

(FOR THE PURPOSE OF REFERENCE)

(Securities code: 4552)

June 1, 2016

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 41st Ordinary General Meeting of Shareholders

We would like to express our heartfelt sympathy to those visited by the recent earthquakes centered in Kumamoto Prefecture, Japan.

You are cordially invited to attend the 41st 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 21, 2016 (Tuesday).

Yours faithfully

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Details

1. **Date and time** 10 am, June 22, 2016 (Wednesday)
2. **Place** Room “Shoun”, 4th Floor, Kobe Seishin Oriental Hotel, 5-6-3 Kojidai, Nishi-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 Board of Corporate Auditors for the 41st Fiscal Year (from April 1, 2015 to March 31, 2016)
  - Matters to be Resolved:**
    - Proposal 1** To elect nine Directors
    - Proposal 2** To elect one Corporate Auditor
    - Proposal 3** To issue New Share Subscription Rights to Directors of the Company, Directors of subsidiary companies and Corporate Officers of the Company as Stock-linked Compensation Stock Option

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 the Corporate Auditor 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	<b>To elect nine Directors</b>
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All of the current nine Directors will reach the maturity of the term of office at the end of this Annual Shareholders Meeting. We would like to request the election of nine Directors. The candidates nominated by the Board are as follows.

Candidate's number	Shin Ashida (January 2, 1943)	Number of shares held in the Company	None		
<b>1</b>	<p><b>Resume, positions, areas of supervision and important concurrently held posts</b></p> <p>September 1975 Appointed Representative Director (current post) at the establishment of JCR Pharmaceuticals Co., Ltd. Appointed President and Director</p> <p>June 2005 Appointed Chairman and Director (current post) Appointed Chief Executive Officer (CEO) (current post)</p> <p>June 2007 Appointed President and Director (current post) Appointed Chief Operating Officer (COO) (current post)</p> <p><b>[Important concurrently held posts]</b> Director, Future Brain Co., Ltd. President and Representative Director, JCR INTERNATIONAL SA</p> <p><b>Reason for election of the candidate Director</b></p> <p>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.</p>				
<b>2</b>	<p style="text-align: center;"><b>Katsuya Nishino (April 14, 1956)</b></p> <p><b>Resume, positions, areas of supervision and important concurrently held posts</b></p> <table border="0"> <tr> <td style="vertical-align: top;"> <p>August 1988 Entered Novo Pharmaceutical Co., Ltd. (currently Novo Nordisk Pharma Ltd.)</p> <p>November 1999 Entered JCR Pharmaceuticals. Co., Ltd.</p> <p>June 2004 Appointed Corporate Officer</p> <p>June 2007 Appointed Director</p> <p>July 2008 Supervisor for Corporate Planning</p> <p>July 2010 General Manager, Research Division</p> <p>June 2012 Appointed Managing Director</p> </td> <td style="vertical-align: top; padding-left: 20px;"> <p>July 2013 Supervisor for Planning Division (currently Business Development Division) (current post)</p> <p>July 2014 Appointed Representative Director (current post) Appointed Executive Vice President and Director (current post) President's Assistant (current post) Supervisor for Corporate Business Support Division Supervisor for Sales Division Supervisor for Affiliates (current post)</p> </td> </tr> </table> <p><b>Reason for election of the candidate Director</b></p> <p>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.</p>	<p>August 1988 Entered Novo Pharmaceutical Co., Ltd. (currently Novo Nordisk Pharma Ltd.)</p> <p>November 1999 Entered JCR Pharmaceuticals. Co., Ltd.</p> <p>June 2004 Appointed Corporate Officer</p> <p>June 2007 Appointed Director</p> <p>July 2008 Supervisor for Corporate Planning</p> <p>July 2010 General Manager, Research Division</p> <p>June 2012 Appointed Managing Director</p>	<p>July 2013 Supervisor for Planning Division (currently Business Development Division) (current post)</p> <p>July 2014 Appointed Representative Director (current post) Appointed Executive Vice President and Director (current post) President's Assistant (current post) Supervisor for Corporate Business Support Division Supervisor for Sales Division Supervisor for Affiliates (current post)</p>	<p>Number of shares held in the Company</p> <p style="font-size: 1.2em;"><b>12,055</b></p> <p>shares</p>	
<p>August 1988 Entered Novo Pharmaceutical Co., Ltd. (currently Novo Nordisk Pharma Ltd.)</p> <p>November 1999 Entered JCR Pharmaceuticals. Co., Ltd.</p> <p>June 2004 Appointed Corporate Officer</p> <p>June 2007 Appointed Director</p> <p>July 2008 Supervisor for Corporate Planning</p> <p>July 2010 General Manager, Research Division</p> <p>June 2012 Appointed Managing Director</p>	<p>July 2013 Supervisor for Planning Division (currently Business Development Division) (current post)</p> <p>July 2014 Appointed Representative Director (current post) Appointed Executive Vice President and Director (current post) President's Assistant (current post) Supervisor for Corporate Business Support Division Supervisor for Sales Division Supervisor for Affiliates (current post)</p>				

Candidate's  
number

3

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

Number of shares  
held in the Company **4,555  
shares**

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

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

Candidate's  
number

4

**Tatsuo Suzuki** (September 8, 1954)

Number of shares  
held in the Company **7,055  
shares**

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

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

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Candidate's  
number

5

Newly-  
appointed

Mamoru Morita (December 9, 1961)

\*

Number of shares  
held in the Company 304  
shares

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

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

Reason for election of the candidate Director

We request his 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.

(Note) He is a newly-appointed candidate Director.

Candidate's  
number

6

Outside  
Director

Philippe  
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. (currently Sanofi K.K.,  
France)  
June 2001 Appointed President and Representative  
Director, Sanofi-Synthelabo S.A.  
May 2005 Appointed President and Representative  
Director, Sanofi-Aventis  
January 2010 Appointed President and Representative  
Director, GlaxoSmithKline K. K. (current  
post)  
June 2013 Appointed Director, JCR Pharmaceuticals  
Co., Ltd. (current post)

[Important concurrently held posts]

President and Representative Director, GlaxoSmithKline K.K.

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 the global pharmaceutical companies in the management of the Company.

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Candidate's  
number

7

Outside  
Director

Independent  
Director

**Takashi  
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	April 2009	Appointed Representative Director and Chairman, Nissay Information Technology Co., Ltd.
July 1993	Appointed Director, General Manager, Related Business of the same		
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.		
June 2006	Appointed Representative Director and Chairman, NLI Research Institute		

**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.

Candidate's  
number

8

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.		
March 2002	Appointed Director and General Manager, Corporate Planning of the same	July 2012	Appointed Chairman and Representative Director, Japan Vaccine Co., Ltd.
April 2005	Appointed Director, General Manager, Financial Affairs and Head of Business Development of the same	June 2014	Appointed President and Representative Director of the same (current post)
June 2008	Appointed Managing Director of the same	June 2015	Appointed Director of JCR Pharmaceuticals Co., Ltd. (current post)

**[Important concurrently held posts]**

President and Representative Director, Japan Vaccine 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 the pharmaceutical companies in the management of the Company.

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Candidate's  
number

9

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)	July 2012	General Manager, Solid Tumor Domain, Oncology of the same
April 2004	Entered Novartis Pharma K.K. General Manager, Ophthalmics of the same	October 2013	Entered GlaxoSmithKline K.K. Appointed Corporate Officer and Head of Corporate Strategy
October 2006	General Manager, OTC of the same	August 2014	Appointed Director and General Manager, Corporate Strategy of the same
May 2010	General Manager, Scientific Affairs, Oncology of the same	April 2015	Appointed Director and Head of Corporate Strategy and Multichannel Marketing of the same
		June 2015	Appointed Director of JCR Pharmaceuticals (current post)
		March 2016	Appointed Director and Head of Corporate Strategy, Marketing and Multichannel, GlaxoSmithKline K.K. (current post)

**[Important concurrently held posts]**

Director, GlaxoSmithKline K.K. (Supervisor for Corporate Strategy/Marketing/Multi-channel)

**Reason for election of the candidate Director**

We request her continuous election as an Outside Director because we wish her to also leverage her expert knowledge and experience in the pharmaceutical industry, in the management of the Company.

- (Note) 1. 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 research collaboration, and development and sales of biopharmaceuticals.
2. There are no particular vested interests between other candidates and the Company.
3. The term of office as an Outside Director at the time of close of this Shareholders Meeting will be 3 years for Mr. Philippe Fauchet, 2 years for Mr. Takashi Kobayashi, and 1 year for Mr. Toshihiro Ishikiriyama and Ms. Kanako Kikuchi. 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 423.1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425.1 of the Companies Act so far as they are performing his duties in good faith and without gross negligence.

## Proposal 2 To elect one Corporate Auditor

Mr. Masaki Iba, the current Corporate Auditor, will resign his office at the end of this Shareholders Meeting. We request the election of Mr. Takashi Suetsuna described below as a Corporate Auditor to fill the post of Mr. Masaki Iba. The submission of this proposal has been agreed by the Board of Corporate Auditors in advance.

Newly- appointed	<b>Takashi Suetsuna</b> (March 8, 1949)	Number of shares held in the Company		None
Outside Auditor				
Independent Director				
<b>Resume, positions and important concurrently held posts</b>				
April 1974	Entered the National Police Agency	August 2004	Deputy Superintendent General, National Police Agency	
February 1994	Chief, Kochi Prefectural Police Headquarters	September 2005	Grand Chamberlain to the Crown Prince at the Imperial Household Agency	
September 1997	Director, Finance Division, Commissioner-General's Secretariat, National Police Agency	April 2009	Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg	
September 2001	Chief Inspector General, Commissioner-General's Secretariat, National Police Agency	June 2012	Retired from the above office	
August 2002	Chief, Kanagawa Prefectural Police Headquarters	June 2013	Outside Auditor, Marubeni Corporation (current post)	
		June 2015	Outside Director, Totetsu Kogyo Co., Ltd. (current post)	

### [Important concurrently held posts]

Outside Auditor, Marubeni Corporation  
Outside Director, Totetsu Kogyo Co., Ltd.

### Reason for election of the candidate Corporate Auditor

We request his election because he has abundant experience at the governmental agencies, deep insight as well as the knowledge as outside auditor and outside director at other companies, and therefore we expect to leverage his talents in the management of the Company.

- (Note) 1. He is a newly-appointed candidate for Corporate Auditor and Outside Auditor.  
 2. There are no particular vested interests between him and the Company.  
 3. When this proposal is approved, he 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 he is selected at this Shareholders Meeting, the Company will conclude a contract with him with respect to limiting his liability for damages under Article 423.1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425.1 of the Companies Act so far as he is performing his duties in good faith and without gross negligence.

Proposal 3

## To issue New Share Subscription Rights to Directors of the Company, Directors of subsidiary companies and Corporate Officers of the Company as Stock-linked Compensation Stock Option

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. The amount of compensation to the Directors is set at “No more than ¥400 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  
5 Directors excluding Outside Directors of the Company, 1 Director of a subsidiary company and 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 28,000 shares
- (3) Total number of the new share subscription rights  
Limited to a maximum of 280 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.
- [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 2017, 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.

## 1 Business Overview

### 1. Development and Results of Operations

In the Japanese pharmaceutical industry during this consolidated fiscal year, the use of generic drugs has been further promoted while the governmental policy for medical expenditure containment has been continuing. On the other hand, the launch of therapeutic products for chronic hepatitis C with a new mechanism of action and other expensive medicine such as anticancer agents have placed a burden on healthcare financing, and the business environments have become severer, along with intensified competition among companies.

Under these circumstances, the Company has formulated a 5-year mid-term management plan “HIYAKU” (leap into the future) last year, and as an effort toward its realization, we have implemented an organizational reform intended to promote the sales of core products and strengthen the business development and licensing business for Company’s proprietary technologies.

On the sales side, the sales have increased for both of the Company’s core products “GROWJECT<sup>®</sup>” (recombinant human growth hormone product) and “Epoetin Alfa BS Injection JCR” (recombinant erythropoietin product for treatment of renal anemia).

Furthermore, we obtained the marketing approval of the Japan’s first allogeneic <sup>\*1</sup> regenerative medicine product “TEMCELL<sup>®</sup> HS Inj.,” a human mesenchymal stem cell-based product, in September 2015 and launched the product in February 2016. We consider that TEMCELL<sup>®</sup> HS Inj. is an unprecedented innovative regenerative medicine product and will contribute to not only earnings but also enhancement of the corporate visibility. TEMCELL<sup>®</sup> HS Inj., composed of living cells, must be kept strictly under a special environment at a temperature of -130°C or lower until immediately before use. This is why we co-developed a liquid nitrogen-based ultra-low cold chain system with Medipal Holdings Corporation, and we are delivering the stable-quality product to clinical sites.

With regard to out-licensing the Company’s proprietary technologies, we concluded feasibility study <sup>\*2</sup> agreements intended for the licensing of the blood-brain barrier penetration technology “J-Brain Cargo<sup>®</sup>” with Sumitomo Dainippon Pharma Co., Ltd. in June 2015 and Eisai Co., Ltd. in July 2015, respectively. We will continue to strengthen our licensing businesses of the Company’s proprietary technologies in Japan and overseas.





On the research and development side, we filed the marketing approval application with the MHLW for the liquid formulation of GROWJECT<sup>®</sup> in July 2015. The clinical study of JR-051, the follow-on biologic of agalsidase beta, a therapeutic enzyme product for Fabry disease, an orphan disease, has made satisfactory progress. We also started the clinical study of JR-131, the follow-on biologic of darbepoetin alpha, a long-acting erythropoiesis-stimulating agent. Additional programs under research and development are progressing favorably, including JR-141, an innovative therapeutic enzyme product using J-Brain Cargo<sup>®</sup> for the treatment of Hunter syndrome and JR-142, a long-acting growth hormone product which is expected to further improve the patient’s QOL.

As a result of such business activities, the consolidated sales of JCR Group reached ¥17,438 million (3.5% increase from the same period last year) at fiscal year-end March 30<sup>th</sup> 2016. In terms of profits, the Company recorded operating income of ¥2,152 million yen (6.9% increase), ordinary income of ¥2,443 million yen (4.4% increase), and current net income of ¥1,789 million yen (6.4% increase) attributable to shareholders of the parental company. All of them increased from the same period last year, thereby achieving record-high performance continuously from the previous term.

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(Note)

- \*1: It refers to cases where cells of another person such as a donor are used, unlike using the patient's own cells (autologous). TEMCELL<sup>®</sup> HS Inj. can be used at any time when necessary in patients who need it, because of its being donor-derived cells, cultured, and cryopreserved at an extremely low temperature; and therefore the product has a merit of being available for distribution in the same way as for ordinary drugs.
- \*2: It refers to an investigation/research which is conducted preliminarily in advance in order to see whether a business or project is feasible before the implementation.


Sales	Operating income	Ordinary income	Current net income attributable to shareholders of parental company
¥17,438 million	¥2,152 million	¥2,443 million	¥1,789 million
Against previous term 	Against previous term 	Against previous term 	Against previous term 
3.5% increase	6.9% increase	4.4% increase	6.4% increase

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Situation in each business segment

<b>Pharmaceuticals</b>	Sales: <b>17,040</b> million yen (3.6% 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 ¥10,222 million yen (6.7% increase) thanks to effects of strengthened sales promotion. Epoetin Alfa BS Injection JCR and urine-derived products also performed well, and consequently, the monetary amount of sales of entire pharmaceutical products reached 17,040 million yen (3.6% increase).

<b>Medical devices and laboratory equipment</b>	Sales: <b>398</b> million (3.7% decrease)	
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The total sales of medical device/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	¥17,040 million	3.6%	97.7%
Medical devices and laboratory equipment	¥398 million	(3.7%)	2.3%
Total	¥17,438 million	3.5%	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 ¥1,237 million, of which the primary breakdown shows ¥233 million for pharmaceutical manufacturing facilities and ¥723 million for R&D facilities.

#### 4. Issues to be addressed

(1) Toward achievement of numerical targets for the mid-term management plan “HIYAKU” (leap into the future)

The Company considers that further expansion of revenues from existing products and the progress of development pipelines on schedule are indispensable in order to achieve the numerical targets for the final fiscal year of the 5-year mid-term management plan “HIYAKU”: sales of 25 billion yen and operating income of 5 billion yen.

For GROWJECT<sup>®</sup>, the existing product, we have been expanding indications and developing and providing user-friendly injectors with the mind frame to give top priority in enhancing the patient’s QOL since its launch in 1993. Its liquid formulation product which eliminates the reconstitution procedure is expected to be launched in FY2016. We will strive for achieving further growth with synergetic effects with the existing product. For Epoetin Alfa BS Injection JCR, its sales have been increasing favorably, and we will further exert efforts to expand its market share under the government policy to promote follow-on biologics which serves as a tailwind. In 2019, we anticipate to bring JR-131, the follow-on biologic of darbepoetin alpha as a next-generation product, to the market, and to adopt a business strategy to maximize the merits of both products. For TEMCELL<sup>®</sup> HS Inj., its sales have been growing favorably since its launch in February this year. We will accumulate information on its use in terms of the efficacy and safety and will provide it as information on proper use as we expand sales with a cautious approach while establishing a stable manufacturing structure.

Regarding development pipeline, we plan to obtain marketing approval of JR-051, the follow-on biologic of agalsidase beta, and that of the follow-on biologic of darbepoetin alpha and also file the application of marketing approval for JR-141, the blood-brain barrier penetrating therapeutic product for Hunter syndrome within FY2019. By making full use of our biotechnologies accumulated to date and know-hows on clinical development in various fields, we will strive for making these plans progress as scheduled, and at the same time proactively carry forward the licensing business.

(2) Innovative technologies

The Company created J-Brain Cargo<sup>®</sup>, a blood-brain barrier penetration technology, arising from our abundant experience of research and production of biopharmaceuticals and free thinking of researchers. We have also established other proprietary technologies such as the long-acting technology, J-Mab System<sup>®</sup> which enables to effectively obtain highly functional antibodies, J-MIG System<sup>®</sup> which is an effective recombinant protein manufacturing technology, and glycoengineering technologies, namely J-GlycoM<sup>®</sup> and J-GlycoS<sup>®</sup>.

J-Brain Cargo<sup>®</sup> is an innovative technology to deliver the drug compound to the brain by intravenous administration. Development is ongoing with JR-141 for Hunter syndrome which uses this technology, and favorable results have been already obtained in animal studies and a clinical study is scheduled to be started by the end of FY2016.

J-Brain Cargo<sup>®</sup> has potential for application to various drug compounds from small to large molecule proteins and peptides. We will not only use this technology for the Company but also for third parties out-licensing arising from feasibility study agreements concluded with two companies last year and joint research agreements.

In the Company’s core growth hormone business, we embarked on development of JR-142, the long-acting growth hormone product to which the aforementioned long-acting technology is used.

We will continuously promote the use of these technologies for in-house development of therapeutic products and

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licensing out to third parties. .

(3) Development of cell therapy and regenerative medicine business

The market of regenerative medicine products is expected to further expand in the future because of emerging medical needs, and the advance of technologies and improvement of relevant systems. The Company embarked on the development of TEMCELL<sup>®</sup> HS Inj. and accumulated know-hows in the cell therapy and regenerative medical technologies over many years. As a pioneer in this field, we believe to have a mission to proactively develop businesses in this field.

In addition to the bone marrow-derived TEMCELL<sup>®</sup> HS Inj., the Company is engaged in the research of dental pulp-derived stem cells (DPC). Based on our strength in the cell culture technology, we will focus on all functions that cells may have and explore possibilities for treatment options for a wide-range of diseases.

(4) Toward “R&D oriented specialty pharma with global exposure”

We will work towards realizing the Company’s corporate vision “R&D oriented specialty pharma with global exposure through proprietary biotechnologies, cell therapy and regenerative medical technologies.”

Based on the Company’s innovative technologies, the Company will aggressively carry forward partnering with foreign companies by making use of its subsidiary company established in Switzerland last year. We will challenge the overseas expansion from both aspects of technology licensing and drug substance supply.

As a foothold to realize the overseas expansion, the Company has already established a global standard quality assurance system. We will continue to promote actions in compliance with regulations on quality such as PIC/S<sup>\*1</sup>.

We believe the mission of the Company under the corporate philosophy of “Contributing towards people’s healthcare through pharmaceutical products” is to create innovative drugs in domains of intractable diseases and rare diseases. For realization of this mission, it is indispensable to continuously strengthen the management platform including nurturing excellent human resources with willingness to take on challenges.

To foster a company appreciated and trusted by not just customers but all stakeholders including the Company’s employees, we will continuously value the open-minded corporate culture which has been existing from the time of establishment and drive to further strengthening of compliance and corporate governance, transparency of corporate activities and realization of diversity<sup>\*2</sup> with the aim of sustained expansion.

We will indeed strive for responding to the trust and expectations of our shareholders and appreciate your continued support.

(Note)

\*1: Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme:

It refers to harmonized GMP standards in the field of pharmaceuticals and an informal collaborative framework between inspection authorities intended for the international development, implementation and maintenance of the quality system of inspection authorities.

\*2: It refers to a concept of actively utilizing various human resources regardless of race, gender, nationality, age, etc.

## [Reference] Development status of new products

## Recombinant drug products

Code (Nonproprietary name)	Status	Indication	Remarks
JR-041 Follicle-stimulating hormone (rDNA origin)	Phase I/II	Infertility	Out-licensed to ASKA Pharmaceutical Co., Ltd.
JR-051 $\alpha$ -galactosidase A (rDNA origin)	Phase II/III	Fabry Disease*	Enzyme Replacement Therapy (ERT) Co-developed with GlaxoSmithKline Group
JR-032 Iduronate 2-sulfatase (rDNA origin)	Clinical trial in preparation	Hunter Syndrome*	ERT Co-developed with GlaxoSmithKline Group
JR-131 Darbepoetin (rDNA origin)	Phase I	Renal Anemia	Co-developed with Kissei Pharmaceutical Co., Ltd. Uses Glycoengineering Technology "J-GlycoS <sup>®</sup> "
JR-101 Glucocerebrosidase (rDNA origin)	Preclinical	Gaucher's Disease*	ERT Uses Glycoengineering Technology "J-GlycoM <sup>®</sup> "
JR-141 BBB-Penetrating iduronate 2-sulfatase (rDNA origin)	Preclinical	Hunter Syndrome*	ERT Uses Blood Brain Barrier Penetration Technology "J-Brain Cargo <sup>®</sup> "
JR-142 Long-Acting somatropin (rDNA origin)	Preclinical	Growth Disorder	Long-Acting Human Growth Hormone Product Uses High-Level Protein Expression Technology "J-MIG System <sup>®</sup> "

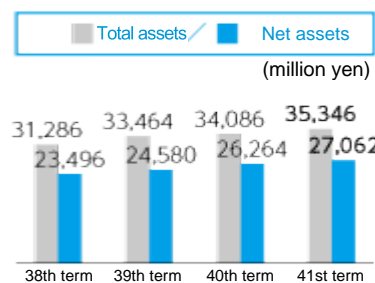
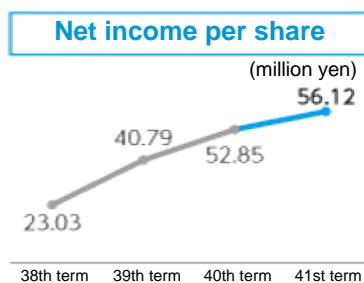
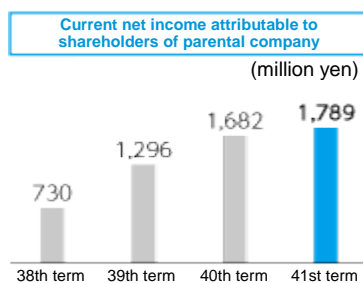
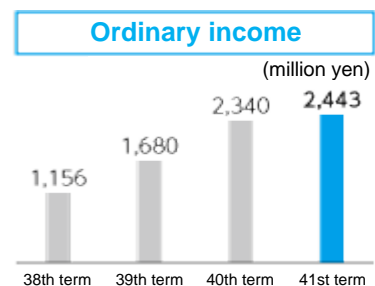
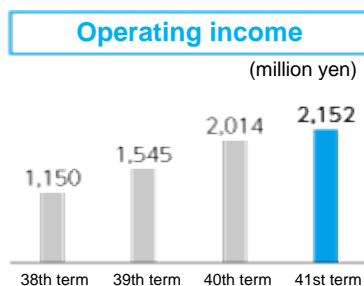
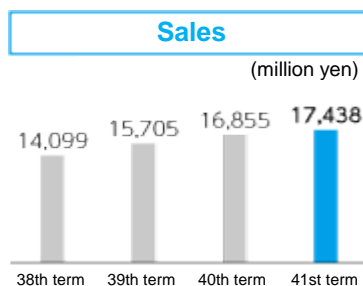
\*Lysosomal Storage Disease

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## 5. Trends in assets and profit and loss

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

Category		38th term Fiscal year 2012	39th term Fiscal year 2013	40th term Fiscal year 2014	41st term (term under review) Fiscal year 2015
Sales	(million yen)	14,099	15,705	16,855	17,438
Operating income	(million yen)	1,150	1,545	2,014	2,152
Ordinary income	(million yen)	1,156	1,680	2,340	2,443
Current net income attributable to shareholders of parental company	(million yen)	730	1,296	1,682	1,789
Net income per share	(yen)	23.03	40.79	52.85	56.12
Total assets	(million yen)	31,286	33,464	34,086	35,346
Net assets	(million yen)	23,496	24,580	26,264	27,062



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## Trends in the business results and assets of the Company

Category		38th term Fiscal year 2012	39th term Fiscal year 2013	40th term Fiscal year 2014	41st term (term under review) Fiscal year 2015
Sales	(million yen)	13,791	15,426	16,539	17,128
Operating income	(million yen)	1,082	1,483	1,986	2,052
Ordinary income	(million yen)	1,109	1,635	2,250	2,347
Net income	(million yen)	552	1,179	1,646	1,736
Net income per share	(yen)	17.42	37.13	51.72	54.46
Total assets	(million yen)	31,253	33,047	33,690	34,924
Net assets	(million yen)	23,472	24,466	26,034	26,855

## 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 drugs, etc.

## Affiliated company

No relevant items.

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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)

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## 9. Employees

Business division	Number of employees
Pharmaceuticals	459 employees
Medical devices and laboratory equipment	10 employees
Company-wide (shared)	57 employees
Total	526 employees

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

## 10. Principal lenders

Lender	Loan value
Mizuho Bank, Ltd.	¥816 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥550 million
Sumitomo Mitsui Banking Corporation	¥500 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 520,044 shares held as treasury stock)
(3) Number of shareholders at the end of the term under review	4,415 shareholders

### 2. Principal shareholders (top 10)

Name of shareholder	Number of shares held	Ratio of shareholding
GLAXO GROUP LIMITED	7,986,000 shares	25.03%
Kissei Pharmaceutical Co., Ltd.	3,800,000 shares	11.91%
Future Brain Co., Ltd.	2,177,000 shares	6.82%
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	1,748,000 shares	5.48%
The Master Trust Bank of Japan, Ltd.(Trust Account)	871,000 shares	2.73%
Sumitomo Dainippon Pharma Co., Ltd.	850,000 shares	2.66%
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	589,000 shares	1.84%
Japan Trustee Services Bank, Ltd. (Trust Account)	587,000 shares	1.84%
Mochida Pharmaceutical Co., Ltd.	550,000 shares	1.72%
Mizuho Bank, Ltd.	444,000 shares	1.39%

- (Note) 1. The Company holds 520,044 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 (520,044 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 Corporate Auditor 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 Corporate Auditors: - members	9 -
June 25, 2010	From To	August 23, 2010 August 22, 2040	1 yen	Directors (excluding Outside Directors): 2 members Corporate Auditors: - members	14 -
June 28, 2011	From To	July 15, 2011 July 14, 2041	1 yen	Directors (excluding Outside Directors): 4 members Corporate Auditors: - members	160 -
June 27, 2012	From To	July 17, 2012 July 16, 2042	1 yen	Directors (excluding Outside Directors): 5 members Corporate Auditors: 1 member	210 10
June 19, 2013	From To	July 10, 2013 July 9, 2043	1 yen	Directors (excluding Outside Directors): 5 members Corporate Auditors: 1 member	100 10
July 25, 2014	From To	August 15, 2014 August 14, 2044	1 yen	Directors: 5 members Outside Directors: 1 member Corporate Auditors: 1 member	150 10 10
June 24, 2015	From To	July 15, 2015 July 14, 2045	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 and June 24, 2015 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 24, 2015	From To	July 15, 2015 July 14, 2045	1 yen	Directors of subsidiary company: 1 member Employees: 8 members	10 80

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

No relevant items.

## 4 Officers

### 1. Names, etc., of Directors and Corporate Auditors

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; Supervisor for Business Development Division, Affiliates,
Senior Managing Director	Katsuhiko Tachibana	Supervisor for Research Division and Development Division
Managing Director	Hiroshi Yoshimoto	Corporate Officer; General Manager, Production Division Chairman, He Bei Jie Xi Bio-products Co., Ltd.
Director	Tatsuo Suzuki	Corporate Officer; General Manager, Quality Assurance Division, Director, Regulatory Affairs Dept.
Director	Philippe Fauchet	President and Representative Director, GlaxoSmithKline K.K.
Director	Takashi Kobayashi	
Director	Toshihiro Ishikiriyama	President and Representative Director, Japan Vaccine Co., Ltd.
Director	Kanako Kikuchi	Director, GlaxoSmithKline K.K. (Head of Corporate Strategy, Marketing and Multichannel)
Corporate Auditor (full- time)	Kazumasa Oizumi	
Corporate Auditor	Kazuhiko Yamada	Head, Kazuhiko Yamada Tax Accountant Offices
Corporate Auditor	Masaki Iba	
Corporate Auditor	Kenjiro Miyatake	Outside Director, The Japan Wool Textile Co., Ltd. President, Kobe Pharmaceutical University

(Note) 1. The change of important concurrently held posts of directors during the term under review is as follows.

Date of transfer	Name	Important concurrently held posts after change	Prior important concurrently held posts
November 10, 2015	Shin Ashida	Director, Future Brain Co., Ltd. President and Representative Director, JCR INTERNATIONAL SA	Director, Future Brain Co., Ltd.

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- The four Directors Mr. Philippe Fauchet, Mr. Takashi Kobayashi, Mr. Toshihiro Ishikiriyama and Ms. Kanako Kikuchi are Outside Directors, and Mr. Takashi Kobayashi and Mr. Toshihiro Ishikiriyama 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.
- The four Corporate Auditors Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, Mr. Masaki Iba and Mr. Kenjiro Miyatake 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.
- The Corporate Auditor Mr. Kazumasa Oizumi and Mr. Masaki Iba have many years of experience at financial institutions; the Corporate Auditor Mr. Kazuhiko Yamada is a qualified tax accountant and has appreciable extent of knowledge with regard to finance and accounting; and the Corporate Auditor Mr. Kenjiro Miyatake has experience as business manager in the pharmaceutical industry.
- 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 other than the aforementioned concurrently serving as members of the Board 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	Mamoru Morita	Senior General Manager, Sales Division
Corporate Officer	Norihiko Shibue	Vice General Manager, Sales Division
Corporate Officer	Akihiro Haguchi	Director, Accounting Dept.
Corporate Officer	Yuichi Miura	General Manager, Human Resources & General Affairs 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. Kobayashi and Mr. Ishikiriyama and the four Corporate Auditors with respect to limiting their liabilities for damages under Article 423.1 of the Companies Act to the Minimum Liability Amount stipulated in Article 425.1 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 Corporate Auditors

Post	Recipients	Amount of compensation, etc.
Director (Outside Directors)	7 members (2 members)	275,165,000 yen (16,200,000 yen)
Corporate Auditor (Outside Auditors)	4 members (4 members)	22,350,000 yen (22,350,000 yen)

- (Note) 1. The amount of compensation, etc., includes ¥76,520,000 posted as a reserve for bonuses for executives related to the fiscal year under review (¥72,020,000 for 7 Directors and ¥4,500,000 for 4 Corporate Auditors).
2. The amount of compensation, etc., includes ¥56,880,000 (amount as compensation) worth of new share subscription rights allotted to 5 Directors as stock options on July 14, 2015.

#### 4. Matters related to Outside Directors

##### 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 a Director of GlaxoSmithKline K.K. The Company and Glaxo Group Limited have concluded a comprehensive agreement related to the research collaboration, and development, manufacture and sale of biotherapeutics. Moreover, Glaxo Group Limited holds 25.03% of the Company's shares.
- b. Director Mr. Toshihiro Ishikiriya serves concurrently as the President and Representative Director of Japan Vaccine Co., Ltd. Japan Vaccine Co., Ltd. having 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 special relationship with the Company.

##### State of main activities and remarks during the fiscal year under review

Category	Name	State of main activities
Outside Director	Philippe Fauchet	He attended all 12 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 Ishikiriya	He attended all 10 meetings held after assuming the post of Director among 12 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	Kanako Kikuchi	She attended all 10 meetings held after assuming the post of Director among 12 meetings of the Board of Directors held during the business year under review and offered appropriate statements from her standpoint as a corporate director.
Outside Auditor	Kazumasa Oizumi	He attended all 12 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held during the business year under review, and offered appropriate statements in his position as Corporate Auditor based on his career in the financial industry and experience as corporate officer.
Outside Auditor	Kazuhiko Yamada	He attended all 12 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held during the business year under review, and offered appropriate statements in his position as Corporate Auditor, mainly from his expertise as a tax accountant.

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Category	Name	State of main activities
Outside Auditor	Masaki Iba	He attended 11 of the 12 meetings of the Board of Directors and 12 of the 13 meetings of the Board of Corporate Auditors held during the business year under review, and offered appropriate statements in his position as a Corporate Auditor based on his career as a board director of financial institutions over many years.
Outside Auditor	Kenjiro Miyatake	He attended all 12 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held during the business year under review, and offered appropriate statements in his position as a Corporate Auditor based on his career as a board director of a pharmaceutical company 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  
28,000,000 yen
- (2) Amount of compensation for the non-auditing work as the Accounting Auditor of the Company  
200,000 yen
- (3) Total value of money that the Company and the Company's subsidiaries should pay and other economic benefits  
28,200,000 yen

- (Note) 1. Regarding the compensation, etc., for the Accounting Auditor, the Board of Corporate Auditors has given consent to it under Article 399.1 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. The Company has entrusted the Accounting Auditor with "the work related to the internal training" as a type of work (non-auditing work) other than the types of work stipulated in Article 2.1 of the Certified Public Accountants Act.

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

- (1) The Board of Corporate Auditors may dismiss an Accounting Auditor with the unanimous consent of all Corporate Auditors if they are of the opinion that the Accounting Auditor falls under one of the categories stipulated in the items of Article 340.1 of the Companies Act and would cause a material adverse effect against the auditing work of the Company. In that case, the Corporate Auditor nominated by the Board of Corporate Auditors 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 Board of Corporate Auditors 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 Board of Corporate Auditors, 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 423.1 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

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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.

The Board of Corporate Auditors requests subsidiary companies to report on operations when it is necessary for the Board of Corporate Auditors 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 the Board of Corporate Auditors to assist in its duties and matters related to the independence of those employees from

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Directors and the securing of the effectiveness of instructions by the Board of Corporate Auditors to those employees Employees who shall assist the duties of the Board of Corporate Auditors shall be appointed in accordance with the needs of the Board of Corporate Auditors and the Directors shall respect the opinions of the Corporate Auditors in regard to those personnel matters in order to ensure the independence of those employees from Directors. In securing the effectiveness of instructions by the Board of Corporate Auditors to those employees, the employees shall execute their duties under the supervision and direction of the Board of Corporate Auditors 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 the Board of Corporate Auditors 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 the Board of Corporate Auditors 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 the Board of Corporate Auditors.

The Company ensures, pursuant to the whistle-blowing system, that individuals who make a report to the Board of Corporate Auditors 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 Corporate Auditors or matters related to policies on the disposal of debts

When Corporate Auditors 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 Corporate Auditors.

- [9] Other systems to ensure that the audits by Corporate Auditors are carried out effectively

Corporate Auditors 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.

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(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 Board of Corporate Auditors 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 Corporate Auditors are carried out effectively

Corporate Auditors perform audits based on the auditing plan established by the Board of Corporate Auditors, 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

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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.

The Company commemorated its 40th anniversary on September 13 last year. This is all owing to many years' supports from stakeholders including shareholders. We would like to extend our heartfelt appreciation to all of you.

In line with this, regarding the term-end dividend for the current term under review, a commemorative dividend of ¥2 per share, as an expression of our gratitude to shareholders, was approved at the meeting of the Board of Directors held on May 12, 2016. As the term-end dividend for the FY2015, this will provide ¥12 consisting of the ordinary dividend of ¥10 and the commemorative dividend of ¥2.

As a consequence, the anticipated annual dividend for the FY2015 is ¥22 (ordinary dividend of ¥20 and commemorative dividend of ¥2) combined with the interim dividend of ¥10.

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

## (FOR THE PURPOSE OF REFERENCE)

## Consolidated Balance Sheet (as of March 31, 2016)

(unit: thousand yen)

Accounting item	Amount
<b>Assets</b>	
<b>[Current assets]</b>	<b>[ 18,366,235]</b>
Cash and cash equivalents	1,948,605
Trade notes and accounts receivable	5,384,377
Marketable securities	1,926,989
Merchandise and finished goods	1,582,482
Work on process	1,135,086
Raw materials and supplies	4,625,293
Deferred tax assets	609,996
Other	1,153,407
Allowance for doubtful accounts	(3)
<b>[Fixed assets]</b>	<b>[ 16,980,559]</b>
<b>Tangible fixed assets</b>	<b>11,444,988</b>
Buildings and structures	4,544,593
Machinery, equipment and vehicles	1,189,175
Land	3,882,338
Lease assets	755,985
Construction in progress	396,177
Other	676,718
<b>Intangible fixed assets</b>	<b>83,996</b>
<b>Investments and other assets</b>	<b>5,451,573</b>
Investment in securities	4,247,640
Net defined benefit asset	280,955
Other	945,893
Allowance for doubtful accounts	(22,915)
<b>Total assets</b>	<b>35,346,794</b>

Accounting item	Amount
<b>Liabilities</b>	
<b>[Current liabilities]</b>	<b>[ 6,067,049]</b>
Trade notes and accounts payable	783,372
Short-term debt	1,760,280
Lease obligations	225,072
Income taxes payable	764,170
Reserve for bonuses	481,266
Reserve for bonuses for officers	76,520
Other	1,976,367
<b>[Fixed liabilities]</b>	<b>[ 2,217,003]</b>
Long-term debt	646,800
Lease obligations	561,529
Provision for loss on guarantees	358,519
Net defined benefit liability	566,341
Other	83,813
<b>Total liabilities</b>	<b>8,284,052</b>
<b>Net Assets</b>	
<b>[Shareholders' equity]</b>	<b>[ 26,171,447]</b>
Capital	9,061,866
Capital surplus	10,961,049
Earned surplus	6,930,146
Treasury stocks	(781,615)
<b>[Accumulated other comprehensive income]</b>	<b>[ 648,213]</b>
Valuation difference on available-for-sale securities	587,933
Foreign currency translation adjustment	205,840
Remeasurements of defined benefit plans	(145,560)
<b>[Subscription rights to shares]</b>	<b>[ 242,323]</b>
<b>[Non-controlling interests]</b>	<b>[ 757]</b>
<b>Total net assets</b>	<b>27,062,741</b>
<b>Total liabilities and net assets</b>	<b>35,346,794</b>

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

(FOR THE PURPOSE OF REFERENCE)

Consolidated Income Statement (From April 1, 2015 to March 31, 2016)

(unit: thousand yen)

Accounting item	Amount	
<b>Sales</b>		<b>17,438,377</b>
<b>Cost of goods sold</b>		<b>6,459,424</b>
<b>Gross profit</b>		<b>10,978,952</b>
<b>Selling, general and administrative expenses</b>		<b>8,826,182</b>
<b>Operating income</b>		<b>2,152,770</b>
<b>Non-operating income</b>		
Interest income	27,075	
Dividends income	23,307	
Foreign exchange gain	11,799	
Gain on redemption of securities	162,335	
Subsidy income	98,224	
Other	25,542	348,284
<b>Non-operating expenses</b>		
Interest expenses	32,668	
Loss on insurance cancellation	8,567	
Other	16,748	57,983
<b>Ordinary income</b>		<b>2,443,071</b>
<b>Legal retained earnings</b>		
Reversal of provision for loss on guarantees	16,401	16,401
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	212	212
<b>Net income before income taxes</b>		<b>2,459,259</b>
Corporate, inhabitant, and enterprise taxes	851,770	
Income taxes-deferred	(182,109)	669,661
<b>Net income</b>		<b>1,789,597</b>
Current net income attributable to non-controlling shareholders		123
<b>Current net income attributable to shareholders of parental company</b>		<b>1,789,474</b>

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

## (FOR THE PURPOSE OF REFERENCE)

## Consolidated Statements of Changes in Equity (From April 1, 2015 to March 31, 2016)

(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	10,949,502	5,780,476	(571,078)	25,220,767
Changes of items during the period					
Dividend of surplus			(639,804)		(639,804)
Current net income attributable to shareholders of parental company			1,789,474		1,789,474
Acquisition of treasury stock				(224,295)	(224,295)
Disposal of treasury stock		11,547		13,758	25,305
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	11,547	1,149,670	(210,537)	950,680
Balance at end of current year	9,061,866	10,961,049	6,930,146	(781,615)	26,171,447

	Accumulated other comprehensive income					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	732,890	11,077	235,928	(99,363)	880,533	162,956	634	26,264,892
Changes of items during the period								
Dividend of surplus								(639,804)
Current net income attributable to shareholders of parental company								1,789,474
Acquisition of treasury stock								(224,295)
Disposal of treasury stock								25,305
Net changes of items other than shareholders' equity	(144,956)	(11,077)	(30,088)	(46,197)	(232,319)	79,366	123	(152,830)
Total changes of items during the period	(144,956)	(11,077)	(30,088)	(46,197)	(232,319)	79,366	123	797,849
Balance at end of current year	587,933	-	205,840	(145,560)	648,213	242,323	757	27,062,741

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

## (FOR THE PURPOSE OF REFERENCE)

## Balance Sheet (as of March 31, 2016)

(unit: thousand yen)

Accounting item	Amount	Accounting item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>[Current assets]</b>	<b>[ 17,443,814]</b>	<b>[Current liabilities]</b>	<b>[ 5,899,337]</b>
Cash and cash equivalents	1,363,730	Accounts payable	740,676
Accounts receivable	5,313,507	Short-term debt	1,210,000
Marketable securities	1,926,989	Long-term debt repaid within one year	550,280
Merchandise and finished goods	1,390,476	Lease obligations	224,342
Work on process	1,135,086	Accounts payable - other	1,098,161
Raw materials and supplies	4,599,166	Accrued expenses	121,501
Advance payments	41,201	Income taxes payable	741,382
Prepaid expenses	196,819	Advance received	180,270
Deferred tax assets	568,789	Deposits payable	46,468
Other	908,047	Reserve for bonuses	476,816
<b>[Fixed assets]</b>	<b>[ 17,480,237]</b>	Reserve for bonuses for officers	76,520
<b>Tangible fixed assets</b>	<b>11,341,455</b>	Other	432,917
Buildings	4,338,750	<b>[Fixed liabilities]</b>	<b>[ 2,168,788]</b>
Structures	163,825	Long-term debt	646,800
Machinery and equipment	1,177,802	Lease obligations	558,890
Vehicles	2,288	Reserve for retirement allowance	453,634
Tools, furniture and fixtures	627,399	Provision for loss on guarantees	358,519
Land	3,882,338	Deferred tax liabilities	116,695
Lease assets	752,872	Asset retirement obligations	34,249
Construction in progress	396,177	<b>Total liabilities</b>	<b>8,068,125</b>
<b>Intangible fixed assets</b>	<b>74,904</b>		
Patent	2,720	<b>Net Assets</b>	
Software	66,852	<b>[Shareholders' equity]</b>	<b>[ 26,025,670]</b>
Telephone subscription right	5,331	Capital	9,061,866
<b>Investments and other assets</b>	<b>6,063,877</b>	Capital surplus	10,961,049
Investment in securities	4,247,640	Capital reserve	7,827,788
Stocks of subsidiaries and affiliates	146,038	Other capital surplus	3,133,261
Investments in capital	2,100	Earned surplus	6,784,369
Investments in capital of subsidiaries and affiliates	233,890	Earned surplus reserve	279,181
Long-term loans	19,000	Other earned surplus	6,505,187
Long-term loans to subsidiaries and affiliates	160,000	Voluntary reserve	951,000
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,511	Earned surplus carried forward	5,554,187
Long-term prepaid expense	8,407	Treasury stocks	(781,615)
Prepaid pension cost	377,990	<b>[Valuation and translation adjustments]</b>	<b>[ 587,933]</b>
Long-term prepaid lease charges	499,024	Valuation difference on available-for-sale securities	587,933
Other	389,190	<b>[Subscription rights to shares]</b>	<b>[ 242,323]</b>
Allowance for doubtful accounts	(22,915)	<b>Total net assets</b>	<b>26,855,927</b>
<b>Total assets</b>	<b>34,924,052</b>	<b>Total liabilities and net assets</b>	<b>34,924,052</b>

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

## (FOR THE PURPOSE OF REFERENCE)

## Income Statement (From April 1, 2015 to March 31, 2016)

(unit: thousand yen)

Accounting item	Amount	
<b>Sales</b>		<b>17,128,547</b>
<b>Cost of goods sold</b>		<b>6,470,583</b>
<b>Gross profit</b>		<b>10,657,963</b>
<b>Selling, general and administrative expenses</b>		<b>8,605,211</b>
<b>Operating income</b>		<b>2,052,752</b>
<b>Non-operating income</b>		
Interest income	1,456	
Interest on marketable securities	26,435	
Dividends income	23,307	
Gain on redemption of securities	162,335	
Subsidy income	98,224	
Foreign exchange gain	11,799	
Other	28,245	351,804
<b>Non-operating expenses</b>		
Interest expenses	32,355	
Loss on insurance cancellation	8,567	
Other	16,508	57,431
<b>Ordinary income</b>		<b>2,347,125</b>
<b>Legal retained earnings</b>		
Reversal of provision for loss on guarantees	16,401	16,401
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	212	212
<b>Net income before income taxes</b>		<b>2,363,313</b>
Corporate, inhabitant, and enterprise taxes	821,018	
Income taxes-deferred	(194,191)	626,826
<b>Net income</b>		<b>1,736,486</b>

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

## (FOR THE PURPOSE OF REFERENCE)

## Statements of Changes in Equity (From April 1, 2015 to March 31, 2016)

(unit: thousand yen)

	Shareholders' equity					
	Capital	Capital surplus			Total capital surplus	
		Capital reserve	Other capital surplus			
Balance at the beginning of current period	9,061,866	7,827,788	3,121,714		10,949,502	
Changes of items during the period						
Dividend of surplus						
Net income						
Acquisition of treasury stock						
Disposal of treasury stock				11,547	11,547	
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-		11,547	11,547	
Balance at end of current year	9,061,866	7,827,788	3,133,261		10,961,049	
	Shareholders' equity					
	Earned surplus reserve	Earned surplus			Treasury stocks	Total shareholder s' equity
		Other earned surplus		Total earned surplus		
		Voluntary reserve	Earned surplus carried forward			
Balance at the beginning of current period	279,181	951,000	4,457,505	5,687,686	(571,078)	25,127,978
Changes of items during the period						
Dividend of surplus			(639,804)	(639,804)		(639,804)
Net income			1,736,486	1,736,486		1,736,486
Acquisition of treasury stock					(224,295)	(224,295)
Disposal of treasury stock					13,758	25,305
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-	1,096,682	1,096,682	(210,537)	897,692
Balance at end of current year	279,181	951,000	5,554,187	6,784,369	(781,615)	26,025,670
	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	732,890	11,077	743,968		162,956	26,034,903
Changes of items during the period						
Dividend of surplus						(639,804)
Net income						1,736,486
Acquisition of treasury stock						(224,295)
Disposal of treasury stock						25,305
Net changes of items other than shareholders' equity	(144,956)	(11,077)	(156,034)		79,366	(76,667)
Total changes of items during the period	(144,956)	(11,077)	(156,034)		79,366	821,024
Balance at end of current year	587,933	-	587,933		242,323	26,855,927

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

