

(FOR REFERENCE PURPOSE)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Security code: 4552)

June 16, 2021

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 46th Ordinary General Meeting of Shareholders

We wish to notify you as follows that the Company will hold the 46th 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.

Same as last year, uncertainties regarding the situation surrounding the COVID-19 pandemic persist, but the Company decided to hold the Ordinary General Meeting of Shareholders with setting up a seating capacity to prevent the spread of the virus.

We request that shareholders to refrain from attending the meeting on the day by all means, and instead of exercise their voting rights for the Ordinary General Meeting of Shareholders in advance in writing or through the Internet to avoid the risk of spreading the virus, and to refrain from attending the venue on the day the meeting is being held.

To exercise your voting rights in advance, please review the following proposals and the “Reference Documents for General Meeting of Shareholders” described later and exercise your voting rights no later than 6:00 p.m., Tuesday, June 22, 2021 (Japan Standard Time).

(FOR REFERENCE PURPOSE)

■ Voting in Writing

Please indicate your approval or disapproval of the proposals on the Voting Form enclosed herewith, and return the Form to the Company so that it will arrive by the deadline noted above.

■ Voting by Electromagnetic Methods (the Internet, etc.)

Please review the “Instructions for Voting by Electromagnetic Methods (the Internet, etc.)” (available only in Japanese as provided in the original document or on the online voting website), and indicate your approval or disapproval of the proposals by the deadline noted above by using one of two methods: by scanning the QR code provided on the enclosed Voting Form (“Smart Exercise” method), or by visiting the website for exercising voting rights (<https://www.web54.net>) and manually entering your “voter code” and “password.”

Yours faithfully,

Details

1. **Date and Time** 10:00 a.m., June 23, 2021 (Wednesday)
2. **Place** ANA Crowne Plaza Hotel Kobe (Room “The Ballroom” on the 10th floor)
1 Chome, Kitano-cho, Chuo-ku, Kobe

As mentioned earlier, we humbly request that shareholders refrain from attendance at the Ordinary General Meeting of Shareholders to avoid the risk of spreading the virus to shareholders or the Company’s officers and employees.

3. Agenda:

Matters to be Reported: Business Reports, Financial Statements, Auditors' and Corporate Auditors' Reports on Consolidated Financial Statements for the Fiscal Year beginning from April 1, 2020 and ending on March 31, 2021

Matters to be Resolved:

Proposal 1 Appointment of Nine (9) Directors

Proposal 2 Appointment of Two (2) Audit & Supervisory Board Members

Proposal 3 Issuance of Share Options to Directors and Corporate Officers for Stock Option Scheme as Stock-linked Compensation Plan.

< Requests to Shareholders >

- The abovementioned information is subject to updates through to the day of the Ordinary General Meeting of Shareholders due to factors such as the situation surrounding the pandemic and details of announcements by the government or other bodies. Please confirm the latest information through the corporate website (<https://www.jcrpharm.co.jp/en/site/en/index.html>).
- When exercising voting rights through the Voting Rights Exercise Form, there is a risk of transmitting the virus during the mailing process or collation operations. We request that voting rights exercised in advance be exercised online.

- Among documents that should be provided for the Notice of Convocation of the Ordinary General Meeting of Shareholders, the “Notes to Consolidated Financial Statements” and the “Notes to Non-consolidated Financial Statements” are posted on the Company’s website (<https://www.jcrpharm.co.jp/en/site/en/index.html>) pursuant to laws and regulations and Article 16 of Incorporation of the Company, and therefore, are not included in the present documents provided for the Notice of Convocation of the Ordinary General Meeting of Shareholders. The Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited on the occasion of preparation of the audit report by Audit & Supervisory Board Members and the accounting audit report by the Accounting Auditor include matters that should be shown as the “Notes to Consolidated Financial Statements” and the “Notes to Non-consolidated Financial Statements” in addition to those described in the present documents provided.
- Any required corrections to the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and/or the Reference Document for the Shareholders’ Meeting will be immediately posted on the Company’s website. (<https://www.jcrpharm.co.jp/en/site/en/index.html>).

Details of Voting Methods

Voting in Person by Attending Ordinary General Meeting of Shareholders



You are kindly requested to bring the enclosed Voting Form with you on the day of the Shareholders' Meeting, and please submit it at the reception desk. Also, please bring this document for your reference to the meeting.

Date and Time

10 a.m., June 23, 2021
(Wednesday)

Exercising your voting rights in advance



Voting by Mail

Please consider the reference documents for the Ordinary General Meeting of Shareholders described below, and indicate your approval or disapproval of the proposal on the enclosed Voting Form, and return it so that it will arrive by the following deadline.


Deadline for Exercise

6 p.m., June 22, 2021
(Tuesday)



Voting by Electromagnetic Methods (the Internet, etc.)

Please consider the reference documents for the Ordinary General Meeting of Shareholders described below, and enter your approval or disapproval of the proposal on the Company's designated website for exercising voting rights (<https://www.web54.net>).

Please refer to the next page for details 

Deadline for Exercise

6 p.m., June 22, 2021
(Tuesday)

Note

- In the event that a voting right is exercised twice via the enclosed voting form and online, only the online vote shall be counted as an effective vote.
- In the event that a voting right is exercised online more than once, only the most recent vote shall be counted as an effective vote.
- Depending on the use environment of the Internet, the network service, and the device used for communication, the online voting website may not be available.
- Shareholders shall bear the connection charges of the Internet providers and the communication charges of the telecommunications carriers (telephone charges, etc.) for accessing the online voting website.

Instructions for Voting by Electromagnetic Methods (the Internet, etc.)

Deadline for Exercise

6:00 p.m., June 22, 2021 (Tuesday)

***Please be reminded that the online voting website and phone inquiries services are available only in Japanese.**

1. Exercising Voting Rights via the Internet

Please note the following matters if you chose to exercise your voting rights via the Internet.

- (1) Online voting is available only by accessing the following online voting website designated by the Company. This website is available through the Internet via cellular phone also.

[Online voting website URL] <https://www.web54.net>

*You may also access the online voting website by scanning the two-dimensional code (QR Code) on the right side of Voting Form [shown in the Japanese original] that allows you to directly login without entering voting code and password if your cellular phone is equipped with a barcode reader. For more detailed instructions on this procedure, please refer to the user manual of your cellular phone.

(QR Code is trademarked by DENSO WAVE INCORPORATED)



- (2) When you vote online, please enter the “voting code” and the “password” provided in the enclosed voting form, and indicate your approval or disapproval of the proposals by following the instructions displayed on the screen.
- (3) Online votes will be accepted until 6:00 p.m., Tuesday, June 22, 2021 (Japan Standard Time), the day immediately prior to the date of the Ordinary General Meeting of Shareholders. However, your early voting would be highly appreciated for the convenience of vote counting.
- (4) Shareholders shall bear the connection charges of the Internet providers and the communication charges of the telecommunications carriers (telephone charges, etc.) for accessing the online voting website.
- (5) If you have any question related to online voting, please contact the following for inquiry services.
Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited.
[Special Phone Line] 0120-652-031
(9:00 a.m. to 9:00 p.m. (Japan Standard Time), toll-free within Japan)

2. Electronic Voting Platform for Institutional Investors

Institutional investors may also use the “Electronic Voting Platform” operated by ICJ, Inc. to vote in this Ordinary General Meeting of Shareholders.

Proposals and reference information

Proposal 1 Appointment of Nine (9) Directors

All of the current nine (9) Directors will reach the maturity of the term of office at the end of this Annual Shareholders Meeting. In order to facilitate business expansion and further reinforce the Company's management supervision, we would like to request the appointment of a total of nine (9) Directors, including one (1) new inside Director, in addition to reappointed eight (8) Directors excluding one (1) Director who will retire.

The nine (9) candidates nominated by the Board are as follows.

Candidate No.	Candidate Name	(Reference)	
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings of Directors in the 46th Fiscal Year (from April 1, 2020 to March 31, 2021)
1	Reappointed Shin Ashida	Representative Director Chairman, President and CEO	100%
2	Reappointed Toru Ashida	Vice President In charge of Corporate Strategy and Sales division Executive Director of Sales Division	100%
3	Reappointed Mathias Schmidt, PD, Ph.D.	Senior Executive Director In charge of Global Strategy	100%

(FOR REFERENCE PURPOSE)

Candidate No.	Candidate Name	(Reference)	
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings of Directors in the 46th Fiscal Year (from April 1, 2020 to March 31, 2021)
4	Reappointed Hiroyuki Sonoda, Ph.D.	Senior Executive Director In charge of Research and Development Division Executive Director of Research Division, and Director of Drug Discovery Research Institute	100%
5	Newly-appointed Yoshio Hiyama, Ph.D.	Director of Corporate Planning Division (In charge of Vaccine Business), and Pharmacovigilance Dept.	-
6	Reappointed Toshihiro Ishikiriya	Outside Director Independent Director	100%
7	Reappointed Takashi Suetsuna	Outside Director Independent Director	100%
8	Reappointed Toshihide Yoda	Outside Director	93%
9	Reappointed Yuko Hayashi, Ph.D.	Outside Director Independent Director	100%

(FOR REFERENCE PURPOSE)

Candidate
No.

1

Reappointed



Shin Ashida (January 2, 1943)

Number of Shares of
the Company Owned **10,400**
shares

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

September 1975	Appointed Representative Director and President at the establishment of JCR Pharmaceuticals Co., Ltd. (to present)	June 2007	Appointed President of the Company (to present) Appointed Chief Operating Officer (COO) of the Company (to present)
June 2005	Appointed Chairman of the Company (to present) Appointed Chief Executive Officer (CEO) of the Company (to present)		

[Significant Concurrent Positions]

Member of the Board of Directors of Future Brain Co., Ltd.
Representative Director and President of JCR INTERNATIONAL SA

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his ability and actual achievements as founder and business manager of the Company and for sustained enhancement of the company value in the future, and the Company requests continued appointment of him as Director.

Candidate
No.

2

Reappointed



Toru Ashida (October 31, 1968)

Number of Shares of
the Company Owned **261,271**
shares

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

April 1992	Joined Nippon Life Insurance Company	June 2018	Appointed Senior Executive Director of the Company (to present)
April 2002	Appointed Representative Director and President at the establishment of JBS Co., Ltd.		Head of Quality Assurance Division, Corporate Planning Division, and Medical Affairs Department of the Company
January 2014	Joined JCR Pharmaceuticals Co., Ltd.	June 2019	In charge of Corporate Strategy (to present) Head of Quality Assurance Division, Corporate Planning Division, Administration Division, and Medical Affairs Department of the Company
July 2014	Appointed Corporate Officer of the Company Executive Director of Corporate Business Support Division and Director of Corporate Strategy Department of the Company	April 2020	Executive Director of Sales Division of the Company (to present)
April 2016	Head of Office of the President of the Company	June 2020	Appointed Vice President and In charge of Sales Division (to present)

[Significant Concurrent Positions]

Representative Director and President of Future Brain Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has abundant experience in managing the organization at a major financial institution and operating an organization which supports facilities for clinical trial and is an appropriate person for enhancement of the corporate value of the Company, and the Company requests continued appointment of him as Director.

(FOR REFERENCE PURPOSE)

Candidate
No.

3

Mathias Schmidt, PD, Ph.D. (February 13, 1968) Number of Shares of the Company Owned 0 share

Reappointed



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

April 2001	Laboratory Head and Senior Group Leader, Oncology, Altana Pharma AG, Germany	June 2012	Vice President Biological Sciences, Takeda California, USA
May 2003	Lecturer in Disease Biology, Pharmacology, Human Biology, Drug Discovery & Development, University of Constance, Germany	October 2016	President and Chief Executive Officer, ArmaGen, Inc., USA (to present)
June 2007	Associate Principal Strategic Planning / Business Support Department, Nycomed GmbH, Germany (currently, Takeda GmbH)	March 2019	Executive Vice President, Head of Research and Development, Triphase Accelerator Corporation, USA (to present)
January 2010	Principal & Head of Biologics Department, Nycomed GmbH, Germany (currently, Takeda GmbH)	June 2020	Appointed Senior Executive Director of the Company and In charge of Global Strategy (to present)
		July 2020	JCR USA, Inc. President and CEO (to present)

[Significant Concurrent Positions]

President and Chief Executive Officer ArmaGen, Inc., USA
JCR USA, Inc. President and CEO

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his research achievements at academia as well as extensive research activities and abundant experience of global clinical development at pharmaceutical companies. In approaching globalization, the Company expects that his high management abilities and achievements will greatly contribute in enhancing the corporate value of the Company, and the Company requests continued appointment of him as Director.

Candidate
No.

4

Hiroyuki Sonoda, Ph.D. (June 15, 1978) Number of Shares of the Company Owned 1,316 shares

Reappointed



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

April 2003	Joined JCR Pharmaceuticals Co., Ltd.	April 2018	Executive Director of Research Planning Division of the Company (to present)
April 2016	Director of Corporate Planning Division (Research) of the Company	June 2018	Appointed Corporate Officer of the Company (to present)
October 2017	Leader of Frontier Research Unit and Director of Corporate Planning Division (Research) of the Company	June 2020	Appointed Senior Executive Director of the Company and In charge of Research and Development Division (to present) Executive Director of Research Division, and Director of Drug Discovery Research Institute (to present)

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his leadership and outstanding capabilities in the research field demonstrated since he joined the Company. The Company expects that his wide range of ideas based on his abundant experience will not only contribute to clinical development but will greatly contribute in enhancing the corporate value of the Company such as gene therapy and regenerative medicine that will support the Company's future growth, and the Company requests continued appointment of him as Director.

(FOR REFERENCE PURPOSE)

Candidate
No.

Yoshio Hiyama, Ph.D. (August 29, 1960)

Number of Shares of
the Company Owned 670 share

5

Newly-
appointed



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

April 1986	Joined Daiichi Pharmaceuticals Co., Ltd. (currently Daiichi Sankyo Co., Ltd.)	April 2019	Joined JCR Pharmaceuticals Co., Ltd. Assistant director, Production Division
October 1999	PMD VAC Co., Ltd (secondment),	April 2020	Marketing Supervisor General (to present) Director of Pharmacovigilance Dept., and PMS office manager
April 2005	Manager, Regulatory Affairs Group	September 2020	Director of Corporate Planning Division (In charge of Vaccine Business), and Pharmacovigilance Dept.(to present)
October 2011	Daiichi Sankyo Co., Ltd (returned), Group Manager, R&D Group in Vaccine Planning Dept.		
July 2012	Japan Vaccines Co. Ltd. (secondment), Marketing Supervisor General and Quality and Safety management director		

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of he has a wealth of business experience and knowledge concerning compliance with the Pharmaceutical Equipment Law and other laws and regulations, manufacturing, quality control and distribution of pharmaceuticals, and the vaccine business, etc., and he is appropriate personnel who can be greatly contribute in enhancing the corporate value of the Company. Therefore, the Company requests the newly appointment of him as Director.

(FOR REFERENCE PURPOSE)

Candidate
No.

6

Reappointed

Outside
Director

Independent
Director



Toshihiro Ishikiriya (October 12, 1952)

Number of Shares of
the Company Owned 8,000
shares

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

January 1996	General Manager of Corporate Planning of Hoechst Marion Roussel Inc. (currently, Sanofi K.K.)	June 2015	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals Co., Ltd. (to present)
January 2002	Joined GlaxoSmithKline K.K.	August 2016	Assistant to the President of MEDINET Co., Ltd.
March 2002	Member of the Board of Directors and General Manager of Corporate Planning of GlaxoSmithKline K.K.	July 2018	Audit & Supervisory Board Member of GlaxoSmithKline K.K. (to present)
April 2005	Member of the Board of Directors, General Manager of Financial Affairs and in charge of Business Development of GlaxoSmithKline K.K.	August 2019	Audit & Supervisory Board Member of GSK Capital K.K. (to present) Audit & Supervisory Board Member of GKK K.K. (to present)
June 2008	Member of the Board of Directors and Managing Director of GlaxoSmithKline K.K.		Audit & Supervisory Board Member of GlaxoSmithKline Consumer Healthcare Japan K.K. (to present)
April 2012	Member of the Board of Directors, Managing Director and General Manager of Vaccine Business Promotion Division of GlaxoSmithKline K.K.		Audit & Supervisory Board Member of ViiV Healthcare K.K. (to present)
July 2012	Representative Director and Chairman of Japan Vaccine Co., Ltd.	September 2019	Representative Director and President of RegeNephro Co.,Ltd. (to present)
June 2014	Representative Director and President of Japan Vaccine Co., Ltd.		

[Significant Concurrent Positions]

Audit & Supervisory Board Member of GlaxoSmithKline K.K.
Audit & Supervisory Board Member of GSK Capital K.K.
Audit & Supervisory Board Member of GKK K.K.
Audit & Supervisory Board Member of GlaxoSmithKline Consumer Healthcare Japan K.K.
Audit & Supervisory Board Member of ViiV Healthcare K.K.
Representative Director and President of RegeNephro Co.,Ltd.

Reason for Nomination as a Candidate for Director and Overview of expected role

The Company has nominated him as a candidate for an Outside Director because he has abundant experience and expert knowledge as a manager of pharmaceutical companies, the Company requests the continued appointment of him as Outside Director, as we expect him to utilize such experience and knowledge to supervise the execution of our duties by our directors, and to provide appropriately advice on our management, from a professional perspective.

In addition, if he is appointed, he is expected to be involved in the selection of candidates for directors and the determination of executive remuneration as a nomination and remuneration advisory committee member from an objective and neutral standpoint.

(FOR REFERENCE PURPOSE)

Candidate
No.

7

Reappointed

Outside
Director

Independent
Director



Takashi Suetsuna

(March 8, 1949)

Number of Shares of
the Company Owned 0 share

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

April 1974	Joined the National Police Agency	June 2013	Audit & Supervisory Board Member of Marubeni Corporation
February 1994	Chief of Kochi Prefectural Police Headquarters	June 2015	Outside Director of Totetsu Kogyo Co., Ltd. (to present)
September 1997	Director of Finance Division of Commissioner-General's Secretariat of National Police Agency	June 2016	Audit & Supervisory Board Member of Keikyu Corporation (to present)
September 2001	Chief Inspector General of Commissioner-General's Secretariat of National Police Agency		Audit & Supervisory Board Member of Kandenko Co., Ltd. (to present)
August 2002	Chief of Kanagawa Prefectural Police Headquarters	June 2017	Appointed Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd.
August 2004	Deputy Superintendent General of National Police Agency	June 2018	Appointed Member of the Board of Directors (Outside Director) of the Company (to present)
September 2005	Grand Chamberlain to the Crown Prince at the Imperial Household Agency		Audit & Supervisory Board Member of Aioi Nissay Dowa Insurance Co., Ltd. (to present)
April 2009	Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg		
June 2012	Retired from the above office		

[Significant Concurrent Positions]

Outside Director of Totetsu Kogyo Co., Ltd.
Audit & Supervisory Board Member of Keikyu Corporation
Audit & Supervisory Board Member of Kandenko Co., Ltd.
Audit & Supervisory Board Member of Aioi Nissay Dowa Insurance Co., Ltd.

Reason for Nomination as a Candidate for Director and Overview of expected role

Although he has not been involved in corporate management except as an Outside Director of the Company, the Company has nominated him as a candidate for an Outside Director because he has abundant experience in administrative agencies and a global perspective as a diplomat, the Company requests the continued appointment of him as Outside Director, as we expect him to utilize such experience and knowledge to supervise the execution of our duties by our directors, and to provide appropriately advice on our management, from a professional perspective.

In addition, if he is appointed, he is expected to be involved in the selection of candidates for directors and the determination of executive remuneration as a nomination and remuneration advisory committee member from an objective and neutral standpoint.

(FOR REFERENCE PURPOSE)

Candidate
No.

8

Reappointed

Outside
Director



Toshihide Yoda (January 8, 1963)

Number of Shares of
the Company Owned 0 share

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

April 1985	Joined Nippon Kangyo Kakumaru Securities	April 2012	Managing Director of Medipal Holdings Corporation In charge of IR and General Manager of Business Development Department CMA® (to present)
May 1989	Joined UBS Securities Japan Co., Ltd.	May 2016	Director of SPLine Corporation Director of Medie Co., Ltd.
July 1996	Joined ING Bearing Securities	June 2016	Director of Mediceo Corporation (to present)
December 2000	Joined Lehman Brothers	February 2018	Director of JCR USA, Inc. (to present)
October 2008	Joined Barclays Capital Securities Japan Limited (currently, Barclays Securities Japan Limited) Managing Director of Barclays Capital Securities Japan Limited (currently, Barclays Securities Japan Limited)	June 2018	Senior Vice President of Medipal Holdings Corporation. (to present) Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)
June 2010	Director of Medipal Holdings Corporation		

[Significant Concurrent Positions]

Senior Vice President of Medipal Holdings Corporation
Director of Mediceo Corporation
Director of JCR USA, Inc.

Reason for Nomination as a Candidate for Director and Overview of expected role

The Company has nominated him as a candidate for an Outside Director because he has extensive knowledge as an analyst of pharmaceutical sector in the financial industry and his various experiences of driving new business, the Company requests the continued appointment of him as Outside Director, as we expect him to utilize such experience and knowledge to supervise the execution of our duties by our directors, and to provide appropriately advice on our management, from a professional perspective.

Candidate
No.

9

Reappointed

Outside
DirectorIndependent
DirectorYuko Hayashi, Ph.D. (February 18, 1965) Number of Shares of
the Company Owned 0 share**Summary of the Profile, Position, Responsibilities and Significant Concurrent Position**

April 1988	Joined IBM Japan Ltd.	April 2012	Associate Professor of Graduate School of Innovation and Technology Management of Yamaguchi University
October 2003	Visiting Researcher of Research Center for Advanced Science and Technology of The University of Tokyo	June 2015	Professor of Graduate School of Innovation and Technology Management of Yamaguchi University (to present)
April 2007	Lecturer of Graduate School of Innovation and Technology Management of Yamaguchi University	January 2017	Executive Board Member of Special Olympics Nippon of Public Interest Incorporated Foundation (to present)
	Visiting Researcher of National Graduate Institute for Policy Studies	April 2018	Visiting Researcher of Graduate School of Frontier Sciences of The University of Tokyo (to present)
March 2011	Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association (to present)	June 2018	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)

[Significant Concurrent Positions]

Professor of Graduate School of Innovation and Technology Management of Yamaguchi University
Executive Board Member of Special Olympics Nippon of Public Interest Incorporated Foundation
Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association

**Reason for Nomination as a Candidate for Director and Overview of expected role**

Although he has not been involved in corporate management except as an Outside Director of the Company, the Company has nominated her as a candidate for an Outside Director because she has expertise on practical application of innovation and a wide range of extensive experience such as research activities on advanced medical care, diversity and promotion of women's participation and advancement in the workplace, the Company requests the continued appointment of him as Outside Director, as we expect him to utilize such experience and knowledge to supervise the execution of our duties by our directors, and to provide appropriately advice on our management, from a professional perspective.

In addition, if she is appointed, she is expected to be involved in the selection of candidates for directors and the determination of executive remuneration as a nomination and remuneration advisory committee member from an objective and neutral standpoint.

- (Note) 1. The number of shares of the Company owned by each candidate includes the equity interests in the JCR Officer Shareholding Association and the JCR Pharmaceuticals Employee Shareholding Association.
2. Mr. Yoshio Hiyama is newly-appointed candidates for Director of the Company.
3. Mr. Toshihide Yoda is a Senior Vice President of Medipal Holdings Corporation, and Medipal Holdings Corporation is a major shareholder of the Company.
4. There are no particular vested interests between other candidates and the Company.
5. Mr. Toshihiro Ishikiriyama will have served as an Outside Director for five (6) years, Mr. Takashi Suetsuna will have served as an Outside Director for three (4) years, and Mr. Toshihide Yoda and Dr. Yuko Hayashi will have served as an Outside Director for two (3) years at the conclusion of this Shareholders' Meeting.
6. When this proposal is approved as proposed, Mr. Toshihiro Ishikiriyama, Mr. Takashi Suetsuna and Dr. Yuko Hayashi will be registered at the Tokyo Stock Exchange as Independent Director without particular vested interests with the shareholders in general.
7. Pursuant to paragraph 2 of Article 23 of Incorporation of the Company, the Company has concluded a contract with Mr. Toshihiro Ishikiriyama, Mr. Takashi Suetsuna, Mr. Toshihide Yoda, and Dr. Yuko Hayashi with respect to limiting their liabilities for damages under Paragraph 1 of Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1 of Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence. If the proposal is approved as originally proposed and both are re-elected, the above contract will be continued.
8. The Company has concluded an officer liability insurance contract with the insurance company, and each candidate for director shall be the insured under such insurance contract. Please refer to page 32 of this notice for an outline of the contents of this agreement. In addition, in the event each candidate assumes the post of director, the applicable insurance contract shall be renewed during the term of office.

(FOR REFERENCE PURPOSE)

Criteria for independence of Outside Directors

In nomination of candidates for Outside Director of Member of the Board of Directors of the Company, the Company places great emphasis on abundant experience and high insight in corporate management etc. in addition to the requirements under the Company Law. Independent Director has been designated as a person who fulfills the qualification of an independent Director who is not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc.

Proposal 2

Appointment of 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 No.	Candidate Name	(Reference)			
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings of Directors in the 45th Fiscal Year (from April 1, 2020 to March 31, 2021)	Attendance of the Board Meetings of Auditors in the 45th Fiscal Year (from April 1, 2020 to March 31, 2021)	
1	Reappointed Takeshi Komura	Outside Director Independent Director	Outside Audit & Supervisory Board Members	86%	100%
2	Reappointed Syuichi Tani	Outside Director Independent Director	Outside Audit & Supervisory Board Members	100%	100%

(FOR REFERENCE PURPOSE)

Candidate
number

1

Reappointed

Independent
Audit &
Supervisory
Board
Member



Takeshi Komura (September 2, 1939)

Number of Shares of
the Company Owned 5,226

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

April 1963	Entered Ministry of Finance	January 2014	President, Capital Market Promotion Foundation,
June 1982	Budget Examiner of Budget Bureau (Health, Labor and Welfare)		Public Interest Incorporated Foundation (to present)
June 1993	Deputy Vice Minister	June 2017	Appointed Audit & Supervisory Board Members of the Company (to present)
May 1995	Director-General of the Budget Bureau	November 2019	Board Chairman of The Iwatani Naoji Foundation (to present)
July 1997	Administrative Vice Minister of Finance		
January 2001	Governor, Development Bank of Japan Inc.		
August 2012	Audit & Supervisory Board Member, Maezawa Industries, Inc. (to present)		

[Significant Concurrent Positions]

Outside Director of Maezawa Industries, Inc.
Board Chairman of Capital Market Promotion Foundation of Public Interest Incorporated Foundation

Reason for Nomination as a Candidate for 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, and the Company requests continued appointment of him as Audit & Supervisory Board Member.

Candidate
number

2

Reappointed

Independent
Audit &
Supervisory
Board
Member



Shuichi Tani (March 20, 1939)

Number of Shares of
the Company Owned 9,226

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

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 (to present)
October 1992	Director General of Health Service Bureau	July 2017	Appointed Audit & Supervisory Board Members of the Company (to present)
January 1995	Director General of Health Policy Bureau		

[Significant Concurrent Positions]

President Emeritus of International University of Health and Welfare

Reason for Nomination as a Candidate for Audit & Supervisory Board Member

Although he has not been involved in corporate management except as an Outside Director of the Company, 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, and we requests continued appointment of him as Audit & Supervisory Board Member.

- (Note) 1. There are no particular vested interests between Mr. Takeshi Komura, Mr. Shuichi Tani and the Company.
2. Mr. Takeshi komura and Mr. Shuichi Tani will have served as an Audit & Supervisory Board Member for four (4) years at the conclusion of this Shareholders' Meeting.

(FOR REFERENCE PURPOSE)

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 paragraph 2 of Article 36 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 Paragraph 1 of Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1 of Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.
5. The Company has concluded an officer liability insurance contract with the insurance company, and each candidate for director shall be the insured under such insurance contract. Please refer to page 32 of this notice for an outline of the contents of this agreement. In addition, in the event each candidate assumes the post of director, the applicable insurance contract shall be renewed during the term of office.

Proposal 3

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

The stock-linked compensation stock option allotted to Directors of the Company (excluding Outside Directors; hereinafter referred to as "eligible Directors") 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.

Although the maximum yearly amounts of remuneration for the Directors were approved at no more than 500 million yen (including 100 million yen or less for Outside Directors) for Directors at the 42nd Annual Shareholders Meeting held on June 24, 2017 and remains unchanged to date, with respect to stock-linked compensation stock options for the fiscal year ended March 31, 2022, we propose the issuance of new share subscription rights as stock-linked compensation stock options up to an annual amount of 200 million yen or less and up to 650 units of new share subscription rights (One (1) new share subscription right shall be 100 shares.) to eligible Directors, separately from the above-mentioned applicable amount of remuneration.

Stock-linked compensation stock options for the fiscal year ending March 31, 2022 shall also be issued to Corporate Officers of the Company, and the maximum annual amount for Corporate Officers shall be 50 million yen and 160 new share subscription rights (One (1) share subscription right shall be 100 shares.).

In addition, the above-mentioned stock-linked compensation stock options shall be paid at a fair value when allocating new share subscription rights, and the eligible Directors and Corporate Officers shall set off the payment of such amount by means of a compensation claim against us in lieu of the payment of such amount.

Currently, the numbers of Directors is nine (9) (including four (4) Outside Directors), and if the Proposal 1 "Appointment of nine (9) Directors" is approved as originally proposed, the numbers of Directors shall be continued nine (9) (including four (4) Outside Directors).

(FOR REFERENCE PURPOSE)

1. Outlines of new share subscription rights as the stock-linked compensation stock options

(1) Recipients of the share subscription rights

Five (5) Directors (excluding Outside Directors) and four (4) Corporate Officers of the Company

(2) Total number of the share subscription rights

Limited to a maximum of 810.

(One (1) share subscription right shall be 100 shares.)

Provided, however, that the same adjustment shall be made in the event the number of shares subject to the share warrants set forth in paragraph (3) is adjusted.

(3) Type and number of shares for the share subscription rights

Not exceed 81,000 common shares of the Company.

In addition, the date on which the share subscription rights are allotted to the Company (hereinafter referred to as the "Allotment Date").

Subsequently, in the event of a share split or consolidation of shares, the number of shares subject to such split or consolidation shall be adjusted according to the following formula:

Provided, however, that such adjustment shall be made with respect to the number of shares subject to share warrants not exercised at such time among such share warrants, and any fraction less than one (1) share resulting from such adjustment shall be discarded.

Number of shares after adjustment = Number of shares before adjustment × Ratio of split/consolidation

In addition, in the event we merge or merge with another company and acquire the rights to subscribe for new shares, or in the event we effect an incorporation-type demerger or absorption-type demerger, we may adjust the number of shares to a reasonable extent as we deem necessary.

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

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

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

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

(6) Period for exercising the share subscription rights

(FOR REFERENCE PURPOSE)

Up to 30 years after the allotment date

(7) Conditions for the exercise of the share subscription rights

[1] A share subscription right holder may exercise the rights only within ten (10) days from the day following the day he/she loses his/her position as a director of the Company or a subsidiary company or from the day following the he/she resigns from the position as 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 within ten (10) days following the day he/she no longer occupies the position of a director. A corporate officer loses his/her rights if his/her resignation is due to dismissal or for personal reasons.

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

[3] In the event the a share subscription right holder loses the position of a director of the Company or a subsidiary company or a corporate officer of the Company reaches retirement prior to the day of the Ordinary General Meeting of Shareholders scheduled to be held in June 2022, he/she will not able to exercise the rights.

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

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

(8) Reasons for Acquisition of the share subscription rights

① Share Options may be acquired free of charge if a merger agreement in which we become an extinguished company is approved, and if a proposal to approve a share exchange agreement and a share transfer proposal in which we become a wholly owned subsidiary are approved at a general meeting of shareholders.

② In the event the holder of the rights to subscribe for new shares is unable to exercise the rights because the conditions for exercising the rights to subscribe for new shares mentioned in (7) above cease to apply, the said rights to subscribe for new shares may be acquired without consideration.

(9) Inheritance of the share subscription rights

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

(10) Restriction on the transfer of the share subscription rights

(FOR REFERENCE PURPOSE)

The acquisition of the share subscription rights by transfer shall require the approval of the Board of Directors of the Company.

(11) Other matters

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

2. Reasons why it is appropriate to issue stock-linked compensation stock options to the eligible directors

The above-mentioned details of the stock options as stock-linked compensation for the fiscal year ending March 31, 2022, as well as the amount of compensation and the maximum number of new share subscription rights for the eligible directors, are considered as appropriate based on the following factors: the purpose of stock options as stock-linked compensation, the economic situation and social standards, the increase in the roles and responsibilities of directors due to changes in the business environment surrounding the Company, the Company's business performance, and the Company's policy regarding the determination of the details of individual remuneration, etc., for Directors.





[Attachment] Report on business results (From April 1, 2020 to March 31, 2021)

1 Current Situation of the Corporate Group

1. Progress of business and its results

(1) Summary of consolidated operating results for the fiscal year under review

The overview of this consolidated fiscal year is as follows;

Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
30,085	8,269 million	8,488 million	6,892 million
million yen	yen	yen	yen
 Against Previous Fiscal Year.....	 Against Previous Fiscal Year.....	 Against Previous Fiscal Year.....	 Against Previous Fiscal Year.....
21.4% increase	154.9% increase	157.7% increase	157.4% increase

(Note) All amounts are rounded down to the nearest million yen.

1. Net Sales

Net sales amounted to 30,085 million yen (up 21.4% year on year), marking our highest-ever net sales year of sales growth.

we made growth net sales and revenue from licensing owing to the ninth consecutive year of sales increases in the sales volume of core products and revenue from licensing.

2. Operating Income and Ordinary Income

Operating income of 8,269 million yen (up 154.9%), ordinary income of 8,488 million yen (up 157.7%), and profit attributable to owners of parent of 6,892 million yen (up 157.4%), we made our highest-ever amounts of each.






Gross profit increased 31.9% as a result of higher sales, while selling, general and administrative expenses, including research and development expenses, increased only 2.7%.

Efficient R&D activities resulted in a 10.6% decrease in R&D expenses to 5,360 million yen.

(FOR REFERENCE PURPOSE)

3. Main components of sales

The main components of sales are as follows.

	Net sales for FY2020		Year-on-year change
Recombinant human growth hormone product GROWJECT®	13,256 million yen	 +4.8%	605 million yen increase
Regenerative medical products TEMCELL® HS Inj.	2,441 million yen	 △21.9%	685 million yen decrease
Renal anemia treatments Epoetin Alfa BS Inj. [JCR] Darbepoetin Alfa BS Inj. [JCR]	7,087 million yen 3,278 million yen 3,809 million yen	 +28.6%	1,577 million yen increase 819 million yen decrease 2,396 million yen increase
Fabry disease treatment Agalsidase Beta BS I.V. Infusion [JCR]	470 million yen	 +48.2%	153 million yen increase
AZD1222	404 million yen	—	404 million yen increase
Revenue from licensing	6,406 million yen	 +212.4%	4,355 million yen increase

(Note) All amounts are rounded down to the nearest million yen.

- Sales of TEMCELL®HS Inj. (regenerative medical product), were reduced due to the impact of temporary supply restrictions implemented to secure inventory.
- Sales increased for all products, except for Epoetin Alpha BS, due to sales volume growth.
- Sales of Darbepoetin Alfa BS Inj. [JCR] (long-acting erythropoiesis-stimulating agent) launched in November 2019, increased, while sales of Epoetin Alfa BS Inj. [JCR] (renal anemia treatment), decreased. However, sales of all drugs for the treatment of renal anemia increased from the previous fiscal year.

(FOR REFERENCE PURPOSE)

- We are commissioned to manufacture the bulk substance of the COVID-19 vaccine (AZD1222) from AstraZeneca Co., Ltd.
- Revenue from licensing is derived from sources such as milestone payments based on progress with research and development with contract partners on joint R&D and other projects, and when new licensing agreements are signed.

(2) The Status of R&D

[Treatments for lysosomal storage diseases]

- In treatments for lysosomal storage diseases, a priority field for development, we are currently conducting development of new drugs that employ our unique blood-brain barrier (BBB) technology, J-Brain Cargo®.
- Our BBB-penetrating therapeutic enzyme for the treatment of Hunter Syndrome, Pabinafusp Alfa (development code: JR-141, IZCARGO®) obtained marketing authorization in Japan in March 2021 and an application for marketing approval was filed with the Brazilian Health Surveillance Agency (ANVISA) in the Federal Republic of Brazil in December 2020. In other regions, JR-141 received orphan drug designation from the U.S. Food and Drug Administration (FDA) in October 2018, and the European Medicines Agency (EMA) in February 2019, respectively. In February 2021, the FDA approved the designation of Fast Track and the commencement of Phase III clinical trials. In addition to the U.S., we are preparing to start the study in Brazil and Europe as a global clinical trial.
- About our mucopolysaccharidose type I enzyme treatment (development number: JR-171), as our first global clinical trial, the clinical trial protocol notification for Phase I/II clinical trials for a blood-brain barrier-transit was accepted by the Pharmaceuticals and Medical Devices Agency (PMDA) in July 2020, and in October 2020, the investigational product was administered to the first subject. ANVISA and the FDA have also approved the initiation of clinical trials.
- We have also been successively conducting R&D into other treatments for lysosomal storage diseases that employ J-Brain Cargo®, including a treatment for Pompe disease (development code: JR-162), a treatment for Sanfilippo syndrome type A (development code: JR-441), a treatment for Sly syndrome (development code: JR-443), and a treatment for Sanfilippo syndrome type B (JR-446). We will also develop each of these treatments globally.

[Regenerative medicine products]

- In July 2019, we commenced Phase I/II clinical trials of TEMCELL® HS Inj. for the expanded indication of neonatal hypoxic ischemic encephalopathy (HIE) (development code: JR-031HIE).
- In March 2021, we decided to discontinue the development for the purpose of expanding indication of Temcel® HS Inj. for epidermolysis bullosa (EB) by subcutaneous administration (development code: JR-031EB).

(FOR REFERENCE PURPOSE)

- In February 2019, we commenced Phase I/II clinical trials of an allogeneic regenerative medical product using dental pulp stem cells (DPCs), jointly developed with Teijin Limited, for the indication of acute cerebral infarction (development code: JTR-161/JR-161).

[Human growth hormone product]

- In July 2018, we started a Phase III clinical trial for an additional indication for GROWJECT® in patients with short stature homeobox-containing gene (SHOX) deficiency.
- In Mar 2021, we initiated a Phase II clinical trial of a recombinant long-acting growth hormone (development code: JR-142).

[Reference] Research and Development Status of New Products (As of May 19, 2021)

Code (Nonproprietary name)	Indication	Status	Remarks
JR-141 BBB-penetrating iduronate-2-sulfatase (rDNA origin)	LSD MPS type II (Hunter)	Japan: Approved Brazil: Filed Global: Phase III	• ERT • J-Brain Cargo®
JR-171 BBB-penetrating α -L iduronidase (rDNA origin)	LSD MPS type I (Hurler etc.)	Global: Phase I/II	• ERT • J-Brain Cargo® • J-MIG System®
JR-162 J-Brain Cargo® -applied acid α -glucosidase (rDNA origin)	LSD Pompe disease	Preclinical	• ERT • J-Brain Cargo®
JR-441 BBB-penetrating heparan N-sulfatase (rDNA origin)	LSD MPS type III A (Sanfilippo A)	Preclinical	• ERT • J-Brain Cargo®
JR-443 BBB-penetrating β -glucuronidase (rDNA origin)	LSD MPS type VII (Sly)	Preclinical	• ERT • J-Brain Cargo®
JR-446 BBB-penetrating α -N-acetylglucosaminidase (rDNA origin)	LSD MPS type III B (Sanfilippo B)	Preclinical	• ERT • J-Brain Cargo®
JR-401X Somatropin (rDNA origin)	SHOX deficiency	Phase III	• Expanded Indication
JR-142 Long-acting human growth hormone (rDNA origin)	Pediatric growth hormone deficiency	Phase II	• J-MIG System®
JR-031HIE Mesenchymal stem cells	Neonatal Hypoxic Ischemic Encephalopathy	Phase I/II	• Expanded Indication • Regenerative medical product
JTR-161/JR-161 Dental pulp stem cells	Acute cerebral infarction	Phase I/II	• Co-developed with Teijin Limited • Regenerative medical product

BBB: Blood Brain Barrier LSD: Lysosomal storage disorder MPS: Mucopolysaccharidosis ERT: Enzyme replacement therapy

2. State of Financing

In order to procure efficient and stable working capital, The Company have entered into commitment line agreements with major financial institutions totaling 155 billion yen..

3. State of Capital Investment

Capital expenditures in the fiscal year under review totaled 3,965 million yen, including capital investments of 2,432 million yen in pharmaceutical manufacturing facilities and of 1,336 million yen in R&D facilities.

(Note) All amounts are rounded down to the nearest million yen.

4. Challenges Need to be Addressed

JCR issued the three-year mid-term management plan “Revolution into the Future“ in May. 2020. In FY2020, the first year for “Revolution”, JCR achieved several “Revolutions” not only in the area of R&D, such as the marketing authorization of Izcargio for Hunter syndrome in Japan and many other achievements, but also the far-reaching reforms in the marketing division to support further growth of Growject and also toward the expecting launch of Izcargio.

In FY2021, we plan to launch Izcargio in Japan and Brazil, proceed global Phase 3 trials for Izcargio and global Phase 1/2 trial for JR-171. Furthermore, we expect that several candidates including JR-162 for Pompe disease, JR-441 for Sanfilippo syndrome A, JR-446 for Sanfilippo syndrome B, JR-443 for Sly disease and other several Lysosomal storage disease candidates would proceed toward the preparation for clinical trials.

In Japan, we promote Phase 2 trial for JR-142 (long-acting GH) and we are preparing the submission of New Drug Approval for the short stature due to SHOX abnormities for Growject.

Adding to mentioned above, regarding the manufacturing of vaccine for Covid-19 collaborating with AstraZeneca, we sincerely engaging in this project as the CSR of the biotechnology company.

The situation around pharmaceutical industry in Japan, such as decrease of the predictability of NHI drug pricing system and an unsuspending aging population, becomes more severe. The competitive circumstance, such as the dynamisation of M&A for the expansion of pipeline, also becomes more severe globally.

The Company, as the pharmaceutical company envisioning globalization through the development of Lysosomal storage disease drugs including Izcargio, will promote “Revolution” continuously and tackle the following challenges to achieve sustainable and stable growth under such severe business circumstances.

Top priority business challenge: Qualitative and quantitative reorganization of the quality assurance system

(FOR REFERENCE PURPOSE)

Under the Midterm Business Plan “HENKAKU” (REVOLUTION), we will make steady progress on development projects, including research and development in the field of lysosomal storage diseases. In anticipation of further growth in JCR’s importance in the field of rare diseases, “Qualitative and quantitative reorganization of the quality assurance system” has been identified as our top priority business challenge. Recently, with several cases impairing credibility toward pharmaceuticals, the attitude of the pharmaceutical industry toward the steadily supply and quality is severely required. The most important duty of a pharmaceutical company is to rapidly and steadily supply high-quality products to the clinical frontlines. We recognize that this is a critical challenge that can have a bearing on our continued existence as an enterprise. JCR’s treatments for lysosomal storage diseases including Izcargo to be launched in FY2021 and following drug candidates that apply its BBB penetration technology J-Brain Cargo® have the potential to become the first-ever therapies for lysosomal storage diseases that manifest central nervous symptoms for which no effective therapy currently exists.

Additionally, JCR’s supply chain will continue to expand even further as the number of its products and pipeline compounds increases. Keeping this issue in mind, as a pharmaceutical company advancing the development of treatments for rare diseases, we recognize the importance of our duty to rapidly and steadily supply high-quality products. Recognizing this, we will step up our efforts even more than before to implement qualitative and quantitative reorganization of the quality assurance system.

Furthermore, JCR will accelerate measures to address the following five important business challenges.

(1) Action for sustainable growth of the sales of our products

Sales of existing products constitute the source of funding for treatments of lysosomal storage diseases such as JR-141 and all of our research and development activities. For this reason, we continue to identify the sustainable growth of sales of our products as an important business challenge. Notably, we believe that it is of utmost importance to strengthen the sales base of GROWJECT®, a recombinant human growth hormone product that accounts for around half of our net sales.

Even now, the market for growth hormone products continues to expand, due to activities such as efforts to develop additional indications for growth hormone products and programs to raise awareness of diseases by companies that market growth hormone products. On the other hand, growth hormone products are used primarily to treat growth disorders in children. In the near future, overall market growth is predicted to turn negative due to the falling birthrate in Japan.

JCR has continued to expand its market share in Japan by cultivating the hospital market, developing dedicated injectors to differentiate itself from other companies, and developing user-friendly dosage forms. JCR will pursue the further improvement of the degree of treatment satisfaction through the connectivity between healthcare professionals and patients via the smartphone apps. By enhancing these measures further and with the effective and efficient information providing

activities, JCR will offset the impacts of the projected decline in the size of the market and the impact of NHI price revisions as it works to preserve and drive growth in net sales.

In other compounds, we will also work to preserve and drive growth in net sales by appropriately responding to changes in the business environment.

(2) **Expansion of basic research activities**

In the pharmaceutical industry, it takes more than ten years for a new platform technology to be established as a pharmaceutical, including basic research. We expect that JCR's top priority of developing a series of treatments for lysosomal storage diseases will run its course in the next ten years or so with the prosperous progress in our R&D. Therefore, we will strengthen measures to address basic research in order to create a new platform technology in anticipation of the period after we have developed treatments for lysosomal storage diseases. In addition, since J-Brain Cargo® is based on antibodies, special considerations and ingenuity are needed to deliver small molecules, nucleic acids and other substances to the brain. On the other hand, the technology to deliver drug substances to the brain can be applied to a variety of diseases, not just lysosomal storage diseases. Delivering small molecules and nucleic acids to the brain could pave the way for new treatment options for many more diseases.

In order to explore these possibilities, JCR established the Translational Research Progress Unit in the Research Division and will advance basic research to develop technologies that can efficiently deliver low to middle molecular compounds such as small molecules and nucleic acids to the brain. JCR will pursue establishing the new and stable business pillar by creating new valuable basic technologies for other companies.

(3) **Evaluation and implementation of further capital investment for manufacturing and research**

We acquired the real estate owned by Kobe-city as the land for the manufacturing plant of Covid-19 vaccine bulk in Mar. 2021. This new plant will manufacture not only for the vaccine bulk and also future drugs for potential emerging infectious for the request from the Japanese government based on the Emergency Vaccine Production System Improvement Project of the ministry of Health, Labour and Welfare. This new plant will also be expected to manufacture our lysosomal storage disease drugs when there would be an excessive manufacturing capacity.

Going forward, we will take active steps to make the necessary capital investments based on medium- and long-term predictions, while closely monitoring the business environment. These investments will seek to accelerate the research and development of a series of future treatments of lysosomal storage diseases and to enable the early start of clinical trials and product launches in the market.

(4) **Product strategy planning including evidence generation**

Pharmaceutical companies that develop treatments for lysosomal storage diseases have an important duty to provide useful information to those clinical sites worldwide engaged to treat

lysosomal storage diseases. Doing so will also help to increase JCR's business value. Accordingly, JCR will push ahead with product strategy planning including evidence generation as an important business challenge.

For example, treatments for lysosomal storage diseases using J-Brain Cargo® technology are expected to provide patients with an improved prognosis through alleviation of central nervous system symptoms. However, in short-term clinical trials, it is difficult to obtain data about prognoses that require long-term monitoring. Because this sort of data is crucial to the clinical frontlines, JCR will conduct proactive and strategic data collection activities for Izcargo to be launched in FY2021 in Japan and Brazil.

Furthermore, some medical conditions are difficult to identify as lysosomal storage diseases, because the main symptoms of those conditions are only central nervous system symptoms. Given that JCR's treatments for lysosomal storage diseases can be useful for these medical conditions, JCR believes that one of its important duties is to conduct activities that facilitate the early detection and treatment of these conditions.

(5) Transformation of operations and organizations along with human resource development

JCR's global activities will get under way in earnest from FY2020, and JCR will need to have achieved a major transformation in all aspects of its business by its 50th anniversary in 2025. Meanwhile, we are convinced that JCR's value originates from every member of Team JCR who embraces JCR's corporate culture. This will remain unchanged in the era of full-scale globalization, and will continue to inspire the creation of new value in manufacturing and research.

JCR believes that preserving and developing Team JCR's corporate culture is vital to JCR's creation of value. Accordingly, we believe that it is important to limit our operations to a size where we know—and can see—every member of Team JCR. The number of employees in JCR reached 719 with the increase of around 260 in FY2015, the first year of the previous management plan. We expect the further increase of employees with the expansion of the manufacturing capacity to be started from this fiscal year and the prosperous progress in the R&D. Envisioning our globalization, even in a phase of rapid business expansion, we will focus on high value-added operations, proceed digitalization of business and advance the necessary organizational reforms to ensure that we can still operate with only a certain number of dedicated staff. Additionally, we will carry out human resources development to foster the growth of every member of Team JCR supporting JCR's future development.

Forward-looking statements contained in this document are based on information available as of the end of the fiscal year under review.

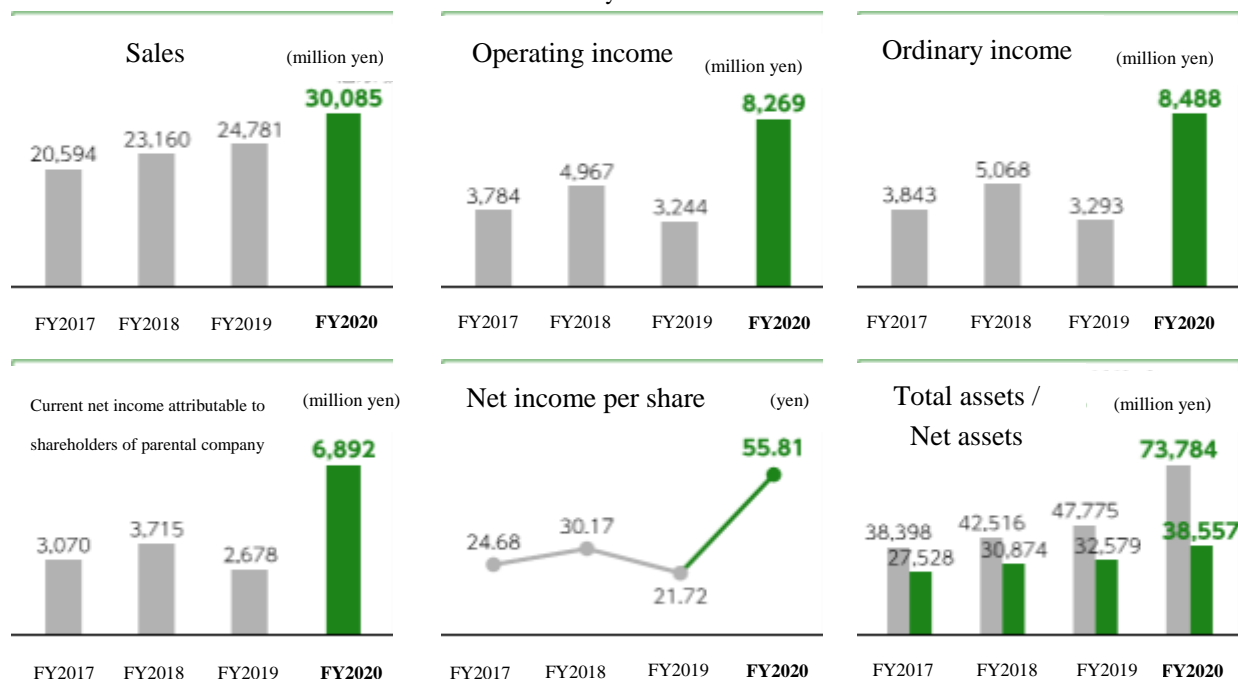
5. Trends in Assets and Profit and Loss

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

Category		43rd term Fiscal year 2017	44th term Fiscal year 2018	45th term Fiscal year 2019	46th term (term under review) Fiscal year 2020
Sales	(million yen)	20,594	23,160	24,781	30,085
Operating income	(million yen)	3,784	4,967	3,244	8,269
Ordinary income	(million yen)	3,843	5,068	3,293	8,488
Current net income attributable to shareholders of parental company	(million yen)	3,070	3,715	2,678	6,892
Net income per share	(yen)	98.73	120.68	86.89	55.81
Total assets	(million yen)	38,398	42,516	47,775	73,784
Net assets	(million yen)	27,528	30,874	32,579	38,557

(Note) 1. The Company conducted a four-for-one stock split of common shares effective on October 1, 2020. As a result, net income per share has been calculated based on the assumption that the stock split was conducted at the beginning of the 2017 fiscal year.

2. All amounts are rounded down to the nearest million yen.



(FOR REFERENCE PURPOSE)

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

Category		43rd term Fiscal year 2017	44th term Fiscal year 2018	45th term Fiscal year 2019	46th term (term under review) Fiscal year 2020
Sales	(million yen)	20,304	22,910	24,725	30,085
Operating income	(million yen)	3,732	4,967	3,287	8,641
Ordinary income	(million yen)	3,794	5,031	3,342	8,594
Net income	(million yen)	3,015	3,826	2,741	7,081
Net income per share	(yen)	96.97	124.31	88.94	57.33
Total assets	(million yen)	37,756	42,072	47,440	73,727
Net assets	(million yen)	27,049	30,524	32,278	38,546

(Note) 1. The Company conducted a four-for-one stock split of common shares effective on October 1, 2020. As a result, net income per share has been calculated based on the assumption that the stock split was conducted at the beginning of the 2017 fiscal year.

2. All amounts are rounded down to the nearest million yen.

6. Important subsidiaries, etc.

(1) Subsidiaries

Company Name	Capital	Investment Ratio of the Company	Description of Main Business
Chromatech Co., Ltd.	10 million yen	100.0 %	Sale of medical and laboratory equipment
JCR Engineering Co., Ltd.	10 million yen	100.0 %	Processing and custody of facility information Facility management Construction management
JCR INTERNATIONAL SA	1 million CHF	100.0 %	Surveys toward market development and investments related to pharmaceuticals
JCR USA, Inc.	5 million USD	65.0 %	Management and supervision of outsourcing to the CRO related to clinical trials
ArmaGen, Inc	1 USD	100.0 %	Development of pharmaceuticals and management of intellectual property and licenses
JCR DO BRASIL FARMACÊUTICOS IMPORTAÇÃO E EXPORTAÇÃO LTDA	10 million BRL	100.0 %	Import, sale and distribution of pharmaceuticals in Brazil

(FOR REFERENCE PURPOSE)

- (Note) 1. Based on the absorption-type merger agreement of August 29, 2019 between the Company and Family Health Rental Co., Ltd., the Company completed to be the company surviving by absorbing Family Health Rental Co., Ltd. on April 1, 2020.
2. On April 10, 2020, the Company completed the acquisition of ArmaGen, Inc. , which was agreed on March 26, 2020, and became a subsidiary of the Company.
3. The Company have commenced the activities of JCR DO BRASIL FARMACÊUTICOS IMPORTAÇÃO EXPORTAÇÃO LTDA. and have been included in the scope of consolidated subsidiaries since the current consolidated fiscal year.
4. The dissolving and liquidation of our wholly owned subsidiary, He Bei Jie Xi Bio-products Co., Ltd. has been completed.

(2) Affiliated company
No relevant items.

(3) Specified wholly-owned subsidiaries as of the last day of the fiscal year
No relevant items.

7. Scope of main business

The Company Group manufactures, purchases and sells ethical pharmaceuticals, regenerative medicine products, active pharmaceutical ingredients and raw materials and also purchases and sells laboratory instruments, apparatus and medical equipment.

8. Main places of business and manufacturing sites

(1) JCR Pharmaceuticals Co., Ltd.

Category	Name (Location)
Head Office	Head Office (Ashiya, Hyogo Prefecture)
Office	Tokyo Office (Minato-ku, Tokyo)
Manufacturing Sites	Seishin Plant (Nishi-ku, Kobe) Kobe Plant (Nishi-ku, Kobe) Murotani Plant (Nishi-ku, Kobe) Kobe API Plant (Nishi-ku, Kobe)
Research Laboratory	Research Institute (Nishi-ku, Kobe) Bio Research Center (Nishi-ku Kobe)

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(2) Subsidiaries

Category	Name (Location)
Japan	Chromatech Co., Ltd. (Nishinomiya , Hyogo) JCR Engineering Co., Ltd. (Nishi-ku, Kobe)
Overseas	JCR INTERNATIONAL SA (Switzerland) JCR USA, Inc. (USA) ArmaGen, Inc. (USA) JCR DO BRASIL FARMACÊUTICOS IMPORTAÇÃO E EXPORTAÇÃO LTDA.(Brazil)

- (Note) 1. Based on the absorption-type merger agreement of August 29, 2019 between the Company and Family Health Rental Co., Ltd., the Company completed to be the company surviving by absorbing Family Health Rental Co., Ltd. on April 1, 2020.
2. On April 10, 2020, the Company completed the acquisition of ArmaGen, Inc. which was agreed on March 26, 2020, and became a subsidiary of the Company.
3. The Company have commenced the activities of JCR DO BRASIL FARMACÊUTICOS IMPORTAÇÃO E EXPORTAÇÃO LTDA. and have been included in the scope of consolidated subsidiaries since the current consolidated fiscal year.
4. The dissolving and liquidation of our wholly owned subsidiary, He Bei Jie Xi Bio-products Co., Ltd. has been completed.

9. Employees

Business Division	Number of Employees
Pharmaceuticals	636
Medical devices and laboratory equipment	4
Company-wide (shared)	92
Total	732

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

10. Principal Lenders

Lender	Loan Value
MUFG Bank, Ltd.	5,850 million yen
Mizuho Bank, Ltd.	3,950 million yen
Sumitomo Mitsui Banking Corporation	3,650 million yen

(Note) All amounts are rounded down to the nearest million yen.

2 Matters Related to the Shares of the Company

1. State of shares

- (1) Total number of authorized shares 320,000,000 shares
- (2) Total number of outstanding shares 129,686,308 (including 5,707,744 shares held as treasury shares) shares
- (3) Number of shareholders at the end of the term under review 20,953 shareholders

(Note) At a meeting of the Board of Directors held on August 26, 2020, the Articles of Incorporation were amended pursuant to a four-for-one stock split of common shares effective on October 1, 2020, which increased the total number of authorized shares by 240,000,000.

(Note) As a result of the four-for-one stock split of common shares conducted on October 1, 2020, the total number of outstanding shares has increased by 97,264,731.

2. Principal shareholders (Top 10)

Name of Shareholder	Number of Shares Held	Ratio of Shareholding
Medipal Holdings Corporation	29,131,000 shares	23.49%
Kissei Pharmaceutical Co., Ltd.	13,920,000 shares	11.22%
Future Brain Co., Ltd.	8,711,000 shares	7.02%
The Master Trust Bank of Japan, Ltd.(Trust Account)	6,889,000 shares	5.55%
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	6,518,000 shares	5.25%
Custody Bank of Japan, Ltd. (Trust Account)	5,778,000 shares	4.66%
Sumitomo Dainippon Pharma Co., Ltd.	3,400,000 shares	2.74%
Mochida Pharmaceutical Co., Ltd.	2,200,000 shares	1.77%
JPMBL RE BARCLAYS CAPITAL SECURITIES LIMITED COLL EQUITY	1,101,000 shares	0.88%
Employee Shareholding Association of JCR Pharmaceuticals Co., Ltd.	1,075,000 shares	0.86%

- (Note) 1. For Ratio of Shareholding, all amounts are rounded down to the second decimal place.
2. The Company holds 5,707,744 shares of the Company; however it is not included in the table above.
3. 363,900 shares of the Company held with Trust Custody Services Bank, Ltd. (Trust E Account) following the adoption of Benefit Trust Scheme (J-ESOP), are not included in treasury shares of the Company (5,707,744 shares).
4. Ratios of shareholding have been calculated after deducting treasury shares from the total number of outstanding shares.

3 Matters Related to the New Shares Subscription Rights of the Company

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

Date of Resolution on Issue	Period of Exercise		Exercise Price	Recipients	Number of Rights (Note)
June 25, 2009	From To	July 1, 2009 June 30, 2039	1 yen	1 Director	6
June 25, 2010	From To	August 23, 2010 August 22, 2040	1 yen	1 Director	8
June 28, 2011	From To	July 15, 2011 July 14, 2041	1 yen	1 Director	60
June 27, 2012	From To	July 17, 2012 July 16, 2042	1 yen	2 Directors	100
June 19, 2013	From To	July 10, 2013 July 9, 2043	1 yen	2 Directors	40
July 25, 2014	From To	August 15, 2014 August 14, 2044	1 yen	2 Directors 1 Audit & Supervisory Board Member	70 10
June 24, 2015	From To	July 15, 2015 July 14, 2045	1 yen	3 Directors	100
June 22, 2016	From To	July 13, 2016 July 12, 2046	1 yen	3 Directors	100
June 28, 2017	From To	July 14, 2017 July 13, 2047	1 yen	3 Directors	100
October 25, 2018	From To	November 9, 2018 November 8, 2048	1 yen	4 Directors	105
June 27, 2019	From To	July 12, 2019 July 11, 2049	1 yen	4 Directors	105
June 24, 2020	From To	July 14, 2020 July 13, 2050	1 yen	5 Directors	115

- (Note) 1. The number of shares to be acquired by exercise of new share subscription rights resolved on June 25, 2009 and June 25, 2010 corresponds to 4,000 shares per new share subscription right. The number of shares to be acquired by exercise of new share subscription rights resolved on June 28, 2011, June 27, 2012, June 19, 2013, July 25, 2014, June 24, 2015, June 22, 2016, June 28, 2017, October 25, 2018, June 27, 2019 and June 24, 2020 corresponds to 400 shares per new share subscription right. The number of shares subject to subscription rights to shares has been adjusted to reflect the four-for-one stock split conducted on October 1, 2020.
2. The above Directors do not include Outside Directors.

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

Date of Resolution on Issue	Period of Exercise	Exercise Price	Recipients	Number of Rights (Note)	
June 24, 2020	From To	July 14, 2020 July 13, 2050	1 yen	1 President of overseas subsidiary companies 4 Corporate Officers	5 35

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on June 24, 2020 corresponds to 400 shares per new share subscription right. The number of shares subject to subscription rights to shares has been adjusted to reflect the four-for-one stock split conducted on October 1, 2020.

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

No relevant items.

4 Officers (As of March 31, 2021)

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

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director, Chairman and President Chief Executive Officer (CEO) and Chief Operating Officer (COO)	Shin Ashida	Member of the Board of Directors of Future Brain Co., Ltd. Representative Director and President of JCR INTERNATIONAL SA
Representative Director and Senior Vice President	Hiroshi Yoshimoto	In charge of Production Division Executive Director of Production Division
Member, Board of Directors Vice President	Toru Ashida	In charge of Corporate Strategy and Sales Division Executive Director of Sales Division, Representative Director and President of Future Brain Co., Ltd.
Member, Board of Directors Senior Executive Director	Mathias Shmidt	In charge of Global Strategy President and Chief Executive Officer of ArmaGen, Inc., USA President and Chief Executive Officer of JCR USA, Inc.
Member, Board of Directors Senior Executive Director	Hiroyuki Sonoda	In charge of Research and Development Division Executive Director of Research Division, and Director of Drug Discovery Research Institute
Member, Board of Directors (Outside Director)	Toshihiro Ishikiriyama	Audit & Supervisory Board Member of GlaxoSmithKline K. K. Audit & Supervisory Board Member of GSK Capital K.K. Audit & Supervisory Board Member of GKK K.K. Audit & Supervisory Board Member of GlaxoSmithKline Consumer Healthcare Japan K.K. Audit & Supervisory Board Member of ViiV Healthcare K.K. Representative Director and President of RegeNephro Co.,Ltd.

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Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Member, Board of Directors (Outside Director)	Takashi Suetsuna	Outside Director of Totetsu Kogyo Co., Ltd. Outside Audit & Supervisory Board Member of Keikyu Corporation Outside Audit & Supervisory Board Member of Kandenko Co., Ltd. Outside Audit & Supervisory Board Member of Aioi Nissay Dowa Insurance Co., Ltd.
Member, Board of Directors (Outside Director)	Toshihide Yoda	Senior Vice President of Medipal Holdings Corporation Director of Mediceo Corporation Director of JCR USA, Inc.
Member, Board of Directors (Outside Director)	Yuko Hayashi, Ph.D.	Professor of Graduate School of Innovation and Technology Management of Yamaguchi University Executive Board Member of Special Olympics Nippon of Public Interest Incorporated Foundation Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association
Full-Time Audit & Supervisory Board Member	Kazumasa Oizumi	
Outside Audit & Supervisory Board Member	Kazuhiko Yamada	Head of Kazuhiko Yamada Tax Accountant Offices Outside Director of Create Corporation (Member of Audit and Supervisory Committee)
Outside Audit & Supervisory Board Member	Kenjiro Miyatake	Board Chairman of Kobe Pharmaceutical University
Outside Audit & Supervisory Board Member	Takeshi Komura	Outside Director of Maezawa Industries, Inc. Board Chairman of Capital Market Promotion Foundation of Public Interest Incorporated Foundation Board Chairman of The Iwatani Naoji Foundation
Outside Audit & Supervisory Board Member	Shuichi Tani	President Emeritus of International University of Health and Welfare

- (Note) 1. The Company designated four (4) Outside Directors; Mr. Toshihiro Ishikiryama, Mr. Takashi Suetsuna, Mr. Toshihide Yoda, and Dr. Yuko Hayashi, among which the three (3) Outside Directors; Mr. Toshihiro Ishikiryama, Mr. Takashi Suetsuna, and Dr. Yuko Hayashi are Independent Directors who are not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc..
2. The Company designated five (5) Outside Audit & Supervisory Board Members; Mr. Kazumasa Oizumi, Mr. Kazuhiko Yamada, Mr. Kenjiro Miyatake, Mr. Takeshi Komura and Mr. Shuichi Tani are Independent Audit & Supervisory Board Members who are not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc.
3. Audit & Supervisory Board Member Mr. Kazumasa Oizumi has many years of experience at financial institutions; Audit & Supervisory Board Member Mr. Kazuhiko Yamada is a qualified tax accountant and has appreciable extent of knowledge with regard to finance and accounting; Audit & Supervisory Board Member Mr. Kenjiro Miyatake has experience as business manager in the pharmaceutical industry; Audit & Supervisory Board Member Mr. Takeshi Komura has extensive experience and high insight in administrative and financial institutions; Audit & Supervisory Board Member Mr. Shuichi Tani has extensive experience and high insight on health care and medical welfare.
4. Senior Executive Director Hiroshi Yoshimoto, will retire the position for the expiration of his terms after the 46th Ordinary General Meeting of Shareholders to be held on June 23, 2021, and will be appointed as Senior Advisor.

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5. The Company has introduced a Corporate Officer system in order to streamline the management organization and strengthen the functions of the Board of Directors.

The Corporate Officers are as follows.

Corporate Officer	Akihiro Haguchi	Executive Director of Administration Division
Corporate Officer	Yutaka Honda	Manager of Office of the President
		Executive Director of Corporate Planning Division
Corporate Officer	Takayo Egawa	Manager of International Affairs Office
Corporate Officer	Kazunori Tanizawa	Executive Director of Development Division

2. Summary of the details of liability limitation contract

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

Under the said provision, the Company has concluded contracts with the Outside Directors Mr. Toshihiro Ishikiriya, Mr. Takashi Suetsuna, Mr. Toshihide Yoda, Dr. Yuko Hayashi and the five (5) Audit & Supervisory Board Members with respect to limiting their liabilities for damages under Paragraph 1, Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1, Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.

3. Summary of the details of Directors and Officers liability insurance contract

We have concluded an officer liability insurance (D&O insurance) contract with the insurance company as set forth in Paragraph 1 of Article 430-3 of the Companies Act, with directors, auditors, and corporate officers as insured persons

The outline of the contents of the applicable insurance contract shall be covered by the applicable insurance contract with respect to any loss or damage that the insured may incur as a result of the insured assuming responsibility for the execution of its duties or receiving a claim pertaining to the pursuit of such liability.

Provided, however, that such insurance contract shall not indemnify the insured against any claim for damages arising out of the willful or gross negligence of the insured.

The Company shall bear all insurance premiums and the insured shall not bear any insurance premiums.

4. Compensation, etc. of Directors and Audit & Supervisory Board Members

(1) Policies for determining details of executive compensation, etc.

At a meeting of the Board of Directors held on February 25, 2021, JCR passed a resolution regarding policies for determining the details of individual compensation, etc. for Directors. On the occasion of this resolution by the Board of Directors, JCR consulted the Advisory Committee for Nomination, Compensation, etc. beforehand and followed their recommendations.

Furthermore, with regard to individual compensation for Directors, the Board of Directors confirmed that the

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method of determining details of compensation and details of compensation as determined would match the policies and that recommended guidelines from the Advisory Committee for Nomination, Compensation, etc. were respected in line with the policies.

The details of the policies for determining individual compensation, etc., for Directors are as follows:

Basic policy concerning compensation, etc.

The basic policy on executive compensation is to establish and operate a system that is intended to enhance motivation to contribute to improved corporate value and morale while aiming for continued improvements to business performance on a medium- to long-term basis.

Specifically, with regard to compensation for internal Directors, JCR has introduced a system of stock option-based compensation in addition to fixed compensation in the form of basic compensation and executive bonuses. Compensation for Outside Directors consists solely of fixed compensation in the form of basic compensation.

Compensation for Audit & Supervisory Board Members consists solely of fixed compensation in the form of basic compensation.

Additionally, JCR has established an Advisory Committee for Nomination, Compensation, etc. with the goal of ensuring the independence and objectivity of Board of Director functions with regards to executive compensation and other issues. As an advisory body to the Board of Directors, the committee includes Independent Outside Directors and Independent Outside Audit & Supervisory Board Members.

1. Policy for determining amount of individual compensation, etc., for basic compensation and bonuses (monetary compensation)

Basic compensation for Directors is paid as monthly fixed compensation in accordance with each Director's duties. JCR determines the amount in line with the size of the individual's role while also referencing business conditions and social standards.

Meanwhile, executive bonuses are determined through comprehensive consideration of past actual payments, the level of contribution of each Director and other factors. Once the amount has been determined, it is paid every year at a certain period.

Note that the President and CEO, who is delegated by the Board of Directors, makes the final decision within a range determined through a resolution by the General Meeting of Shareholders upon full deliberation by the Advisory Committee for Nomination, Compensation, etc.

Basic compensation for Audit & Supervisory Board Members is paid as monthly fixed compensation in accordance with each Audit & Supervisory Board Member's duties. The amount is determined while referencing business conditions and social standards. Note that compensation for Audit & Supervisory Board Members is decided through discussion with Audit & Supervisory Board Members within a range determined

through a resolution by the General Meeting of Shareholders.

2. Policy concerning performance-linked compensation

JCR has made it its management policy to aim for long-term growth by actively investing in research and development in innovative fields. It has decided not to adopt performance-linked compensation, which changes the amount of compensation in coordination with recent business performance, for the time being out of concern that it will limit these types of investments.

3. Policy concerning details of non-monetary compensation and methods for calculating amounts and number of payments

Stock option-based compensation provided as non-monetary compensation is intended to enhance motivation to contribute to continued improvement in business performance and corporate value on a medium- to long-term basis, and is allotted every year on at a certain period. Individual compensation will be determined in accordance with each Director's position and role at the Board of Directors' meeting upon full deliberation by the Advisory Committee for Nomination, Compensation, etc. within a range established through a resolution by the General Meeting of Shareholders.

Issues such as the maximum number of authorized shares shall be deliberated at the General Meeting of Shareholders.

4. Policy for determining the individual monetary and non-monetary compensation ratio

With regard to the amounts of monetary and non-monetary compensation for internal Directors, the ratio of individual compensation will be determined each fiscal year in order to respond flexibly to the contributions to business results by each internal Director in each fiscal year.

The Advisory Committee for Nomination, Compensation, etc. examines and determines appropriate amounts for each type of compensation for internal Directors after viewing the elements set forth in the policy, while giving consideration to JCR's performance and business conditions.

The Board of Directors and the President and CEO, who makes the final decision for the Board of Directors, respect the recommendations of the Advisory Committee for Nomination, Compensation, etc. and determine the details of individual compensation for internal Directors as indicated by the recommendations within the permitted ratio.

Compensation for Outside Directors shall consist solely of fixed compensation (monetary compensation) in the form of basic compensation.

Compensation for Audit & Supervisory Board Members shall consist solely of fixed compensation (monetary compensation) in the form of basic compensation.

5. Items concerning decisions about details of executive individual compensation, etc. for Directors

The amount of individual compensation is based on deliberation by the Board of Directors, while the President and CEO makes the final decision about the specific details. That authority extends to the amount of basic compensation and bonuses for each Director.

The Board of Directors consults the Advisory Committee for Nomination, Compensation, etc. about the

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original motion so that authority is exercised appropriately. The President and CEO, who makes the final decision for the Board of Directors, makes a decision based on the details of the recommendation.

(2) Total compensation, etc. for the current fiscal year

Category	Total compensation, etc. (million yen)	Total compensation, etc. by type (million yen)			Eligible executives
		Basic compensation	Performance- linked compensation, etc.	Non-monetary compensation, etc.	
Director (Outside Directors)	440 (40)	326 (40)	—	114 (0)	10 (3)
Audit & Supervisory Board Member (Outside Auditors)	57 (57)	57 (57)	—	—	5 (5)
Total (of which are outside executives)	498 (98)	383 (98)	—	114 (0)	15 (8)

(Note) 1 All amounts are rounded down to the nearest million yen.

2. Total compensation, etc. for Directors does not include the salaries of Directors who concurrently serve as employees.
3. Includes two Directors who resigned from their posts at the conclusion of the 45th Ordinary General Meeting of Shareholders held on June 24, 2020.
4. The content of non-monetary compensation is our stock compensation type stock option, and the conditions at the time of allotment and the status of deliveries in the current fiscal year are described on pages 32 to 34 and 28 of this convocation notice.
5. At the 42nd Ordinary General Meeting of Shareholders held on June 28, 2017, it was resolved that the amount of compensation for Directors shall not exceed 500 million yen per year (of which no more than 100 million yen for Outside Directors) and that for Audit & Supervisory Board Members shall not exceed 80 million yen per year.
At the conclusion of the said general meeting of shareholders, the number of directors was 10 (including five outside directors) and the number of auditors was 5
6. The amount of compensation for each director is determined by Shin Ashida, President and Representative Director, who has been delegated by the Board of Directors, by determining the business environment and the size of the roles of each director, and the Board of Directors determines non-monetary compensation (stock options).
In making the decision, the Nomination and Compensation Advisory Committee, which is composed of a majority of independent outside directors and auditors, deliberates thoroughly and respects the content of the report.

5. Matters Regarding the Outside Directors and Outside Audit & Supervisory Board Members

- (1) The Relationships between the Company and the Companies or Organizations Where the Outside Directors and Outside Audit & Supervisory Board Members Concurrently Hold Significant Positions
1. The Company and Medipal Holdings Corporation, which holds 23.49% of the Company's stock, have entered into the agreement of investment in development pipeline of the Company.
 2. Mediceo Corporation is a subsidiary of Medipal Holdings Corporation which is the largest shareholder of the Company and has a trading relationship with the Company. The annual transaction amount is 21.8% of the total sales of the Company.
 3. JCR USA, Inc. is a subsidiary of the Company.
 4. There is no significant trading relationship between the Company and entities where its Outside Directors and Outside Audit & Supervisory Board Members hold concurrent positions, other than those indicated above.

(2) The Principal Activities of the Outside Directors and Outside Audit & Supervisory Board Members

Category	Name	Principal Activities
Outside Director	Toshihiro Ishikiriyama	Among the fifteen (15) meetings held by the Board of Directors during the fiscal year under review, he attended all meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager. In addition, as a member of the Nomination and Compensation Advisory Committee, we are actively involved from an objective and neutral standpoint in the selection of candidates for our executive positions and in the determination of compensation. In this way, we properly fulfill our roles and responsibilities as an outside director in ensuring the speed and appropriateness of decision-making with respect to our overall management.
Outside Director	Takashi Suetsuna	Among the fifteen (15) meetings held by the Board of Directors during the fiscal year under review, he attended all meetings, and he made statements at those meetings, primarily based on his career and knowledge in public administrations over many years. In addition, as a member of the Nomination and Compensation Advisory Committee, we are actively involved from an objective and neutral standpoint in the selection of candidates for our executive positions and in the determination of compensation. In this way, we properly fulfill our roles and responsibilities as an outside director in ensuring the speed and appropriateness of decision-making with respect to our overall management.
Outside Director	Toshihide Yoda	Among the fifteen (15) meetings held by the Board of Directors during the fiscal year under review, he attended fourteen (14) meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager. we properly fulfill our roles and responsibilities as an outside director in ensuring the speed and appropriateness of decision-making with respect to our overall management

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Category	Name	Principal Activities
Outside Director	Yuko Hayashi, Ph.D.	<p>Among the fifteen (15) meetings held by the Board of Directors during the fiscal year under review, she attended all meetings, and she made statements at those meetings, primarily from her expertise on a wide range of extensive experience such as research activities on advanced medical care and promotion of women's participation and advancement in the workplace.</p> <p>In addition, as a member of the Nomination and Compensation Advisory Committee, we are actively involved from an objective and neutral standpoint in the selection of candidates for our executive positions and in the determination of compensation.</p> <p>In this way, we properly fulfill our roles and responsibilities as an outside director in ensuring the speed and appropriateness of decision-making with respect to our overall management.</p>
Outside Audit & Supervisory Board Member	Kazumasa Oizumi	<p>He attended all fifteen (15) meetings held by the Board of Directors and all twelve (12) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his career in the financial industry and experience as Outside Audit & Supervisory Board Member.</p>
Outside Audit & Supervisory Board Member	Kazuhiko Yamada	<p>He attended all fifteen (15) meetings held by the Board of Directors and all twelve (12) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his expertise as a tax accountant as Outside Audit & Supervisory Board Member.</p>
Outside Audit & Supervisory Board Member	Kenjiro Miyatake	<p>He attended all fifteen (15) meetings held by the Board of Directors and all twelve (12) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his career as a business manager of a pharmaceutical company over many years as Outside Audit & Supervisory Board Member.</p>
Outside Audit & Supervisory Board Member	Takeshi Komura	<p>He attended thirteen (13) meetings out of fifteen (15) meetings held by the Board of Directors and all twelve (12) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his extensive experience in administrative agencies and a wide range of finance as Outside Audit & Supervisory Board Member.</p>
Outside Audit & Supervisory Board Member	Shuichi Tani	<p>He attended all fifteen (15) meetings held by the Board of Directors and all twelve (12) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his extensive experience on health care, deep insight into medical welfare and educational institutions as Outside Audit & Supervisory Board Member.</p>

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
48 million yen
- (2) Amount of compensation for the non-auditing work as the Accounting Auditor of the Company
42 million yen
- (3) Total value of money that the Company and the Company's subsidiaries should pay and other economic benefits
96 million yen

- (Note) 1. All amounts are rounded down to the nearest million yen.
2. Regarding the compensation, etc., for the Accounting Auditor, the Audit & Supervisory Board has given consent to it under Paragraph 1, Article 399 of the Companies Act after having checked the time of audits by audit item, the transition of compensations for audits, the audit plan and achievements of past fiscal years, in light of the "Practical Guidelines for Cooperation with Financial Auditors" released by the Japan Audit & Supervisory Board Members Association followed by considering the adequacy and applicability of the estimated time of audits and amount of compensations for the fiscal year under review.
 3. 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.
 4. In addition to the amount of remuneration paid to the accounting auditor for the current fiscal year, the Company paid an additional remuneration of 5 million yen for the audit for the previous fiscal year.

3. Details of non-auditing work

The Company entrusts the accounting auditor with "advisory work related to overseas expansion" and "Supporting work related to application of accounting standards for revenue recognition" which is a task (non-auditing work) other than the work under paragraph 1, Article 2 of the Certified Public Accountants Act.

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

- (1) The Audit & Supervisory Board may dismiss an Accounting Auditor with the unanimous consent of all Audit & Supervisory Board Members if they are of the opinion that the Accounting Auditor falls under one of the categories stipulated in the items of Article 340 Paragraph 1 of the Companies Act and would cause a material adverse effect against the auditing work of the Company. In that case, Audit & Supervisory Board Members nominated by the Audit & Supervisory Board shall present a report at the earliest General Meeting of Shareholders convened after the dismissal to the effect that the Accounting Auditor has been dismissed, together with the reason for the dismissal.

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(2) Apart from cases based on the circumstances of the Company, the Audit & Supervisory Board may also determine the contents of a proposal for the dismissal or non-reappointment of an Accounting Auditor and the Board of Directors may submit the proposal to a General Meeting of Shareholders based on the determination, if the Accounting Auditor violates or infringes a law such as the Companies Act or Certified Public Accountants Act, etc., and in the opinion of the Audit & Supervisory Board, the duties of the Accounting Auditor is not or will not be carried out appropriately, or if a material adverse effect has or will have arisen in the auditing work of the Company due to the Accounting Auditor being punished with a work suspension order by the supervisory authorities.

5. Summary of the details of liability limitation contracts

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

6 Company Systems and Policies

1. Systems to ensure the appropriateness of work

(1) Systems to ensure the appropriateness of work

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

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

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

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Management Promotion Committee, Internal Control Committee and Compliance Committee. In particular, as a pharmaceutical company, the Company regularly holds meetings of the three executives of manufacturing and marketing (the marketing supervisor-general, quality assurance manager and safety management supervisor) in accordance with regulations of the Pharmaceutical and Medical Device Act, 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, 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

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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 Managing Directors shall regularly report on the status of the execution of their duties at meetings of the Board of Directors, and the Company's Directors and employees shall report promptly, from time to time as prescribed by Audit & Supervisory Board Members, 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 through an outside contact point.

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.

- [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.

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[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 and regular issuance of compliance newsletters. Additionally, we make efforts for prevention and suppression of violating acts by setting up a contact point for whistleblowing inside and outside the Company. Furthermore, we reflect the results of internal audits in the execution of work and enrichment of the compliance system.

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

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

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

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

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

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

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

Subsidiary companies’ Directors review the status of the execution of work and the status of financial affairs and then report regularly to 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.

The Company celebrated the 45th anniversary of our founding on September 13 last year. We would like to express our sincere gratitude to our shareholders for your support over the years.

To express our appreciation to our shareholders, the Board of Directors resolved at the Board meeting on May 13, 2021, to provide a commemorative dividend of 0.5 yen per share to mark the 45th anniversary of founding, in addition to the regular dividend for the fiscal year ending March 31, 2021. Also in the previous fiscal year, we have achieved the highest performance ever, therefore we provide an ordinary dividend of 7 yen per share for the term-end dividend, including a commemorative dividend year-end total dividend will be 7.5 yen per share.

We conducted a four-for-one stock split on October 1 last year.

If the stock split had been conducted at the beginning of the previous fiscal year (April 1, 2019), the annual dividend for the previous fiscal year would have been 8 yen per share (32 yen per share before the stock split), the annual dividend for the full fiscal year, including the interim dividend of 4.5 yen per share (18 yen per share before the stock split), would have been 12 yen per share.

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

(FOR REFERENCE PURPOSE)

Consolidated Balance Sheet (as of March 31, 2021)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[48,545]	[Current liabilities]	[29,208]
Cash and deposits	26,260	Notes and accounts payable - trade	2,932
Notes and accounts receivable - trade	8,183	Short-term loans payable	12,850
Merchandise and finished goods	1,367	Income taxes payable	2,646
Work in process	3,538	Special suspense account for tax purpose reduction entry	3,828
Raw materials and supplies	8,649	Provision for bonuses	850
Other	546	Provision for directors' bonuses	63
		Other	5,855
[Non-current assets]	[25,238]	[Non-current liabilities]	[6,199]
Property, plant and equipment	(17,172)	Bonds payable	500
Buildings and structures	6,295	Long-term loans payable	4,750
Machinery, equipment and vehicles	1,282	Provision for employee shares benefit	62
Land	7,663	Net defined benefit liability	798
Construction in progress	841	Other	88
Other	1,088	Total liabilities	35,227
Intangible assets	(3,232)	Net Assets	
Patents	2,988	[Shareholders' equity]	[37,222]
Other	244	Capital stock	9,061
Investments and other assets	(4,833)	Capital surplus	10,941
Investment securities	2,572	Retained earnings	20,904
Net defined benefit asset	225	Treasury shares	-3,685
Deferred tax assets	1,739	[Accumulated other comprehensive income]	[641]
Other	300	Valuation difference on available-for-sale securities	691
Allowance for doubtful accounts	-4	Deferred gains or losses on hedges	0
		Foreign currency translation adjustment	-18
		Remeasurements of defined benefit plans	-31
		[Subscription rights to shares]	[517]
		[Non-controlling interests]	[174]
Total assets	73,784	Total net assets	38,557
		Total liabilities and net assets	73,784

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

(FOR REFERENCE PURPOSE)

Consolidated Statement of Income (From April 1, 2020 to March 31, 2021)

(unit: million yen)

Accounting Item	Amount	
Net sales		30,085
Cost of sales		7,812
Gross profit		22,272
Selling, general and administrative expenses		14,003
Operating income		8,269
Non-operating income		
Interest income	7	
Dividend income	25	
Foreign exchange gains	206	
Other	65	305
Non-operating expenses		
Interest expenses	42	
Commission fee	11	
Other	31	85
Ordinary income		8,488
Extraordinary income		
Gain on liquidation of subsidiaries and associates	22	
Reversal of provision for loss on guarantees	108	
Reversal of allowance for doubtful accounts	19	
Voluntary recall-related loss reversal amounts	19	170
Extraordinary loss		
Loss on disposal of non-current assets	5	5
Profit before income taxes		8,653
Income taxes-current	2,836	
Income taxes-deferred	-1,072	1,764
Profit		6,888
Profit attributable to non-controlling interests		4
Profit attributable to owners of parent		6,892

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

(FOR REFERENCE PURPOSE)

Consolidated Statements of Changes in Equity (From April 1, 2020 to March 31, 2021)

(unit: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at beginning of current period	9,061	10,891	15,039	-3,865	31,127
Changes of items during period					
Dividends of surplus			-1,083		-1,083
Profit attributable to owners of parent			6,892		6,892
Purchase of treasury shares				-0	-0
Disposal of treasury shares		-49		181	230
Purchase of shares of consolidated subsidiaries		1	55		56
Net changes of items other than shareholders' equity					
Total changes of items during period	-	50	5,865	180	6,095
Balance at end of current period	9,061	10,941	20,904	-3,685	37,222

	Accumulated other comprehensive income					Subscription Rights to Shares	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 beginning of current period	583	-	134	-39		584	189	32,579
Changes of items during period								
Dividends of surplus								-1,083
Profit attributable to owners of parent								6,892
Purchase of treasury shares								-0
Disposal of treasury shares								230
Purchase of shares of consolidated subsidiaries								56
Net changes of items other than shareholders' equity	107	0	-152	7	-37	-66	-14	-118
Total changes of items during period	107	0	-152	7	-37	-66	-14	5,977
Balance at end of current period	691	0	-18	-31	641	517	174	38,557

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

(FOR REFERENCE PURPOSE)

Balance Sheet (as of March 31, 2021)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[47,630]	[Current liabilities]	[29,004]
Cash and deposits	25,330	Accounts payable - trade	2,910
Accounts receivable - trade	8,161	Short-term loans payable	12,100
Merchandise and finished goods	1,374	Current portion of long-term loans payable	750
Work in process	3,538	Lease obligations	18
Raw materials and supplies	8,649	Accounts payable - other	2,329
Prepaid expenses	257	Accrued expenses	260
Other	317	Income taxes payable	2,628
		Advances received	2,579
		Deposits received	239
		Special suspense account for tax purpose reduction entry	3,828
		Provision for bonuses	850
		Provision for directors' bonuses	63
		Other	443
[Non-current assets]	[26,097]	[Non-current liabilities]	[6,176]
Property, plant and equipment	(17,161)	Bonds payable	500
Buildings	6,166	Long-term loans payable	4,750
Structures	129	Lease obligations	42
Machinery and equipment	1,270	Provision for retirement benefits	775
Vehicles	2	Provision for employee shares benefit	62
Tools, furniture and fixtures	1,027	Asset retirement obligations	39
Land	7,663	Other	5
Leased assets	60	Total liabilities	35,181
Construction in progress	841		
Intangible assets	(244)	Net Assets	
Software	238	[Shareholders' equity]	[37,336]
Telephone subscription right	5	Capital stock	9,061
		Capital surplus	10,941
Investments and other assets	(8,691)	Legal capital surplus	7,827
Investment securities	2,572	Other capital surplus	3,113
Shares of subsidiaries and associates	3,806	Retained earnings	21,019
Investments in capital	2	Legal retained earnings	279
Long-term prepaid expenses	24	Other retained earnings	20,739
Prepaid pension cost	248	General reserve	951
Deferred tax assets	1,726	Retained earnings brought forward	19,788
Other	316	Treasury shares	-3,685
Allowance for doubtful accounts	-4	[Valuation and translation adjustments]	[691]
		Valuation difference on available-for-sale securities	691
		Deferred gains or losses on hedges	0
		[Subscription rights to shares]	[517]
		Total net assets	38,546
Total assets	73,727	Total liabilities and net assets	73,727

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

(FOR REFERENCE PURPOSE)

Statement of Income (From April 1, 2020 to March 31, 2021)

(unit: million yen)

Accounting Item	Amount	
Net sales		30,085
Cost of sales		7,815
Gross profit		22,269
Selling, general and administrative expenses		13,627
Operating income		8,641
Non-operating income		
Interest income	1	
Interest on securities	2	
Dividend income	25	
Gain on sales of securities	32	
Foreign exchange gains	209	
Other	38	309
Non-operating expenses		
Interest expenses	41	
Commission fee	11	
Loss on valuation of stocks of subsidiaries and affiliates	276	
Other	26	356
Ordinary income		8,594
Extraordinary income		
Gain on liquidation of subsidiaries and associates	73	
Reversal of provision for loss on guarantees	108	
Reversal of allowance for doubtful accounts	19	
Voluntary recall-related loss reversal amounts	19	
Gain on extinguishment of tie-in shares	15	236
Extraordinary losses		
Loss on disposal of non-current assets	5	5
Profit before income taxes		8,825
Income taxes - current	2,818	
Income taxes - deferred	-1,074	1,743
Profit		7,081

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

(FOR REFERENCE PURPOSE)

Statements of Changes in Equity (From April 1, 2020 to March 31, 2021)

(unit: million yen)

	Shareholders' equity			
	Capital Stock	Capital Surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surpluses
Balance at beginning of current period	9,061	7,827	3,064	10,892
Changes of items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares			49	49
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	49	49
Balance at end of current period	9,061	7,827	3,113	10,941

	Shareholders' Equity					Treasury Shares	Total Shareholders' Equity
	Retained earnings				Total Other Retained Earnings		
	Legal Retained Earnings	Other retained earnings		Retained Earnings Brought Forward			
	General Reserve						
Balance at beginning of current period	279	951	13,791	15,021	-3,865	31,109	
Changes of items during period							
Dividends of surplus			-1,083	-1,083		-1,083	
Profit			7,081	7,081		7,081	
Purchase of treasury shares					-0	-0	
Disposal of treasury shares					181	230	
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	5,997	5,997	180	6,227	
Balance at end of current period	279	951	19,788	21,019	-3,685	37,336	

	Valuation and Translation Adjustments			Subscription Rights to Shares	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred gains or losses on hedges	Total Valuation and Translation Adjustments		
Balance at beginning of current period	583	—	583	584	32,278
Changes of items during period					
Dividends of surplus					-1,083
Profit					7,081
Purchase of treasury shares					-0
Disposal of treasury shares					230
Net changes of items other than shareholders' equity	107	0	107	-66	41
Total changes of items during period	107	0	107	-66	6,268
Balance at end of current period	691	0	691	517	38,546

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