

(FOR REFERENCE PURPOSE)

Note: This is an English translation of the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

(Securities code: 4552)

June 7, 2017

To the Shareholders

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

JCR Pharmaceuticals Co., Ltd.

Representative Director,
Chairman and President

Shin Ashida

Notice of Convocation of the 42nd Ordinary General Meeting of Shareholders

You are cordially invited to attend the 42nd Ordinary General Meeting of Shareholders of JCR Pharmaceuticals Co., Ltd. (“JCR” or the “Company”) to be held at the time and place as detailed below.

In the event you are unable to attend the meeting, you may exercise your voting rights in writing: review the attached Reference Document for the Shareholders’ Meeting; to exercise your voting rights, indicate “affirmative” or “negative” to each proposal on the enclosed voting form, and return the form to us so that it arrives by close of business (6:00 pm) on June 27, 2017 (Tuesday).

Yours faithfully,

Details

1. **Date and time** 10 am, June 28, 2017 (Wednesday)
2. **Place** ANA Crowne Plaza Hotel Kobe (Room The Ballroom on the 10th floor)
1 Chome, Kitano-cho, Chuo-ku, Kobe
3. **Agenda:**
 - Matters to be Reported:** Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, and Audit Report of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 42nd Fiscal Year (from April 1, 2016 to March 31, 2017)
 - Matters to be Resolved:**
 - Proposal 1** Amendments to the Articles of Incorporation
 - Proposal 2** Appointment of ten (10) Directors
 - Proposal 3** Appointment of two (2) Audit & Supervisory Board Members (*Kansayaku*)
 - Proposal 4** Revision of Remuneration Amount for Directors and Audit & Supervisory Board Members
 - Proposal 5** Issuance of Share Options to Directors, Corporate Officers and Directors of Subsidiaries for Stock Option Scheme as Stock-linked Compensation Plan.

End

- ⦿ You are kindly requested to bring the enclosed Voting Form with you on the day of the Shareholders' Meeting.
- ⦿ Among documents that should be provided for the Notice of Convocation of the General Meeting of Shareholders, the "Notes to Consolidated Financial Statements" and the "Notes to Non-consolidated Financial Statements" are posted on the Company's website (<http://www.jcrpharm.co.jp/>) pursuant to laws and regulations and Article 16 of Incorporation of the Company, and therefore, are not included in the present documents provided for the Notice of Convocation of the General Meeting of Shareholders.
The Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited on the occasion of preparation of the audit report by Audit & Supervisory Board Members and the accounting audit report by the Accounting Auditor include matters that should be shown as the "Notes to Consolidated Financial Statements" and the "Notes to Non-consolidated Financial Statements" in addition to those described in the present documents provided.
- ⦿ Any required corrections to the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and/or the Reference Document for the Shareholders' Meeting will be immediately posted on the Company's website. (<http://www.jcrpharm.co.jp/>).

Proposals and reference information

Proposal 1

Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) To facilitate business expansion and further reinforce the Company's management supervision, we propose to increase the maximum number of Directors from nine (9) to ten (10).
- (2) To enhance the Company's corporate governance, we propose to increase the maximum number of Audit & Supervisory Board Members (*Kansayaku*) from four (4) to five (5). Each Audit & Supervisory Board Member has approved the amendment to Article 29 pertaining to the number of Audit & Supervisory Board Members.

2. Amendments

The amendments are shown below.

(The underlined text indicates changes.)

Current Articles of Incorporation	Amendments to be proposed
<p>Chapter 4 Directors and the Board of Directors (Number of Directors) Article 19 The number of Directors of the Company shall not exceed <u>nine (9)</u>.</p> <p>Chapter 5 Audit & Supervisory Board Members and the Audit & Supervisory Board (Number of Auditors) Article 29 The number of Audit & Supervisory Board Members of the Company shall not exceed <u>four (4)</u>.</p>	<p>Chapter 4 Directors and the Board of Directors (Number of Directors) Article 19 The number of Directors of the Company shall not exceed <u>ten (10)</u>.</p> <p>Chapter 5 Audit & Supervisory Board Members and the Audit & Supervisory Board (Number of Auditors) Article 29 The number of Audit & Supervisory Board Members of the Company shall not exceed <u>five (5)</u>.</p>

Proposal 2

Appointment of ten (10) Directors

All of the current nine (9) Directors will reach the maturity of the term of office at the end of this Annual Shareholders Meeting. Contingent upon Proposal 1 (Amendments to the Articles of Incorporation) having been approved as proposed, we propose to increase the number of Directors of the Company by one (1) in order to facilitate business expansion and further reinforce the Company's management supervision.

The ten (10) candidates nominated by the Board are as follows.

In addition, the candidate number 10, Mr. Takashi Suetsuna, will resign from Independent Audit & Supervisory Board Member at the conclusion of this Annual Shareholders Meeting if this proposal is approved as originally proposed.

Candidate number	Shin Ashida	(January 2, 1943)	Number of shares held in the Company	16,000 shares
1	Resume, positions, areas of supervision and important concurrently held posts			
Reappointed	September 1975 Appointed Representative Director (Current post) at the establishment of JCR Pharmaceuticals Co., Ltd. Appointed President and Director June 2005 Appointed Chairman and Director (Current post) Appointed Chief Executive Officer (CEO) (Current post) June 2007 Appointed President and Director (Current post) Appointed Chief Operating Officer (COO) (Current post)			
	[Important concurrently held posts]			
	Director, Future Brain Co., Ltd. President and Representative Director, JCR INTERNATIONAL SA			
	Reason for election of the candidate Director			
	We request his continuous election as a Director because of his ability and actual achievements as founder and business manager of the Company and for sustained enhancement of the company value in the future.			

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Candidate
number

2

Reappointed

**Katsuya
Nishino** (April 14, 1956)

Number of shares 12,486
held in the Company shares

**Resume, positions, areas of supervision and
important concurrently held posts**

August 1988	Entered Novo Pharmaceutical Co., Ltd. (Currently Novo Nordisk Pharma Ltd.)	July 2013	Supervisor for Planning Division
November 1999	Entered JCR Pharmaceuticals Co., Ltd.	June 2014	Appointed Representative Director (Current post)
June 2004	Appointed Corporate Officer		Appointed Executive Vice President and Director (Current post)
June 2007	Appointed Director		President's Assistant (Current post)
July 2008	Supervisor for Corporate Planning	July 2014	Supervisor for Corporate Business Support Division
July 2010	General Manager, Research Division		Supervisor for Sales Division
June 2012	Appointed Managing Director		Supervisor for Affiliates

Reason for election of the candidate Director

We request his continuous election as a Director because of his abundant work experience and actual achievements related to corporate strategies and his knowledge and experience for many years as a Director.

Candidate
number

3

Reappointed

**Hiroshi
Yoshimoto** (November 27, 1951)

Number of shares 4,981
held in the Company shares

**Resume, positions, areas of supervision and
important concurrently held posts**

April 1972	Entered Taito Pfizer Co., Ltd. (Currently Pfizer Japan Inc.)	May 2011	General Manager, Production Division (Current post)
December 1999	Plant Manager, Basic Production Plant, Nagoya Plant of the same	July 2011	Appointed Corporate Officer
August 2003	Executive Officer, Pharmaceutical Bulk Manufacturing, Nagoya Plant of the same	June 2012	Appointed Director
March 2011	Entered JCR Pharmaceuticals Co., Ltd.	June 2014	Appointed Managing Director
		June 2016	Appointed Senior managing director (Current post)

[Important concurrently held posts]

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

Reason for election of the candidate Director

We request his continuous election as a Director because he has abundant experience and knowledge in manufacturing and quality assurance of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

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Candidate
number

4

Reappointed

Tatsuo Suzuki (September 8, 1954)

Number of shares 7,481
held in the Company shares

Resume, positions, areas of supervision and
important concurrently held posts

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

Reason for election of the candidate Director

We request his continuous election as a Director because he has abundant experience and knowledge in regulatory affairs and quality assurance of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

Candidate
number

5

Reappointed

Mamoru Morita (December 9, 1961)

Number of shares 304
held in the Company shares

Resume, positions, areas of supervision and important
concurrently held posts

April 1990	Entered JCR Pharmaceuticals Co., Ltd.	June 2014	Appointed Corporate Officer
April 2006	Sales Manager, West Japan Sales Dept, Sales Division and Manager, Kyushu Area	April 2016	Head of Sales Division (Current post)
January 2014	General Manager, Sales Division	June 2016	Appointed Board Director (Current post)

Reason for election of the candidate Director

We request his continuous election as a Director because he has abundant experience and actual achievements in promotion of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

Candidate
number

6

Reappointed

Outside
DirectorPhilippe
Fauchet

(November 2, 1957)

Number of shares
held in the Company None**Resume, positions, areas of supervision and important
concurrently held posts**

September 1996	Entered Sanofi S. A.	June 2013	Appointed Director, JCR Pharmaceuticals Co., Ltd. (Current post)
June 2001	Appointed President and Representative Director, Sanofi-Synthelabo S.A. (Currently Sanofi K.K)	April 2017	Appointed Chairman and Representative Director, GlaxoSmithKline K. K. (Current post)
May 2005	Appointed President and Representative Director, Sanofi-Aventis (Currently Sanofi K.K)		Appointed Chairman and Representative Director, Glaxo Kabushiki Kaisha (Current post)
January 2010	Appointed President and Representative Director, GlaxoSmithKline K. K.		

[Important concurrently held posts]

Chairman and Representative Director, GlaxoSmithKline K.K.
Chairman and Representative Director, Glaxo Kabushiki Kaisha

Reason for election of the candidate Director

We request his continuous election as an Outside Director because we wish him to leverage his abundant experience and knowledge as a manager of global pharmaceutical companies in the management of the Company.

Candidate
number

7

Reappointed

Outside
DirectorIndependent
DirectorTakashi
Kobayashi (September 25, 1943)Number of shares
held in the Company None**Resume, positions, areas of supervision and important
concurrently held posts**

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

Reason for election of the candidate Director

We request his continuous election as an Outside Director because we wish him to leverage his abundant experience and knowledge as a director and corporate manager of a major financial institution in the management of the Company.

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Candidate
number

8

Reappointed

Outside
Director

Independent
Director

**Toshihiro
Ishikiriyama** (October 12, 1952)

Number of shares held in the Company **2,000 shares**

**Resume, positions, areas of supervision and
important concurrently held posts**

January 1996	General Manager, Corporate Planning, Hoechst Marion Roussel Inc.	April 2012	Appointed Managing Director and General Manager, Vaccine Business Promotion Division of the same
January 2002	Entered GlaxoSmithKline K.K.	July 2012	Appointed Chairman and Representative Director, Japan Vaccine Co., Ltd.
March 2002	Appointed Director and General Manager, Corporate Planning of the same	June 2014	Appointed President and Representative Director of the same
April 2005	Appointed Director, General Manager, Financial Affairs and Head of Business Development of the same	June 2015	Appointed Director of JCR Pharmaceuticals. Co., Ltd. (Current post)
June 2008	Appointed Managing Director of the same	August 2016	President's Assistant, MEDINET Co., Ltd. (Current post)

[Important concurrently held posts]

President's Assistant (Advisor), MEDINET Co., Ltd.

Reason for election of the candidate Director

We request his continuous election as an Outside Director because we wish him to leverage his abundant experience and expert knowledge as a manager of pharmaceutical companies in the management of the Company.

Candidate
number

9

Reappointed

Outside
Director

Kanako Kikuchi (August 1, 1962)

Number of shares
held in the Company None**Resume, positions, areas of supervision and
important concurrently held posts**

January 2002	Global Strategy Director, Bausch & Lomb Inc. (New York and Florida, USA)	April 2015	Appointed Director and Head of Corporate Strategy and Multichannel Marketing of the same
April 2004	Entered Novartis Pharma K.K. General Manager, Ophthalmics of the same	June 2015	Appointed Director of JCR Pharmaceuticals (Current post)
October 2006	General Manager, OTC of the same	March 2016	Appointed Director and Head of Corporate Strategy, Marketing and Multichannel, GlaxoSmithKline K.K.
May 2010	General Manager, Scientific Affairs, Oncology of the same	July 2016	Appointed Managing Director and Head of Corporate Strategy, Marketing and Multichannel, GlaxoSmithKline K.K.
July 2012	General Manager, Solid Tumor Domain, Oncology of the same	April 2017	Appointed President and Representative Director, GlaxoSmithKline K. K. (Current post) Appointed President and Representative Director, Glaxo Kabushiki Kaisha (Current post)
October 2013	Entered GlaxoSmithKline K.K. Appointed Corporate Officer and Head of Corporate Strategy		
August 2014	Appointed Director and General Manager, Corporate Strategy of the same		

[Important concurrently held posts]

President and Representative Director, GlaxoSmithKline K. K. (Current post)

President and Representative Director, Glaxo Kabushiki Kaisha (Current post)

Reason for election of the candidate Director

We request her continuous election as an Outside Director because we wish her to leverage her expert knowledge and experience as a manager of the global pharmaceutical companies in the management of the Company.

Candidate
number

10

Newly-
appointedOutside
DirectorIndependent
Director

Takashi Suetsuna (March 8, 1949)

Number of shares
held in the Company NoneResume, positions, areas of supervision and important
concurrently held posts

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

[Important concurrently held posts]

Outside Director, Totetsu Kogyo Co., Ltd.
 Audit & Supervisory Board Member, Marubeni Corporation
 Audit & Supervisory Board Member, Keikyu Corporation
 Audit & Supervisory Board Member, Kandenko Co., Ltd.

Reason for election of the candidate Director

We request his election because he has abundant experience in administrative agencies and a global perspective as a diplomat, and therefore we expect to leverage his talents in the management of the Company.

- (Note) 1. Mr. Takashi Suetsuna is a newly-appointed candidate Director.
- GlaxoSmithKline K.K. at which Director, Mr. Philippe Fauchet serves concurrently as a Representative Director and Ms. Kanako Kikuchi serves concurrently as a Director is a subsidiary company of Glaxo Group Limited which is the principal shareholder of the Company and falls under the category of "other affiliates." The Company and Glaxo Group Limited have concluded a comprehensive agreement related to the development and sales of biopharmaceuticals.
 - There are no particular vested interests between other candidates and the Company.
 - The term of office as an Outside Director at the time of close of this Shareholders Meeting will be 4 years for Mr. Philippe Fauchet, 3 years for Mr. Takashi Kobayashi, and 2 years for Mr. Toshihiro Ishikiriyama and Ms. Kanako Kikuchi.
 - Mr. Takashi Suetsuna is currently an Audit & Supervisory Board Member of the Company, but the term of office as an Audit & Supervisory Board Member will be 1 year at the time of close of this Shareholders Meeting.
 - When this proposal is approved as proposed, Mr. Takashi Kobayashi, Mr. Toshihiro Ishikiriyama and Mr. Takashi Suetsuna will be registered at Tokyo Stock Exchange as Independent Director without particular vested interests with the shareholders in general. Pursuant to the Articles of Incorporation of the Company, the Company has concluded a contract with Mr. Takashi Kobayashi and Mr. Toshihiro Ishikiriyama with respect to limiting their liabilities for damages under Article 423Paragraph 1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425Paragraph 1 of the Companies Act so far as they are performing his duties in good faith and without gross negligence. If the proposal is approved as originally proposed and both are re-elected, the above contract will be continued. In addition, when Mr. Takashi Suetsuna is appointed, pursuant to the Articles of Incorporation of the Company, the Company has concluded a contract with him with respect to limiting his liability for damages under Article 423Paragraph 1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425Paragraph 1 of the Companies Act so far as he is performing his duties in good faith and without gross negligence.

Proposal 3

Appointment of Two (2) Audit & Supervisory Board Members (*Kansayaku*)

Audit & Supervisory Board Member, Mr. Takashi Suetsuna, will resign his office at the end of this Annual Shareholders Meeting. We propose to increase the number of Audit & Supervisory Board Members by one (1) in order to reinforce corporate governance and auditing capacity. Accordingly, contingent upon Proposal 1 (Amendments to the Articles of Incorporation) having been approved as proposed, two (2) new Audit & Supervisory Board Members shall be appointed. The Audit & Supervisory Board has assented to this proposal.

The two (2) candidates nominated by the Board are as follows.

Candidate number	Takeshi Komura (September 2, 1939)		Number of shares held in the Company	1,000
1	Resume, positions and important concurrently held posts			
	April 1963	Entered Ministry of Finance	August 2012	Audit & Supervisory Board Member, Maezawa Industries, Inc. (Current post)
Newly-appointed	June 1982	Budget Examiner of Budget Bureau (Health, Labor and Welfare)	January 2014	President, Capital Market Promotion Foundation, Public Interest Incorporated Foundation (Current post)
	June 1993	Deputy Vice Minister		
	May 1995	Director-General of the Budget Bureau		
	July 1997	Administrative Vice Minister of Finance		
	January 2001	Governor, Development Bank of Japan Inc.		
Independent Audit & Supervisory Board Member	[Important concurrently held posts]			
	Audit & Supervisory Board Member, Maezawa Industries, Inc.			
	President, Capital Market Promotion Foundation, Public Interest Incorporated Foundation			
Reason for election of the candidate Audit & Supervisory Board Member				
We request his election because he has extensive experience in administrative agencies and a wide range of finance and financial insights and also knowledge of outside director of other companies, and therefore we expect to leverage his talents in the audit of the Company.				

Candidate
number

2

Newly-
appointedIndependent
Audit &
Supervisory
Board
Member

Shuichi Tani (March 20, 1939)

Number of shares held
in the Company 2,000

Resume, positions and important concurrently held posts

May 1964	Entered Ichihara Public Health Center, Chiba Prefecture	July 1998	Retired from the Ministry of Health and Welfare
October 1969	Entered Ministry of Health and Welfare	August 1998	Vice Chairman of All Japan Federation of Social Insurance Associations
October 1988	Director of Health Science Division, Minister's Secretariat	October 2001	President of International University of Health and Welfare
June 1990	Minister's Secretariat Councilor (Science and Technology)	July 2009	President Emeritus of International University of Health and Welfare
October 1992	Director General of Health Service Bureau		
January 1995	Director General of Health Policy Bureau		

Reason for election of the candidate Audit & Supervisory Board Member

We request his election because he has extensive experience on health care and deep insight into medical welfare and also to utilize knowledge familiar with educational institutions, and therefore we expect to leverage his talents in the audit of the Company.

- (Note) 1. Mr. Takeshi Komura and Mr. Shuichi Tani are newly-appointed candidates for Audit & Supervisory Board Members.
 2. There are no particular vested interests between Mr. Takeshi Komura, Mr. Shuichi Tani and the Company.
 3. When this proposal is approved as proposed, Mr. Takeshi Komura and Mr. Shuichi Tani will be registered at Tokyo Stock Exchange as Independent Director without particular vested interests with the shareholders in general.
 4. Pursuant to the Articles of Incorporation of the Company, if Mr. Takeshi Komura and Mr. Shuichi Tani are elected at this Shareholders Meeting, the Company will conclude a contract with them with respect to limiting their liabilities for damages under Article 423 Paragraph 1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425 Paragraph 1 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.

Proposal 4

Revision of Remuneration Amount for Directors and Audit & Supervisory Board Members

The maximum yearly amounts of remuneration for the Directors and Audit & Supervisory Board Members were approved at no more than 400 million yen for Directors and no more than 30 million yen for Audit & Supervisory Board Members at the 34th Annual Shareholders Meeting held on June 25, 2009 and remains unchanged to date. While the number of Directors is currently nine (9) (including four (4) Outside Directors) and the number of Audit & Supervisory Board Members is four (4), once Proposal 1 (Amendments to the Articles of Incorporation) is approved as proposed, the number of Directors will be ten (10) and the number of Audit & Supervisory Board Members will be five (5). We propose to revise the maximum yearly amounts of remuneration to 500 million yen (including 100 million yen for Outside Directors) for Directors and 80 million yen for Audit & Supervisory Board Members because of the increase in the number of Directors and Audit & Supervisory Board Members in order to strengthen managerial foundation, as a result of the changes in economic conditions and revisions to the Companies Act.

The said remuneration amount for Directors as before, shall not include the salary paid to Directors of the Board concurrently serving as employees.

The numbers of Directors and Audit & Supervisory Board Members shall be ten (10) (including five (5) Outside Directors) and five (5), respectively, once Proposals 2 and 3 are approved as proposed.

Proposal 5

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

The stock-linked compensation stock option allotted to Directors of the Company and its subsidiary companies and the Corporate Officers of the Company are intended to further increase their motivation for contribution or the morale toward continued enhancement of the business performance and corporate value in the medium- and long-term by sharing with shareholders not only merits from stock price rises but also risks from stock price falls. Once Proposal 4 (Revision of Remuneration Amount for Directors and Audit & Supervisory Board Members) is approved as proposed, the amount of compensation to the Directors is set at “No more than ¥500 million annually.” We seek the approval of issuance of new share subscription rights as the stock-linked compensation stock option within this limit.

In addition, we would like to request the approval to issue new share subscription rights as the stock-linked compensation stock option to Directors of subsidiary companies and Corporate Officers of the Company as well. Under the stock-linked compensation stock option, a payment amount for allotting new share subscription rights is set as the fair price, and instead of the payment of said amount, the Directors of the Company and its subsidiary companies and Corporate Officers of the Company shall offset the payment with their claims for compensation from the Company.

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

1. Outlines of the new share subscription rights

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

Five (5) Directors excluding Outside Directors of the Company, one (1) Director of a subsidiary company and seven (7) Corporate Officers of the Company

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

Common shares of the Company limited to a maximum of 29,000 shares

(3) Total number of the new share subscription rights

Limited to a maximum of 290 units (100 shares to be issued per one unit of the new share subscription right.)

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

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

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

The value of property per one share to be invested upon exercise of the new share subscription rights (hereinafter referred to as the “Exercise Value”) shall be ¥1.

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

[1] The recipient of the new share subscription rights may exercise its rights no more than 10 days from the day following the date of loss of the position if he/she is a Director of the Company or a subsidiary company or from the day following the date of resignation of the position if he/she is a Corporate Officer. However, if a Corporate Officer who has become a Director of the Company or a Director of a subsidiary company resigns, he/she may exercise his/her rights for up to 10 days after the following day of the date he/she no longer occupies the position of Director. A Corporate Officer loses his/her rights if his/her resignation is due to dismissal or for personal reasons.

[2] The new share subscription rights shall be exercised collectively and may not be divided and exercised in parts.

[3] In the event the recipient of the new share subscription rights loses the position of Director of the Company or a subsidiary company or the Corporate Officer of the Company reaches retirement by the day before the Ordinary General Meeting of Shareholders scheduled to be held in June 2018, he/she will not be able to exercise the rights.

[4] The Company prohibits the pledging or other disposal of the new share subscription rights in any manner whatsoever.

[5] Other conditions for the exercise of rights shall accord with the provisions of the “New Share Subscription Rights Agreement” concluded between the Company and the recipient of the new share subscription rights.

(7) Inheritance of the new share subscription rights

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

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

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

(9) Other matters

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

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

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

[Attachment] Report on business results (From April 1, 2016 to March 31, 2017)

1 Current situation of the corporate group

1. Progress of business and its results

During this consolidated fiscal year, further promotion of generic drugs and diversifying medical needs were apparent in the pharmaceutical industry while the government carried forward its policy for reducing medical expenditures. On the other hand, the environment to create new drugs became more challenging with stricter requirements for drug approval and costs of new drug development skyrocketing.

Under such circumstances, the Company promoted sales of its core products and reinforced development of innovative medicine using its proprietary advanced technologies as well as its licensing business in an effort to realize the 5-year mid-term management plan “HIYAKU” (leap into the future), which was formulated in 2015.

In regard to sales performance, sales of our core product, GROWJECT®, a recombinant natural human growth hormone product, increased despite of decrease in its listing price. Sales of Epoetin Alfa BS Inj. JCR, a recombinant human erythropoietin product (renal anemia therapeutic product) and TEMCELL® HS Inj., a regenerative medicine product launched in February 2016, excelled their initial sales projections.


On the research and development front, JR-131, a follow-on biologic of long-acting erythropoiesis-stimulating agent (darbepoetin alfa), currently in Phase III clinical study and also JR-051, a follow-on biologic of a therapeutic enzyme for Fabry disease (agalsidase beta), currently in Phase II/III clinical study made a progress on schedule, respectively. In March 2017, Phase I/II clinical study was initiated with JR-141, an innovative therapeutic enzyme product for Hunter syndrome to which our proprietary blood-brain barrier (BBB)-penetration technology, J-Brain Cargo® is applied. Furthermore, development of JR-162, a therapeutic enzyme product for Pompe disease, kicked off as the second innovative medicine in the J-Brain Cargo® series. In the cell therapy field, we continue to pursue development of new regenerative medicine at our Cell Processing Center built in April 2016.

As a result of the aforementioned business activities, JCR Group overall recorded sales of 18,085 million yen (3.7% increase from the previous fiscal year), operating income of 2,362 million yen (9.7% increase from the previous fiscal year), ordinary income of 2,534 million yen (3.7% increase from the previous fiscal year), and current net income attributable to shareholders of parental company of 1,863 million yen (4.1% increase from the previous fiscal year). Each item exceeded the result of the previous fiscal year, and thereby, we successfully marked a record-high financial result again in this fiscal year.

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Sales	Operating income	Ordinary income	Current net income attributable to shareholders of parental company
¥18,085 million	¥2,362 million	¥2,534 million	¥1,863 million
Against previous term 3.7% increase	Against previous term 9.7% increase	Against previous term 3.7% increase	Against previous term 4.1% increase

Situation in each business segment

Pharmaceuticals	Sales: 17,677 million yen (3.7% increase)	
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The monetary amount of sales of the Company's core product "GROWJECT®" increased favorably continuously from the previous term and reached ¥10,682 million yen (4.5% increase) thanks to effects of strengthened sales promotion and launch of the liquid formulation. Epoetin Alfa BS Injection JCR and TEMCELL® HS Inj. also performed well, and consequently, the monetary amount of sales of entire pharmaceutical products reached 17,677 million yen (3.7% increase).

Medical devices and laboratory equipment	Sales: 407 million (2.4% increase)	
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The total sales of medical devices and laboratory equipment business recorded ¥398 million (3.7% decrease).

Sales in each business segment were as follows.

Business division	Amount	Against previous term	Composition ratio
Pharmaceuticals	¥17,677 million	3.7%	97.7%
Medical devices and laboratory equipment	¥407 million	2.4%	2.3%
Total	¥18,085 million	3.7%	100.0%

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

2. State of financing

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

3. State of capital investment

The total value of investment in building, plant and machinery during the fiscal year under review was ¥1,409 million, of which the primary breakdown shows ¥526 million for pharmaceutical manufacturing facilities and ¥815 million for R&D facilities.

4. Challenges need to be addressed

We announced the 5-year mid-term management plan, “HIYAKU” (leap into the future), in June 2015. Goals of this plan are to achieve net sales of 25 billion yen and operating profit of 5 billion yen and to accelerate our activities aiming at realization of our business vision, “R&D oriented specialty pharma with global exposure which is built on proprietary biotechnologies and technologies for cell therapy and regenerative medicine”. To achieve these goals, we will address the following challenges:

(1) Efforts to increase sales and reduce costs of existing products

Sales of JCR’s core product, GROWJECT®, has increased steadily since its launch in 1993 owing to expansion of indications, development of unique electronically-controlled injectors, and reinforcement of medical affairs activities. In January 2017, we launched its long-awaited liquid formulation and its dedicated injector, GROWJECTOR® L, which not only attracted new patients including those who were reluctant to using an electronically-controlled injector and also encouraged patients to switch to our product from competitors’. We will continue to execute our sales strategy based on our strengths such as promotion of these new products and more detailed area marketing so as to further increase sales. Sales of Epoetin Alfa BS Inj. JCR has increased steadily since its launch. This product currently holds up a market share of more than 60%, on volume basis, in the market of short-acting erythropoietin product for renal anemia treatment in dialysis patients. Furthermore, development of JR-131, long-acting erythropoiesis stimulating agent is ongoing, as a follow-on biologic of darbepoetin alfa, aimed for launch in FY2019. We will promote advantages of our products to maximize sales in this renal anemia domain further nurturing the trust with doctors we built.

TEMCELL® HS Inj. has been highly evaluated by the medical community since its launch as a new treatment option for acute graft-versus-host disease (GVHD) following hematopoietic stem cell transplant. We will continue to accumulate its efficacy and safety information, expand its supply to medical institutions across Japan where hematopoietic stem cell transplants are performed and develop this product to be a new source of sales.

We will endeavor to increase profits by increasing sales performance of the above mentioned products as well as others while reducing various production and sales costs.

(2) Favorable progress of development pipeline

[JR-051] (Follow-on biologic of agalsidase beta for Fabry disease)

Enrollment of subjects in Phase II/III clinical study as the final clinical study was completed in October 2016, and we plan to file an application for marketing approval in FY2017. Anticipating to obtain the approval within FY2018, we will proceed with establishing supply, sales and other structures for swift market penetration.

[JR-131] (Follow-on biologic of darbepoetin alfa for renal anemia)

Phase III study, which started in August 2016, made a favorable progress; enrollment of subjects and administration of investigational drugs to the subjects was completed. To achieve filing the application for marketing approval in FY2018 and commercial launch in FY2019, we will exert efforts to ensure steady progress in this development.

(FOR REFERENCE PURPOSE)

[JR-141] (BBB-penetrating iduronate-2-sulfatase for Hunter syndrome)

Phase I/II clinical study in patients with Hunter syndrome kicked off in March 2017. JR-141 is an innovative therapeutic enzyme for Hunter syndrome to which J-Brain Cargo®, the in-house developed blood-brain barrier (BBB)-penetration technology, was applied in order to enable delivery of therapeutic substance into the brain by crossing the BBB. This product is expected to show efficacy in patients with symptoms of central nervous system which existing medicines do not bring about. In order to meet expectations from patients and their family, and physicians, we will give a high priority to development of JR-141.

[JR-142] (Long-acting growth hormone for growth disorders)

JR-142 is a long-acting growth hormone product for which modified albumin fusion technology is used. We are accumulating its basic data to initiate a clinical study within FY2018. We will make further efforts in this development as a new formulation to be added in JCR's GROWJECT® portfolio.

[JR-162] (BBB-penetrating acid alpha-glucosidase for Pompe disease)

Development of JR-162, a therapeutic enzyme product for Pompe disease, started following JR-141 as the second innovative medicine using J-Brain Cargo® for lysosomal storage diseases. J-Brain Cargo® is capable of not only crossing BBB but also effectively delivering medicine to skeletal muscles, which is known to be difficult to achieve. This is why we applied J-Brain Cargo® to the therapeutic enzyme for Pompe disease to effectively deliver it to skeletal muscles where symptoms of this disease primarily manifest. Because JR-162 will be a new therapeutic approach for Pompe disease, we will prioritize this development aiming to progress to clinical phase as early as possible.

(3) New efforts in cell therapy and regenerative medicine field

Launched as the pioneer regenerative medicine product in February 2016, TEMCELL® HS Inj. is a new treatment option for acute graft-versus-host disease (GVHD) following hematopoietic stem cell transplant. We will strive to strengthen sales of TEMCELL® HS Inj. and explore the possibility of further development of this product leveraging its wide potential of mesenchymal stem cells (MSCs).

We are also engaged in research on new proprietary cell sources proactively. Focus on the potential of dental pulp-derived stem cells (DPCs) is aimed towards practical realization as soon as possible.

In April 2016, we opened a new cell processing center on the premise of our Research Institute. As a leading company in the cell therapy and regenerative medicine field where intensive competition is expected in the future, we will proactively proceed with R&D in this field.

(4) Efforts in licensing business

To realize our goal to be a "R&D oriented specialty pharma with global exposure," it is extremely important to license out products and technologies we developed utilizing our technological capabilities.

There are innovative drugs such as JR-141 and JR-162, to which we apply our proprietary technology, J-Brain Cargo®. Our platform technology has potentials to be applied to various candidate therapeutic targeting CNS disorders. We will continue to proactively seek out licensing opportunities of these products and technologies.

(FOR REFERENCE PURPOSE)

Currently discussion with several companies is underway for potential out licensing. We will continue to explore diverse options and accelerate negotiations with multiple companies.

As for JR-051 currently under Phase II/III clinical study (in Japan), we will continue exploring sales collaboration on and global marketing of this product with GlaxoSmithKline (GSK) based on the agreement between our companies. We think DPCs are applicable to diverse indications given the nature of these cells. As such, we will work on out licensing of this product to suitable companies taking account of the market size of each indication.

(5) Global expansion

Leveraging our proprietary technologies, we focus on development of medicines for rare diseases, especially those in the pediatrics domain. While pursuing R&D activities mainly for Japan, we need to take into account a foreseeable impact of Japan's declining birth rate. Challenges to continue development of therapeutics for small patient population with rare diseases in the world would be even greater if we limited our R&D activities only for Japan.

Because JCR's innovative therapeutic product candidates including JR-141 using J-Brain Cargo® are what patients around the world are waiting for, we shall work on establishing a strategic framework to facilitate global development including partnering with other companies. We believe that a successful global expansion of these innovative products will play a pivotal role to accelerate JCR's growth and its R&D activities.

To fulfill the responsibility for a stable supply of pharmaceuticals to each country, we consider that centralizing our operating bases in Japan may pose risks to sustainability of our business given the geological characteristics of Japan with frequent earthquakes and local disasters. Mainly to hedge such risks and to establish a global pharmaceutical supply chain, we are probing options to establish bases overseas including Europe and the US, bearing in mind of a possible utilization of our Swiss subsidiary.

Two fiscal years have passed since JCR announced its 5-year mid-term management plan. Since existing products have shown brisk sales and development of the product candidates progressed on schedule, we believe that our plan is on a good track to reach its goals.

We believe our mission under the corporate philosophy of "Contributing towards people's healthcare through pharmaceutical products" is to create innovative medicine for intractable diseases and rare diseases. To realize this mission, it is indispensable to continuously strengthen the management platform including nurturing excellent human resources who have willingness to take on challenges.

To stay as a company appreciated and trusted by not just customers but all stakeholders including our employees, we will continuously value our open-minded corporate culture which has been existing since our inception, proactively be engaged in further strengthening compliance and corporate governance, promoting transparency of corporate activities and realization of diversity while aiming for sustained growth.

[Reference] Development status of new products

Recombinant drug products

Code (Nonproprietary name)	Status (Japan)	Indication	Remarks
JR-051 Alpha-galactosidase A (rDNA origin)	Phase II/III	Fabry Disease (LSD)	ERT Co-developed with GSK Group
JR-131 Darbepoetin Alfa (rDNA origin)	Phase III	Renal Anemia	Co-developed with Kissei Pharmaceutical Co., Ltd.
JR-041 Follicle-stimulating hormone (rDNA origin)	Phase I/II	Infertility	Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-032 Iduronate 2-sulfatase (rDNA origin)	Clinical trial in preparation	Hunter Syndrome(LSD)	ERT Co-developed with GSK Group
JR-101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher's Disease (LSD)	ERT Using Glycoengineering Technology "J-GlycoM [®] "
JR-141 BBB-Penetrating iduronate 2-sulfatase (rDNA origin)	Phase I/II	Hunter Syndrome (LSD)	ERT Using in-house developed platform technologies, Blood Brain Barrier Penetration Technology, "J-Brain Cargo [®] "
JR-142 Long-Acting somatropin (rDNA origin)	Preclinical	Growth Disorder	Long-Acting Human Growth Hormone Product Using Modified Albumin Fusion Technology and High-Level Protein Expression Technology, "J-MIG System [®] "
JR-162 BBB-Penetrating acid alpha-glucosidase (rDNA origin)	Preclinical	Pompe Disease (LSD)	ERT Using "J-Brain Cargo [®] "

(Note) ERT=Enzyme Replacement Therapy
LSD=Lysosomal Storage Disease

5. Trends in assets and profit and loss

Trends in the state of business results and assets of JCR Group

Category		39th term Fiscal year 2013	40th term Fiscal year 2014	41st term Fiscal year 2015	42nd term (term under review) Fiscal year 2016
Sales	(million yen)	15,705	16,855	17,438	18,085
Operating income	(million yen)	1,545	2,014	2,152	2,362
Ordinary income	(million yen)	1,680	2,340	2,443	2,534
Current net income attributable to shareholders of parental company	(million yen)	1,296	1,682	1,789	1,863
Net income per share	(yen)	40.79	52.85	56.12	58.95
Total assets	(million yen)	33,464	34,086	35,346	36,385
Net assets	(million yen)	24,580	26,264	27,062	27,585

Trends in the business results and assets of the Company

Category		39th term Fiscal year 2013	40th term Fiscal year 2014	41st term Fiscal year 2015	42nd term (term under review) Fiscal year 2016
Sales	(million yen)	15,426	16,539	17,128	17,794
Operating income	(million yen)	1,483	1,986	2,052	2,265
Ordinary income	(million yen)	1,635	2,250	2,347	2,442
Net income	(million yen)	1,179	1,646	1,736	1,870
Net income per share	(yen)	37.13	51.72	54.46	59.19
Total assets	(million yen)	33,047	33,690	34,924	35,977
Net assets	(million yen)	24,466	26,034	26,855	27,399

6. Important subsidiaries, etc.

Subsidiaries

Company name	Capital	Investment ratio of the company	Description of main business
He Bei Jie Xi Bio-products Co., Ltd.	25 million RMB	100.0 %	Manufacture of active pharmaceutical ingredients
Family Health Rental Co., Ltd.	150 million yen	99.3 %	Sale, lease and rental of medical devices
Chromatech Co., Ltd.	10 million yen	100.0 %	Sale of medical and laboratory equipment
JCR Engineering Co., Ltd.	10 million yen	100.0 %	Processing and custody of facility information Construction management Facility management
JCR INTERNATIONAL SA	1 million CHF	100.0 %	Surveys toward market development and investments related to pharmaceuticals

Affiliated company

No relevant items.

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

No relevant items.

7. Scope of main business

The Company Group manufactures, purchases and sells ethical pharmaceuticals, regenerative medicine products, active pharmaceutical ingredients and raw materials and also purchases and sells medical and laboratory equipment such as physicochemical equipment and infant respiratory monitors.

8. Main places of business and plants

JCR Pharmaceuticals Co., Ltd.

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

Subsidiaries

Category	Name (location)
Japan	Family Health Rental Co., Ltd. (Chuo-ku, Kobe) Chromatech Co., Ltd. (Nishinomiya , Hyogo) JCR Engineering Co., Ltd. (Nishi-ku, Kobe)
Overseas	He Bei Jie Xi Bio-products Co., Ltd. (China) JCR INTERNATIONAL SA (Switzerland)

9. Employees

Business division	Number of employees
Pharmaceuticals	491 employees
Medical devices and laboratory equipment	9 employees
Company-wide (shared)	66 employees
Total	566 employees

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

10. Principal lenders

Lender	Loan value
Mizuho Bank, Ltd.	¥1,000 million
Sumitomo Mitsui Banking Corporation	¥950 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥900 million

2 Matters related to the shares of the Company

1. State of shares

(1) Total number of authorized shares	80,000,000 shares
(2) Total number of outstanding shares	32,421,577 shares (including 742,362 shares held as treasury stock)
(3) Number of shareholders at the end of the term under review	4,312 shareholders

2. Principal shareholders (Top 10)

Name of shareholder	Number of shares held	Ratio of shareholding
GLAXO GROUP LIMITED	7,986,000 shares	25.21%
Kissei Pharmaceutical Co., Ltd.	3,800,000 shares	11.99%
Future Brain Co., Ltd.	2,177,000 shares	6.87%
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	1,637,000 shares	5.17%
The Master Trust Bank of Japan, Ltd.(Trust Account)	1,353,000 shares	4.27%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,313,000 shares	4.14%
Sumitomo Dainippon Pharma Co., Ltd.	850,000 shares	2.68%
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	596,000 shares	1.88%
Mochida Pharmaceutical Co., Ltd.	550,000 shares	1.73%
Japan Trustee Services Bank, Ltd. (Trust 5 Account)	296,000 shares	0.93%

- (Note) 1. The Company holds 742,362 shares of the Company; however it is not included in the table above.
 2. 100,000 shares of the Company held with Trust Custody Services Bank, Ltd. (Trust E Account) following the adoption of Benefit Trust Scheme (J-ESOP), is not included in treasury stock of the Company (742,362 shares).
 3. Ratios of shareholding have been calculated after deducting treasury stock from the total number of outstanding shares.

3 Matters related to the new shares subscription rights of the Company

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

Date of resolution on issue	Period of exercise		Exercise price	Recipients	Number of rights (Note)
June 25, 2009	From To	July 1, 2009 June 30, 2039	1 yen	Directors (excluding Outside Directors): 2 members	9
June 25, 2010	From To	August 23, 2010 August 22, 2040	1 yen	Directors (excluding Outside Directors): 2 members	14
June 28, 2011	From To	July 15, 2011 July 14, 2041	1 yen	Directors (excluding Outside Directors): 3 members	135
June 27, 2012	From To	July 17, 2012 July 16, 2042	1 yen	Directors (excluding Outside Directors): 4 members	180
June 19, 2013	From To	July 10, 2013 July 9, 2043	1 yen	Directors (excluding Outside Directors): 4 members	80
July 25, 2014	From To	August 15, 2014 August 14, 2044	1 yen	Directors: 4 members Outside Directors: 1 member Audit & Supervisory Board Member: 1 member	120 10 10
June 24, 2015	From To	July 15, 2015 July 14, 2045	1 yen	Directors (excluding Outside Directors): 5 members	170
June 22, 2016	From To	July 13, 2016 July 12, 2046	1 yen	Directors (excluding Outside Directors): 5 members	200

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on June 25, 2009 and June 25, 2010 corresponds to 1,000 shares per new share subscription right .
The number of shares to be acquired by exercise of new share subscription rights resolved on June 28, 2011, June 27, 2012, June 19, 2013, July 25, 2014, June 24, 2015 and June 22, 2016 corresponds to 100 shares per new share subscription right

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

Date of resolution on issue	Period of exercise		Exercise price	Recipients	Number of rights (Note)
June 22, 2016	From To	July 13, 2016 July 12, 2046	1 yen	Directors of subsidiary company: 1 member Corporate Officers: 7 members	10 70

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on June 22, 2016 corresponds to 100 shares per new share subscription right

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

No relevant items.

4 Officers (As of March 31, 2017)

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

Position	Name	Important concurrently held positions
Chairman and President CEO and COO (Representative Director)	Shin Ashida	Director, Future Brain Co., Ltd. President and Representative Director, JCR INTERNATIONAL SA
Executive Vice President and Director (Representative Director)	Katsuya Nishino	President's Assistant
Senior Managing Director	Hiroshi Yoshimoto	General Manager, Production Division Chairman, He Bei Jie Xi Bio-products Co., Ltd.
Managing Director	Tatsuo Suzuki	General Manager, Quality Assurance Division, Director, Regulatory Affairs Dept.
Director	Mamoru Morita	Head of Sales Division
Director	Philippe Fauchet	President and Representative Director, GlaxoSmithKline K.K.
Director	Takashi Kobayashi	
Director	Toshihiro Ishikiriyama	President's Assistant (Advisor), Medinet Co., Ltd.
Director	Kanako Kikuchi	Managing Director, GlaxoSmithKline K.K. (Head of Corporate Strategy, Marketing and Multichannel)
Audit & Supervisory Board Member (full-time)	Kazumasa Oizumi	
Audit & Supervisory Board Member	Kazuhiko Yamada	Head, Kazuhiko Yamada Tax Accountant Offices
Audit & Supervisory Board Member	Kenjiro Miyatake	Outside Director, The Japan Wool Textile Co., Ltd. President, Kobe Pharmaceutical University
Audit & Supervisory Board Member	Takashi Suetsuna	Outside Director, Totetsu Kogyo Co., Ltd. Audit & Supervisory Board Member, Marubeni Corporation Audit & Supervisory Board Member, Keikyu Corporation Audit & Supervisory Board Member, Kandenko Co., Ltd.

(FOR REFERENCE PURPOSE)

- (Note)The four Directors Mr. Philippe Fauchet, Mr. Takashi Kobayashi, Mr. Toshihiro Ishikiryama and Ms. Kanako Kikuchi are Outside Directors, and Mr. Takashi Kobayashi and Mr. Toshihiro Ishikiryama are independent officers with regard to whom conflicts of interest will not occur with shareholders in general, the appointment of which is mandated by the Tokyo Stock Exchange.
- Mr. Katsuhiko Tachibana retired from Director due to expiration of his term of office at the time of close of the 41st Ordinary General Meeting of Shareholders held on June 22, 2016.
 - Four Audit & Supervisory Board Members, Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, Mr. Kenjiro Miyatake, and Mr. Takashi Suetsuna are Outside Auditors and are independent auditors with regard to whom conflicts of interest will not occur with shareholders in general, the appointment of which is mandated by the Tokyo Stock Exchange. Mr. Masaki Iba resigned from the position of Audit & Supervisory Board Member at the time of close of the 41st Ordinary General Meeting of Shareholders held on June 22, 2016.
 - Audit & Supervisory Board Member Mr. Kazumasa Oizumi has many years of experience at financial institutions; Audit & Supervisory Board Member Mr. Kazuhiko Yamada is a qualified tax accountant and has appreciable extent of knowledge with regard to finance and accounting; and Audit & Supervisory Board Member Mr. Kenjiro Miyatake has experience as business manager in the pharmaceutical industry; Audit & Supervisory Board Member Mr. Takashi Suetsuna has abundant experience in administrative agencies.
 - The Company has introduced a Corporate Officer system in order to streamline the management organization and strengthen the functions of the Board of Directors.

The Corporate Officers are as follows.

Corporate Officer	Teiji Tomio	General Manager, Development Division
Corporate Officer	Takayo Egawa	General Manager, Business Development Division and Director, International Business & Licensing Dept.
Corporate Officer	Toru Ashida	Director, Office of President
Corporate Officer	Tohru Hirato	General Manager, Research Division
Corporate Officer	Yoshihiko Onishi	General Manager, Sales Division
Corporate Officer	Yutaka Honda	General Manager, Corporate Planning Division
Corporate Officer	Akihiro Haguchi	Director, Accounting Dept.

2. Summary of the details of liability limitation contracts

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

Under the said provision, the Company has concluded contracts with the Outside Directors Mr. Takashi Kobayashi and Mr. Toshihiro Ishikiryama and the four Audit & Supervisory Board Members with respect to limiting their liabilities for damages under Article 423 Paragraph 1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425 Paragraph 1 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.

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

Post	Recipients	Amount of compensation, etc.
Director	8 members	290,435,000 yen
(Outside Directors)	(2 members)	(19,700,000 yen)
Audit & Supervisory Board Member	5 members	29,750,000 yen
(Outside Auditors)	(5 members)	(29,750,000 yen)

- (Note) 1 The number of Directors and Audit & Supervisory Board Members described in the table above includes one Director and one Audit & Supervisory Board Member (Outside Auditor) who retired at the time of close of the 41st General Shareholders Meeting held on June 22, 2016.
2. The amount of compensation, etc., includes ¥73,820,000 posted as a reserve for bonuses for executives related to the fiscal year under review (¥69,420,000 for 7 Directors and ¥4,400,000 for 4 Audit & Supervisory Board Members).
3. The amount of compensation, etc., includes ¥56,680,000 (amount as compensation) worth of new share subscription rights allotted to 5 Directors as stock options on July, 2016.

4. Matters related to Outside Directors

(1) Relationships between other companies, etc., where Outside Directors hold important concurrent post and the Company

- a. Director Mr. Philippe Fauchet serves concurrently as the President and Representative Director of GlaxoSmithKline K.K. and Director Ms. Kanako Kikuchi serves concurrently as the Managing Director of GlaxoSmithKline K.K. The Company and Glaxo Group Limited have concluded a comprehensive agreement related to the development, manufacture and sale of biotherapeutics. Moreover, Glaxo Group Limited holds 25.21% of the Company's shares.
- b. Medinet Co., Ltd. has no business with the Company.
- c. Mr. Kazuhiko Yamada Tax Accountant Offices have no business with the Company.
- d. Japan Wool Textile Co., Ltd. has no business with the Company.
- e. Kobe Pharmaceutical University has no business with the Company.
- f. Totetsu Kogyo Co., Ltd. has no business with the Company.
- g. Marubeni Corporation has no business with the Company.
- h. Keikyu Corporation has no business with the Company.
- i. Kandenko Co., Ltd. has no business with the Company.

(FOR REFERENCE PURPOSE)

(2) State of main activities and remarks during the fiscal year under review

Category	Name	State of main activities
Outside Director	Philippe Fauchet	He attended 11 meetings of the Board of Directors held during the business year under review and offered appropriate statements from his standpoint as a business manager.
Outside Director	Takashi Kobayashi	He attended all 12 meetings of the Board of Directors held during the business year under review and offered appropriate statements from his experience as a business manager.
Outside Director	Toshihiro Ishikiriyama	He attended all 12 meetings of the Board of Directors held during the business year under review and offered appropriate statements from his experience as a business manager.
Outside Director	Kanako Kikuchi	She attended 11 meetings of the Board of Directors held during the business year under review and offered appropriate statements from her standpoint as a business manager.
Independent Audit & Supervisory Board Member	Kazumasa Oizumi	He attended all 12 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the business year under review, and offered appropriate statements in his position as an Audit & Supervisory Board Member based on his career in the financial industry and experience as corporate officer.
Independent Audit & Supervisory Board Member	Kazuhiko Yamada	He attended all 12 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the business year under review, and offered appropriate statements in his position as an Audit & Supervisory Board Member, mainly from his expertise as a tax accountant.
Independent Audit & Supervisory Board Member	Kenjiro Miyatake	He attended all 12 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the business year under review, and offered appropriate statements in his position as an Audit & Supervisory Board Member based on his career as a business manager of a pharmaceutical company over many years.
Independent Audit & Supervisory Board Member	Takashi Suetsuna	He attended all 10 meetings held after assuming the post of Audit & Supervisory Board Member among 12 meetings of the Board of Directors and all 10 meetings held after assuming a post of Audit & Supervisory Board Member among 13 meetings of the Audit & Supervisory Board held during the business year under review, and offered appropriate statements from his standpoint as an Audit & Supervisory Board Member based on his career and knowledge in public administrations over many years.

5 Accounting Auditor

1. Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

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

- (1) Amount of compensation for the auditing work as the Accounting Auditor of the Company
28,500,000 yen
- (2) Amount of compensation for the non-auditing work as the Accounting Auditor of the Company
- yen
- (3) Total value of money that the Company and the Company's subsidiaries should pay and other economic benefits
28,500,000 yen

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

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

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

4. Summary of the details of liability limitation contracts

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

6 Company systems and policies

1. Systems to ensure the appropriateness of work

(1) Systems to ensure the appropriateness of work

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

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

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

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

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

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

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

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

(FOR REFERENCE PURPOSE)

manager and safety management supervisor) in accordance with laws/regulations, and has constructed systems that assure the quality, effectiveness and safety of drugs.

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

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

The Company has introduced a Corporate Officer system and adopted systems whereby work based on decision-making by the Board of Directors is executed promptly and efficiently by each Corporate Officer.

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

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

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

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

Regarding the management of the risk of loss at subsidiary companies, we have constructed a system which enables us to deal with matters such as prevention of occurrence of risks, management of risks, and handling of risks having occurred by applying mutatis mutandis the Company's basic risk management guideline at subsidiary companies. We also have subsidiary companies report the status of the risk management to the Company periodically or as needed.

Furthermore, in order to ensure that the duties of Directors, etc. at subsidiary companies are executed efficiently, the Company has streamlined the decision-making route, and periodically received reports of the status of these matters. The Company's compliance behavior standards and compliance handbooks are applied mutatis mutandis at subsidiary companies to ensure that the duties of Directors, etc. and employees at subsidiary companies are executed in compliance with laws, regulations and the Articles of Incorporation.

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

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

from Directors and the securing of the effectiveness of instructions by Audit & Supervisory Board Members to those employees

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

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

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

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

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

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

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

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

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

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

The basic policy of the Company is "to confront adamantly any anti-social force that threatens civil society" and the Company raises that policy in its code of practice to familiarize all executives and employees thoroughly. The Company has also constructed and maintains close-knit cooperative relations with police forces of respective district and expert external institutions and gathers information on anti-social forces and groups proactively. The Company has

constructed systems that enable it to cooperate closely with external institutions and legal experts and cope when any incident occurs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Policy on the declaration of dividends of earned surplus

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

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

Under this basic policy, and considering the Company's record-high financial result again in this year, the Board of Directors resolved a dividend of ¥12 per share as the term-end dividend for the term under review. In combination with the interim dividend, this will provide a dividend of ¥22 per share for the full-term.

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

(FOR REFERENCE PURPOSE)

Consolidated Balance Sheet (as of March 31, 2017)

(unit: thousand yen)

Accounting item	Amount	Accounting item	Amount
Assets		Liabilities	
[Current assets]	[20,315,173]	[Current liabilities]	[4,706,951]
Cash and cash equivalents	5,509,484	Trade notes and accounts payable	700,285
Trade notes and accounts receivable	5,434,868	Short-term debt	1,493,600
Marketable securities	300,340	Lease obligations	230,154
Merchandise and finished goods	1,757,183	Income taxes payable	69,580
Work on process	1,591,011	Reserve for bonuses	525,488
Raw materials and supplies	4,389,536	Reserve for bonuses for officers	73,820
Deferred tax assets	390,014	Other	1,614,023
Other	942,734	[Fixed liabilities]	[4,092,224]
[Fixed assets]	[16,069,860]	Long-term debt	2,713,200
Tangible fixed assets	11,387,729	Lease obligations	401,911
Buildings and structures	4,938,188	Provision for loss on guarantees	337,945
Machinery, equipment and vehicles	1,204,135	Net defined benefit liability	582,538
Land	3,882,338	Other	56,629
Lease assets	605,543	Total liabilities	8,799,175
Construction in progress	31,148	Net Assets	
Other	726,375	[Shareholders' equity]	[26,689,137]
Intangible fixed assets	67,615	Capital	9,061,866
Investments and other assets	4,614,515	Capital surplus	10,964,676
Investment in securities	3,587,572	Earned surplus	8,149,279
Net defined benefit asset	276,230	Treasury stocks	(1,486,686)
Other	773,626	[Accumulated other comprehensive income]	[616,290]
Allowance for doubtful accounts	(22,915)	Valuation difference on available-for-sale securities	569,641
		Foreign currency translation adjustment	149,691
		Remeasurements of defined benefit plans	(103,042)
		[Subscription rights to shares]	[279,573]
		[Non-controlling interests]	[857]
Total assets	36,385,034	Total net assets	27,585,858
		Total liabilities and net assets	36,385,034

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

(FOR REFERENCE PURPOSE)

Consolidated Income Statement (From April 1, 2016 to March 31, 2017)

(unit: thousand yen)

Accounting item	Amount	
Sales		18,085,035
Cost of goods sold		5,731,719
Gross profit		12,353,315
Selling, general and administrative expenses		9,991,312
Operating income		2,362,003
Non-operating income		
Interest income	16,613	
Dividends income	20,682	
Foreign exchange gain	46,834	
Gain on redemption of securities	65,504	
Subsidy income	29,056	
Other	57,740	236,432
Non-operating expenses		
Interest expenses	28,989	
Commission for purchase of treasury shares	16,846	
Other	18,262	64,098
Ordinary income		2,534,336
Legal retained earnings		
Reversal of provision for loss on guarantees	20,574	20,574
Extraordinary loss		
Special retirement expenses of Affiliated companies	59,058	
Loss on disposal of noncurrent assets	3,064	62,122
Net income before income taxes		2,492,788
Corporate, inhabitant, and enterprise taxes	393,851	
Income taxes-deferred	235,666	629,517
Net income		1,863,270
Current net income attributable to non-controlling shareholders		99
Current net income attributable to shareholders of parental company		1,863,170

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

(FOR REFERENCE PURPOSE)

Consolidated Statements of Changes in Equity (From April 1, 2016 to March 31, 2017)

(unit: thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	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	9,061,866	10,961,049	6,985,544	(781,615)	26,226,845
Changes of items during the period					
Dividend of surplus			(699,435)		(699,435)
Current net income attributable to shareholders of parental company			1,863,170		1,863,170
Acquisition 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

(FOR REFERENCE PURPOSE)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	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			
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	587,933	—	205,840	(145,560)	648,213	242,323	757	27,118,139
Changes of items during the period								
Dividend of surplus								(699,435)
Current net income attributable to shareholders of parental company								1,863,170
Acquisition 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

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

(FOR REFERENCE PURPOSE)

Balance Sheet (as of March 31, 2017)

(unit: thousand yen)

Accounting item	Amount	Accounting item	Amount
Assets		Liabilities	
[Current assets]	[19,406,533]	[Current liabilities]	[4,501,994]
Cash and cash equivalents	4,672,445	Accounts payable	686,665
Accounts receivable	5,393,069	Short-term debt	1,260,000
Marketable securities	300,340	Long-term debt repaid within one year	233,600
Merchandise and finished goods	1,682,927	Lease obligations	229,285
Work on process	1,591,011	Accounts payable - other	1,213,947
Raw materials and supplies	4,459,430	Accrued expenses	153,948
Advance payments	5,199	Income taxes payable	49,239
Prepaid expenses	327,655	Advance received	270
Deferred tax assets	345,980	Deposits payable	50,231
Other	628,474	Reserve for bonuses	520,793
[Fixed assets]	[16,570,586]	Reserve for bonuses for officers	73,820
Tangible fixed assets	11,319,675	Other	30,194
Buildings	4,736,437	[Fixed liabilities]	[4,075,179]
Structures	175,745	Long-term debt	2,713,200
Machinery and equipment	1,194,796	Lease obligations	399,658
Vehicles	1,237	Reserve for retirement allowance	519,024
Tools, furniture and fixtures	695,549	Provision for loss on guarantees	337,945
Land	3,882,338	Deferred tax liabilities	62,379
Lease assets	602,424	Asset retirement obligations	36,713
Construction in progress	31,148	Other	6,257
Intangible fixed assets	60,252	Total liabilities	8,577,173
Patent	2,005	Net Assets	
Software	52,915	[Shareholders' equity]	[26,550,730]
Telephone subscription right	5,331	Capital	9,061,866
Investments and other assets	5,190,658	Capital surplus	10,964,676
Investment in securities	3,587,572	Capital reserve	7,827,788
Stocks of subsidiaries and affiliates	146,038	Other capital surplus	3,136,888
Investments in capital	2,100	Earned surplus	8,010,873
Investments in capital of subsidiaries and affiliates	233,890	Earned surplus reserve	279,181
Long-term loans	19,000	Other earned surplus	7,731,691
Long-term loans to subsidiaries and affiliates	130,000	Voluntary reserve	951,000
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,809	Earned surplus carried forward	6,780,691
Long-term prepaid expense	58,678	Treasury stocks	(1,486,686)
Prepaid pension cost	361,193	[Valuation and translation adjustments]	[569,641]
Other	672,290	Valuation difference on available-for-sale securities	569,641
Allowance for doubtful accounts	(22,915)	[Subscription rights to shares]	[279,573]
Total assets	35,977,119	Total net assets	27,399,945
		Total liabilities and net assets	35,977,119

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

(FOR REFERENCE PURPOSE)

Income Statement (From April 1, 2016 to March 31, 2017)

(unit: thousand yen)

Accounting item	Amount	
Sales		17,794,780
Cost of goods sold		5,750,084
Gross profit		12,044,696
Selling, general and administrative expenses		9,778,751
Operating income		2,265,944
Non-operating income		
Interest income	1,474	
Interest on marketable securities	15,384	
Dividends income	20,682	
Gain on redemption of securities	65,504	
Subsidy income	29,056	
Foreign exchange gain	46,834	
Other	59,702	238,639
Non-operating expenses		
Interest expenses	27,911	
Commission for purchase of treasury shares	16,846	
Other	16,918	61,676
Ordinary income		2,442,907
Legal retained earnings		
Reversal of provision for loss on guarantees	20,574	20,574
Extraordinary loss		
Loss on disposal of noncurrent assets	2,342	2,342
Net income before income taxes		2,461,139
Corporate, inhabitant, and enterprise taxes	358,472	
Income taxes-deferred	232,125	590,597
Net income		1,870,542

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

(FOR REFERENCE PURPOSE)

Statements of Changes in Equity (From April 1, 2016 to March 31, 2017)

(unit: thousand yen)

	Shareholders' equity			
	Capital	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at the beginning of current period	9,061,866	7,827,788	3,133,261	10,961,049
Cumulative effects of changes in accounting policies				
Restated balance	9,061,866	7,827,788	3,133,261	10,961,049
Changes of items during the period				
Dividend of surplus				
Net income				
Acquisition of treasury stock				
Disposal of treasury stock			3,626	3,626
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	3,626	3,626
Balance at end of current year	9,061,866	7,827,788	3,136,888	10,964,676

	Shareholders' equity						
	Earned surplus reserve	Earned surplus			Total earned surplus	Treasury stocks	Total shareholder s' equity
		Voluntary reserve	Earned surplus carried forward				
Balance at the beginning of current period	279,181	951,000	5,554,187	6,784,369	(781,615)	26,025,670	
Cumulative effects of changes in accounting policies			55,397	55,397		55,397	
Restated balance	279,181	951,000	5,609,585	6,839,766	(781,615)	26,081,067	
Changes of items during the period							
Dividend of surplus			(699,435)	(699,435)		(699,435)	
Net income			1,870,542	1,870,542		1,870,542	
Acquisition of treasury stock					(776,982)	(776,982)	
Disposal of treasury stock					71,911	75,538	
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	1,171,106	1,171,106	(705,070)	469,662	
Balance at end of current year	279,181	951,000	6,780,691	8,010,873	(1,486,686)	26,550,730	

(FOR REFERENCE PURPOSE)

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	587,933	—	587,933	242,323	26,855,927
Cumulative effects of changes in accounting policies					55,397
Restated balance	587,933	—	587,933	242,323	26,911,324
Changes of items during the period					
Dividend of surplus					(699,435)
Net income					1,870,542
Acquisition of treasury stock					(776,982)
Disposal of treasury stock					75,538
Net changes of items other than shareholders' equity	(18,292)		(18,292)	37,250	18,958
Total changes of items during the period	(18,292)	—	(18,292)	37,250	488,620
Balance at end of current year	569,641	—	569,641	279,573	27,399,945

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

