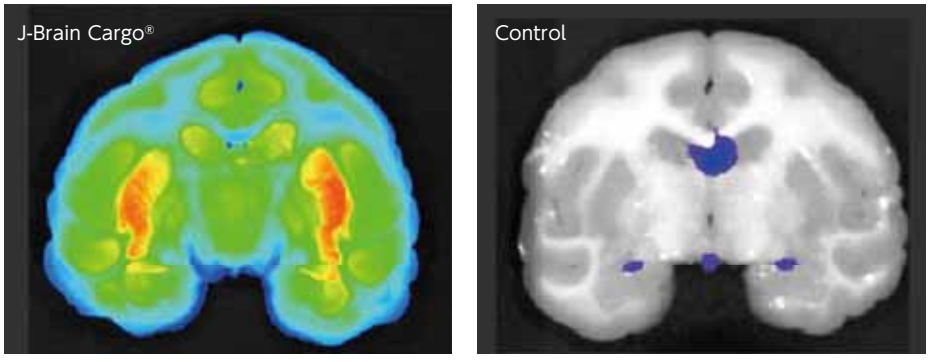
J-Brain Cargo®



Many medicines are blocked by the blood brain barrier (BBB) and cannot enter the brain parenchyma without some modification. J-Brain Cargo® is our proprietary technology that enables delivery of target substances across the BBB through a certain receptor expressed on the surface of endothelial cells. It can be applied to a variety of drug compounds of small to large molecular size.

Potential applications in CNS disorders

Study in monkeys (cross-sectional brain IVIS imaging analysis)



Images clearly show that J-Brain Cargo® delivers medicine into the brain in contrast to Control.

Long-acting protein technology with modified albumin

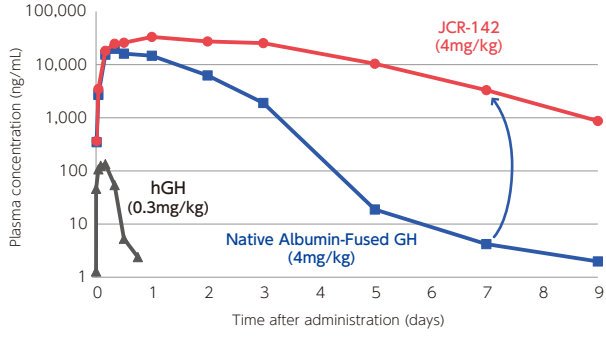
This technology improves the effect of biopharmaceuticals by extending their circulatory half-life. It utilizes neonatal Fc receptor (FcRn)-mediated recycling, a mechanism involved in suppression of degradation of immunoglobulin G (IgG) and fuses albumin to a target biopharmaceutical to extend its circulatory half-life.

We have developed a special type of modified albumin and confirmed that a biopharmaceutical fused to this albumin showed a circulatory half-life significantly longer than one fused to wild-type albumin. We applied this technology to growth hormone, our core product. The resultant growth hormone ("JR-142") demonstrated significantly longer circulatory half-life compared to the growth hormone fused to wild-type albumin. JR-142 at a low dose showed an effect comparable to the conventional growth hormone administered daily.

We will explore to maximize advantages of this technology through in-house development of pipeline products and licensing-out.

Long-Acting Human Growth Hormone Product

PK study in monkeys



J-mAb System®

In general, it is challenging to produce antibodies with high affinity to membrane proteins, especially polytopic proteins and subunit composition types. Many antibodies produced by conventional methods have issues such as inability to fully recognize membrane proteins of native structure expressed on the cell membrane.

We established J-mAb System® that enables production of antibodies having a significantly high affinity and specificity to membrane protein antigen with weak immunogenicity by combining our J-MIG System®, high-level protein expression technology, an optimized immune protocol and our proprietary high-throughput antibody screening technology.

J-MIG System®

J-MIG System® is a technology enabling efficient expression of recombinant DNA proteins by preferentially and intensively amplifying a target gene transfected into CHO cells. We established this high-level protein expression technology in the course of development of several recombinant pharmaceuticals using CHO cells as the host cell line. Modified-IRES-GS system, a novel expression vector system created by combining a target gene and GS gene in addition to a drug resistance gene with a modified internal ribosome entry site (modified-IRES), is capable of high drug selection and preferential amplification of transfected GS gene.

We were awarded with the first prize at "IBC's 10th annual Cell Line Development & Engineering" held on September 2014, in the United States for this technology.

J-GlycoM®/J-GlycoS®

Many secretory proteins are glycoproteins, of which "sugar chains" bind to some constituent amino acids, and these sugar chains play an essential role in various functions in vivo. We developed J-GlycoM® and J-GlycoS®, as glyocoengineering technologies to obtain desired sugar chain structures.

J-GlycoM® is a technology to express glycoproteins of high mannose-type sugar chains by transfecting insect origin chain trimming enzyme into CHO cells. It is possible to target, reticuloendothelial system such as macrophage by applying this technology. We are studying the application of J-GlycoM® to glucocerebrosidase, a therapeutic enzyme for Gaucher disease.

J-GlycoS® is a technology for expressing highly sialylated glycoproteins in serum-free cultivation by adding multiple biological substances related to hexosamine biosynthesis and sialylation as medium components.

Application of our core technologies to various therapeutic fields

For reinforcement of Management Platform, we will enrich our product portfolio by adding on new products in the therapeutic fields which we are committed to. Our mission also reaches out to development of therapeutic products for intractable diseases and rare diseases, and this policy guides our research and development activities.

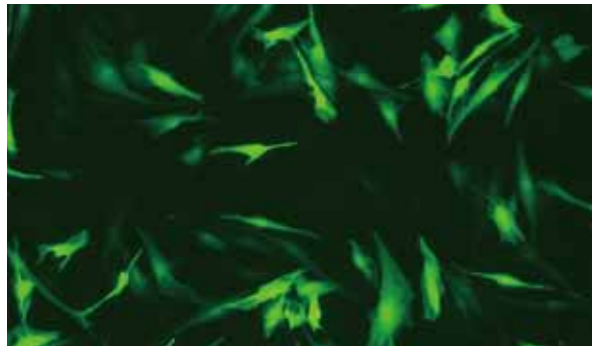
In human growth hormone business as our core business, we started development of "JR-142" in 2015, a human growth hormone product with improved pharmacokinetic properties using Long-acting protein technology as described above. We plan to enter into clinical trials of JR-142 in 2017. In ESA business, development of "JR-131", a biosimilar of darbepoetin, a next-generation ESA drug, is underway. The complex sugar chain structure of darbepoetin alfa is reproduced by our glycoengineering technology. Experience accumulated during the development of Epoetin Alfa BS Inj. JCR is leveraged for scaling-up of manufacturing process and designing non-clinical and clinical trials of JR-131.

In the field of intractable and rare diseases, we are committed to research and development of therapeutic enzymes for lysosomal storage diseases. Currently, development of JR-051 as a biosimilar of alpha-galactosidase-A for Fabry disease, is ongoing at Phase II/III study. JR-141, a BBB-penetrating therapeutic enzyme for Hunter syndrome, is another focus of development, as described in the section J-Brain Cargo® (BBB penetration technology).

Development of cell therapy and regenerative medicine technologies

We have accumulated know-how of cell therapy and regenerative medicine technologies in our long history of research in cell culture technologies. One accomplishment is the successful launch of TEMCELL® HS Inj., the first allogeneic regenerative medicine product in Japan. We consider that proactively moving forward our R&D capabilities in this field is one of our missions as a pioneer in this field. Cell therapy and regenerative medicine technologies are a new R&D pillar of JCR in addition to pharmaceuticals of recombinant DNA technology.

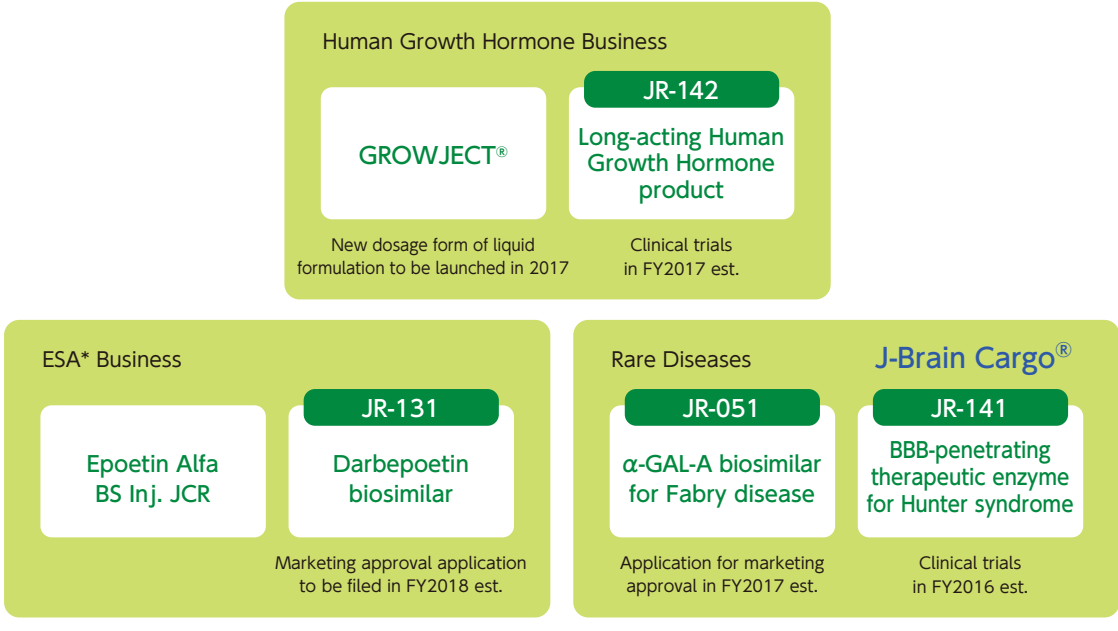
Having established the commercial manufacturing process in compliance with GMP, we will further enhance efficiency of cell culture and other process technologies leveraging our competitive edge.



Human mesenchymal stem cells (MSCs)

Now being explored is new indication for TEMCELL® HS Inj., a human bone marrow-derived cell product. We are endeavoring to make utmost use of its pharmacological effects. Following the success of TEMCELL® HS Inj., other possibilities of cell therapy and regenerative medical products are being searched for. One possibility is the dental pulp stem cells (DPCs). We are investigating a variety of cell functions utilizing our unique cell culture technology to develop therapeutic products for a wide range of diseases.

Application of our core technologies to various therapeutic fields



* Erythropoiesis-stimulating agent

Partnering

Not only applying our innovative technologies to our products, we also are eager to establish a new business model of licensing-out. Examples are feasibility study agreements for licensing-out our J-Brain Cargo® technology, with Sumitomo Dainippon Pharma Co., Ltd. and Eisai Co., Ltd. Also in February 2016, we concluded a joint research agreement with PeptiDream Inc., to identify macrocyclic peptides capable of carrying various therapeutic products across the BBB for delivery to the brain. JCR's vision is outlined in our Mid-Term Management Plan as "R&D oriented specialty pharma with global exposure built on proprietary biotechnologies and cell therapy and regenerative medicine technologies". In order to realize this plan, we are actively expanding our business worldwide through licensing-out our technologies and in-house developed products. JCR INTERNATIONAL SA, our subsidiary established in Switzerland in November 2015, will be a foothold of our overseas business. We have established quality assurance system of global standard in anticipation of product supply to overseas in the future. (See page 22 "Production System")

* The preparatory investigation and research that are performed before a business or project is implemented in order to evaluate the viability of such proposed business or project.

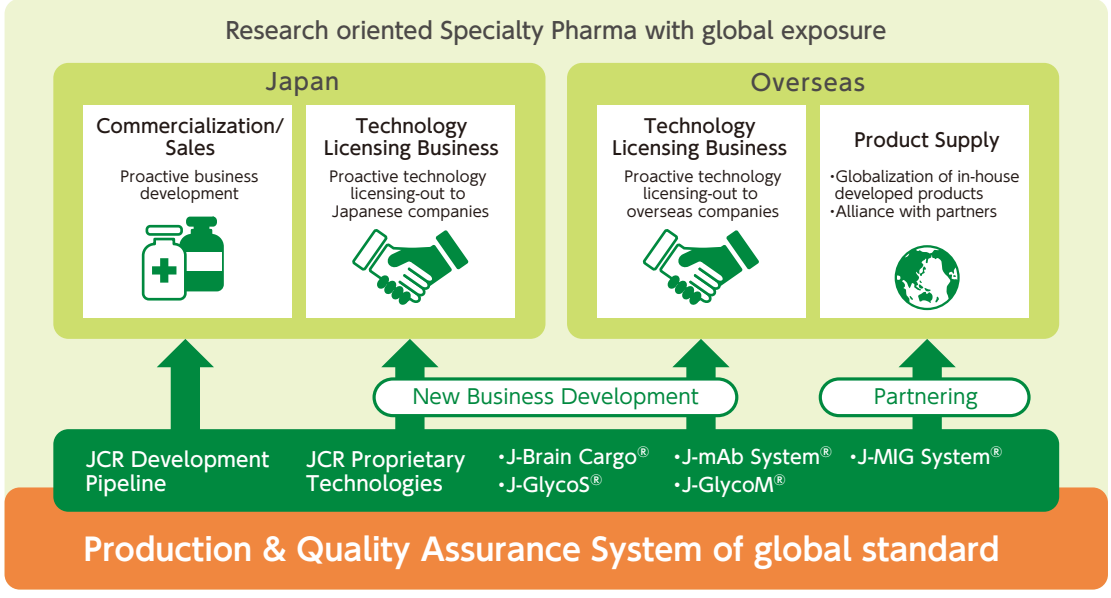
PeptiDream　Sumitomo Dainippon Pharma　Eisai

Research and development structure

We accelerate our research and development activities, through an organized cooperation between our Research Division and Development Division. Research Division is responsible for early to late stage research of biopharmaceuticals, development of manufacturing process technologies as

- **Development Div.**
  - Advanced Medical Technology
  - Clinical Development
  - Clinical Intelligence
- **Research Div.**
  - Biopharmaceutical Innovation Research Institute
    - Advanced Biotechnology I
    - Advanced Biotechnology II
    - Pharmacology & Toxicology
    - Cell Therapy
  - Biomanufacturing Technology Research Institute
    - Bioprocess Development
    - Analytical Technology
    - Formulation Development
  - Research Data Management
    - Regulatory Compliance Unit
    - Quality Assurance Unit
    - Research Coordination and Medical Writing Unit

Reinforcement of Alliance & Strategic Licensing-out



well as research and development of cell therapy and regenerative medicine technologies while Development Division is responsible for clinical developments.

On April 1, 2016, we restructured Research Division with an aim to further speed up our research and development activities by newly establishing two research institutes "Biopharmaceutical Innovation Research Institute" and "Biomanufacturing Technology Research Institute".

Enhancement of research bases

As another effort to accelerate our R&D, Clinical Trial Material Manufacturing Center (CTMC) was established in the premise of Research Division on April 27, 2016. CTMC is designed for single-use technology and equipped with disposable vessel culture system. CTMC is a facility dedicated to manufacturing of clinical trial material of our pipeline products, starting with JR-141, a BBB-penetrating therapeutic enzyme product for Hunter syndrome.

We also inaugurated the opening of Cell Processing Center (CPC) on the same day. This is a facility dedicated to manufacturing of clinical trial material of the cell therapy and regenerative medicine products. With the operation of CPC to accelerate our development, we will strengthen our presence in the cell therapy and regenerative medicine field.

Research Institute (Kobe, Hyogo)

CTMC/CPC (Kobe, Hyogo)

Development pipeline and progress (As of August 2016)

Code	Nonproprietary Name	Indication	Preclinical / Clinical trial / Filed / Approved	Remarks
JR-051	α-GAL-A (rDNA origin)	Fabry disease (LSD)*	Phase II/ III	Enzyme Replacement Therapy (ERT) Co-developed with GSK Group
JR-131	Darbepoetin (rDNA origin)	Renal anemia	Phase III	Co-developed with Kissei Pharmaceutical Co., Ltd.
JR-041	Follicle Stimulating Hormone (rDNA origin)	Infertility	Phase I/II	Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-032	IDS (rDNA origin)	Hunter syndrome (LSD)*	Clinical trials in preparation	ERT Co-developed with GSK Group
JR-101	GBA (rDNA origin)	Gaucher disease (LSD)*	Preclinical	ERT J-GlycoM®
JR-141	BBB-Penetrating IDS (rDNA origin)	Hunter syndrome (LSD)*	Preclinical	ERT J-Brain Cargo®
JR-142	Long-Acting Somatropin (rDNA origin)	Growth disorder	Preclinical	Long-acting human growth hormone product J-MIG System®

*LSD – Lysosomal Storage Disease

Our mission is the stable supply of high-quality pharmaceuticals.

JCR handles a wide range of products including urine-derived drug substances, biopharmaceuticals, and regenerative medicine products. In addition to existing products, we continue development of new products with cutting-edge technologies, backed by our production/quality assurance system we have established.

Our activities for the production system

Our quality policy is "provision of high-quality products worldwide to fulfill our mission in contributing to people's health." Quality is the top priority in each phase of development, manufacturing and delivery of products. We have currently four production sites, Seishin Plant, Kobe Plant, Murotani Plant and Kobe API Plant, all located in Nishi-ku, Kobe. These sites carry out the full-fledged manufacturing of pharmaceuticals from drug substances to finished products.

We perform manufacturing under the appropriate manufacturing and quality control in compliance with applicable laws and regulations including Good Manufacturing Practice (GMP).

For drug substances manufacturing, we utilize cutting-edge technologies including single-use technology (disposable culture vessels or single-use bioreactors, etc.). Single-use technology eliminates significant amount of cleaning between product change-over and enables efficient production of many different small volume drug substances. Our unique production platform incorporates completely Serum-Free Cultivation Technology focused in the non-use of animal-origin components.

At Kobe API plant, a global standard manufacturing and quality assurance system was established in June 2013 to prepare for expansion of our business worldwide. We are committed to maintaining and improving our production system with advanced technologies and information to ensure stable and timely provision of high-quality and useful pharmaceuticals.

Production sites

Seishin Plant (urine-derived drug substances, regenerative medicine product, medical devices)

Urokinase, Ulinastatin and Leukoprol®, drug substances derived from urine, are manufactured by concentrating and purifying crude raw materials imported from our subsidiary in China. The purification technology cultivated in Seishin Plant is the foundation of JCR.

TEMCELL® HS Inj., a regenerative medicine product, is manufactured by isolating and expanding human mesenchymal cells (MSCs) under the strictly aseptic condition in the largest-scale cell culture facility in Japan.

Seishin Plant conducts testing and packaging of medical devices, Twin-Jector® EZ II, a needle-free injector, for GROWJECT® and Babysense, an infant respiratory monitor marketed by our subsidiary.

Kobe Plant (finished product)

Pharmaceuticals marketed by JCR (GROWJECT®, Epoetin Alfa BS Inj. JCR, etc.) are formulated, fill-finished and final packaged in Kobe Plant. Kobe Plant has two buildings on the same premise, where products in vials, lyophilized products and pre-filled syringe products are manufactured.

Lyophilized products are manufactured in vials and also in double-chamber cartridges that house lyophilized active ingredient and solvent in separate chambers of the cartridge.

Murotani Plant (active pharmaceutical ingredient)

In this plant, CHO cells developed by JCR are cultured to manufacture the active pharmaceutical ingredient (API) or drug substance of erythropoietin utilizing high-level protein purifying technology. Murotani Plant is JCR's first plant that manufactures API for biopharmaceuticals. Since Epoetin Alfa BS Inj. JCR shows constant and favorable sales performance, we installed additional bioreactors in 2015 to scale up production for a stable supply of the product.

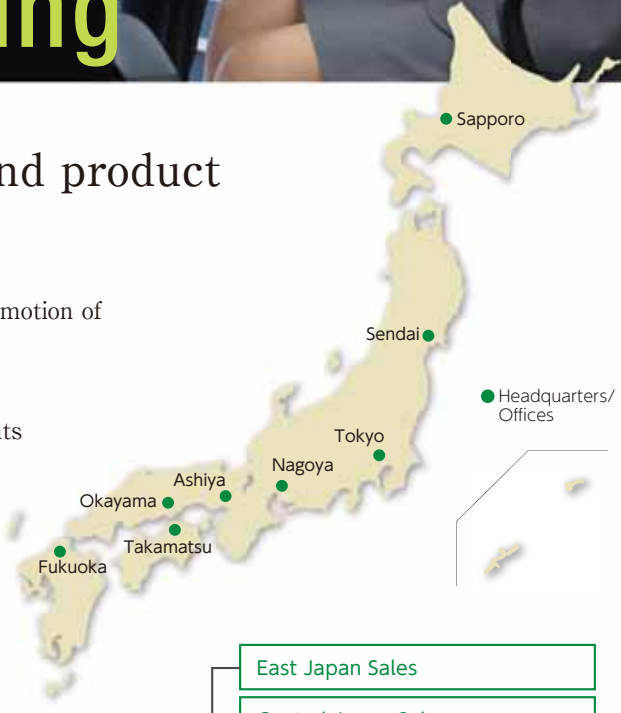
Kobe API Plant (active pharmaceutical ingredient)

This plant, established in June 2013, was designed in preparation for global development of JCR products. It is a cutting-edge plant equipped with global standard manufacturing/quality assurance system and single-use equipment (single use bioreactors). In this plant, investigational products under development including JR-051 (a therapeutic enzyme for Fabry disease) and JR-131 (a biosimilar of darbepoetin) are manufactured. Commercial production of these products in Kobe API Plant is planned in the future.

Marketing

Enhancing marketing system and product strategy for our core products.

We will further enhance our marketing system through promotion of proper use of medical products and development of next-generation products. We continue to provide/collect information to support good relationship between the patients and medical professionals, coping with changes in the economy in the medical field.



Sales activities at eight business bases across Japan

JCR divides Japan market into fourteen areas and three business departments with about 80 medical representatives engage in sales activities. At eight business bases across Japan, we formulate marketing strategies tailored to each area, provide information that satisfies needs of local medical professionals and establish presence of JCR in each area. As a basis for the sustained growth of our company, we will enhance our activities to provide information and prepare for launch of medical products of new formulation or for new indication and also new injectors to further improve Quality of Life of patients.

- Sales Div.
  - East Japan Sales
  - Central Japan Sales
  - West Japan Sales
  - ESA Business Support
  - Advanced Medicine Sales
  - Logistics Management
  - Sales Operations Administration
  - Marketing

Recombinant human growth hormone product

GROWJECT®

GROWJECT® is one of our core products, approved for the manufacture and marketing in 1993. It improves symptoms such as short stature, caused by the deficiency of growth hormone that regulates growth and development. Since its launch, we have been stably providing high-quality products and continuing clinical studies to explore additional indications to maximize value of the product.

Growth hormone therapy requires self-injection at home on daily basis. Many patients are children who, if too young, might need help from their parents or guardians to receive the injection. We consider that it is important not only to provide high-quality and reliable pharmaceuticals but also user-friendly injectors. We offer three types of injectors to satisfy patient's needs. Among them, Growjector® 2, a digital auto injector is appreciated by the patients for its automatic features for reconstituting the drug, inserting, injecting and removing the needle.

Sales in FY2015 increased to 10,222 million yen (6.7% increase from the previous term), and its market share hit its record-high of 18.2%. With the launch of liquid formulation of GROWJECT® planned in FY2016, we will expand our presence in this market through continuous efforts to further enrich the product portfolio by developing new patient-friendly injectors and formulations, improving our product value, and also proactively performing strategic and systematic sales activities.

Indications: •Growth Hormone Deficiency
•Turner Syndrome
•Adult Growth Hormone Deficiency
•Small for Gestational Age

■ Sales in FY2015

10,222 million yen

from the previous term

6.7% increase ↑

Injectors exclusive for GROWJECT®

Product Lineup: (from the picture on the right)
•Growjector® 2, a digital auto injector
•Twin-Jector EZ® II, a needle-free injector
•BD Penjector® 3, a manual injector

What is a biosimilar?

Biosimilar product is a follow-on biologic or a biological product of which equivalence and similarity in its quality, safety and efficacy are demonstrated against a biotechnology-based medicinal product that has been approved as a drug containing a new drug substance (originator drug). For marketing approval, clinical trials comparable to those for a new drug are mandatory unlike small molecule generic drugs.

Recombinant erythropoietin product

Epoetin Alfa BS Inj. JCR

Epoetin Alfa BS Inj. JCR, a therapeutic product for renal anemia, launched in May 2010 was developed utilizing our completely serum-free technology and proprietary biotechnologies. The product improves anemic symptoms of patients on dialysis treatment for chronic renal failure. Epoetin Alfa BS Inj. JCR was jointly developed by JCR and Kissei Pharmaceutical Co., Ltd. and was approved as the first biosimilar in Japan based on the robust clinical data that demonstrated equivalence and similarity to the originator drug. In Japan, Epoetin Alfa BS Inj. JCR is co-promoted with Kissei.

Sales in FY2015 was 3,638 million yen (1.0% increase from the previous term) and its share in the market of short-acting erythropoietin in Japan exceeded 50%. Now, it is one of our core products owing to the increasing awareness of its circumstance where equivalence in efficacy and quality of the biosimilar to the originator drug is widely accepted and needs for biosimilars increased for dialysis treatment where cost is controlled by the flat sum reimbursement system. In further strengthening our presence in this market, we are jointly developing with Kissei "JR-131", a biosimilar of darbepoetin. We will target its launch in FY2019.

We will continuously work on further expansion of our market penetration through expanding a high-quality drug informational activity built on recognition of product quality.

Indications: •Renal anemia in dialysis patients
•Anemia of prematurity

■ Sales in FY2015

3,638 million yen

from the previous term

1.0% increase ↑

World's first

Mesenchymal stem cell-based product for acute graft-versus-host disease

TEMCELL® HS Inj.

TEMCELL® HS Inj. is the world's first therapeutic product using mesenchymal stem cells for the treatment of acute graft-versus-host disease (acute GVHD), a severe complication arising from hematopoietic stem cell transplant. The product was approved in September 2015 as Japan's first allogeneic regenerative medicine product and launched in February 2016.

TEMCELL® HS Inj. is an innovative product manufactured by isolating and expanding mesenchymal stem cells (MSCs) derived from bone marrow aspirate of a healthy adult donor. It utilizes the function of the mesenchymal stem cells for treatment of acute GVHD.

MSCs are allogeneic cells, but because of their weak immunogenicity, they can be used widely for patients in need. Giving such, TEMCELL® HS Inj. is expected to be a new treatment option for patients with acute GVHD, a disease for which only continuous administration of immunosuppressants or steroids had been a treatment option.

Because TEMCELL® HS Inj. is unprecedented as a totally new class of medicinal product derived from human cells, we put efforts in providing useful product information to medical professionals via the dedicated web site.

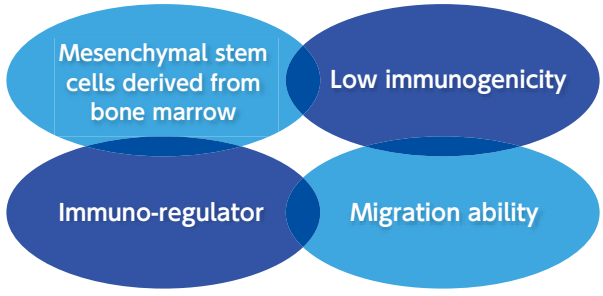
Ultra-low temperature must be kept during transportation of TEMCELL® HS Inj. in order to maintain its quality. We operate an ultra-low cold chain system jointly developed with MEDIPAL HOLDINGS CORPORATION to ensure timely delivery of high-quality products to clinical sites across Japan.

Indication: Acute graft-versus-host disease following hematopoietic stem cell transplant

What is acute graft-versus-host disease (acute GVHD)?

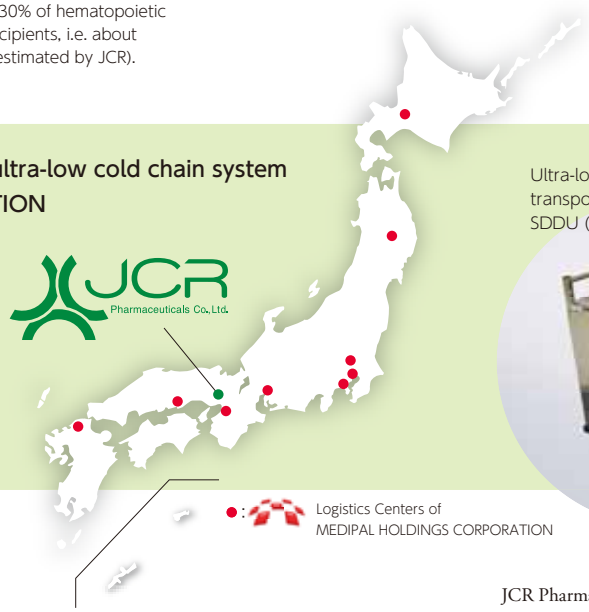
It is a life-threatening complication associated with the transplant which arises following the hematopoietic cell transplant and a disease which immunocompetent cells (e.g. lymphocytes) present in the transplanted hematopoietic stem cells regard the recipient's body as foreign and attack the recipient's cells. Onset of acute GVHD occurs in about 30% of hematopoietic stem cells transplant recipients, i.e. about 1,200 patients a year (estimated by JCR).

■ Profile of TEMCELL® HS Inj.



Co-developed liquid nitrogen-based ultra-low cold chain system with MEDIPAL HOLDINGS CORPORATION

Kobe Logistics Center (Nishi-ku, Kobe)



Ultra-low temperature storage and transport cart
SDDU (Specialty Drug Distribution Unit)

Basic concept

We consider that for the purpose of providing superior quality and more useful pharmaceutical products and medical equipment to society, it is important to aim to enhance legality, transparency and objectivity of the Company's management, to heighten our corporate value further, and at the same time to build a system to ensure protection of the interests of shareholders. For this purpose, we are putting efforts to secure implementation and operation of effective internal control systems required, to evaluate the effectiveness of such systems on our own, and to fulfill social responsibilities as a corporation.

For the purpose of compliance, we recognize that it is important to adhere to laws and regulations, global standards, and various industrial standards, and also to foster a corporate culture that stimulates a high sense of probity in the course of day-to-day corporate activities.

Overview of corporate governance system

We as a company with corporate auditors has established the Board of Directors consisting of nine persons, including 4 outside directors, the Board of Corporate Auditors consisting of four outside corporate auditors, and accounting auditors.

In addition to these organs, we have established Internal Audit Department, advisory committee for nomination, compensation, etc., management committee, internal control committee and compliance committee. Also, as a business execution system, we have introduced the corporate officer system; and we have been promoting separation of the management and business execution functions. We believe that as a governance composition, it is an appropriate scale in line with the Company's current status and its scope of business and it enables efficient company management. Also, we judge that the current governance system which includes four outside directors and four outside corporate auditors is effective for securing transparency, objectivity (impartiality) and independence of supervision over management.

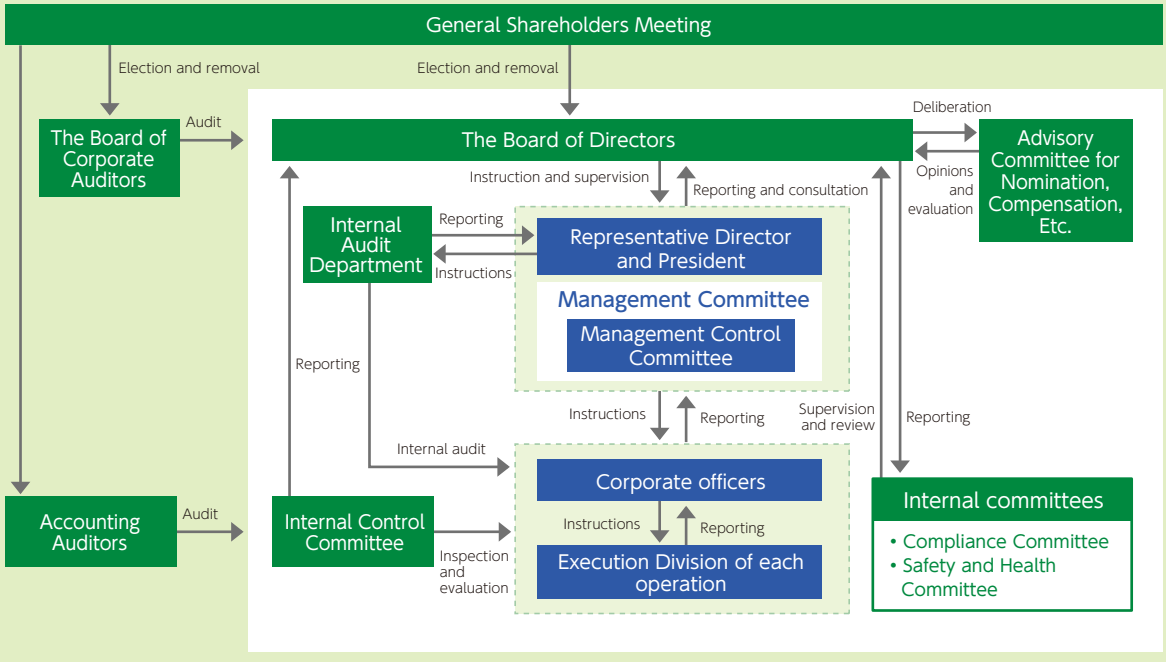
Details of organs of the Company

The Board of Directors

The Board of Directors consists of nine directors, and in principle, an ordinary Board of Directors meeting is held once per month, and an extraordinary Board of Directors meeting is held as necessary, and it decides important matters concerning management of the Company in addition to matters specified by laws and regulations.

It is defined in our articles of incorporation that our Company must have no more than nine directors and that the appointment of those directors must be resolved at a meeting attended by shareholders who hold at least one third of the voting rights of all the shareholders who have voting rights and that it must be passed by a majority of the votes. Furthermore, the resolutions to appoint directors shall not be decided by cumulative voting.

Corporate Governance System (As of June 22, 2016)



Management Control Committee

It consists of representative directors and executive directors. Although important management matters relating management policy, management strategy, etc. are in principle deliberated and decided by Management Committee, it operates as a meeting body for expeditious response depending on details of matters.

Advisory Committee for nomination, compensation, etc.

It consists of one internal director, two outside independent directors and one outside independent corporate auditor (full-time), and it deliberates important matters concerning nomination and compensation for directors and corporate officers and corporate auditors and also makes suggestions regarding the evaluation of the Board of Directors as necessary and provides opinions to the Board of Directors.

Management Committee

It consists of five internal directors and seven corporate officers not concurrently holding a position as director, and a meeting is held in principle twice per month. The purpose of the committee is to make deliberations and decisions necessary for management judgment after sharing important matters relating to management policy, management strategies and other matters relating to company management among departments and to put the results before the Board of Directors.

Corporate Officer system

We have introduced the corporate officer system for the purpose of ensuring efficiency of management of the Company and acceleration of execution of the operations, and seven corporate officers execute the operations based on the management policy decided by the Board of Directors.

The Board of Corporate Auditors

The Company is a company with Corporate Auditors, and four corporate auditors have assumed office (one full-time corporate auditor and three part-time corporate auditors) and all of them are outside independent corporate auditors.

The Board of Corporate Auditors holds a meeting once per month and also an extraordinary Board of Corporate Auditors meeting as needed.

Corporate Auditors attend important meetings, including meetings of the Board of Directors, and also it has ensured a system to fulfill its functions to company management in the course of understanding the status of the Company through meetings with top management members including responsible general managers.

Internal Audit Department

Internal Audit Department directly under the control of director and president performs audits on whether or not operations are executed by departments in line with laws and regulations as well as internal rules.

Internal Audit Department consists of three full-time employees assigned to the Department, including one manager of Internal Audit Department as of March 31, 2016, and the results of internal audits are submitted to corporate auditors, in addition to director and president.

Internal Control Committee

It consists of responsible corporate officers, Accounting Department, Human Resources and General Affairs Department, Internal Audit Department, etc. It conducts opinion exchange with and makes reports to corporate auditors, etc. as necessary and further it secures appropriate financial reporting by accounting auditors with respect to effectiveness of reporting of internal controls through self-inspection processes.

Compliance

Compliance Committee

We have established Compliance Committee as an organization to implement company management in line with social norms and corporate ethics as well as compliance with laws and regulations. An external lawyer serves as the chairperson of the committee, and the committee consists of Compliance Control Committee consisting of personnel equivalent to our directors and corporate officers as members and of Compliance Promotion Committee consisting of responsible employees of departments, and it holds meetings on a regular basis, decides the Company's action plan as well as policies, and also provides training and education based on the Compliance Code of Conduct and our compliance handbook.

Risk management

Status of the risk management system

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.

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

Please refer to our "Corporate Governance Report" for details.
http://www.jcrpharm.co.jp/en/site/en/company/governance.html
Please refer to our "Financial Report" for the risk of business, etc.
http://www.jcrpharm.co.jp/en/site/en/ir/financial.html

JCR promotes Corporate Social Responsibility (CSR) activities under its corporate philosophy of "Contributing towards people's healthcare through pharmaceutical products". We aim to become a reliable pharmaceutical company contributing to the welfare of society.

Social contributions

Support for the "Award for Promotion of Maternal and Child Health"

JCR supports the "Award for Promotion of Maternal Child Health (sponsored by the Mothers' and Children's Health and Welfare Association)." This was established in 1979 in commemoration of the International Year of the Child. It aims for the further development of maternal and child health by encouraging the merits of individuals who have made a great contribution to the society and have contributed in the field of community-based maternal and child health through their activities, the diffusion of and education on healthcare, practical education and guidance of healthcare and also the maintenance and expansion of healthcare facilities.

The judging committee selects and recognizes fifteen award winners every year among candidates working in the field of maternal and child health. These candidates include public health nurses, midwives, nurses, doctors, dentists, dieticians, dental hygienists, childcare workers and maternal and child health promoters who have received recommendation from the head of prefectures, cities designated by government ordinance, core cities and special wards. After the awards ceremony, the award winners are invited to the Crown Prince's Palace to meet His Imperial Highness the Crown Prince and receive words of encouragement. We will continue to contribute to further development of maternal and child health by supporting the award for Promotion of Maternal and Child Health.

Support for the Swiss nonprofit foundation "GLOBAL FOUNDATION FOR LIFE SCIENCES"

JCR continues to support the "Global Foundation for Life Sciences" a nonprofit foundation established in Switzerland in 1999. This foundation supports the advancement of the life sciences, provides humanitarian assistance to various medically underprivileged countries and also provides support for the development of young researchers.

One example of humanitarian assistance performed by this foundation is its support for the activities of the Swiss medical team of volunteers missioned to treat women suffering from obstetric fistula in West Africa every year. Obstetric fistula is a disorder that occurs as a result of obstructed labor, etc. and appropriate medical treatment is not given. A fistula forms because the pressure of the baby's head on the mother's pelvic bone for a sustained period of time causes necrosis of the tissue of the mother's bladder, vagina or rectum. There are around two million obstetric fistula patients around the world and every year 100,000 women are newly diagnosed with this condition.

The volunteer doctors regularly visit hospitals in Benin in West Africa and perform activities for the elimination of obstetric fistula, the surgical treatment of patients and technical guidance for local doctors. JCR contributes to people's health and the advancement of medical care through our support for this Foundation.

Environmental activities

- On a company-wide basis, we adhere to environmental laws and regulations through compliance trainings for the employees and other activities. We have made efforts to reduce CO_2 emissions to protect the environment to save energy by installing LED lighting and heat storage units.
- The manufacturing department will make concerted efforts to save water and energy resources such as electricity. One example is promoting the use of single use bioreactors to avoid using a large quantity of washing water as otherwise required in the conventional culture tanks. Efforts to reduce the consumption of resources and wastes are also made in the production lines.

- The sales department will sequentially switch from gasoline-fueled cars to hybrid cars in an effort to reduce CO_2 emissions. Drive recorders have been installed in each car to raise the sales representatives' awareness of safe driving.

As an added measure of reducing CO_2 emissions, we introduced electric vehicles in 2015 and installed power feed systems at our headquarters and at each place of business. The sales department will sequentially switch to electric vehicles as the availability of public charging stations spreads.

We will continue to promote activities to reduce, reuse and recycle resources and energy in the aim of protecting the environment and reducing the environmental burden.

Improvements to health and safety workplace and to employee health management and the uplifting of working environment

JCR is working to secure pleasant workplace environments that are comfortable to work in and make it possible for the employees to feel reassured and concentrate on their work. We have a health committee that includes members who are industrial physician, licensed social insurance labor consultant and health supervisor. This committee performs activities such as employee awareness training, the implementation of safety patrols, countermeasures to overworking, the promotion of mental health measures and health consultations. Furthermore, in November 2015, we opened the "JCR Kids Land", an on-site day-care center at our Research Institute located in Nishi-ku, Kobe. In this way, we are working to provide a comfortable environment where employees can work without concern on childcare.

Awareness raising activities for rare diseases

As a company that has been engaging in the research and development of pharmaceuticals for rare diseases ever since its inception, JCR has continued activities to raise awareness in order to support the patients. From FY2013, we are a supporter of "Rare Disease Day" (the world rare and intractable disease day). There are patients suffering from rare and intractable diseases around the world, but total number of patients can be small and mechanism of disease can be complicated. For some diseases, there has been almost no progress in research and development of therapeutics and methods of diagnoses.

The Rare Disease Day activities began in Sweden in 2008 and aim to improve the quality of life for patients with rare and intractable diseases through better diagnoses and treatments. It is hoped that these activities will build a bridge between the patients and society and provide an opportunity to increase the awareness of rare and intractable diseases.

At JCR, we promote awareness by creating motivational posters with the handprints of all our employees to express consideration for the patients, issuing e-newsletters and performing fundraising activities. In addition to our commitment to research and development of pharmaceuticals for rare diseases, JCR will also continue wide-ranging activities that will lead to the support for the patient community.

Rare Disease Day

Operating results

Net sales

Sales of our core product, GROWJECT®, recombinant human growth hormone, continued to increase favorably and recorded 10,222 million yen (6.7% increase from the previous term). Sales of Epoetin Alfa BS Inj. JCR, a recombinant erythropoietin product, as well as urine-derived products also increased favorably and recorded 17,438 million yen (3.5% increase from the previous term) in FY2015. Sales from pharmaceuticals, JCR's main business sector, amounted to 17,040 million yen (increase of 3.6% from the previous term) and accounted for 97.7% of total sales.

Trend in sales in each business segment

Unit: million yen

		FY2014	FY2015
Pharmaceuticals	GROWJECT®	9,580	10,222
	Erythropoietin	3,603	3,638
	Anti-cancer bulk drug substance, TEMCELL® HS Inj., etc.*	908	1,294
	Metabolic & Cardiovascular	1,080	1,161
	Revenue from licensing	1,270	723
	Total	16,442	17,040
Medical devices and laboratory equipment		413	398
Total		16,855	17,438

* "TEMCELL® HS Inj." was launched in February 2016.

Gross profit

While net sales increased, gross profit decreased by 1.2% from the previous term to 10,978 million yen. Mainly due to the decrease of the ratio of licensing revenue to net sales, the ratio of cost of sales to net sales increased by 2.9 points compared with FY2014 to 37.0%.

Operating income

While sales commission decreased, R&D expenditures remained almost at the same level as that of FY2014 (increase of 13 million yen), and selling, general and administrative expenses recorded 8,826 million yen (decrease of 3.0% from the previous term). As a result, operating income recorded 2,152 million yen (increase of 6.9% from the previous term).

Ordinary income

While non-operating income decreased by 55 million yen compared with FY2014 mainly due to the decrease in reversal of allowance for doubtful accounts, non-operating expenses decreased by 19 million yen due to the decrease in loss on valuation of securities, etc. As a result, ordinary income recorded 2,443 million yen (increase of 4.4% from the previous term).

Profit attributable to owners of parent

Extraordinary income recorded 16 million yen due to reversal of provision for loss on guarantees incurred in FY2015. As a result, income before income taxes recorded 2,459 million yen (increase of 5.4% from the previous term) and profit attributable to owners of parent recorded 1,789 million yen (increase of 6.4% from the previous term).

Financial position

Assets

Total assets at the end of the FY2015 recorded 35,346 million yen (increase of 1,260 million yen from the previous fiscal year-end).

Current assets recorded 18,366 million yen (increase of 1,175 million yen from the previous fiscal year-end) mainly due to the increase in cash and deposits and inventories, which offsets the decrease in short-term investment securities, etc. Noncurrent assets recorded 16,980 million yen (increase of 85 million yen from the previous fiscal year-end) mainly due to the increase in investment securities.

Liabilities

Total liabilities at the end of FY2015 recorded 8,284 million yen (increase of 462 million yen from the previous fiscal year-end).

Current liabilities recorded 6,067 million yen (increase of 932 million yen from the previous fiscal year-end) due to the increase in trade notes and accounts payable and income taxes payable and etc., which offsets the decrease in short-term loans payable. Noncurrent liabilities recorded 2,217 million yen (decrease of 469 million yen from the previous fiscal year-end) due to the decrease in lease obligations, etc., which offsets the increase in net defined benefit liability.

Net assets

Net assets recorded 27,062 million yen (increase of 797 million yen from the previous fiscal year-end) due to tabulating net income, etc.

As a result, the equity ratio at the end of FY2015 recorded 75.9%, decrease by 0.7 points from the end of FY2014.

Cash flow

Net cash provided by operating activities in FY2015 amounted to 2,201 million yen (increase of 1,702 million yen as compared with the same period of the previous year) primarily due to tabulating increase in inventories of 947 million yen and income tax payment of 205 million yen, income before income taxes of 2,459 million yen and depreciation and amortization of 1,407 million yen.

Net cash used by investing activities amounted to 980 million yen (decrease of 439 million yen as compared with the same period of the previous year) primarily due to tabulating the proceeds from sales and redemption of securities of 1,182 million yen, the purchase of property, plant and equipment of 1,413 million yen and the purchase of investment securities of 724 million yen.

Net cash used by financing activities amounted to 1,314 million yen (increase of 52 million yen as compared with the same period of the previous year) primarily due to tabulating the proceeds from long-term loans payable of 500 million yen, the repayment of long-term loans payable of 759 million yen, the cash dividends paid of 640 million yen and the decrease in repayments of lease obligations of 209 million yen.

As a result, cash and cash equivalents at the end of FY2015 recorded 3,523 million yen (decrease by 120 million yen from that of the previous fiscal year-end).

Forecast for FY2016

In terms of sales, we anticipate sales growth of GROWJECT® and also Epoetin Alfa BS Inj. JCR sequentially in FY2016. TEMCELL® HS Inj. would contribute to the sales increase throughout the next fiscal year. We also work proactively on out-licensing our proprietary technologies such as J-Brain Cargo®, the blood-brain barrier penetration technology. Given these activities expected to offset the negative impact of NHI drug price revision effective in April 2016, the overall sales forecast of JCR Group is anticipated to reach 18,700 million yen (increase of 7.2% from FY2015).

In terms of profits, we anticipate operating income of 2,580 million yen (increase of 19.8% compared to the current year), ordinary income of 2,690 million yen (increase of 10.1% compared to the current year) and profit of 1,980 million yen (increase of 10.6% compared to the current year) due to the increase in gross margin associated with growing sales, which offsets the increase in R&D expenditures.

Dividends policy

Basic policy on profit distribution and dividends

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

Our basic policy in regard to the declaration of cash dividends, etc. is to provide continuous and stable dividends by taking into account of factors such as the 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.

The Company commemorated its 40th anniversary on September 13 last year. This is all owing to many years of support from stakeholders including shareholders to whom we would like to extend our heartfelt appreciation. In line with this, regarding the term-end dividend for FY2015, a commemorative dividend of 2 yen per share, as an expression of our gratitude to shareholders, was approved at the meeting of the Board of Directors held on May 12, 2016. As the term-end dividend for FY2015, this provided 12 yen consisting of the ordinary dividend of 10 yen and the commemorative dividend of 2 yen. As a consequence, the annual dividend for FY2015 was 22 yen (ordinary dividend of 20 yen and commemorative dividend of 2 yen) combined with the interim dividend of 10 yen. Dividend ratio was 39.2%, and the Company nearly achieved the target of 40% announced in its Mid-Term Management Plan. On the other hand, for the purpose of raising the shareholder return and capital efficiency, the purchase of treasury stock was approved at the meeting of the Board of Directors held in February 2016. As of June 30, 2016, the number of cumulative shares acquired is 265,500 shares and the acquisition amount paid was 700 million yen.

For the dividend of FY2016 (the term ending in March 2017), we anticipate distributing a full-year dividend of 20 yen per share (the interim dividend of 10 yen and the term-end dividend of 10 yen).

Consolidated Balance Sheets

Unit: thousand yen

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	1,137,461	1,948,605
Notes and accounts receivable-trade	5,203,535	5,384,377
Short-term investment securities	3,735,997	1,926,989
Merchandise and finished goods	1,522,844	1,582,482
Work in process	1,163,508	1,135,086
Raw materials and supplies	3,715,196	4,625,293
Deferred tax assets	417,554	609,996
Other	294,939	1,153,407
Allowance for doubtful accounts	(12)	(3)
Total current assets	17,191,026	18,366,235
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,611,447	4,544,593
Machinery, equipment and vehicles, net	1,430,079	1,189,175
Land	3,882,338	3,882,338
Lease assets, net	962,980	755,985
Construction in progress	135,011	396,177
Other, net	590,043	676,718
Total property, plant and equipment	11,611,900	11,444,988
Intangible assets	75,242	83,996
Investments and other assets		
Investment securities	3,891,136	4,247,640
Net defined benefit assets	357,658	280,955
Other	982,006	945,893
Allowance for doubtful accounts	(22,915)	(22,915)
Total investments and other assets	5,207,886	5,451,573
Total noncurrent assets	16,895,030	16,980,559
Total assets	34,086,056	35,346,794

Unit: thousand yen

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	534,008	783,372
Short-term loans payable	1,949,860	1,760,280
Lease obligations	208,316	225,072
Income taxes payable	76,894	764,170
Provision for bonuses	389,552	481,266
Provision for directors' bonuses	75,200	76,520
Other	1,901,108	1,976,367
Total current liabilities	5,134,939	6,067,049
Noncurrent liabilities		
Long-term loans payable	716,680	646,800
Lease obligations	763,154	561,529
Provision for loss on guarantees	374,920	358,519
Net defined benefit liability	457,021	566,341
Other	374,449	83,813
Total noncurrent liabilities	2,686,225	2,217,003
Total liabilities	7,821,164	8,284,052
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,949,502	10,961,049
Retained earnings	5,780,476	6,930,146
Treasury stock	(571,078)	(781,615)
Total shareholders' equity	25,220,767	26,171,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,890	587,933
Deferred gains or losses on hedge	11,077	—
Foreign currency translation adjustments	235,928	205,840
Remeasurements of defined benefit plans	(99,363)	(145,560)
Total accumulated other comprehensive income	880,533	648,213
Subscription rights to shares	162,956	242,323
Non-controlling interests	634	757
Total net assets	26,264,892	27,062,741
Total liabilities and net assets	34,086,056	35,346,794

Unit: thousand yen

Consolidated Statements of Income

	FY2014 (From Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)
Net sales	16,855,654	17,438,377
Cost of sales	5,740,928	6,459,424
Gross profit	11,114,725	10,978,952
Selling, general and administrative expenses	9,100,125	8,826,182
Operating income	2,014,600	2,152,770
Non-operating income		
Interest income	31,075	27,075
Dividends income	24,233	23,307
Foreign exchange gains	54,700	11,799
Gain on redemption of securities	110,587	162,335
Subsidy income	60,354	98,224
Other	122,498	25,542
Total non-operating income	403,449	348,284
Non-operating expenses		
Interest expenses	38,099	32,668
Loss on insurance cancellation	—	8,567
Other	39,640	16,748
Total non-operating expenses	77,739	57,983
Ordinary income	2,340,310	2,443,071
Extraordinary income		
Reversal of provision for loss on guarantees	—	16,401
Total extraordinary income	—	16,401
Extraordinary loss		
Loss on disposal of noncurrent assets	5,999	212
Total extraordinary loss	5,999	212
Income before income taxes	2,334,311	2,459,259
Income taxes-current	371,089	851,770
Income taxes-deferred	280,803	(182,109)
Total income taxes	651,892	669,661
Profit	1,682,418	1,789,597
Profit attributable to non-controlling interests	50	123
Profit attributable to owners of parent	1,682,368	1,789,474

Consolidated Statements of Comprehensive Income

Profit	1,682,418	1,789,597
Other comprehensive income		
Valuation difference on available-for-sale securities	164,656	(144,956)
Deferred gains or losses on hedges	9,519	(11,077)
Foreign currency translation adjustment	57,201	(30,088)
Remeasurements of defined benefit plans	22,477	(46,197)
Total other comprehensive income	253,854	(232,319)
Comprehensive income	1,936,273	1,557,278
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,936,223	1,557,155
Comprehensive income attributable to non-controlling interests	50	123

Consolidated Statements of Changes in Net Assets

From April 1, 2014 to March 31, 2015

Unit: thousand yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at the beginning of current period	9,061,866	10,932,987	4,445,285	(649,076)	23,791,063
Cumulative effects of changes in accounting policies			243,156		243,156
Restated balance at the beginning of current period	9,061,866	10,932,987	4,688,442	(649,076)	24,034,220
Changes of items during the period					
Cash dividends			(590,334)		(590,334)
Profit attribute to owners of parent for the year			1,682,368		1,682,368
Purchase of treasury stock				(204)	(204)
Disposal of treasury stock		16,515		78,203	94,718
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	16,515	1,092,034	77,998	1,186,547
Balance at end of current year	9,061,866	10,949,502	5,780,476	(571,078)	25,220,767

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	568,234	1,558	178,727	(121,841)	626,678	162,487	584	24,580,813
Cumulative effects of changes in accounting policies								243,156
Restated balance at the beginning of current period	568,234	1,558	178,727	(121,841)	626,678	162,487	584	24,823,970
Changes of items during the period								
Cash dividends								(590,334)
Profit attribute to owners of parent for the year								1,682,368
Purchase of treasury stock								(204)
Disposal of treasury stock								94,718
Net changes of items other than shareholders' equity	164,656	9,519	57,201	22,477	253,854	469	50	254,374
Total changes of items during the period	164,656	9,519	57,201	22,477	253,854	469	50	1,440,921
Balance at end of current year	732,890	11,077	235,928	(99,363)	880,533	162,956	634	26,264,892

From April 1, 2015 to March 31, 2016

Unit: thousand yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at the beginning of current period	9,061,866	10,949,502	5,780,476	(571,078)	25,220,767
Cumulative effects of changes in accounting policies					—
Restated balance at the beginning of current period	9,061,866	10,949,502	5,780,476	(571,078)	25,220,767
Changes of items during the period					
Cash dividends			(639,804)		(639,804)
Profit attribute to owners of parent for the year			1,789,474		1,789,474
Purchase of treasury stock				(224,295)	(224,295)
Disposal of treasury stock		11,547		13,758	25,305
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	11,547	1,149,670	(210,537)	950,680
Balance at end of current year	9,061,866	10,961,049	6,930,146	(781,615)	26,171,447

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	732,890	11,077	235,928	(99,363)	880,533	162,956	634	26,264,892
Cumulative effects of changes in accounting policies					—			—
Restated balance at the beginning of current period	732,890	11,077	235,928	(99,363)	880,533	162,956	634	26,264,892
Changes of items during the period								
Cash dividends								(639,804)
Profit attribute to owners of parent for the year								1,789,474
Purchase of treasury stock								(224,295)
Disposal of treasury stock								25,305
Net changes of items other than shareholders' equity	(144,956)	(11,077)	(30,088)	(46,197)	(232,319)	79,366	123	(152,830)
Total changes of items during the period	(144,956)	(11,077)	(30,088)	(46,197)	(232,319)	79,366	123	797,849
Balance at end of current year	587,933	—	205,840	(145,560)	648,213	242,323	757	27,062,741

Consolidated Statements of Cash Flows

Unit: thousand yen

	FY2014 (From Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	2,334,311	2,459,259
Depreciation and amortization	1,352,388	1,407,655
Increase (decrease) in provision for bonuses	38,042	91,714
Share-based compensation expenses	54,704	85,590
Increase (decrease) in provision for loss on guarantees	288,459	(16,401)
Increase (decrease) in net defined benefit liability	148,340	160,639
Loss (gain) on redemption of securities	(110,587)	(162,335)
Interest and dividends income	(55,309)	(50,382)
Interest expenses	38,099	32,668
Foreign exchange losses (gains)	533	110
Decrease (increase) in notes and accounts receivable-trade	(1,334,314)	(180,842)
Decrease (increase) in accounts receivable-other	116,922	(106,864)
Decrease (increase) in inventories	(1,292,489)	(947,050)
Decrease (increase) in deposits paid	296	(775,490)
Increase (decrease) in notes and accounts payable-trade	(163,052)	249,364
Increase (decrease) in accounts payable-other	(5,370)	(53,185)
Increase (decrease) in long-term prepaid expenses	163,218	126,734
Increase (decrease) in long-term advanced received	(180,000)	(180,000)
Other, net	(136,027)	240,722
Subtotal	1,258,168	2,381,907
Interest and dividends income received	65,666	57,613
Interest expenses paid	(37,819)	(32,529)
Income taxes (paid) refund	(786,962)	(205,244)
Net cash provided by (used in) operating activities	499,052	2,201,746
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(1,200,000)	—
Proceeds from sales and redemption of securities	1,957,591	1,182,940
Purchase of property, plant and equipment	(1,277,615)	(1,413,936)
Purchase of investment securities	(840,581)	(724,401)
Other, net	(59,057)	(25,201)
Net cash provided by (used in) investing activities	(1,419,662)	(980,599)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	200,000	500,000
Repayment of long-term loans payable	(665,260)	(759,460)
Repayments of lease obligations	(243,965)	(209,318)
Net decrease (increase) in treasury stock	40,278	(205,214)
Cash dividends paid	(592,414)	(640,032)
Net cash provided by (used in) financing activities	(1,261,360)	(1,314,024)
Effect of exchange rate change on cash and cash equivalents	44,302	(27,149)
Net increase (decrease) in cash and cash equivalents	(2,137,669)	(120,027)
Cash and cash equivalents at beginning of period	5,780,972	3,643,303
Cash and cash equivalents at end of period	3,643,303	3,523,276

Corporate Information

As of March 31, 2016

Company profile

Corporate Name:
JCR Pharmaceuticals Co., Ltd.

Headquarters:
3-19 Kasuga-cho Ashiya, Hyogo, 659-0021 Japan

Representative:
Shin Ashida, Chairman, President, CEO and COO

Founded:
September 1975

Paid-in Capital:
¥9,061million

Employees:
526 (Consolidated) 482 (Non-consolidated)

Stock information

Listed on:
Tokyo Stock Exchange First Section

Securities Code:
4552

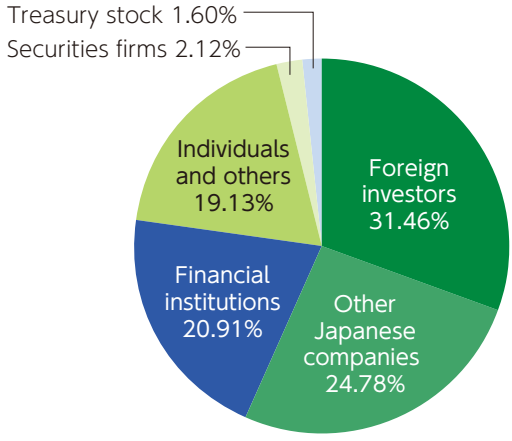
Total Number of Outstanding Shares
32,421,577

Transfer Agent for Common Stock
Sumitomo Mitsui Trust Bank, Limited. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Accounting Auditor
Deloitte Touche Tohmatsu LLC

Number of Shareholders
4,415

Composition of Shareholders



Principal Shareholders

Unit: 1,000

Name of Shareholder	Number of Shares Held
GLAXO GROUP LIMITED	7,986
Kissei Pharmaceutical Co., Ltd.	3,800
Future Brain Co., Ltd.	2,177
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	1,748
The Master Trust Bank of Japan, Ltd. (Trust Account)	871
Sumitomo Dainippon Pharma Co., Ltd.	850
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	589
Japan Trustee Services Bank, Ltd. (Trust Account)	587
Mochida Pharmaceutical Co., Ltd.	550
Mizuho Bank, Ltd.	444

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