JCR Pharmaceuticals Co.,Ltd.

"HIYAKU"
Leap into the Future
飛躍

Annual Report 2017

JCR Pharmaceuticals Co.,Ltd.

Year Ended March 31, 2017

JCR Spirit

Rare Diseases

Biotechnologies

Cell Therapy & Regenerative Medicine

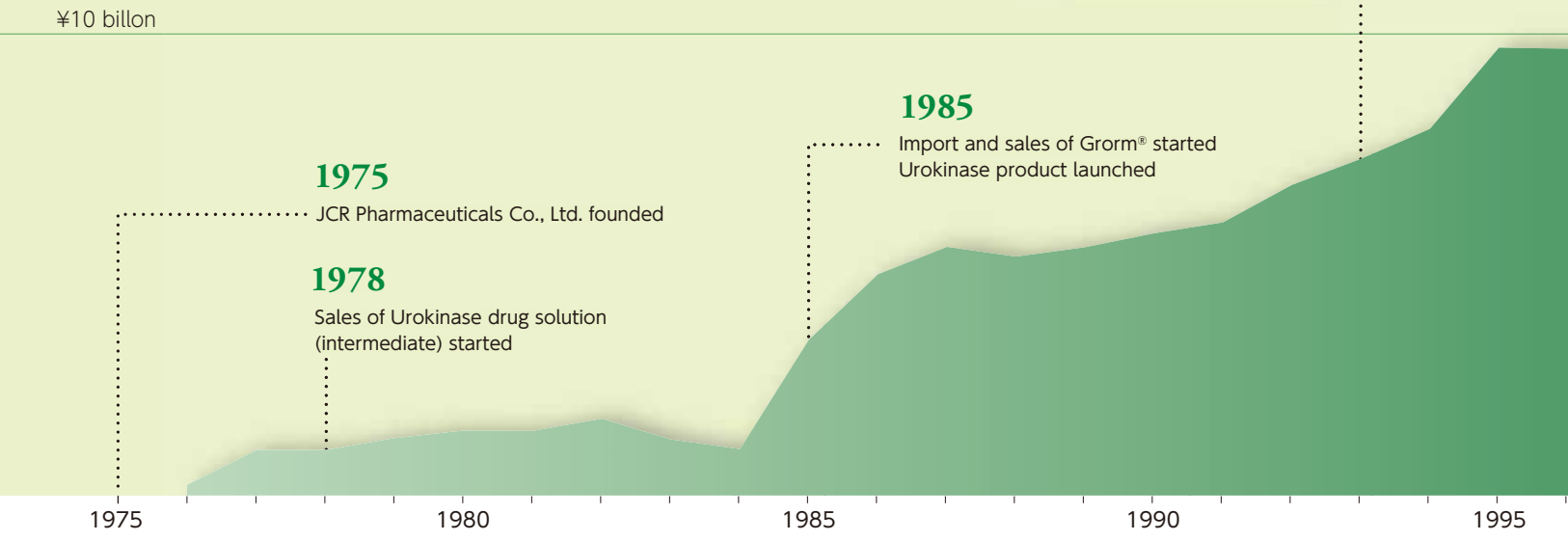
A company which "takes one step beyond" at all times

Technologies

Engaging in rare diseases and intractable diseases including inborn errors of metabolism with our advanced biotechnologies and further developing and creating of regenerative medical 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”.

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 medical product in Japan. We will continue to actively take on challenges for developments also in the field of cell therapy and regenerative medicine.



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

The Birth of JCR

JCR’s history started from the production of the “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

In Pursuit of Further Evolution of Technologies

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.20 Special Topic:
“Possibilities of J-Brain Cargo®”

Technologies for Developing Recombinant DNA Product

- High-level Protein Purification Technology (Urokinase)

2017
New liquid formulation of GROWJECT®, the recombinant hGH product, launched

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

FY2016 ¥18.1 billon

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)

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

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

Trends in net sales since 1975

(Consolidated figures are shown for FY2004 and beyond)

2000 2005 2010 2016 (FY)

* The licensor changed to Mesoblast Group (Australia) in 2013.

Challenge to New Technologies • Gene Therapy • iPS Cells

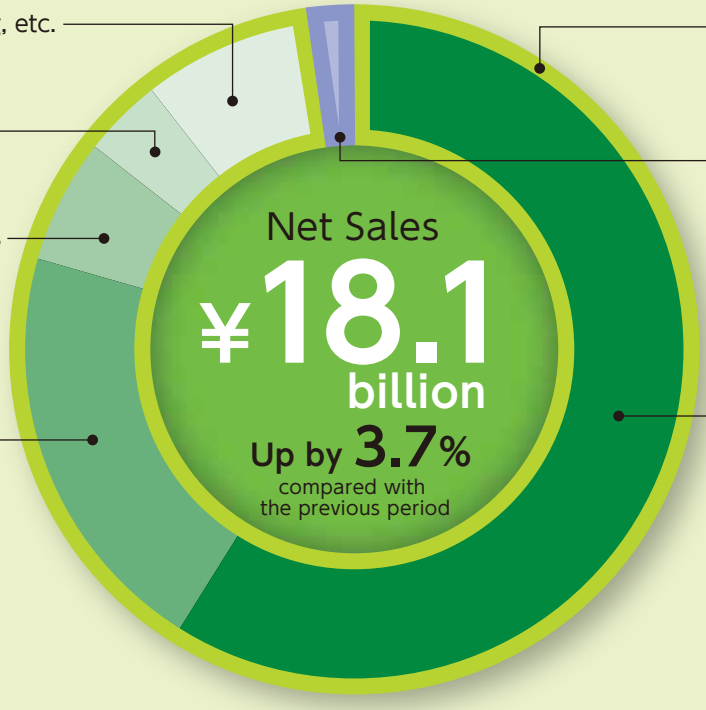
Tissue Targeting Technologies • Blood-Brain Barrier Penetration Technology, J-Brain Cargo®

Technologies for Cell Therapy and Regenerative Medicine • Cell Therapy • Regenerative Medicine Technology (TEMCELL® HS Inj.)

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

We develop our business focused on the target domain using proprietary biotechnologies, and cell therapy and regenerative medicine technologies which are our strengths.

Net Sales in FY2016



Revenue from licensing, etc.
¥1.5 billion

TEMCELL® HS Inj.
¥0.7 billion

Urine-derived products
¥1.1 billion

Epoetin Alfa BS Inj. JCR
¥3.7 billion

GROWJECT®
¥10.7 billion

Net sales constituent ratio

Pharmaceuticals
97.8%

Medical devices and laboratory equipment
2.2%

Related page
P.12 Top Message
P.44 Financial Highlights

Core Products

Recombinant human growth hormone product

GROWJECT®

GROWJECT® was approved for production and marketing in 1993 for the treatment of short stature primarily caused by growth hormone deficiency in children. We offer an array of injectors to satisfy patients' needs. Furthermore, the liquid formulation of GROWJECT® along with its dedicated injector was launched in January 2017.

Business Process

We deliver high-quality biopharmaceuticals and regenerative medical products to patients through our full-fledged capabilities from R&D, production-to-commercialization, which differentiate us from other domestic companies.

Research and Development

We leverage our proprietary biotechnologies, and cell therapy and regenerative medicine technologies to accelerate the research and development of therapeutic candidates for rare diseases.

Related page
P.24 Research and Development

R&D expenditure ratio to sales

22.5%

Production

World-class production/quality assurance system has been established, with cutting edge production technologies introduced to 4 sites.

Related page
P.30 Production System

Number of production sites

4 sites

Marketing

We carry out sales promotion activities focused on the target domain at 8 business bases across Japan and address the needs of medical professionals of each region.

Related page
P.32 Marketing Strategies

Number of Medical Representatives

Over 80

Recombinant erythropoietin product

Epoetin Alfa BS Inj. JCR

Epoetin Alfa BS Inj. JCR is for the treatment of anemia, a common indication in dialysis patients. It was launched in May 2010 as the first made-in-Japan biosimilar.

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

TEMCELL® HS Inj.

TEMCELL® HS Inj., launched in 2016, is the world's first human mesenchymal stem cell-based product for the treatment of acute graft-versus-host disease.*

* A severe complication following hematopoietic stem cell transplant

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.12 Top Message

[What JCR Is Today]

R&D oriented pharmaceutical company with leading technologies

Proprietary biotechnologies and cell therapy and regenerative medicine technologies

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. **Production 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**

[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

2015
2016
2017
2018
2019

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 FY2016	Goals for FY2019
Net sales	18.1 billion yen	**25.0 billion yen**
Operating income	2.4 billion yen	**5 billion yen**
R&D expenditure ratio to sales	22.5%	**20%**
Dividend payout ratio	37.3%	**40%**

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 2017", we mainly focus on the business management and financial information and also provide non-financial information including CSR activities to readers to explain our business activities in a comprehensive manner.

- Period covered: FY2016 (From April 1, 2016 to March 31, 2017)
  * This report contains some contents of FY2017.
- Organizations covered: JCR Group (JCR Pharmaceuticals Co., Ltd. and other 5 consolidated subsidiaries)
  * See explanatory notes for exceptions.
- Unit in financial information: In principle, numerical values are rounded down to the nearest whole number in the specific unit. However, when a unit is in hundred- million, values are rounded up or down to the nearest hundred-million yen.

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

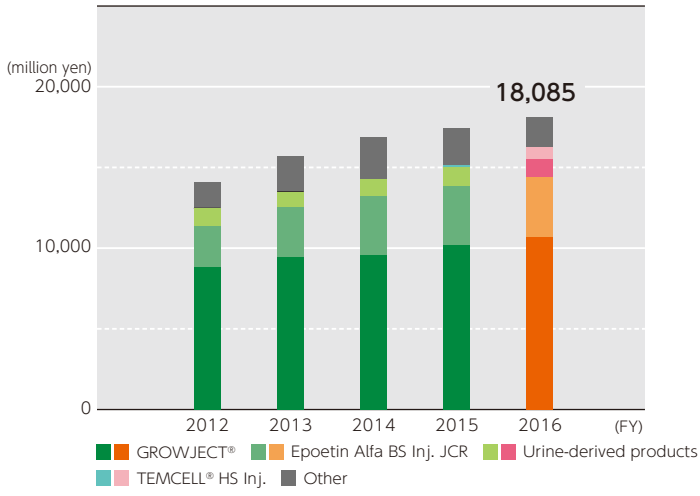
For details of financial information concerning FY2016, please refer to the "Financial Report".

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

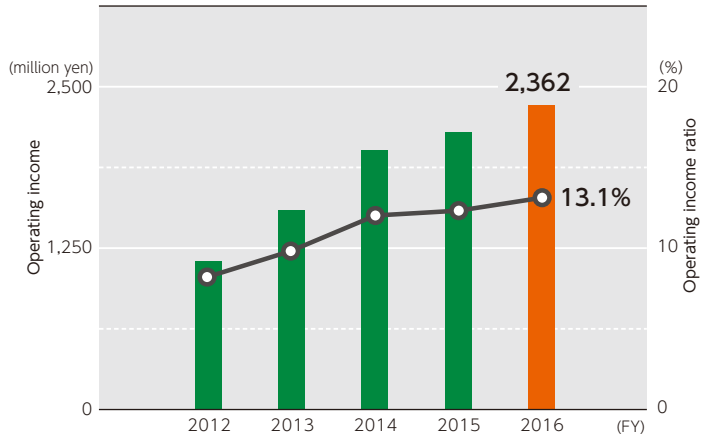
Consolidated Financial and Non-Financial Highlights

JCR Pharmaceuticals Co., Ltd. and Subsidiaries

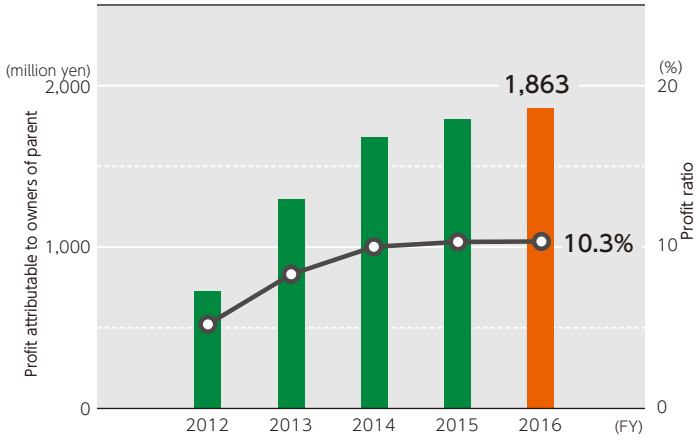
Net sales by product



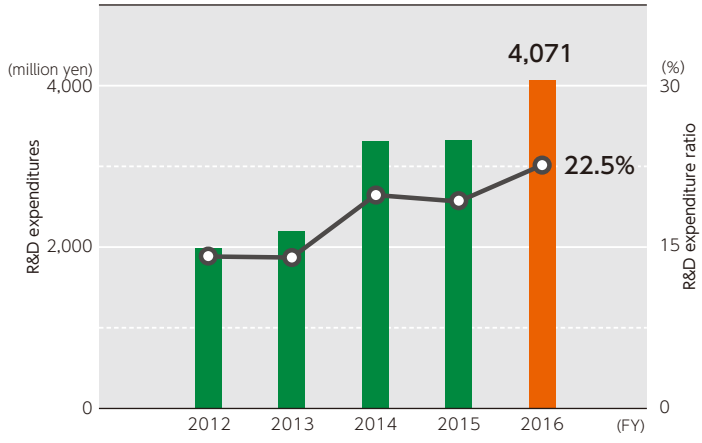
Operating income/Operating income ratio



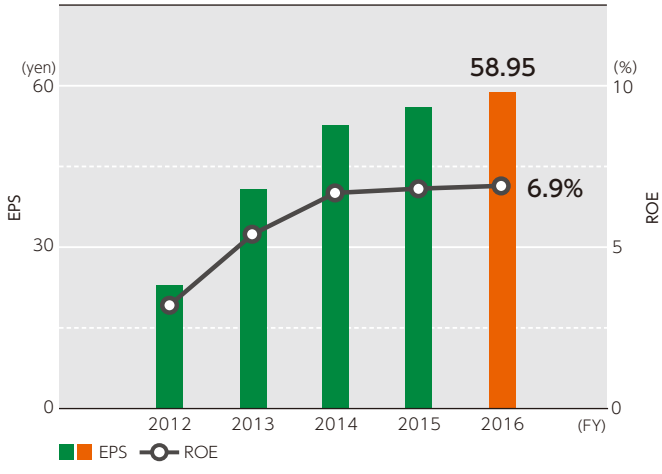
Profit attributable to owners of parent/Profit ratio



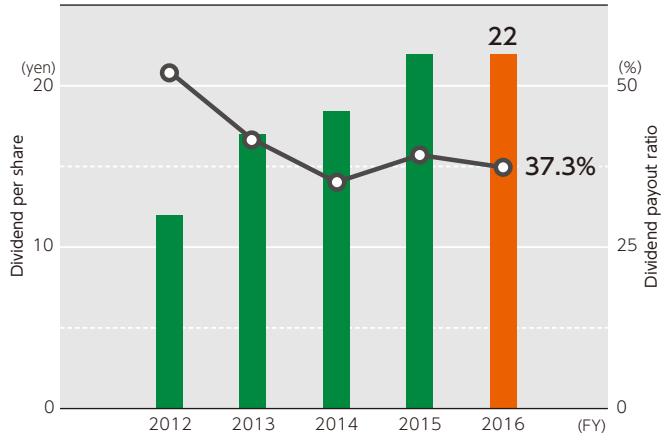
R&D expenditures/R&D expenditure ratio



EPS and ROE



Dividend per share/Dividend payout ratio



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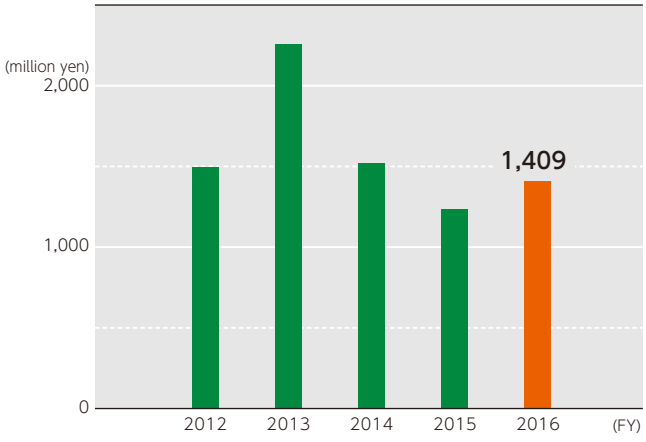
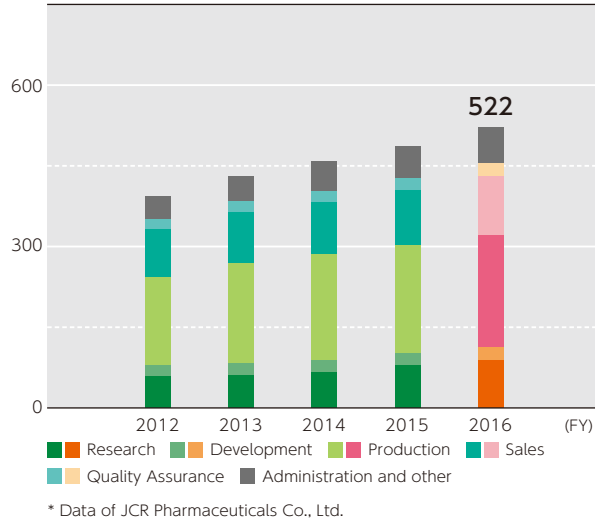
Capital investment

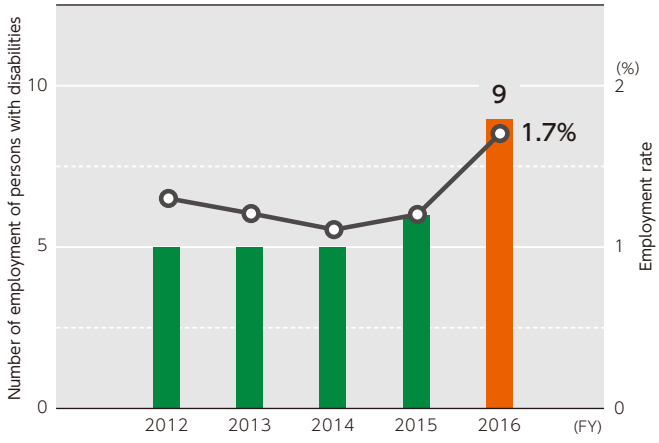


Number of employees by occupation



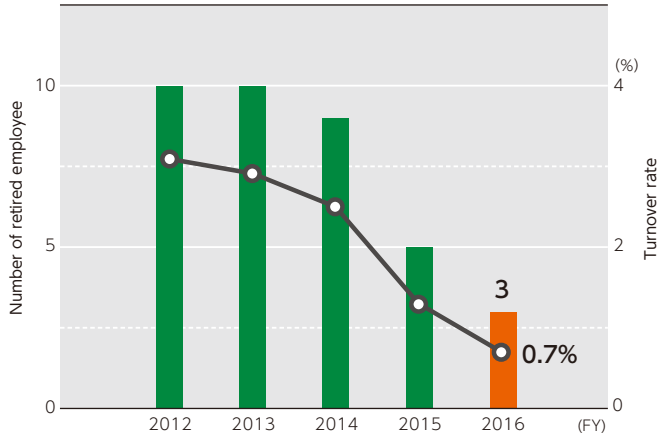
* Data of JCR Pharmaceuticals Co., Ltd.

Number of employment of persons with disabilities/ Employment rate



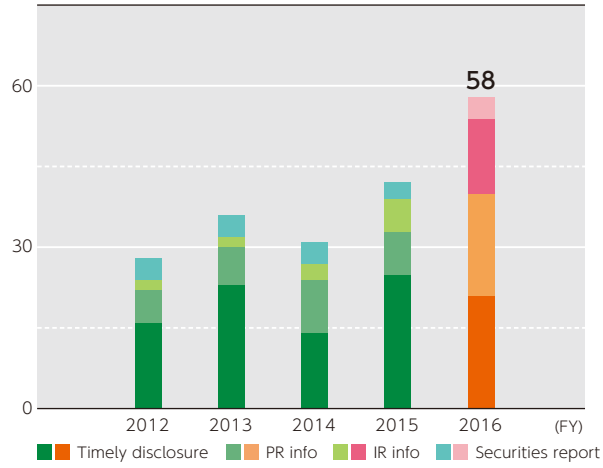
* Data of JCR Pharmaceuticals Co., Ltd.

Number of retired employee/Turnover rate

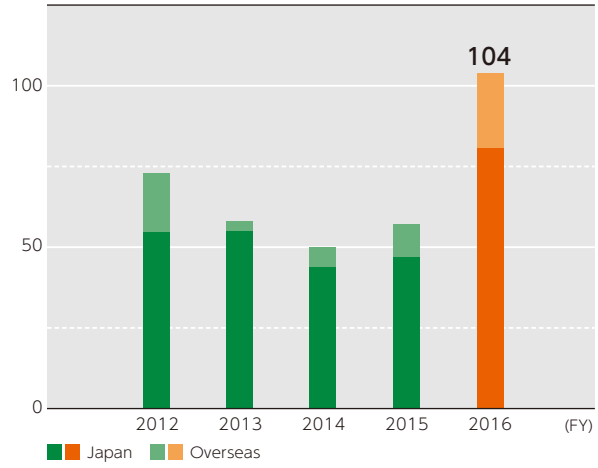


* Data of JCR Pharmaceuticals Co., Ltd.

Number of press release



Number of meetings with investors



We have been steadily executing a strategy aiming at “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 continuously taken on bold challenges whilst using the various technologies and experience that we have accumulated to date as our driving force. During the fiscal year 2016, the second year of the "Mid-Term Management Plan for FY2015 to FY2019", we geared up our HIYAKU towards "Research oriented specialty pharma with global exposure".
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.

August 2017
Shin Ashida
Representative Director
Chairman, President, CEO and COO

Outline of business results in FY2016

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

The sales achieved in FY2016 were 18,085 million yen (3.7% increase from previous period). The operating income was 2,362 million yen (9.7% increase from previous period), and the profit attributable to owners of parent for the period was 1,863 million yen (4.1% increase from previous period). Having achieved new record high results for both sales and profits for three consecutive terms, we have strongly propelled the Company forward to HIYAKU towards JCR's desirable status, "Research oriented specialty pharma with global exposure".

This growth is attributed to the stable growth of our core products including new ones. The sales of GROW-JECT®, a recombinant human growth hormone, continuously increased to 10,682 million yen (4.5% increase from previous period) despite the reduction of the NHI drug price. The sales of both of Epoetin Alfa BS Inj. JCR, a recombinant erythropoietin product, and TEMCELL® HS Inj., a regenerative medical product launched in February 2016, exceeded the sales forecast made at the beginning of the term.

Outline of consolidated financial results in FY2016		Compared with previous period
Net Sales	18,085 million yen	3.7% increase ↑
Operating income	2,362 million yen	9.7% increase ↑
Profit attributable to owners of parent	1,863 million yen	4.1% increase ↑

Shareholders return

We will successively and stably provide dividends to shareholders.

JCR regards the distribution of our profits to our shareholders is an important management policy. In FY2016, since the both net sales and profits broke the record highs, we increased the term-end dividend by 2 yen per share from the initial forecast and provided an annual dividend of 22 yen. As a result, the dividend payout ratio was 37.3%. As for the dividend for the FY2017, we plan to provide 22 yen maintaining the same amount from the FY2016 to achieve successive and stable provision of the dividend to shareholders.

Progress of new growth drivers

We are focusing our attention on the market penetration of TEMCELL® HS Inj., the world's first commercial therapeutic product for graft-versus-host disease using mesenchymal stem cells.

In February 2016, JCR launched 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. This is the first allogeneic regenerative medical product in Japan. There is a large expectation for TEMCELL® HS Inj. as a new treatment option for steroid-refractory acute GVHD, and its sales in FY2016 recorded 688 million yen exceeding our forecast. Because TEMCELL® HS Inj. needs to be transported under ultra-low temperature to maintain its quality due to its properties, we jointly develop a liquid-nitrogen-based ultra-low cold chain system with MEDIPAL HOLDINGS CORPORATION. This transportation system enabled us to establish a system for the prompt delivery of stable quality products to clinical sites even in emergency situations.

In the future, we will increase the sales converge of medical institutions to deliver TEMCELL® HS Inj. and increase its market penetration as a new growth driver for our HIYAKU.

Advancing our research and development

We will further accelerate the advancement of our R&D that is one step ahead of competitors utilizing unique strengths of JCR.

In our Mid-Term Management Plan, we positioned "Advancing R&D activities one step beyond" as one focal point. We are focusing various programs for the development of biopharmaceuticals and regenerative medical products that will address unmet medical needs. As a result, we were able to attain numerous achievements in the FY2016.

We are on track with the clinical development for "JR-131", a biosimilar of the long-acting erythropoiesis-stimulating agent (darbepoetin alfa) in phase III clinical trials and "JR-051", a biosimilar of the therapeutic enzyme product for the treatment of Fabry disease (agalsidase beta). We initiated Phase I/II clinical trials of "JR-141", a therapeutic enzyme product for Hunter syndrome as an innovative drug candidate utilizing our J-Brain Cargo®, blood-brain barrier penetration technology, in March 2017. Furthermore, as the second new product utilizing J-Brain Cargo®, we started the development of "JR-162", a therapeutic enzyme product for Pompe disease in February 2017. In the future, we will formulate a concrete development plan aiming toward the early start of clinical trials.

J-Brain Cargo® is an innovative technology of JCR that enables drug compounds of large or small molecules to cross the "blood-brain barrier (BBB)" which is the barrier function of the brain. Our studies demonstrated that this technology enabled a drug compound to cross the BBB 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 animal studies (mice and monkeys), "JR-141" has shown promising results, demonstrating its ability to penetrate into the brain via intravenous injection and significant improvements on CNS disorders while "JR-162" has demonstrated its ability to deliver drug compounds to tissues such as the skeletal muscle, heart and CNS.

In the cell therapy field, we are promoting the development of new cell therapy and regenerative medical products following TEMCELL® HS Inj. at the Cell Processing Center (CPC) established in the premise of Research Division in April 2016.

For our core product, GROWJECT®, a recombinant human growth hormone, we received the marketing approval for GROWJECT® 6 mg and 12 mg, the new liquid formulation, in August 2016 and launched them in January 2017. We will continue our efforts in the development from the standpoint of patients and strive to improve the added value of the Company.

Reinforcing our capabilities and management platform

While arranging new business development, we are also reinforcing corporate governance.

The Mid-Term Management Plan for FY2015 to FY2019 poses "Reinforcing our capabilities via new businesses development" and "Reinforcing of management platform" as priority items.

As for new business development, we think that it is essential to take measures such as the out-licensing of in-house technologies. As for J-Brain Cargo®, we are currently under discussion with a few companies with a view to out-licensing. In addition, as for dental pulp stem cells, we concluded a co-development and license agreement for regenerative medical products to treat acute cerebral infarction (stroke) with Teijin Limited in July 2017. To exploit the high potential of cells, we continue to consider the development of a wide range of indications.

As for global development, we have been discussing a detailed framework to promote the overseas development of innovative drug candidates using proprietary technologies including J-Brain Cargo® such as through a partnership with other companies. In addition, to establish a global drug supply system, we are proceeding with an investigation and study to establish bases in Europe and the United States considering a possibility to utilize our subsidiary in Switzerland.

To provide high quality and useful medicine and medical devices to society, JCR is enhancing and reinforcing the corporate governance system to improve the legal compliance, transparency, and objectivity of the management. In June 2017, the composition of the Board of Directors became ten members including five Outside Directors, which improved the ratio of Outside Directors to 50%. As all five members of the Audit & Supervisory Board are Outside Audit & Supervisory Board Member, we evaluate that our current governance system is effective to assure the transparency and objectivity (fairness) of the management as well as the independence of the management monitoring.

Promoting CSR activities

Toward achievement of sustainable growth, we fulfill our social responsibility.

JCR proactively promotes CSR activities under its corporate philosophy, "Contributing towards people's healthcare through pharmaceutical products" as a reliable pharmaceutical company which contributes to society.

In the fiscal year 2016, to enhance the CSR activities, we implemented various measures having four frameworks, "work environment", "environmental activities", "social contributions", and "rare diseases", the pillars of our CSR activities. We would like to steadily promote the activities for a wide range of internal and external stakeholders.

Board of Directors and Corporate Officers

(As of June 28, 2017)

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

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
2014 Appointed Representative Director (current post)
Appointed Executive Vice President and Director (current post)
Assistant to the President (current post)

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

Akihiro Haguchi

Corporate Officer
General Manager
Administration Division

Takayo Egawa

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

Toru Ashida

Corporate Officer
Head, Office of the President

(Front row, from left) Kanako Kikuchi, Philippe Fauchet
(Back row, from left) Takashi Kobayashi, Toshihiro Ishikiriyama, Takashi Suetsuna

Outside Directors

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)

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.
2017 Appointed President and Representative Director, GlaxoSmithKline K.K. (current post)
Appointed President, Glaxo Kabushiki Kaisha (current post)

Toshihiro Ishikiriyama

Outside Director

1996 General Manager, Corporate Planning, Hoechst Marion Roussel Inc. (currently Sanofi K.K.)
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)
2016 President's Assistant, MEDINET Co., Ltd. (current post)

Takashi Suetsuna

Outside Director

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
2015 Outside Director, Totetsu Kogyo Co., Ltd. (current post)
2016 Outside Auditor, Kandenko Co., Ltd. (current post)
Outside Auditor, Keikyu Corporation (current post)
Appointed Audit & Supervisory Board Member JCR Pharmaceuticals
2017 Appointed Director, JCR Pharmaceuticals (current post)

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.
2013 Appointed Director, JCR Pharmaceuticals (current post)
2017 Appointed Chairman and Representative Director, GlaxoSmithKline K. K. (current post)
Appointed Chairman, Glaxo Kabushiki Kaisha (current post)

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

Audit & Supervisory Board Members/Messages from Outside Directors

(As of June 28, 2017)

(Front row, from left) Takeshi Komura, Shuichi Tani
(Back row, from left) Kenjiro Miyatake, Kazumasa Oizumi, Kazuhiko Yamada

Audit & Supervisory Board Members

Kenjiro Miyatake

Outside Audit & Supervisory Board Member

1981 Director, Dainippon Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)
1999 Representative Director and President of the same
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 Audit & Supervisory Board Member, JCR Pharmaceuticals (current post)
2015 Chairman of the Board, Kobe Pharmaceutical University (current post)

Kazumasa Oizumi

Full-time Outside Audit & Supervisory Board Member

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 Audit & Supervisory Board Member, JCR Pharmaceuticals (current post)

Kazuhiko Yamada

Outside Audit & Supervisory Board Member

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 Corporate Auditor, JCR Pharmaceuticals
Appointed Audit & Supervisory Board Member, JCR Pharmaceuticals (current post)

Takeshi Komura

Outside Audit & Supervisory Board Member

1963 Entered Ministry of Finance
1993 Deputy Vice Minister of Finance
1995 Director-General of the Budget Bureau
1997 Administrative Vice Minister of Finance
2001 Governor, Development Bank of Japan Inc.
2012 Outside Director, Maezawa Industries, Inc. (current post)
2014 President, Capital Market Promotion Foundation, Public Interest Incorporated Foundation (current post)
2017 Appointed Audit & Supervisory Board Member, JCR Pharmaceuticals (current post)

Shuichi Tani, M.D., M.P.H.

Outside Audit & Supervisory Board Member

1964 Entered Ichihara Public Health Center, Chiba Prefecture
1969 Entered Ministry of Health and Welfare
1988 Director of Health Science Division, Minister's Secretariat, Ministry of Health and Welfare
1990 Minister's Secretariat Councilor (Science and Technology), Ministry of Health and Welfare
1992 Director-General of Health Service Bureau
1995 Director-General of Health Policy Bureau
1998 Vice Chairman of All Japan Federation of Social Insurance Associations
2001 President of International University of Health and Welfare
2009 President Emeritus of International University of Health and Welfare
2017 Appointed Audit & Supervisory Board Member, JCR Pharmaceuticals (current post)

Message

Takashi Kobayashi

Outside Director

In 2015, JCR commemorated the 40th anniversary. It also became the year of milestone for us experiencing a significant change, the establishment of the Corporate Governance Code. Having the significant event as its background, our mid-term management plan was considered and formulated, and I believe that the important points of this plan are "HIYAKU (growth)" and "Governance".

As for the first pillar, growth, we shall focus on the following three points:

(1) Focus on the research and development utilizing our proprietary biotechnologies, and cell therapy and regenerative medicine technologies.
(2) Strengthen our business development, and licensing and alliance functions.
(3) Reinforce our product strategy and sales organization.

To realize these, we have set up a specific numerical target of 20% of R&D expenditure ratio to sales in the five years of the execution period of the management plan. We are now in the second fiscal year of the plan and making considerable progress as scheduled.

Next, I would like to touch on governance.

The primary objective of establishing the Code is to assure the company growth force through appropriate governance. To achieve the growth as defined in the mid-term management plan, we shall continuously strive to further strengthen our business management system and to secure and develop strong human resources. In addition, JCR increased the number of Independent Outside Directors to three in June 2017. We believe this change should also contribute to the reinforcement of governance to a great extent.

Toshihiro Ishikiriyama

Outside Director

The Board of Directors is strengthening the management platform and making appropriate decisions at a fast speed to achieve financial targets defined in the mid-term management plan, net sales of 25 billion yen and operating income of 5 billion yen in the FY2019, and to improve our long-term corporate value.

In particular, Outside Directors are working on specific measures of corporate governance to reinforce the management platform. Particularly for pharmaceutical companies, corporate governance is the top priority to secure the information, which holds the value of pharmaceutical products. In the FY2017, to improve the independence of the Board of Directors, five out of ten directors' positions were filled with Outside Directors. We, as a company with the Audit & Supervisory Board, have set up advisory committee for nomination, compensation, etc., which consists of mainly Independent Outside Directors. In the past year, we held the committee for five times, and secured transparency for important decisions on nomination and compensation. In addition, we also periodically evaluate the effectiveness of the Board of Directors to implement various improvement measures for effective management of the Board.

To satisfy the expectation from various stakeholders including shareholders, the Board of Directors would like to continuously make sure to improve corporate governance by implementing following measures with the Audit & Supervisory Board: establishing the transparency, soundness, and legal compliance; driving accountability; executing swift and appropriate information disclosure; clarifying the responsibility of the management; and reinforcement of risk management and internal control.

Overcoming the rigid barrier of the brain using a proprietary technology. A breakthrough brought forth by the challenging spirit of JCR.

We hope to deliver medicine that could not have been delivered to the brain due to the presence of the barrier mechanism of the brain using J-Brain Cargo®, an innovative drug delivery system developed by our Research Institute. J-Brain Cargo® has a potential to lead to the creation of therapeutic products for the treatment of not only lysosomal storage diseases, which are rare diseases, but also numerous central nervous system diseases.

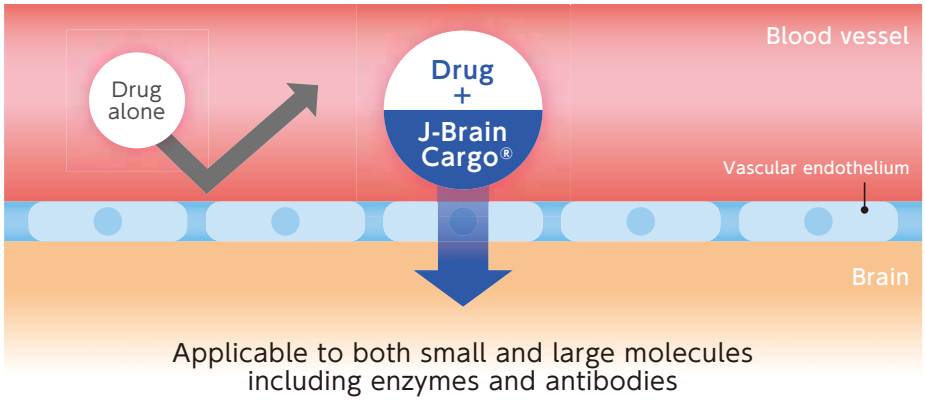
Outline of J-Brain Cargo® (blood-brain barrier penetration technology)

J-Brain Cargo® is an innovative technology that enables the 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 the 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 the 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.

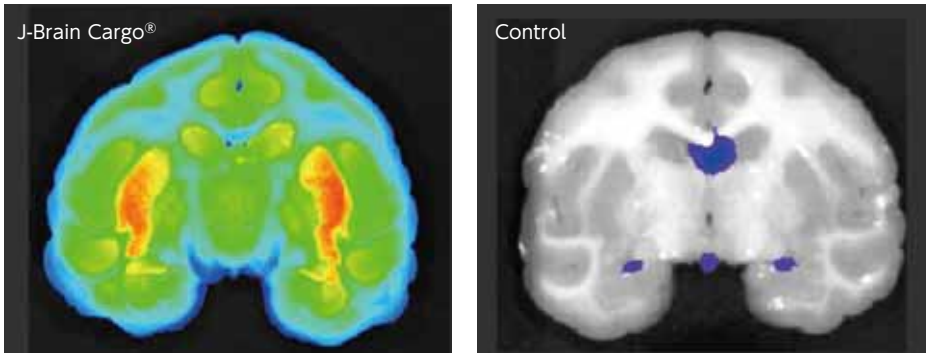
We are promoting the research and development of BBB-penetrating therapeutic enzyme products for treating lysosomal storage diseases to which J-Brain Cargo® using anti-transferrin receptor antibodies is applied. For the first pipeline product, "JR-141", a BBB-penetrating therapeutic enzyme for Hunter syndrome, clinical trials were initiated in March 2017. In addition, we are advancing the development of "JR-162", a therapeutic enzyme for Pompe disease, as the second product in the pipeline following "JR-141". (See page 27 "Partnering" for out-licensing of 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 the 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.

History of development of J-Brain Cargo®

**To save patients suffering from central nervous system symptoms.
Under the liberal research atmosphere with a slogan "Do not believe in common sense", ideas of researchers were converged and finally brought forth a new technology.**

Hiroyuki Sonoda Ph.D., General Manager of Corporate Planning Division (in charge of research), an inventor of this technology, explains the story behind the birth of J-Brain Cargo® and its future prospects.

[How this research started]

I felt determined to start this research when I saw, with my own eyes, patients and their families suffering from central nervous system symptoms at a meeting of a patient advocacy group for lysosomal storage diseases. "Although the improvement of central nervous system manifestations is critical, nobody has been able to address this problem." I thought that it was my theme. In my third year at JCR, I started this research by myself.

[Birth of J-Brain Cargo®]

In the first 3 to 4 years of my research, I could not achieve anything and there were times when I thought of giving it up. But, I discussed with researchers on my team how to work it out and continued the research checking the contents of academic articles one by one. Then, I started feeling some kind of good response as many colleagues contributed their knowledge and advice. I think that J-Brain Cargo® has been made possible only at JCR Research Institute because it has been created by many members of the Research Institute who have brought their own ideas for the development of the technology.

[Research atmosphere at JCR]

At JCR Research Institute, there is a work climate where researchers are free to do any research as long as they complete his/her share of the operation. Occasionally, we have spare time between operations and I believe that it is important what we do in that time. We have active in-depth discussions and exchange opinions across groups, utilizing the respective expertise. The environment has been organized so that each one of us clearly understands our goal and what the result leads to, and is engaged in the research with a responsibility. Under such environment, we have many achievements brought forth not under a someone's direction but based on the ideas of the researchers.

[Future prospects of J-Brain Cargo®]

A clinical trial has been initiated for "JR-141" which applied J-Brain Cargo®. After its safety and efficacy are confirmed, it is expected to be expanded horizontally to lysosomal storage diseases in general. Furthermore, if we successfully demonstrate the drug delivery into the brain, it will open the door to a wider application beyond the lysosomal storage disease field. Currently, we are engaged in the research to refine the technology even further in the preparation for future developments. Our immediate goal is to establish a drug delivery system into the brain that is applicable to any disease and any drug molecule. In addition, we would like to also promote the development of other technologies besides J-Brain Cargo®.

[Our treasured policy]

"Do not believe in common sense". There appears to be many cases where we depend on something in making decisions or we fail when taking presumptions for granted. I myself also keep this in mind and often discuss with colleagues if a matter is really true and the reason why it is so, to avoid being trapped by conventional thinking.

JR-141 (indication: Hunter syndrome)

A BBB-penetrating therapeutic enzyme product for Hunter syndrome developed by applying J-Brain Cargo®, a BBB-penetrating technology, to iduronate-2-sulfatase, an enzyme responsible for Hunter syndrome. It is expected to be effective on both systemic and central nervous system manifestations.

JR-162 (indication: Pompe disease)

A therapeutic enzyme product developed by applying J-Brain Cargo® to acid alpha-glucosidase, an enzyme responsible for Pompe disease. Utilizing the advantages of J-Brain Cargo® enables the delivery of a drug compound not only across the BBB but also to skeletal muscles effectively, it is expected to efficiently improve the accumulation of the responsible substance in the skeletal muscles, the chief cause of Pompe disease.

Lysosomal storage diseases

Lysosomal storage diseases are a group of rare inherited disorders caused by the accumulation of metabolic wastes which fail to be broken down. It is designated as an intractable disease and specific pediatric chronic disease.

Lysosome is an intracellular organelle that plays the role of "waste processing center" in the cell. Waste products in and out of cells are degraded and metabolized by "enzymes" in the lysosome. Depending on the type of substances to be degraded, there are various enzymes in the lysosome. Lysosomal storage disease is a disease in which one of these enzymes is congenitally missing or its function is deficient, resulting in the accumulation of metabolic substances instead of being broken down by the respective enzyme in the body, causing various symptoms. Accumulating substances and symptoms differ depending on the type of missing enzymes, and several tens of lysosomal storage diseases including the following disorders are known. Although symptoms vary, central nervous system symptoms are observed in many lysosomal storage diseases.

Hunter syndrome

Due to an inherited disorder of an enzyme called "iduronate-2-sulfatase (IDS)", mucopolysaccharides such as dermatan sulfate accumulate in the tissues, resulting in arthrogryposis, central nervous system disorders, bone deformity, enlargement of the liver and spleen, respiratory insufficiency, and cardiac valvular disease.

Pompe disease

Due to an inherited deficiency of an enzyme called "acid alpha-glucosidase", glycogen is not degraded but accumulates primarily in the skeletal muscles, resulting in gait disturbance and respiratory insufficiency.

Fabry disease

Due to an inherited deficiency of an enzyme called "alpha-galactosidase A", resulting in the accumulation of glycosphingolipids in inner walls of blood vessels. As a result, renal failure, heart failure, cerebral infarction, extremity pain, abdominal pain, diarrhea, mental manifestations such as depression and disorders of the skin and respiratory develop.

Gaucher disease

Due to an inherited deficiency of an enzyme called "glucocerebrosidase", one of the glycolipids, "glucocerebroside" accumulates in "macrophages", a type of the cells in the blood and bone marrow, resulting in the enlargement of the liver and spleen, thrombocytopenia, anemia, bone pain, and bone fracture, in addition to neurological symptoms in some types of this disease.

Future development of J-Brain Cargo®

We explore the possibilities of developing drugs for the treatment of CNS disorders which have been awaited; out-licensing to other companies is also an option.

J-Brain Cargo® is a technology that is expected to be applicable to various diseases including lysosomal storage diseases that may be addressed by delivering drugs to the central nervous system (CNS). We plan to expand the spectrum of J-Brain Cargo® targeting various receptors expressed on the surface of endothelial cells, beyond the technology based on transferrin receptor antibody which has been applied to "JR-141" and "JR-162". The molecular design of antibodies also varies. Furthermore, we have been engaged in the development of a new J-Brain Cargo® using macrocyclic peptides in a collaborative research with PeptiDream Inc.

Such rich variation of J-Brain Cargo® suggests that J-Brain Cargo® of an optimal design can be selected for various types of drug compounds, from small molecules to large ones including protein products. We proceed with collaborative researches with multiple partner companies including Sumitomo Dainippon Pharma Co., Ltd. and Eisai Co., Ltd. for the development of therapeutic products for CNS disorders using J-Brain Cargo®.

As for "JR-141" and "JR-162" of which development is moving forward, we will proceed with licensing negotiations with partner companies to deliver such treatment options to patients around the world as soon as possible.

RESEARCH & DEVELOPMENT

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 the development of the world's first "innovative biopharmaceuticals" originating from Japan.

Strategy for R&D

We focus on rare diseases, intractable diseases, and pediatrics and neonatology fields and aim for the development of innovative medicine utilizing our proprietary technologies. For promoting the development of the innovative medicine efficiently and speedily, we have established "Biopharmaceutical Innovation Research Institute" which primarily conducts basic studies and "Biomanufacturing Technology Research Institute" which is responsible for the development of production technologies for biopharmaceuticals with various properties. We conduct the research and development of pharmaceuticals under an integrated system from the basic study to create innovative technologies and pharmaceutical seeds to the development of production technology which leads to the manufacture of pharmaceuticals at the GMP level. "Cell Therapy Group" of Biopharmaceutical Innovation Research Institute expanded its scope of research to regenerative medical

products leveraging not only the team's expertise in protein pharmaceuticals fostered to date but also their know-how accumulated through the development of TEMCELL® HS Inj.

Research Division is accelerating and promoting the research and development for rare diseases harmoniously with our Development Division which has abundant experience in clinical development from the early phase of the development.

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 the production of antibodies having a significantly high affinity and specificity to membrane protein antigens with weak immunogenicity by combining our J-MIG System®, which is a high-level protein expression technology, an optimized immune protocol, and our proprietary high-throughput antibody screening technology. Anti-transferrin receptor antibodies used for J-Brain Cargo® (a blood-brain barrier penetration technology) were developed using J-mAb System®.

J-MIG System®

J-MIG System® is a technology enabling the 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 the development of several recombinant pharmaceuticals using CHO cells as the host cell line. Modified-IRESGS 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 the 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 constituent amino acids are bound to "sugar chains", 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 enzymes into CHO cells. It is possible to target reticuloendothelial systems 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.

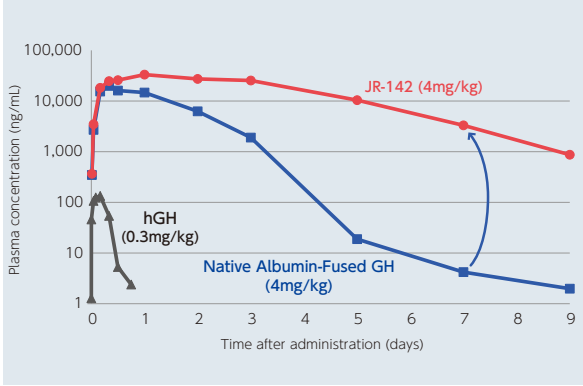
Long-acting protein technology with modified albumin

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 the suppression of the 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 hormones, our core product. The resultant growth hormone ("JR-142") demonstrated a significantly longer circulatory half-life compared to the growth hormone fused to wild-type albumin. JR-142 at a low dose showed effect comparable to the conventional growth hormone administered daily.

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

Long-Acting Human Growth Hormone Product (JR-142)
PK study in monkeys



Development of recombinant protein therapeutic products

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

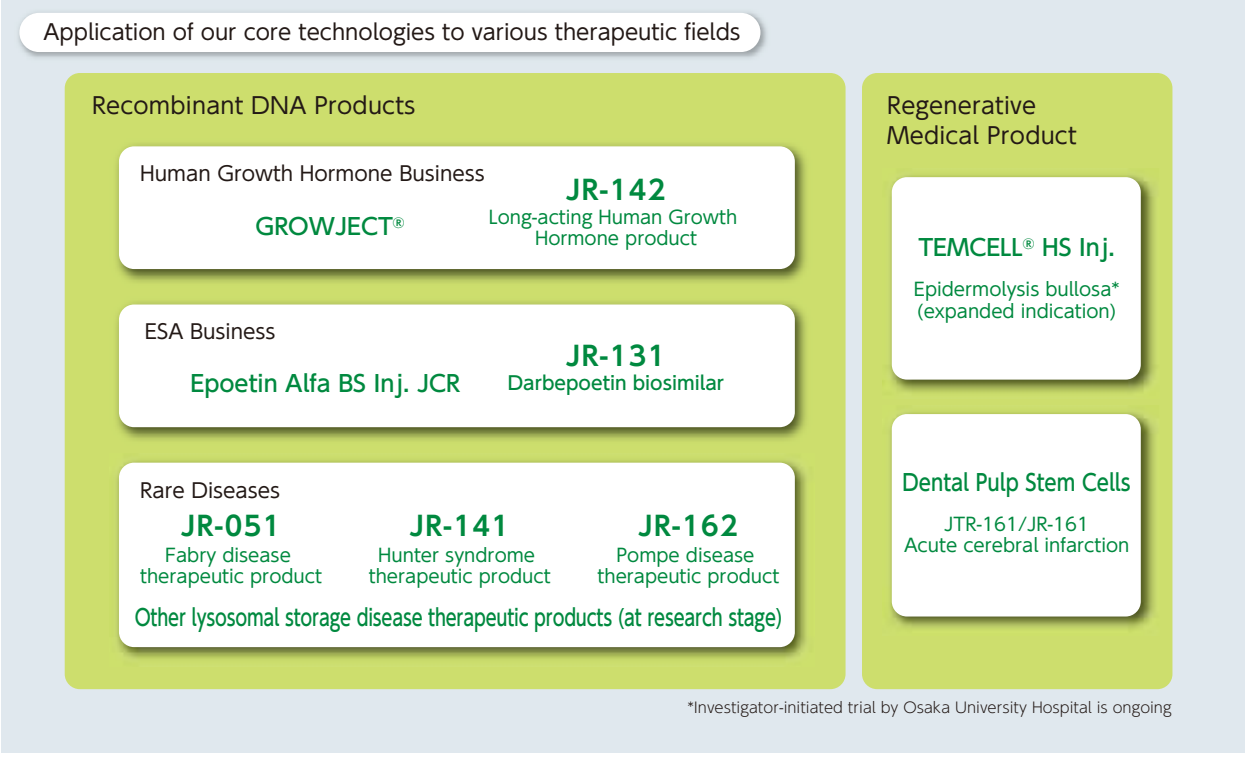
In human growth hormone business as our core business, we started the development of "JR-142" in 2015, a growth hormone product with improved pharmacokinetic properties using the long-acting protein technology as described above. We plan to enter into clinical trials of JR-142 in 2018. In ESA*1 business, we moved forward the development of "JR-131", a biosimilar of the next-generation ESA drug "Nesp (darbepoetin alfa)", to Phase III clinical trials. 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 the scaling-up of manufacturing process and designing non-clinical and clinical trials of JR-131.

In the intractable and rare diseases fields, we are committed to the research and development for lysosomal storage diseases. Currently, we are promoting the development of "JR-051", a biosimilar of Fabrazyme (agalsidase beta), a therapeutic enzyme for Fabry disease. For the development of "JR-141", the BBB-penetrating therapeutic enzyme product for Hunter syndrome, as described in Special Topic: Possibilities of J-Brain Cargo®, we initiated Phase I/II clinical trials in March 2017. Furthermore, we started the development of "JR-162", a therapeutic enzyme for Pompe disease using J-Brain Cargo®, aiming for expanding development of medicine for lysosomal storage diseases.

Development of cell therapy and regenerative medicine technology

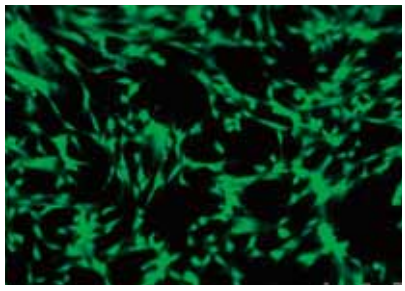
For a long time, we have studied the cell culture technology and accumulated the know-how for cell therapy and regenerative medicine technology. As one of these achievements, we successfully developed and launched TEMCELL® HS Inj., the first allogeneic regenerative medical product using human bone marrow-derived mesenchymal stem cells in Japan. We believe that we, as a forerunner in this field, have a mission to promote the R&D actively. For this mission, we regard the R&D for cell therapy and regenerative medicine technology as another axis for the R&D, in addition to the one for recombinant pharmaceutical products.

Based on our experience in the establishment of production processes up to commercial production under GCTP*2, we promote development leveraging our strengths such as the creation of more efficient cell culture technologies. While TEMCELL® HS Inj. which consists of bone marrow-derived cells, is currently indicated for acute graft-versus-host disease (GVHD), we have focused on its diverse pharmacological action and is exploring potential new indications such as epidermolysis bullosa.



*1 ESA: Erythropoiesis-stimulating agent
*2 GCTP: Good Gene, Cellular, and Tissue-based Products Manufacturing Practice

Utilizing our know-how for cell therapy and regenerative medicine technologies, we further engage in the research and development of new products in this field following TEMCELL® HS Inj. Dental pulp stem cells (DPCs) is an example. In July 2017, we entered into a co-development and license agreement with Teijin Limited for a regenerative medical product, "JTR-161/JR-161" for the indication of acute cerebral infarction, and plan to enter into a clinical phase in 2018. Furthermore, utilizing our strengths in cell culture technology, we are focusing on a variety of cell functions and exploring a possibility for a wide range of diseases.



Dental Pulp Stem Cells (DPC)

Partnering

Because technologies originated by our Research Institute such as J-Brain Cargo® have a potential for the development of new therapeutic products for a wide range of diseases, we are extensively considering potential out-licensing as a new business model. At present, we are promoting collaborative researches with multiple partner companies including Sumitomo Dainippon Pharma Co., Ltd. and Eisai Co., Ltd. for the development of therapeutic products using J-Brain Cargo® for the treatment of central nervous system diseases. Furthermore, we are working on the development of new types of J-Brain Cargo® using the macrocyclic peptides through collaborative research with PeptiDream Inc.

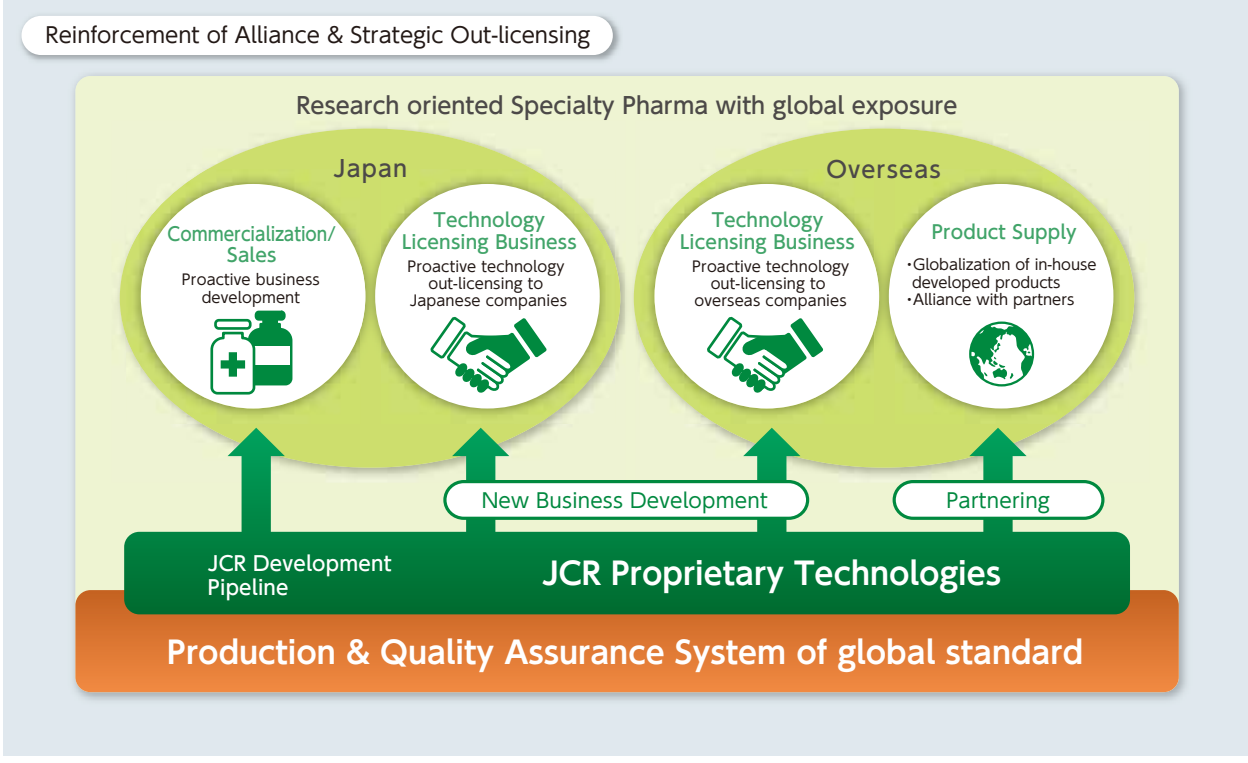
JCR's vision is outlined in our Mid-Term Management Plan, "R&D oriented specialty pharma with global exposure built on proprietary biotechnologies and cell therapy and regenerative medicine technologies". In order to realize this plan, we are actively expanding our business worldwide through out-licensing our technologies and in-house developed products.

TEIJIN

PeptiDream

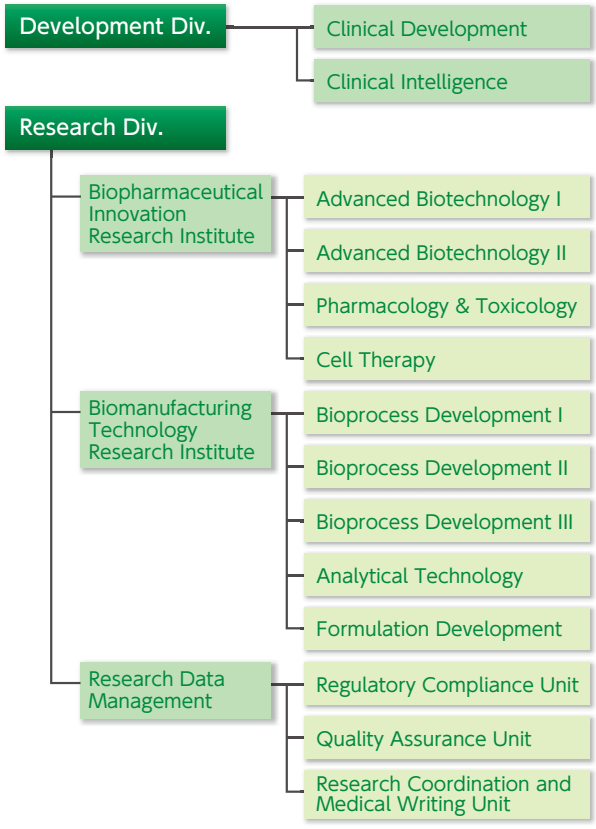
Sumitomo Dainippon Pharma

Eisai



Research and development structure

Our Research Division consists of 3 departments: "Biopharmaceutical Innovation Research Institute" which aims for the development of new technical platforms and seeds for recombinant protein therapeutics and regenerative medical products, "Biomanufacturing Technology Research Institute" which is responsible for the development and analysis of optimal production methods for and product formulation of new product candidates, and "Research Data Management Department" which pursues activities in support of the quality assurance of study data and investigational products as well as the preparation of extensive documents for regulatory applications. The drug development at Research Division is promoted based on intensive cooperation among departments and the accumulation of respective expertise. In addition, Research Institute discusses the desired form of new drugs we aim for from both research and development aspects in alignment with Development Division which has abundant experience in the development of protein therapeutic products and regenerative medical products. The close interaction of both Divisions from the early stage of the research contributes to efforts for speeding up development.



Efforts for expansion of business overseas

In preparation to develop and introduce our in-house developed new medicine such as "JR-141" and "JR-162" overseas, a production and quality assurance system of global standard has already been established at Kobe API Plant. As another effort to accelerate our development by the prompt preparation and manufacture of the investigational products, Clinical Trial Material Manufacturing Center (CTMC) was established in the premise of Research Division (inaugurated on April 27, 2016). CTMC is designed for single-use technologies and equipped with disposable vessel culture system. The investigational product of "JR-141", a BBB-penetrating therapeutic enzyme product for Hunter syndrome, was manufactured at CTMC. Likewise, we expect to manufacture clinical trial materials of our pipeline products such as "JR-141" and "JR-162" at CTMC in the future.

We also inaugurated the opening of Cell Processing Center (CPC) on the same day. This is a facility dedicated to the manufacturing of clinical trial materials of cell therapy and regenerative medical 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)

Development pipeline and progress (As of August 2017)

Code	Nonproprietary Name	Indication	Preclinical / Clinical trial / Filed / Approved	Remarks
JR-051	Alpha-galactosidase 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-141	BBB-Penetrating Iduronate-2-sulfatase (rDNA origin)	Hunter syndrome (LSD)*	Phase I/II	ERT J-Brain Cargo®
JR-032	Iduronate-2-sulfatase (rDNA origin)	Hunter syndrome (LSD)*	Clinical trials in preparation	ERT Co-developed with GSK Group
JR-101	Glucocerebrosidase (rDNA origin)	Gaucher disease (LSD)*	Preclinical	ERT J-GlycoM®
JR-142	Long-Acting Somatropin (rDNA origin)	Growth disorder	Preclinical	Long-acting human growth hormone product J-MIG System®
JR-162	J-Brain Cargo® applied acid alpha-glucosidase (rDNA origin)	Pompe disease (LSD)*	Preclinical	ERT J-Brain Cargo® J-MIG System®
JTR-161/ JR-161	Dental Pulp Stem Cells	Acute cerebral infarction	Preclinical	Regenerative medical product Co-developed with Teijin Limited

*LSD – Lysosomal Storage Disease

Message

My primary job is to perform monitoring at medical institutions to collect information on the efficacy and safety of investigational products. When I visited a clinical trial site one day and heard from the staff that patients were pleased with the efficacy of our investigational product, I felt very happy and was reminded of the significance of the development of pharmaceuticals. In addition to the monitoring duty, I am engaged in the communication with contract testing laboratories, preparation of regulatory related documents, and investigation for the development of new projects. Although I have been working for JCR for only 2 years, I am able to experience a wide range of operations, which is one of the appealing points of our company. Our department is a small team and each one of us is involved in multiple projects, which enables us to grasp the progress of each project. On one hand, a new clinical trial is initiated, and on the other hand, some clinical trials are steadily moving toward the regulatory filing which enables me to feel that I am contributing to the development of pharmaceuticals.

Mika Okazaki Clinical Development Department, Development Division

PRODUCTION SYSTEM

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 medical products. In addition to existing products, we continue the 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) and Good Gene, Cellular, and Tissue-based Products Manufacturing Practice (GCTP).

For drug substance manufacturing, we utilize cutting-edge technologies including single-use technology (use of disposable culture vessels or single-use bioreactors, etc.). Single-use technology eliminates significant amounts of cleaning between product change-over and enables the 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.

The commercial production of TEMCELL® HS Inj., an allogeneic regenerative medical product was launched in 2016, started under newly enacted GCTP. We are committed to maintaining and improving our production systems with advanced technologies and information to ensure stable and timely supply of high-quality and useful pharmaceuticals.

Production sites

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

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

TEMCELL® HS Inj., a regenerative medical 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 testings and the 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 products)

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 a lyophilized active ingredient and a solvent in separate chambers of the cartridge.

Murotani Plant (active pharmaceutical ingredient)

In this plant, CHO cells developed by JCR are cultured under serum-free condition 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 the stable supply of the product.

Kobe API Plant (active pharmaceutical ingredients)

This plant, established in June 2013, was designed in preparation for the global development of JCR products. It is a cutting-edge plant equipped with a 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 product for Fabry disease) and JR-131 (a biosimilar of darbepoetin) are manufactured. The commercial production of these products in Kobe API Plant is planned in the future.

Message

At Kobe API Plant where APIs for clinical trial materials of new drug candidates are produced, I take a part in a wide range of operations from direct manufacturing operations, the improvement of production processes for future commercial production at our plant, hygiene control, and the maintenance of equipment related to the production. At JCR where venture spirit is valued, an open workplace atmosphere enables young employees to propose ideas without being hesitant, and so diverse proposals are made daily to improve production processes and productivity. In addition, each employee regards all operations as "his/her own business" and is engaged in the production of the pharmaceuticals as one team to achieve the stable supply of high-quality pharmaceuticals. Because speed is also emphasized at our plant, single-use technology that enables flexible process design is employed to shorten time for establishing production processes. This approach requires us to pay close attention to effects on quality, and therefore I try to bring the best out of me every day with a sense of responsibility in my job while increasing my knowledge on the properties of biopharmaceuticals.

Jun Ito Manufacturing Section, Kobe API Plant, Production Division

MARKETING

Enhancing marketing system and product strategy for our core products.

We will further enhance our marketing system for promotion of proper use of medical 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 fields.

Marketing activities at eight business bases across Japan

JCR's marketing organization consists of approximately 80 medical representatives deployed at eight business bases across Japan. The marketing of GROWJECT® is conducted by four business units covering fourteen areas. We formulate marketing strategies tailored to each area, provide information that satisfies needs of local medical professionals, and establish the 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 the launch of medical products of new formulation or for new indications and also new injectors to further improve QOL (Quality of Life) of patients. For Epoetin Alfa BS Inj. JCR, marketing efforts in the field of dialysis are reinforced and promoted primarily by the ESA Business Support Department. For TEMCELL® HS Inj., information for its proper use is provided by the Cell Regeneration Medical Sales Department.

- Sales Div.
  - East Japan Sales
  - Tokyo Metropolitan Area Sales
  - Central Japan Sales
  - West Japan Sales
  - ESA Business Support
  - Cell Regeneration Medical Sales
  - Logistics Management
  - Sales Operations Administration
  - Marketing

GROWJECT® Recombinant human growth hormone product

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 the growth and development. Since its launch, we have been stably providing high-quality products and continuing clinical studies to explore additional indications to maximize the value of the product.

Growth hormone is indicated for both pediatric and adult diseases, and requires self-injection at home on daily basis. Most of the patients are children who, if too young, might need help from their parents or guardians to receive the injection if they cannot perform it themselves. We consider that it is important not only provide high-quality and reliable pharmaceuticals but also user-friendly injectors.

In January 2017, we launched the new liquid formulation of GROWJECT® along with the dedicated electronically-controlled injector, GROWJECTOR® L. This injector is the third generation model which inherits the advantages of automatic injection cycle, "inserting, injecting and retracting of the needle" from the previous models without any change, in addition to the upgraded usability of the previous model, GROWJECTOR® 2. Injection with GROWJECTOR® L dedicated for the liquid formulation GROWJECT® is an easy operation eliminating the drug reconstitution step: users only need to load the drug cartridge, attach the injection needle, and press the injection button. This simple operation contributes to the improvement of patient compliance and QOL. We offer three types of injectors including the automatic injector to meet the need of each patient.

Sales in FY2016 increased to 10,682 million yen (4.5% increase from the previous term), and its market share hit its record-high of 19.2% again. We will continuously engage in adding values to our product portfolio by developing new patient-friendly injectors and drug formulations and aiming to further increase the market share by proactively performing strategic and systematic sales activities.

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

Sales in FY2016

10,682 million yen

from the previous term

4.5% increase ↑

GROWJECT®

Liquid formulation of GROWJECT®/
dedicated electronically-controlled injector, GROWJECTOR® L

Injectors exclusive for GROWJECT® Product Lineup: (From right)
- GROWJECTOR® 2, an electronically-controlled injector
- Twin-Jector EZ® II, a needle-free injector
- BD Penjector® 3, a manual injector

Epoetin Alfa BS Inj. JCR

Recombinant erythropoietin product

Epoetin Alpha 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 with chronic renal failure on dialysis treatment. Epoetin Alpha BS Inj. JCR was jointly developed by JCR and Kissei Pharmaceutical Co., Ltd. (Kissei Pharmaceutical) 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 Alpha BS Inj. JCR is co-promoted with Kissei Pharmaceutical.

Sales in FY2016 was 3,702 million yen (1.8% increase from the previous term) and its share in the market of short-acting erythropoietin in Japan reached approximately 60%. Now, it is one of our core products thanks to the increasing awareness of its circumstance where the equivalence in efficacy and quality of 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. To further strengthen our presence in this market, we are jointly developing with Kissei Pharmaceutical "JR-131", a biosimilar of darbepoetin. We will target filing an application for marketing authorization in FY2018.

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

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

Sales in FY2016

3,702 million yen

from the previous term

1.8% increase ↑

Message

JCR focuses on the research and development of biopharmaceuticals, regenerative medical products, and pharmaceuticals for rare diseases such as lysosomal storage diseases, and proactively keeps challenging new fields and therapeutic areas affecting small patient population. JCR products bear the wishes of many people involved in the research, development, manufacture, and sales of these pharmaceuticals that require high technologies. I, as a medical representative, feel that it is my responsibility to deliver these JCR products to as many patients as possible.

I feel much rewarded and forget about my built-up tiredness when a healthcare professional tells me that "I prescribed a JCR product and then the patient got well". As a member of Team JCR, I will do my best to deliver our products filled with the wishes of all JCR members to as many patients as possible and contribute to the health of these patients.

Kazuki Okayama Central Japan Sales Department, Sales Division

TEMCELL® HS Inj.

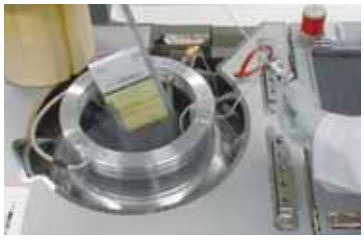
World's first

Human somatic stem cell-processed products
Human (allogenic) bone marrow-derived mesenchymal stem cells

TEMCELL® HS Inj. is a regenerative medical product using human mesenchymal stem cells (MSCs) for the treatment of acute graft-versus-host disease (acute GVHD)*, a severe complication arising from hematopoietic stem cell transplantation, which was launched in February 2016. TEMCELL® HS Inj. is an innovative product manufactured by isolating and expanding mesenchymal stem cells derived from the bone marrow aspirate of a healthy adult donor. It utilizes the function of mesenchymal stem cells for the treatment of acute GVHD.

Ultra-low temperature must be kept during the 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 the timely delivery of high-quality products to clinical sites across Japan.

There is a large expectation for the new therapeutic product for steroid-refractory acute GVHD, and the sales of TEMCELL® HS Inj. in FY2016 reached 688 million yen, exceeding our forecast. We will expand the sales coverage of medical institutions to deliver TEMCELL® HS Inj. and continue to provide information for proper use in an effort for further market penetration.



"Ultra-low temperature storage and transport cart SDDU (Specialty Drug Distribution Unit)" using liquid nitrogen

* It is a life-threatening complication associated with the transplant which arises following hematopoietic stem 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.

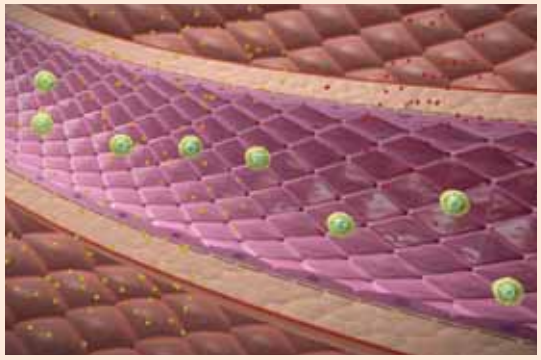
Indication: • Acute graft-versus-host disease following hematopoietic stem cell transplantation

Sales in FY2016

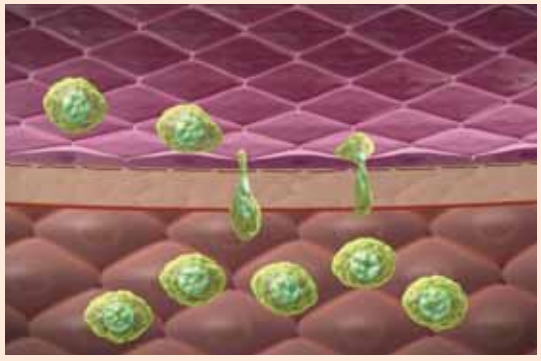
688 million yen

Close-up

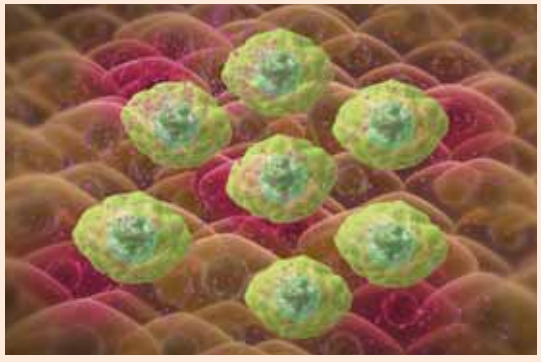
Migration ability, one of the properties of TEMCELL® HS Inj.



[1] Mesenchymal stem cells (MSCs), the main components of TEMCELL® HS Inj., are activated by substances secreted from sites of inflammation within blood vessels.

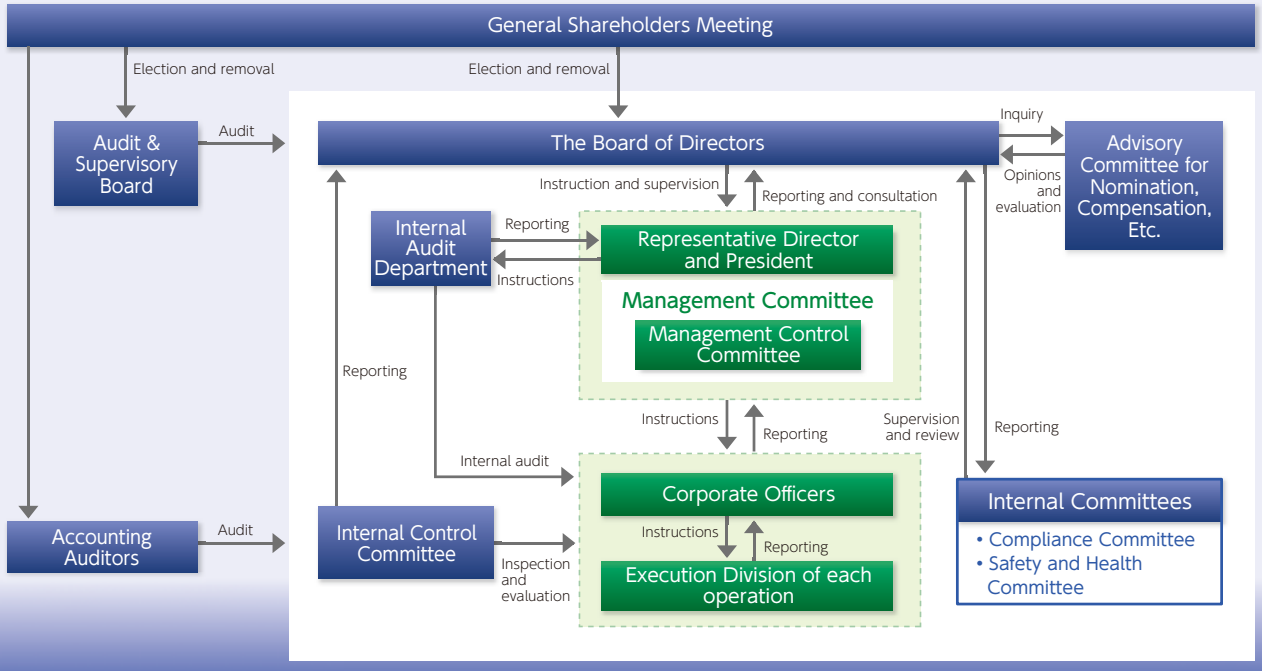


[2] Activated MSCs migrate to and accumulate in the inflammatory tissue.



[3] Activated MSCs exert therapeutic effects for the treatment of acute GVHD by secreting various anti-inflammatory substances within the inflammatory tissues.

Corporate Governance System (As of June 28, 2017)



CORPORATE GOVERNANCE

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 the 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 the protection of the interests of shareholders. For this purpose, we are putting efforts to secure the 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 the Audit & Supervisory Board have established the Board of Directors consisting of ten persons, including five outside directors, the Audit & Supervisory Board consisting of five Outside Audit & Supervisory Board Members, and Accounting Auditors.

In addition to these organs, we have established Management Control Committee, Advisory Committee for nomination, compensation, etc., Management Committee, Internal Audit Department, Internal Control Committee and Compliance Committee. Also, as a business execution system, we have introduced the corporate officer system; and we have been promoting the separation of the management and business execution functions. We believe that as for 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 five Outside Directors and five Outside Audit & Supervisory Board Members is effective for securing the 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 ten 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 the 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 ten 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.

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, three Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member (full-time), and it deliberates important matters concerning nomination and compensation for Directors and Corporate Officers and Audit & Supervisory Board Members 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 the efficiency of management of the Company and acceleration of the execution of the operations, and seven Corporate Officers execute the operations based on the management policy decided by the Board of Directors.

The Audit & Supervisory Board

The Company is a company with the Audit & Supervisory Board, and five Audit & Supervisory Board Members have assumed office (one full-time Audit & Supervisory Board Member and four part-time Audit & Supervisory Board Members) and all of them are Independent Outside Audit & Supervisory Board Members.

The Audit & Supervisory Board holds a meeting once per month and also an extraordinary Audit & Supervisory Board meeting as needed.

Audit & Supervisory Board Members attend important meetings, including meetings of the Board of Directors, and also it has ensured a system to fulfill its functions to monitor 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 Director of Internal Audit Department as of March 31, 2017, and the results of internal audits are submitted to Audit & Supervisory Board Members, in addition to Director and President.

Internal Control Committee

It consists of responsible Corporate Officers, Accounting Department, Human Resources & General Affairs Department, Internal Audit Department, etc. It conducts opinion exchange with and makes reports to Audit & Supervisory Board Members, etc. as necessary and further it secures appropriate financial reporting by Accounting Auditors with respect to the effectiveness of the reporting of internal controls through self-inspection processes.

Members, Number of meetings, and Percentage of attendance at the meetings of bodies of the Company in FY2016

The Board of Directors	Composition	9 members (5 Directors, 4 Outside Directors (including 2 Independent Directors))
	Number of meetings	12
	Percentage of attendance	98.15% (Absence: 2 Outside Directors, each once)
Management Committee	Composition	16 members (5 Directors, 1 Independent Outside Audit & Supervisory Board Member, 7 Corporate Officers, 3 Advisers)
	Number of meetings	19
	Percentage of attendance	98.06% (Absence: 1 Corporate Officer, once and 1 Adviser, 5 times)
Advisory Committee for nomination, compensation, etc.	Composition	4 members (1 Director, 2 Independent Outside Directors, 1 Independent Outside Audit & Supervisory Board Member)
	Number of meetings	5
	Percentage of attendance	100.00%
The Audit & Supervisory Board	Composition	4 members (4 Independent Outside Audit & Supervisory Board Members)
	Number of meetings	13 (including 1 Extraordinary Audit & Supervisory Board meeting)
	Percentage of attendance	100.00%
Internal Control Committee	Composition	8 members (2 from Legal Affairs Dept., 3 from Internal Audit Dept., 2 from Accounting Dept., and 1 from Human Resources & General Affairs Dept.)
	Number of meetings	7
	Percentage of attendance	94.64% (Absence: 2 from Internal Audit Dept. and 1 from Accounting Dept., each once)

Outside Director and Outside Audit & Supervisory Board Member

Functions and roles of Outside Directors

Our company has five Outside Directors and five Outside Audit & Supervisory Board Members.

Outside Directors supervise the management from an independent standpoint to contribute to our sustainable growth and mid-and-long-term improvement of corporate value through the decision-makings at the Board of Directors' meeting. Outside Directors strengthen the cooperation with the Audit & Supervisory Board, exchange information, share recognition, and appropriately reflect them to the decision of the Board of Directors from the objective point of view. Three Independent Outside Directors are members of Advisory Committee for nomination, compensation, etc.

To further increase the independence and neutrality of our audit system, Outside Audit & Supervisory Board Members proactively acquire information required for audits by sharing information with an audit firm and the Internal Audit Department, and audit the execution of duties of Directors through operational audits and accounting audits. Since they are expected to present objective opinions for audits, Outside Audit & Supervisory Board Members make candid questions and comments to Representative Director and the Board of Directors. One of the Independent Outside Audit & Supervisory Board Members (full-time member) is a member of Advisory Committee for nomination, compensation, etc.

Interest between the Company and our Outside Directors

Mr. Philippe Fauchet, Outside Director, concurrently holds the post of Representative Director and Chairman of GlaxoSmithKline K.K. Ms. Kanako Kikuchi, Outside Director, concurrently holds the post of the Representative Director and President of GlaxoSmithKline K.K. JCR, GlaxoSmithKline K.K. and Glaxo Group Limited concluded an agreement on the development, manufacturing, and sales of biopharmaceuticals. Glaxo Group Limited owns 24.63% of our shares. GlaxoSmithKline PLC, the parent company of Glaxo Group Limited, has no business relationship with us.

The amount of our shares held by Outside Directors and Outside Audit & Supervisory Board Members is stated in our annual financial report. There is no other special interest between the Company and Outside Directors nor Audit & Supervisory Board Members.

JCR appoints the following eight Independent Directors/Auditors as required by the listing rules of Tokyo Stock Exchange: Mr. Takashi Kobayashi, Mr. Toshihiro Ishikiriyama, and Mr. Takashi Suetsuna as Outside Director; Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, Mr. Kenjiro Miyatake, Mr. Takeshi Komura, and Mr. Shuichi Tani as Outside Audit & Supervisory Board Member.

Reasons for appointment of Outside Director and Audit & Supervisory Board Members

Category	Name	Reasons for appointment
Outside Directors	Philippe Fauchet	We appointed him because we wish him to leverage his abundant experience and knowledge as a manager of global pharmaceutical companies in the management of the Company.
	Takashi Kobayashi	We appointed him because we wish him to leverage his expertise, experiences, etc. as a corporate manager in the management of the Company.
	Toshihiro Ishikiriyama	We appointed him because he had worked in the pharmaceutical industry for a long time and we wish him to leverage his knowledge, experiences, etc. as a manager of pharmaceutical companies in the management of the Company.
	Kanako Kikuchi	We appointed her because we wish her to leverage her expertise and experience as a manager of the global pharmaceutical companies in the management of the Company.
	Takashi Suetsuna	We appointed him because he has abundant experiences and deep insights in administrative agencies, and we wish him to leverage his knowledge from a global standpoint as an Outside Auditor and an Outside Director of other companies in the management of the Company.
Outside Audit & Supervisory Board Members	Kazumasa Oizumi	We appointed him because we wish him to execute audits with abundant knowledge and deep insights leveraging his experiences in the financial industry and as a Corporate Auditor.
	Kazuhiko Yamada	We appointed him because we wish him to execute audits from his viewpoint built on his experiences and expertise as a certified tax accountant.
	Kenjiro Miyatake	We appointed him because we wish him to execute audits with abundant knowledge and deep insights built on his experiences as a corporate manager in the pharmaceutical industry.
	Takeshi Komura	We appointed him because he has abundant experience in administrative agencies and a wide range of monetary and financial insights, and we wish him to leverage them together with his knowledge obtained as an Outside Director of other companies for the audit of the Company.
	Shuichi Tani	We appointed him because he has abundant experience for healthcare and deep insights into medical welfare, and we wish him to leverage them together with profound knowledge on educational institutions for the audit of the Company.

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 this committee, and it consists of Compliance Control Committee consisting of people 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.

Industrial safety and health

Safety and Health Committee

JCR has set up Safety and Health Committee for the purposes of securing the safety and health of employees at our workplace, and establishing and promoting a comfortable work environment. The Committee consists of employees who represent each division of JCR, a licensed social insurance labor consultant and industrial physicians as an outside committee member. The committee periodically holds meetings to report on the status of each workplace, and secure and improve industrial safety and health.

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 the 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 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 (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 a 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

Members, Number of meetings, and Percentage of attendance at Internal Committee meetings in FY2016

Compliance Committee	Compliance Control Committee	Composition	12 members (1 attorney, 4 Directors, 7 Corporate Officers)
		Number of meetings	Once
		Percentage of attendance	91.67% (Absence: 1 Corporate Officer)
	Compliance Promotion Committee	Composition	15 members (2 from Business Development Div., 2 from HR Development & Compliance Dept., 1 from Human Resources & General Affairs Dept., 1 from Sales Div., 2 from Development Div., 1 from Research Div., 4 from Production Div., 1 from Quality Assurance Div., 1 from an affiliate company)
		Number of meetings	Once
		Percentage of attendance	86.67% (Absence: 1 from Human Resources & General Affairs Dept., 1 from Sales Div.)
Safety and Health Committee		Composition	29 member (1 licensed social insurance labor consultant, 2 industrial physicians, 6 from Human Resources & General Affairs Dept., 1 from Sales Div., 1 from Corporate Planning Div., 1 from Business Development Div., 1 from Quality Assurance Div., 9 from Production Div., 2 from Research Div., 2 from Development Div., 3 from affiliate companies)
		Number of meetings	12
		Percentage of attendance	88.24% (Details omitted)

CSR

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

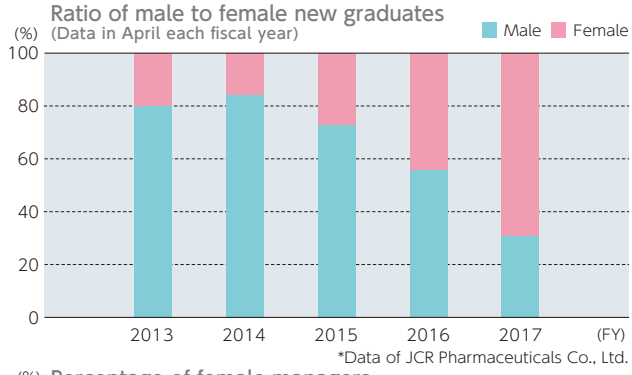
Work environment

Creating an ideal workplace environment

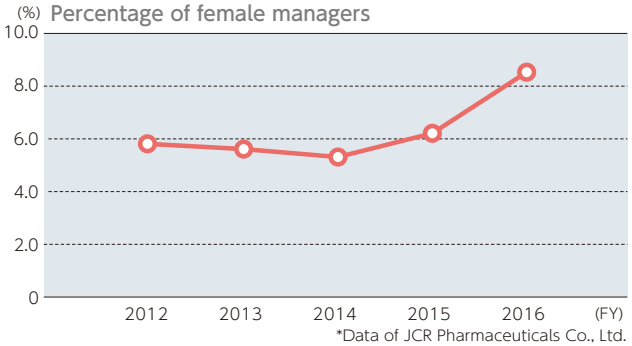
JCR believes it important to create a workplace environment where every employee is able to display his/her talent and actively engage in his/her tasks with comfort. To achieve this, we will continue to promote creating such environment where employees can balance the demands of work, childrearing and nursing care, developing human resources for the company's sustainable growth, and also promoting the improvement of the company's compliance status while quickly responding to rapid changes in the social environment.

Promoting the role of female employees

Following the enforcement of the Act on Promotion of Women's Participation and Advancement in the Workplace, JCR established action plans as stated in the next page. We will promote creating an ideal workplace environment for female employees by providing childrearing support if necessary. In addition, we will put efforts to encourage female employees with motivational work for career



*Data of JCR Pharmaceuticals Co., Ltd.



*Data of JCR Pharmaceuticals Co., Ltd.

promotions through education and trainings for manager position candidates. We will also actively encourage them to assume leadership roles.

Target 1: To increase the female ratio of new graduate recruitment to over 30%.

Target 2: To increase the ratio of female managers.

Employment of persons with disabilities

We actively recruit people with disabilities while creating a work environment suitable for them on a company-wide basis. We treat all employees as members of "Team JCR" making the best of individualities. In March 2017, we employed a visually-impaired massager/practitioner in acupuncture and moxibustion (health keeper) and opened a massage room for our employees to prevent accumulating fatigue and enhance well-being.

Introduction of new performance evaluation system

The most important constituents of Team JCR are people. Based on the idea of the management, "We value each employee," we introduced a human resource management system with compensation structure that is transparent and rational. Through measures like this, we are maintaining employees' motivation high and improving our workplace environment to allow employees to fully demonstrate their capabilities.

Reduction of long working hours and encouragement to take paid-leave

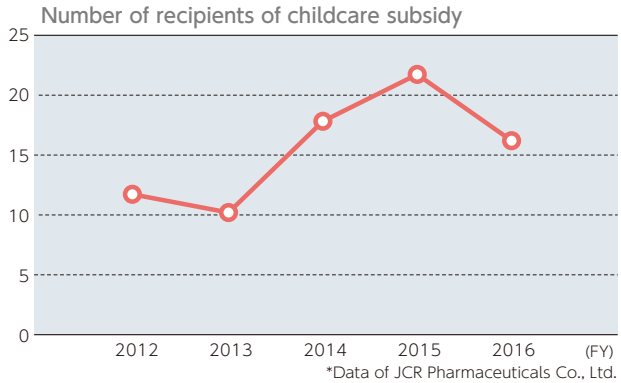
Through company-wide activities led by our Safety and Health Committee, the management and employees are unitedly working on the maintenance of safety at the workplace by introducing WEB cameras and a safety confirmation system as well as the improvement of the environment. To reduce long working hours, we practice no-overtime work day once a week. In addition, our Safety and Health Committee lists up employees who have worked longer than 30 hours of overtime a month to confirm the status and provide them with guidance to improve the situation. We also encourage our employees to take paid-leave during consecutive national holidays to be away from work for some days to get refreshed.

Introduction of flextime system

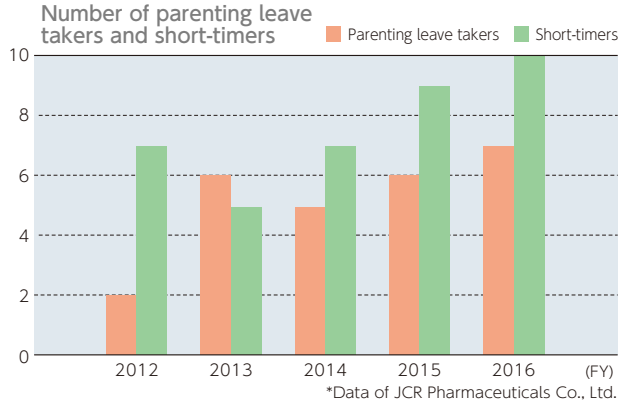
In April 2012, we introduced a flextime system that offers employees flexible work schedule in the expectation to reduce employees' physical and mental burden and healthy work-life balance.

Childrearing support

We are proactively engaged in improving our work environment so that our employees can fully demonstrate their abilities while maintaining a healthy balance between works, childrearing, and nursing care. In addition to the revision of company rules to support parenting and nursing aged parents based on the law, we established a childcare subsidy in April 2011 and opened an in-house childcare center in November 2015.



*Data of JCR Pharmaceuticals Co., Ltd.



*Data of JCR Pharmaceuticals Co., Ltd.

◎For changes in "the number of employees", please refer to page 11.

"JCR Kids Land", in-house day-care center

Establishment of in-house training system

Viewing our employees as our asset and knowing that their growth will lead to the company's success, we provide employees with training systems that cater for each job level and ability. Our diverse training programs not only provide opportunities to improve such skills as business skills needed for each job or human skills like communication techniques but also contribute to shaping our open workplace environment and promoting inter-department communications.

Employees' healthcare and improvement of work environment

To understand our employees' health status and eliminate health risk factors at our workplace, we provide periodical health checkup, stress check, and mental health care for our employees in addition to the assessment of their work environment.

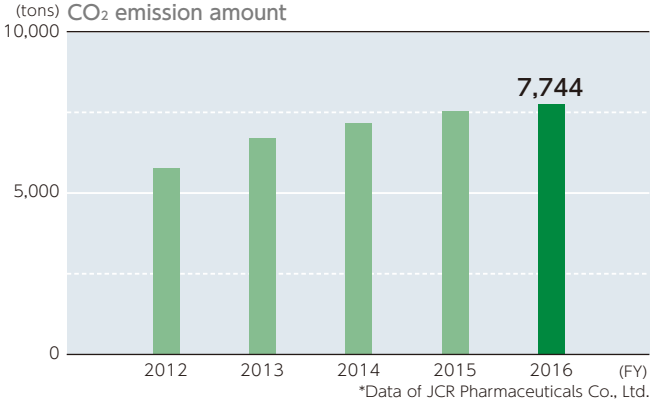
Environmental activities

Company-wide activities

1. On a company-wide basis, we adhere to environmental laws and regulations through compliance training for the employees and other activities. We have been promoting activities to reduce CO_2 emissions to protect the environment and to save energy by installing LED lighting and heat storage units.
2. 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 production lines.
3. Sales Division is switching commercial vehicles over to hybrid cars in the effort to reduce CO_2 emissions for a better global environment. A drive recorder is installed in each commercial vehicle to raise the awareness of the sales representatives towards eco-friendly and safe driving.

Promotion of new measures

As an added measure for reducing CO_2 emissions, we introduced electric vehicles in 2015 and installed power feed systems at our headquarters and at each place of business. Sales Division will also sequentially switch over to electric vehicles as public charging stations become popular. In addition, in 2016 we installed a solar power generating system at our Research Institute (in Nishi-ku, Kobe) and keep up our efforts to maintain a sustainable society through reduction of CO_2 emissions. We continue to promote resource and energy saving, and recycling activities and contribute to environmental protection and the reduction of environmental burden for the society.



*Data of JCR Pharmaceuticals Co., Ltd.

Social contributions

Support for the "Award for Promotion of Maternal 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 the 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 life sciences, provides humanitarian assistance to various medically underprivileged countries and also provides support for the development of young researchers.

One example of the 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.

Donation to "MOMIJI HOUSE", a short stay medical care facility

"Momiji House", Japan's first hospice for children built on the premises of the National Center for Child Health and Development (Setagaya-ku, Tokyo) in April 2016. At Momiji House, children who need constant medical care at home can receive medical care at any time. Those with serious illness and disabilities can spend time with their families feeling secure and at home. JCR supports the important mission and activities of Momiji House.

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Donation to "CHILD CHEMO HOUSE"

"Child Chemo House" (Chuo-ku, Kobe) is Japan's first special treatment facility designed for improving the QOL (Quality of Life) of children with pediatric cancer undergoing medical treatments and also their families. At Child Chemo House, children can receive advanced treatments while having a normal life, spending time with their families in an environment similar to their own home. JCR supports the important mission and activities of Child Chemo House.

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child chemo house

Contribution to the community

JCR provides support to its home prefecture, Hyogo, through co-sponsorship of events (such as Kobe Festival, Kobe Luminarie, and Relay for Life Japan in Ashiya) promoting the development of the region. Furthermore, we host site tours to local high school students as an activity to support the nurturing of the next generation. In addition to the site tour of JCR Research Institute, the students are introduced to JCR's business, receive lectures on innovative drug development and participate in interactive discussion with our employees. We hope that these site tours would inspire young visitors to take interest in the pharmaceutical business sector.

Rare diseases

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 is involved in awareness-raising activities to support the patients. From FY2015, we are a supporter of "Rare Disease Day" (the world rare and intractable disease day), which is globally held on the last day of February every year. There are patients suffering from rare and intractable diseases around the world, but the total number of such patients can be small and the mechanism of disease can be complicated. For some diseases, there has been almost no progress in the research and development of therapeutics and methods of diagnoses.

The Rare Disease Day activities began in Sweden in 2008 and aim to improve the QOL for patients with rare and intractable diseases through better diagnoses and treatments. It is hoped that these activities would bridge the patients and the society, and help increase awareness for rare and intractable diseases.

At JCR, we promote awareness by issuing e-newsletters, performing fundraising activities and arranging lectures for our employees. For the lecture, we invite rare disease specialists and members of patient groups to talk about the mechanism of disease and experiences. In addition to our commitment to the research and development of pharmaceuticals for rare diseases, JCR will also continue wide-ranging activities that will lead to the support of the patient community.

Operating results

Net sales

Sales of our core product, GROWJECT®, a recombinant human growth hormone, favorably grew to 10,682 million yen (increase of 4.5% from the previous term) due to the reinforced sales promotion and the launch of its liquid formulation. Sales of Epoetin Alfa BS Inj. JCR, a recombinant human erythropoietin product, as well as TEMCELL® HS Inj., a regenerative medical product launched in February 2016, also increased favorably and recorded 18,085 million yen (increase of 3.7% from the previous term) in the FY2016. Sales from pharmaceuticals, JCR's main business sector, amounted to 17,677 million yen (increase of 3.7% from the previous term) and accounted for 97.8% of total sales.

Trend of sales in each business segment

(unit: million yen)

		FY2015	FY2016
Pharmaceuticals	GROWJECT®	10,222	10,682
	Epoetin Alfa BS Inj. JCR	3,638	3,702
	TEMCELL® HS Inj.*	118	688
	Urine-derived products	1,161	1,145
	Revenue from licensing	723	1,283
	Others	1,175	175
	Total	17,040	17,677
Medical devices and laboratory equipment		398	407
Total		17,438	18,085

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

Gross profit

Due to the increase in net sales, gross profit increased by 12.5% from the previous term to 12,353 million yen. Mainly due to the increase in revenue from licensing and the reduction of product cost, the ratio of cost of sales to net sales improved by 5.3% compared with the FY2015 to 31.7%.

Operating income

R&D expenditures increased by 21.6% from the FY2015, and selling, general and administrative expenses including the R&D expenditures recorded 9,991 million yen (increase of 13.2% from the previous term). As a result, operating income recorded 2,362 million yen (increase of 9.7% from the previous term).

Ordinary income

Whereas non-operating income decreased by 111 million yen compared with the FY2015 mainly due to the decrease in gain on redemption of securities, non-operating expenses increased by 6 million yen due to the increase in commission for purchase of treasury stock As a result, ordinary income recorded 2,534 million yen (increase of 3.7% from the previous term).

Profit attributable to owners of parent

Extraordinary loss recorded 62 million yen due to the reasons such as special retirement expenses of subsidiaries and associates recorded in the FY2016. As a result, income before income taxes recorded 2,492 million yen (increase of 1.4% from the previous term), and profit attributable to owners of parent recorded 1,863 million yen (increase of 4.1% from the previous term).

Financial position

Assets

Total assets at the end of the FY2016 recorded 36,385 million yen (increase of 1,038 million yen from the previous fiscal year-end).

Current asset recorded 20,315 million yen (increase of 1,948 million yen from the previous fiscal year-end) due to the increase in cash and deposits and inventories, which offsets the decrease in short-term investment securities. Noncurrent assets recorded 16,069 million yen (decrease of 910 million yen from the previous fiscal year-end) mainly due to the decrease in investment securities.

Liabilities

Total liabilities at the end of the FY2016 recorded 8,799 million yen (increase of 515 million yen from the previous fiscal year-end).

Current liabilities recorded 4,706 million yen (decrease of 1,360 million yen from the previous fiscal year-end) due to the decrease in income taxes payable. Noncurrent liability recorded 4,092 million yen (increase of 1,875 million yen from the previous fiscal year-end) due to the increase in long-term loans payable, which offsets the decrease in lease obligations.

Net assets

Net assets recorded to 27,585 million yen (increase of 523 million yen from the previous fiscal year-end) due to tabulating profit attributable to owners of parent, etc.

As a result, the equity ratio at the end of the FY2016 recorded 75.0%, decrease by 0.9% from the end of the FY2015.

Cash flow

Net cash provided by operating activities in the FY2016 amounted to 2,651 million yen (increase of 449 million yen as compared with the same period of the previous year) primarily due to the payment of income taxes of 1,126 million yen, increase in inventories of 402 million yen, income before income taxes of 2,492 million yen and depreciation and amortization of 1,447 million yen.

Net cash used by investing activities amounted to 841 million yen (decrease of 139 million yen as compared with the same period of the previous year) primarily due to proceeds from sales and redemption of investment securities of 451 million yen, and purchase of property, plant, and equipment of 1,550 million yen.

Net cash used by financing activities amounted to 146 million yen (increase of 1,460 million yen as compared with the same period of the previous year) primarily due to net increase in treasury stock of 743 million yen, cash dividends paid of 699 million yen, and proceeds from long-term loans payable of 2 billion yen.

As a result, cash and cash equivalents at the end of the FY2016 recorded 5,464 million yen (increase of 1,941 million yen from the previous fiscal year-end).

Forecast for FY2017

In terms of sales, we anticipate sales growth of GROWJECT® and also Epoetin Alfa BS Inj. JCR sequentially in the FY2017. As for TEMCELL® HS Inj., we also estimate the further expansion of sales. In addition to our proactive efforts into the licensing business for our proprietary technologies such as J-Brain Cargo®, a blood-brain barrier penetration technology, the overall sales forecast of JCR group is anticipated to reach 19,800 million yen (increase of 9.5% from the FY2016).

In terms of profits, we anticipate operating income of 2,640 million yen (increase of 11.8% from the FY2016), ordinary income of 2,650 million yen (increase of 4.6% from the FY2016) and profit attributable to owners of parent of 1,970 million yen (increase of 5.7% from the FY2016) due to an increase in gross profit associated with sales growth, which will offset an 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 a source of future profits.

Based on the Companies Act Article 459, Paragraph 1, JCR decided that it may provide dividends of surplus and interim dividends based on the resolution of the Board of Directors. As our basic policy, we offer dividends twice a year as the interim dividend and the term-end dividend.

As for the term-end dividend of surplus of this fiscal year, under our basic policy to provide continuous and stable dividends, we provided an interim dividend of 10 yen per share and a term-end dividend of 12 yen per share, which amount to total dividends of 22 yen per share.

Internal reserves will be effectively used as a resource to contribute to the strengthening of our management practice, and increase in revenue and return of profits in the future.

For the dividend of the FY2017 (the term ending in March 2018), we anticipate to distribute a full-year dividend of 22 yen per share (the interim dividend of 11 yen and the term-end dividend of 11 yen).

Summary of Financial Data for Eleven Years

Consolidated fiscal years ended March 31

	FY2006	FY2007	FY2008	FY2009
Fiscal year				
Net sales	8,544	11,871	12,082	14,387
Operating income	(163)	281	546	2,007
Profit attributable to owners of parent	(1,751)	399	539	1,302
Comprehensive income	—	—	—	—
R&D expenditures	2,059	2,776	2,804	2,325
Capital investment	391	553	876	2,369
Depreciation and amortization	586	575	694	743
Cash flows from operating activities	1,129	1,923	1,825	2,357
Cash flows from investing activities	(4,634)	(571)	121	(3,396)
Cash flows from financing activities	4,531	(512)	(1,276)	1,756
End of fiscal year				
Total assets	24,402	24,218	24,767	29,148
Net assets	17,250	16,852	16,984	20,483
Shareholders' equity	17,241	16,840	16,879	20,462
Information per share				
Earnings per share (EPS)	(63.85)	14.74	20.09	50.77
Net assets	626.38	623.22	635.20	700.80
Dividends	10.00	10.00	10.00	15.00
Financial indicators				
Equity ratio (%)	70.7	69.5	68.2	70.2
Return on equity (ROE) (%)	(10.7)	2.3	3.2	7.0
Dividend payout ratio (%)	—	67.8	49.8	29.5
Numbers of employees	271	277	280	311

Unit: million yen

FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	**FY2016**
14,457	12,845	14,099	15,705	16,855	17,438	**18,085**
1,407	1,089	1,150	1,545	2,014	2,152	**2,362**
926	633	730	1,296	1,682	1,789	**1,863**
783	664	1,161	1,544	1,936	1,557	**1,831**
2,017	1,841	1,991	2,202	3,334	3,348	**4,071**
2,417	487	1,494	2,260	1,522	1,237	**1,409**
975	1,101	979	1,111	1,352	1,407	**1,447**
(18)	(421)	1,661	4,565	499	2,201	**2,651**
(2,211)	1,539	(178)	(2,668)	(1,419)	(980)	**(841)**
(1,276)	(1,065)	(238)	(369)	(1,261)	(1,314)	**146**
29,817	28,967	31,286	33,464	34,086	35,346	**36,385**
22,832	22,633	23,496	24,580	26,264	27,062	**27,585**
22,762	22,535	23,368	24,417	26,101	26,819	**27,305**

Unit: yen

28.93	19.75	23.03	40.79	52.85	56.12	**58.95**
704.96	710.82	735.86	768.13	818.64	843.34	**864.66**
12.00	12.00	12.00	17.00	18.50	22.00	**22.00**
76.3	77.8	74.7	73.0	76.6	75.9	**75.0**
4.3	2.8	3.2	5.4	6.6	6.8	**6.9**
41.5	60.8	52.1	41.7	35.0	39.2	**37.3**
399	424	437	472	501	526	**566**

Consolidated Balance Sheets

Unit: thousand yen

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	1,948,605	5,509,484
Notes and accounts receivable-trade	5,384,377	5,434,868
Short-term investment securities	1,926,989	300,340
Merchandise and finished goods	1,582,482	1,757,183
Work in process	1,135,086	1,591,011
Raw materials and supplies	4,625,293	4,389,536
Deferred tax assets	609,996	390,014
Other	1,153,404	942,734
Total current assets	18,366,235	20,315,173
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,544,593	4,938,188
Machinery, equipment and vehicles, net	1,189,175	1,204,135
Land	3,882,338	3,882,338
Lease assets, net	755,985	605,543
Construction in progress	396,177	31,148
Other, net	676,718	726,375
Total property, plant and equipment	11,444,988	11,387,729
Intangible assets	83,996	67,615
Investments and other assets		
Investment securities	4,247,640	3,587,572
Net defined benefit assets	280,955	276,230
Other	945,893	773,626
Allowance for doubtful accounts	(22,915)	(22,915)
Total investments and other assets	5,451,573	4,614,515
Total noncurrent assets	16,980,559	16,069,860
Total assets	35,346,794	36,385,034

Unit: thousand yen

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	783,372	700,285
Short-term loans payable	1,760,280	1,493,600
Lease obligations	225,072	230,154
Income taxes payable	764,170	69,580
Provision for bonuses	481,266	525,488
Provision for directors' bonuses	76,520	73,820
Other	1,976,367	1,614,023
Total current liabilities	6,067,049	4,706,951
Noncurrent liabilities		
Long-term loans payable	646,800	2,713,200
Lease obligations	561,529	401,911
Provision for loss on guarantees	358,519	337,945
Net defined benefit liability	566,341	582,538
Other	83,813	56,629
Total noncurrent liabilities	2,217,003	4,092,224
Total liabilities	8,284,052	8,799,175
Net assets		
Shareholders' equity		
Capital stock	9,061,866	9,061,866
Capital surplus	10,961,049	10,964,676
Retained earnings	6,930,146	8,149,279
Treasury stock	(781,615)	(1,486,686)
Total shareholders' equity	26,171,447	26,689,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	587,933	569,641
Foreign currency translation adjustments	205,840	149,691
Remeasurements of defined benefit plans	(145,560)	(103,042)
Total accumulated other comprehensive income	648,213	616,290
Subscription rights to shares	242,323	279,573
Non-controlling interests	757	857
Total net assets	27,062,741	27,585,858
Total liabilities and net assets	35,346,794	36,385,034

Unit: thousand yen

Consolidated Statements of Income

	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)	FY2016 (From Apr. 1, 2016 to Mar. 31, 2017)
Net sales	17,438,377	18,085,035
Cost of sales	6,459,424	5,731,719
Gross profit	10,978,952	12,353,315
Selling, general and administrative expenses	8,826,182	9,991,312
Operating income	2,152,770	2,362,003
Non-operating income		
Interest income	27,075	16,613
Dividends income	23,307	20,682
Foreign exchange gains	11,799	46,834
Gain on redemption of securities	162,335	65,504
Subsidy income	98,224	29,056
Other	25,542	57,740
Total non-operating income	348,284	236,432
Non-operating expenses		
Interest expenses	32,668	28,989
Commission for purchase of treasury stock	737	16,846
Other	24,577	18,262
Total non-operating expenses	57,983	64,098
Ordinary income	2,443,071	2,534,336
Extraordinary income		
Reversal of provision for loss on guarantees	16,401	20,574
Total extraordinary income	16,401	20,574
Extraordinary loss		
Special retirement expenses of subsidiaries and associates	—	59,058
Loss on disposal of noncurrent assets	212	3,064
Total extraordinary loss	212	62,122
Income before income taxes	2,459,259	2,492,788
Income taxes-current	851,770	393,851
Income taxes-deferred	(182,109)	235,666
Total income taxes	669,661	629,517
Profit	1,789,597	1,863,270
Profit attributable to non-controlling interests	123	99
Profit attributable to owners of parent	1,789,474	1,863,170

Consolidated Statements of Comprehensive Income

Profit	1,789,597	1,863,270
Other comprehensive income		
Valuation difference on available-for-sale securities	(144,956)	(18,292)
Deferred gains or losses on hedges	(11,077)	—
Foreign currency translation adjustment	(30,088)	(56,149)
Remeasurements of defined benefit plans, net of tax	(46,197)	42,518
Total other comprehensive income	(232,319)	(31,922)
Comprehensive income	1,557,278	1,831,347
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,557,155	1,831,248
Comprehensive income attributable to non-controlling interests	123	99

Consolidated Statements of Changes in Net Assets

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	Subscription rights to shares	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

From April 1, 2016 to March 31, 2017

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	10,961,049	6,930,146	(781,615)	26,171,447
Cumulative effects of changes in accounting policies			55,397		55,397
Restated balance at the beginning of current period	9,061,866	10,961,049	6,985,544	(781,615)	26,226,845
Changes of items during the period					
Cash dividends			(699,435)		(699,435)
Profit attribute to owners of parent for the year			1,863,170		1,863,170
Purchase of treasury stock				(776,982)	(776,982)
Disposal of treasury stock		3,626		71,911	75,538
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	3,626	1,163,735	(705,070)	462,291
Balance at end of current year	9,061,866	10,964,676	8,149,279	(1,486,686)	26,689,137

	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	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of current period	587,933	—	205,840	(145,560)	648,213	242,323	757	27,062,741
Cumulative effects of changes in accounting policies								55,397
Restated balance at the beginning of current period	587,933	—	205,840	(145,560)	648,213	242,323	757	27,118,139
Changes of items during the period								
Cash dividends								(699,435)
Profit attribute to owners of parent for the year								1,863,170
Purchase of treasury stock								(776,982)
Disposal of treasury stock								75,538
Net changes of items other than shareholders' equity	(18,292)		(56,149)	42,518	(31,922)	37,250	99	5,427
Total changes of items during the period	(18,292)	—	(56,149)	42,518	(31,922)	37,250	99	467,719
Balance at end of current year	569,641	—	149,691	(103,042)	616,290	279,573	857	27,585,858

Consolidated Statements of Cash Flows

Unit: thousand yen

	FY2015 (From Apr. 1, 2015 to Mar. 31, 2016)	FY2016 (From Apr. 1, 2016 to Mar. 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	2,459,259	2,492,788
Depreciation and amortization	1,407,655	1,447,538
Increase (decrease) in provision for bonuses	91,714	44,221
Share-based compensation expenses	85,590	79,352
Increase (decrease) in provision for loss on guarantees	(16,401)	(20,574)
Increase (decrease) in net defined benefit liability	160,639	65,390
Loss (gain) on redemption of securities	(162,335)	(65,504)
Interest and dividends income	(50,382)	(37,296)
Interest expenses	32,668	28,989
Foreign exchange losses (gains)	110	(31,942)
Decrease (increase) in notes and accounts receivable-trade	(180,842)	(50,490)
Decrease (increase) in accounts receivable-other	(106,864)	(324,070)
Decrease (increase) in inventories	(947,050)	(402,918)
Decrease (increase) in deposits paid	(775,490)	778,531
Increase (decrease) in notes and accounts payable-trade	249,364	(83,086)
Increase (decrease) in accounts payable-other	(53,185)	313,494
Increase (decrease) in accrued consumption taxes	324,352	(354,178)
Increase (decrease) in advanced received	(35,505)	(174,514)
Increase (decrease) in long-term advanced received	(180,000)	—
Other, net	78,610	67,882
Subtotal	2,381,907	3,773,613
Interest and dividends income received	57,613	33,355
Interest expenses paid	(32,529)	(28,831)
Income taxes (paid) refund	(205,244)	(1,126,791)
Net cash provided by (used in) operating activities	2,201,746	2,651,346
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	1,182,940	284,352
Purchase of property, plant and equipment	(1,413,936)	(1,550,607)
Purchase of investment securities	(724,401)	(42,769)
Proceeds from sales and redemption of investment securities	11,371	451,974
Other, net	(36,573)	15,646
Net cash provided by (used in) investing activities	(980,599)	(841,403)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	—	50,000
Proceeds from long-term loans payable	500,000	2,300,000
Repayment of long-term loans payable	(759,460)	(550,280)
Repayments of lease obligations	(209,318)	(210,594)
Net decrease (increase) in treasury stock	(205,214)	(743,545)
Cash dividends paid	(640,032)	(699,277)
Net cash provided by (used in) financing activities	(1,314,024)	146,302
Effect of exchange rate change on cash and cash equivalents	(27,149)	(15,037)
Net increase (decrease) in cash and cash equivalents	(120,027)	1,941,208
Cash and cash equivalents at beginning of period	3,643,303	3,523,276
Cash and cash equivalents at end of period	3,523,276	5,464,484

Corporate Information

As of March 31, 2017

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:
566 (Consolidated) 522 (Non-Consolidated)

Subsidiaries

Family Health Rental Co., Ltd. (Japan)

Chromatech Co., Ltd. (Japan)

JCR Engineering Co., Ltd. (Japan)

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

JCR INTERNATIONAL SA (Switzerland)

* JCR approved a resolution to dissolve and liquidate He Bei Jie Xi Bio-products Co., Ltd. on April 26, 2017.

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
4,312

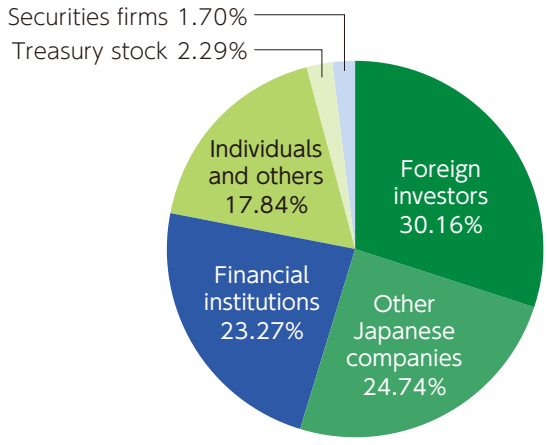
Principal Shareholders

(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)	1,637
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,353
Japan Trustee Services Bank, Ltd. (Trust Account)	1,313
Sumitomo Dainippon Pharma Co., Ltd.	850
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	596
Mochida Pharmaceutical Co., Ltd.	550
Japan Trustee Services Bank, Ltd. (Trust 5 Account)	296

* The Company holds 742,362 shares of treasury stock, which is not included in the above table.

Composition of Shareholders



JCR Pharmaceuticals Co.,Ltd.

Headquarters: 3-19 Kasuga-cho Ashiya, Hyogo, 659-0021 Japan Tel: +81-(0)797-32-8591

www.jcrpharm.co.jp/en/site/en/

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