

June 22, 2016

JCR Pharmaceuticals Co., Ltd.

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The status of corporate governance of our Company is as described below.

I. Basic concept of corporate governance, capital structure, corporate attributes and other basic information.

1. Basic concept

We consider that for the purpose of providing superior quality and more useful pharmaceutical products and medical equipment to society, it is important to aim to enhance legality, transparency and objectivity of the Company's management, to heighten our corporate value further, and at the same time to build a system to ensure protection of the interests of shareholders.

For this purpose, we are putting efforts to secure implementation and operation of effective internal control systems required, to evaluate the effectiveness of such systems on our own, and to fulfill social responsibilities as a corporation.

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

[Reason for not implementing each of the principles of corporate governance code]

[Supplementary principle 1 - 2 [4]]

We recognize that it is necessary to provide an environment in which shareholders, including institutional investors and overseas investors, can easily exercise voting rights.

With respect to the use of an electronic voting platform, because the voting participation ratio is at around 90%, we will consider introducing it by taking into account ratios of shareholders, such as institutional investors and overseas investors, as well as voting participation ratio, etc. In the same manner, we will make judgment as to English-version of convocation notices by taking into account the ratio of overseas investors to all shareholders.

With the aim to provide an understanding of the overall conditions of the Company to overseas investors, we have disclosed our English-version websites where we post summary of settlement of accounts and news releases.

[Disclosure based on each of the principles of corporate governance code]

[Principle 1 - 4]

1. Policy concerning holding of shares of business counterparties

As a manufacturing corporation of pharmaceutical products, we believe that it is indispensable to have long-term business partners, taking into account that it takes a long period of time from fundamental research, and research and development to the time when pharmaceuticals are delivered to patients.

We hold shares of partner corporations as described above as shares of business counterparties. By doing so, we believe that mutual corporate collaboration will deepen and it leads to enhancement of our corporate value.

2. Exercise of voting rights

When exercising voting rights, we do not make judgment on pros and cons based on uniform standards but we take into account management policy, strategy, etc. of partner corporations in a sufficient manner and make judgment from the viewpoint of whether or not they will lead to enhancement of corporate value on a medium to long-term basis.

[Principle 1 - 7]

When having transactions with an officer of the Company, based on Rules for the Board of Directors, we put important facts of the said transactions before the Board of Directors for their resolutions.

Also, when we have transactions with major shareholders, etc., we put those having high importance of transactions before the board of directors for their resolutions.

Please note that we decide transactional terms and conditions in the same manner as transactions with a third party.

[Principle 3 - 1]

(i) The situation which the Company is aiming for (such as management philosophy), management strategy and management plan

With respect to corporate philosophy, management strategy and management plan, please see our websites as well as our medium-term management plan.

Our website (URL: <http://www.jcrpharm.co.jp>)

(ii) Basic concept and basic policy concerning corporate governance

They are as described in “1. Basic concept” in this report.

(iii) Decision on compensations for management members and directors

[1] Policy

With respect to calculations of compensations, etc. for officers of the Company, decisions are made based on opinions of advisory committee for nomination, compensation, etc. centering around outside independent directors and outside independent corporate auditors. As for compensations for directors and corporate auditors (including bonuses), each maximum amount is decided by resolution of a general shareholders' meeting.

[2] Procedures

Advisory committee for nomination, compensation, etc. formulates a proposal for compensations and it puts it before the board of directors for their resolutions.

(iv) Appointment of executive officers and nomination of candidates for directors and corporate auditors

[1] Policy

As for appointment of candidates for directors, we examine comprehensively by taking into account the balance among accurate and prompt decision making, appropriate risk management, supervision of operations, and ability to cover each of the functions and of the business divisions and based on the viewpoint of the right persons are in the right places.

Further, as for appointment of candidates for corporate auditors, the board of corporate auditors discusses the concept of candidates for the purpose of enhancing and strengthening of audit activities based on “Corporate Auditors Auditing Standards” and other standards and we examine comprehensively by ensuring knowledge of finance and accounting, knowledge of the business fields of the Company, and a variety of viewpoints concerning corporate management and based on the viewpoint of the right persons are in the right places.

[2] Procedure

As for candidates for directors, advisory committee for nomination, compensation, etc. chooses candidates

for directors who fulfill requirements expected by the Company and after consultation with the board of directors, they are put before the general shareholders' meeting for their resolutions.

As for candidates for corporate auditors, advisory committee for nomination, compensation, etc. chooses candidates for corporate auditors who fulfill requirements expected by the Company and after obtaining consent from the board of corporate auditors, they are put before the board of directors and then before a general shareholders' meeting for their resolutions. During the process of the selection, the board of corporate auditors discusses with directors in a sufficient manner.

(v) Explanation on selection and appointment of individuals

As for election and appointment of candidates, we give explanations in "notice of convocation of general shareholders' meeting", "Securities Report", etc. as the needs arise.

[Supplementary principle 4 – 1 [1]]

The board of directors is positioned as an organ to make decision on important matters relating to corporate management specified in the Rules for the Board of Directors, such as, management policy and business plans, investment plans, establishment and investing in subsidiary companies, in addition to matters described in laws and regulations or in the articles of incorporation, and also to supervise business operations.

The board of directors is putting efforts into making appropriate decisions as a body to execute business operations by establishing meeting bodies, such as management committee, the board of corporate officers, etc. and into enhancing deliberations on important issues.

The main roles of directors are to prepare a management policy and to supervise business operations based on the policy, and corporate officers take the role of execution of business operations and ensure expeditious decision making.

[Principle 4 - 8]

We have appointed two outside independent directors aimed to contribute to a long-term, stable growth and developments, and they are bringing benefits to the management of the Company with professional knowledge accumulated in their past careers and a wide range of experiences.

[Principle 4 - 9]

When appointing outside directors, the board of directors of the Company places importance on the multitude of experience and high ideas concerning company management, etc. in addition to requirements described in the Companies Act.

We appoint those who have fulfilled requirements for an independent officer as described by the Tokyo Stock Exchange and those who have no risk of having conflict of interest with general shareholders as independent directors.

[Supplementary principle 4 – 11[1]]

(Diversity)

The board of directors of the Company consists of personnel who have knowledge, experiences and capacities in each of the fields of research, development, production, sales and management, and the board has a balance as well as diversity as the board of directors as a whole.

(Scale)

The maximum number of directors of the board of directors of the Company is specified as 9 persons in the articles of incorporation, and the board puts efforts to ensure expeditious decision making.

(Procedure)

Advisory committee for nomination, compensation, etc. selects candidates for directors who fulfill requirements expected by the Company, and after a resolution for selection is given by the board of directors, the candidates are put before a general shareholders' meeting.

[Supplementary principle 4 – 11 [2]]

We disclose our directors and corporate auditors who serve concurrently as officer of other listed companies in “Referential materials for general shareholders' meeting” in the convocation notification and in the section of “Information relating to officers” of our securities reports.

[Supplementary principle 4 - 11 [3]]

With respect to assessment of the effectiveness of the board of directors as a whole, the advisory committee for nomination, compensation, etc. conducted the assessment in a meeting of the board of directors based on the result of assessment, which were prepared based on the self-evaluation questionnaires answered by the constituents of the board of directors and through individual interviews with them.

With respect to the result of assessment for the year ended March 2016, the board of directors judged that the board of directors is functioning effectively.

On the other hand, towards securing even higher effectiveness, we recognize that there is a possibility that we can make further improvements in some respects, such as contents of discussions at meetings of the board of directors as well as the method of operating such meetings.

In the future, based on the abovementioned analysis and assessment, the board of directors will have sufficient discussions to implement measures for improvement

[Supplementary principle 4 – 14 [2]]

With respect to trainings of directors and corporate auditors at the time of assumption of office, we mediate an external education and training, etc. (held by Japan Audit & Supervisory Board Members Association or others) to learn necessary basic knowledge and bear the expenses to provide support to them aiming to deepen their understanding regarding their roles and responsibilities.

Also, we conduct internal training sessions on a regular basis, such as compliance training sessions.

[Principle 5 - 1]

In order to promote constructive dialog with shareholders, we have formulated and disclosed a medium-term management plan aimed to increase our corporate value on a medium to long-term basis. Also, in order to have our directors provide explanations on our management plan, settlement of accounts, etc., we hold an explanatory meeting as the needs arise in a bid to obtain an understanding of shareholders.

In order to respond to dialog with shareholders, we have Management Planning Division holding IR functions directly under President Office, which is under the direct supervision of president and vice president. In the IR system, centering around Management Planning Division under the supervision of the President Office, concerned departments, such as Accounting Department, organically collaborate each other through utilization of internal intranet, holding of meetings, etc.

Further, we have actively promoted sharing of IR information and knowledge, preparation of referential materials for examination of the direction of IR to be disclosed, etc.

With respect to methods of dialog, in addition to individual meetings, we have implemented a financial results briefing for analysts and investors after settlement of accounts (twice per year), a company information session

utilizing conferences of securities companies in Japan and overseas, meetings for presentation of research results to be held from time to time, etc. Also, we have implemented a social event with shareholders after completion of a general shareholders' meeting as well as a factory visit as requested by investors.

With respect to opinions and concerns of shareholders and investors, we give the board of directors' feedback as the needs arise.

In the dialog with shareholders and investors, we do not communicate insider information. Please note that the Company refrains from having dialog concerning information related to financial results from the following day of the balance sheet date of each quarter to the announcement day of financial results.

2. Capital structure

Ratio of shares held by foreigners	30% or more
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[Information on major shareholders]

Name of person or company	Number of shares held (shares)	Ratio (%)
GLAXO GROUP LIMITED	7,986,923	24.63
Kissei Pharmaceutical Co., Ltd.	3,800,000	11.72
Future Brain Co., Ltd.	2,177,990	6.71
The Nomura Trust and Banking Co., Ltd. (A trust account)	1,748,925	5.39
The Master Trust Bank of Japan, Ltd. (Trust account)	871,700	2.68
Sumitomo Dainippon Pharma Co., Ltd.	850,000	2.62
Japan Trustee Services Bank, Ltd. (Trust account: 9)	589,600	1.81
Japan Trustee Services Bank, Ltd. (Trust account)	587,000	1.81
Mochida Pharmaceutical Co., Ltd.	550,000	1.69
Mizuho Bank, Ltd.	444,690	1.37

Name of controlling shareholder	-
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Name of parent company	-
Listed exchange of parent company	-

Supplementary explanation

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3. Attributes of corporation

Stock exchange listings and market classification	First Section
Fiscal year-end	March
Industry	Pharmaceutical products
Number of employees as of previous fiscal year-end (Consolidated)	500 persons or more but less than 1,000 persons
Total net sales in previous fiscal year (Consolidated)	10 billion yen or more but less than 100 billion yen
Number of consolidated subsidiaries at the end of the	Less than 10 companies

previous fiscal year

4. Guidelines concerning measures to protect minority shareholders in transactions with controlling shareholders

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5. Other exceptional circumstances that may have a material impact on corporate governance

Since the time when we concluded a non-exclusive agreement with GlaxoSmithKline Group (hereinafter referred to as “GSK Group”) in 2009, GSK Group has held 24.63% of our shares (as of March 31, 2016).

We have invited two outside directors from GSK Group, and taking advantage of their management knowledge and experiences developed in internationally renowned pharmaceutical companies, we have promoted development of joint development products with GSK Group. However, there is no personnel relation with them other than those officers, and we have no restrictions on our management policies from them, such as our business strategies and capital policy.

II. Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision

1. Items Related to Organizational Structure and Operations, etc.

Form of Organization	Company with Corporate Auditors
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[Matters related to directors]

Number of Directors Stipulated in Articles of Incorporation	9 persons
Term of Office for Directors Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors	9 persons
Election of Outside Directors	Elected
Number of Outside Directors	4 persons
Number of Outside Directors Designated as Independent Director	2 persons

Relationships with the Company (1)

Name	Attribute	Relation with the Company (* 1)													
		a	b	c	d	e	f	g	h	i	J	k			
Takashi Kobayashi	Formerly belonged to other company														○
Toshihiro Ishikiriyama	Formerly belonged to other company							△							
Philippe Fauchet	Formerly belonged to other company							○							
Kanako Kikuchi	Formerly belonged to other company							○							

*1 Options to be selected with regard to relationship with the Company

- a. A person performing an executive role as the listed company or its subsidiary
- b. A person performing an executive role at or who is a non-executive director of the listed company's parent
- c. A person performing an executive role at an affiliate who is another subsidiary of the listed company's parent
- d. A person or its person performing an executive role whose major customers include the listed company
- e. A person or its person performing an executive role who is a major customer of the listed company
- f. A consultant, accountant or lawyer who receives a large amount of monetary compensation or other property other than compensation as the outside director from the listed company
- g. A major shareholder (or if the said shareholder is a corporation, the said corporation's person performing an executive role) of the listed company
- h. A person performing an executive role at a customer of the listed company (other than those to which item d, e or f applies)(this item applies only to the outside director himself or herself)
- i. A person performing an executive role at an entity who has an outside director or corporate auditor from the listed company (this item applies only to the outside director himself or herself)
- j. A person performing an executive role at an entity to which the listed company makes donations (this item applies only to the outside director himself or herself)
- k. Others

Relationship with the Company (2)

Name	Independent directors	Supplementary information related to applicable items	Reason for appointment
Takashi Kobayashi	○	-	We have appointed him as we expect to make use of his professional knowledge, experiences, etc. as a company manager in the Company's management. He does not have any special interests in the Company, and we have appointed him as an independent director as we judged that there is no possibility that he has conflict of interests with general shareholders.
Toshihiro Ishikiriyama	○	He had performed duties at GlaxoSmithKline K.K. for about 10 years from January 2002 to June 2012, concurrently serving as Managing Director and General Manager of Vaccine Business Promotion Division. Currently, he has already resigned from the said company and there is no facts relation which may affect the Company's management.	He has worked in the pharmaceutical industry for a long period of time, and we have appointed him because we expect to make use of his knowledge, experiences, etc. as a company manager in a pharmaceutical company in our Company's management. He does not have any special interests in the Company, and we have appointed him as an independent director as we judged that there is no possibility that he has conflict of interests with general shareholders.
Philippe Fauchet	-	-	We have appointed him because we expect that he will participate in the Company's management from objective viewpoints by making use of his professional knowledge, experiences, etc. as a company manager in a world-level pharmaceutical

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			company in the pharmaceutical industry.
Kanako Kikuchi	-	-	We have appointed her because we expect that she will participate in the Company's management from objective viewpoints by making use of her professional knowledge, experiences, etc. as a company manager in a world-level pharmaceutical company in the pharmaceutical industry.

[Voluntary committees]

Existence of voluntary committee(s) corresponding to nomination committee or compensation committee	Yes
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Status of establishment of voluntary committee(s), composition of committee and attribution of chairperson (Chair)

Voluntary committee(s) corresponding to nomination committee and compensation committee

Name of committee			Advisory committee, such as nomination, compensation, etc.			
All members (persons)	Full-time committee members (persons)	Internal directors (persons)	Outside directors (persons)	Internal intellectuals (persons)	Others (persons)	Chairperson of committee (Chair)
4 persons	-person	1 person	2 persons	-	1 person	Internal director

Supplementary explanation

<p>Role:</p> <p>It deliberates important matters concerning appointment, compensation, etc. for directors, corporate officers and corporate auditors and it performs evaluation of directors as the needs arise, and submits opinions to the board of directors.</p> <p>Composition of committee:</p> <p>It consists of independent external directors, outside independent corporate auditors (full-time) and internal directors.</p> <p>Frequency of meeting: One per year or more, and it is held on an as-needed basis.</p> <p>Secretariat: Management Strategy Division serves as its secretariat.</p>

[Matters related to corporate auditors]

Establishment of the board of corporate auditors	Yes
Number of corporate auditors stipulated in articles of	4 persons

Relationships with the Company (2)

Name	Independent Corporate Auditors	Supplementary explanation related to the criteria	Reason for appointment
Kazumasa Oizumi	○	-	We have appointed him because we expect that he will make use of his experiences in the financial industry and as corporate officer to conduct audits with abundant knowledge and high ideas. Also, we have appointed him as an independent corporate auditor because we judged that he does not have any special interests in the Company and that there is no possibility that he has conflict of interests with general shareholders.
Kazuhiko Yamada	○	-	We have appointed him because we expect that he will conduct audits from tax viewpoints with his experiences and professional knowledge as a tax accountant. Also, we have appointed him as an independent corporate auditor because we judged that he does not have any special interests in the Company and that there is no possibility that he has conflict of interests with general shareholders.
Kenjiro Miyatake	○	-	We have appointed him because we expect that he will conduct audits with abundant knowledge and high ideas by taking advantage of his experiences as director in the pharmaceutical industry. Also, we have appointed him as an independent corporate auditor because we judged that he does not have any special interests in the Company and that there is no possibility that he has conflict of interests with general shareholders.
Takashi Suetsuna	○	-	We have appointed him because we expect that he will make use of his abundant experiences and high ideas obtained in government administrative agencies, along with his knowledge and experience gained as external auditor and external director at other companies, in

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			performing his duties as a member of the management.
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[Matters related to Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	6 persons
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Other items related to Independent Directors/Corporate Auditors

All of the Company's outside directors and outside corporate auditors who qualify as an independent director/corporate auditor are designated as independent directors/corporate auditors.
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[Matters related to incentives]

Status of implementation of measures to grant incentives to Directors	Adoption of a stock option system
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Supplementary explanation concerning applicable items

With respect to calculations of stock options to be granted, we make decision based on opinions of advisory committee for nomination, compensation, etc. centering around outside independent directors and outside independent corporate auditors. With respect to compensations for directors and corporate auditors (including bonus), each maximum amount is decided by resolution of general shareholders' meeting.
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Applicable stock option grantees	Internal directors, directors of subsidiary companies and internal executive officers
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Explanatory explanation concerning applicable items

By sharing not only the advantages of share price increases but also risks associated with share price decreases with shareholders, we aim to further enhance continuous improvement of business performance on a medium to long-term basis as well as motivations and morale to improve corporate value.

[Matters related to directors' compensation]

Disclosure status	No individual disclosure is made.
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Supplementary explanation concerning applicable items

<ul style="list-style-type: none"> ■ Directors (excluding outside directors) Total amount of compensation, etc. 221,640,000 yen (Basic compensation 115,720,000 yen, stock option 36,900,000 yen, bonuses 69,020,000 yen) Number of directors 7 persons ■ Outside officers Total amount of compensation, etc. 31,020,000 yen (Basic compensation 20,100,000 yen, stock option 4,920,000 yen, bonuses 6,000,000 yen) <p>Total amount, etc. of consolidated compensation, etc. by each officer of submitting companies No description is made because no person has consolidated compensation, etc. of 100 million yen or more in total.</p>
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Establishment of decision policy for compensation amount and its calculation method	Yes
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Descriptions of disclosure of decision policy for compensation amount and its calculation method

With respect to calculations of compensations, etc. for officers, decisions are made based on the result of evaluation of directors, etc. made by advisory committee for nomination, compensation, etc. centering around outside independent directors and outside independent corporate auditors. As for compensations for directors and corporate auditors (including bonuses), each maximum amount is decided by resolution of general shareholders' meeting.

[Support system for outside directors (outside corporate auditors)]

- Outside directors
With respect to matters to be put before the board of directors, explanation is given to them by distributing them in advance the agenda and applicable referential materials.
- Outside corporate auditors
In a board of corporate auditors meeting, Internal Audit Department provide to outside corporate auditors explanation on the audit plan as well as report on the status of implementation of internal audits.

2. Matters related to execution of operations, audits and supervision, nomination, decision on compensation, etc. (Overview of current corporate governance system)

We as a company with corporate auditors has established the board of directors consisting of 9 persons, including 4 outside directors, the board of corporate auditors consisting of 4 outside corporate auditors, and accounting auditors. In addition to these organs, we have established Internal Audit Department, advisory committee for nomination, compensation, etc., management committee, internal control committee and compliance committee. Also, as a business execution system, we have introduced the corporate officer system; and we have been promoting separation of the management and business execution functions.

- The board of directors
The board of directors consists of 9 directors, and in principle, an ordinary board of directors meeting is held once per month, and an extraordinary board of directors meeting is held as necessary, and it decides important matters concerning management of the Company in addition to matters specified by laws and regulations.
- Management committee
It consists of 5 internal directors and 7 corporate officers not concurrently holding a position as director, and a meeting is held in principle twice per month. The purpose of the committee is to make deliberations and decisions necessary for management judgment after sharing important matters relating to management policy, management strategies and other matters relating to company management among departments and to put the results before the board of directors.
- Management Control Committee
It consists of representative director and executive directors. Although important management matters relating management policy, management strategy, etc. are in principle deliberated and decided by Management Committee, it operates as a meeting body for expeditious response depending on details of matters.
- Advisory committee for nomination, compensation, etc.
It consists of 1 internal director, 2 outside independent directors and 1 outside independent corporate auditor (full-time), and it deliberates important matters concerning nomination and compensation for directors and corporate officers and corporate auditors and also makes suggestions regarding the evaluation of the board of

directors as necessary and provides opinions to the board of directors.

- Corporate officer system

We have introduced the corporate officer system since June 2001 for the purpose of ensuring efficiency of management of the Company and acceleration of execution of the operations, and 7 corporate officers execute the operations based on the management policy decided by the board of directors.

- The board of corporate auditors

The Company is a company with corporate auditors, and 4 corporate auditors have assumed office (1 full-time corporate auditor and 3 part-time corporate auditors) and all of them are outside independent corporate auditors. The board of corporate auditors holds a meeting once per month and also an extraordinary board of corporate auditors meeting as necessary.

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

- Internal Audit Department

Internal Audit Department directly under the control of director and president performs audits on whether or not operations are executed by departments in line with laws and regulations as well as internal rules. Internal Audit Department consists of 3 full-time employees assigned to the Department, including 1 manager of Internal Audit Department as of March 31, 2016, and the results of internal audits are submitted to corporate auditors, in addition to director and president.

- Compliance committee

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

- Internal Control Committee

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

3. Reason for adopting the current corporate governance system

We believe that as a governance composition, it is an appropriate scale in line with the Company who is a research and development-oriented corporation and it enables efficient company management. Also, we judge that the current governance system which includes 4 outside directors (including 2 outside independent directors) and 4 outside corporate auditors is effective for securing transparency, objectivity (impartiality) and independence of supervision over management and we have strengthened our governance by further adding the advisory committee for nomination, compensation, etc.

III. Status of implementation of measures relating to shareholders and other stakeholders

1. Measures towards revitalization of general shareholders' meetings and smooth execution of voting rights

	Supplementary explanation
Early dispatch of notification of convocation of general shareholders' meeting	We dispatch notifications at least 21 days (3 weeks) before the date of meeting.
Setting of date of general shareholders' meeting by avoiding days on which general shareholders' meetings are concentrated	In order to ensure more shareholders can attend the meeting, we hold meetings by avoiding days on which general shareholders' meetings are concentrated.
Others	For the purpose of giving easy-to-understand explanations in our general shareholders' meetings, we give explanations by utilizing visual presentation materials as well as narration. Also, in order to receive active opinions from shareholders, we allocate a sufficient time for questions and answer session, and further after completion of each general shareholders' meeting, we hold a social event that allows communication between shareholders and our officers.

2. Status of IR-related activities

	Supplementary explanation	Existence or nonexistence of explanation by the representative
Implementation of a regular explanatory session for analysts and institutional investors	After announcement of year-end settlement of accounts and the second quarter settlement of accounts, we hold an explanatory session regarding settlement of accounts for analysts and institutional investors. Also, in the event of announcement of an important matter, such as research details and a medium-term management plan, we separately hold an explanatory session.	Yes
Holding of a regular explanatory session for overseas investors	We are putting efforts into holding individual meetings by visiting overseas investors in the U.S. and in Europe about once per year.	Yes
Posting IR referential materials in a webpage	URL relating to IR http://www.jcrpharm.co.jp/ir/index.html Referential materials posted: • We post timely disclosure information (including medium-term management plan), brief note on settlement of accounts, supplementary referential materials on settlement of accounts, securities report, and IR calendar.	

	<ul style="list-style-type: none"> We post brief note on settlement of accounts, medium-term management plan and timely disclosure information also in our English-version websites.
Establishment of a department relating to IR (responsible person)	We have set a unit responsible for public and investor relations within Management Planning Division.

3. Status of measures taken relating to respect of position of stakeholders

	Supplemental explanation
Specification of the provision to respect the position of stakeholders in an internal rules, etc.	We describe such provisions in our management philosophy and core values.
Implementation of environmental protection activities, CSR activities, etc.	<p>We have taken measures described below. (posted in our websites) http://www.jcrpharm.co.jp/company/vision.html</p> <p>1) Environmental efforts</p> <ul style="list-style-type: none"> As a company as a whole, we adhere to environmental laws and regulations, etc. through compliance trainings, etc. for the employees and others. In addition, we have made efforts to cut down on CO2 emissions to protect the environment and save energy by installing LED lighting and heat storage heating units. The manufacturing department has promoted the use of disposable bioreactors to avoid using a large quantity of washing water required in the conventional cultivation tanks, etc. in order to save energy resources such as water and electricity. Furthermore, efforts to reduce resources and wastes are also made in the production lines. The sales department has sequentially switched from gasoline-fueled cars to hybrid cars in an effort to reduce carbon dioxide emissions. Moreover, we install a drive recorder in each vehicle in an bid to raise awareness of safe driving. In addition, we strive for environmental protection and reduction of environmental load in all our business activities. We also put our best efforts into further promoting environmental protection activities and continue to make improvements on our efforts. <p>2) Award for promotion of maternal and child health</p> <p>We have supported the award for Promotion of Maternal and Child Health as a part of its contribution to society.</p> <p>The award for Promotion of Maternal and Child Health honors and encourages individuals who have contributed toward maternal and child health, and who have made major social contributions through activities such as research regarding maternal and child health; diffusion of and education on healthcare; practical education and guidance of healthcare notion; and maintenance and expansion of healthcare facilities. It is hoped that the award will encourage the award recipients' further activities in the future.</p> <p>We will continue to contribute to further the development of maternal and child health by supporting the award for Promotion of Maternal and Child Health.</p> <p>3) Global Foundation for Life Sciences, Swiss non-profit foundation</p>

	<p>We as a corporation hoping for health of people have supported Global Foundation for Life Sciences, a non-profit foundation established in Switzerland in 1999.</p> <p>The foundation supporting developments of life sciences has worked on humanitarian assistance in various medically underprivileged countries and also it has provided training support to young researchers. It engages in humanitarian assistance activities every year by supporting, for example, a Swiss medical team of volunteers missioned to treat women suffering from obstetric fistula in West Africa.</p> <p>We will continue to contribute to people’s health and the development of medicines by supporting the foundation’s activities.</p>
Others	<p>We place importance on various ideas from a viewpoint of a research and development-oriented corporation and we recognize that diversity in personnel has a large value.</p> <p>In particular, we focus on promotion of female advancement, and in addition to introduction of systems for reduction of working hours for child care and for subsidy for child-care center, we have started operation of an in-house day-care center for children since November 2015. In addition, we let out to our employees “babysense,”* rental service of which is handled by Family Health Rental Co., Ltd., a subsidiary of the Company, for free.</p> <p>Further, with this recognition that support for child rearing, including support for male employees, may lead to advancement of female, we have introduced a flextime system with the core time between 11:00 and 15:00.</p> <p>* Babysense Cardiorespiratory monitor to notice apnea status, which may lead to sudden infant death syndrome (SIDS).</p>

IV. Matters concerning internal control system, etc.

1. Basic concept of internal control systems and their status of developments

With respect to internal control systems, we establish and promote systems such as those described below.

- a. A system for securing that execution of duties by directors and employees is in compliance with laws and regulations, and the articles of incorporation.
- b. A system concerning retention and management of information concerning execution of duties by directors
- c. Rules and other systems concerning management of risk of loss
- d. A system for ensuring efficient execution of duties by directors
- e. A system for securing appropriateness of the operations
- f. In the cases where a corporate auditor requests employees be appointed to assist him or her, matters concerning the said employees and matters concerning securing independence of those employees from directors and efficiency of instructions from the corporate auditor to the said employees.
- g. A system concerning reporting by directors, employees, etc. of the Company and its subsidiaries to the corporate auditors of the Company and a system to ensure that no disadvantageous treatment will be given to the said reporter by reason of his or her making the said report.
- h. Matters concerning transactions for expenses or liabilities arising in the course of execution of duties by corporate auditors
- i. In addition, a system to secure that audits by corporate auditors are conducted effectively.

2. Basic concept of elimination of antisocial forces and its status of developments

With the basic policy, “We take a resolute stand against antisocial forces posing a threat to civil society”, we describe in our Guideline for Corporate Ethics to the effect and we have thoroughly disseminated to all officers and employees. Also, we have built and maintain close collaborations with competent police stations, external professional institutions, etc. and also we actively gather information concerning antisocial forces and organizations. If an event arises, we collaborate closely with external institutions and legal professionals to promptly respond to it.

V. Others

1. Introduction or non-introduction of anti-takeover measures

Introduction of anti-takeover measures	None
Supplementary explanation concerning the applicable items	
-	

2. Other matters concerning corporate governance system, etc.

<Overview of timely disclosure system>

1. Basic policy for disclosure of information

With a full recognition that timely and appropriate disclosure of company information to shareholders and investors serves as the root of sound securities markets, we strive to enhance our internal systems so that we are able to disclose information promptly, accurately and impartially in an investor and shareholder-friendly manner at all times and we have provided timely and appropriate corporate information to shareholders and investors.

In this way, through timely and appropriate disclosure of information, we have built good trust relationships with shareholders and investors and also we intend to expand shareholder value by giving feedbacks from the market on our company management to the management.

2. Criteria for disclosure of information
 - (1) Timely disclosure of important information
We disclose information in compliance with the Financial Instruments and Exchange Act and other related laws and regulations as well as with Timely Disclosure Rules described by the Tokyo Stock Exchange on which we are listed.
 - (2) Voluntary disclosure
With respect to information not falling under the above, we actively disclose information which we deem useful for investment judgment, taking into account timeliness and impartiality.
3. Method of disclosure of information
With respect to information not falling under important information described in the Timely Disclosure Rules and useful voluntary information not applicable under the Rules, we make disclosure through the Timely Disclosure Network System (TDnet) provided by the Tokyo Stock Exchange. At the same time, we post the said information in our websites.
4. Quiet period (Silent period)
For the purpose of preventing leakage of insider information and securing fairness of disclosure of information, we establish a quiet period of IR activities (silent period) from the following day of the date of balance sheet to the date of announcement on settlement of accounts, and we refrain from giving comments and answering to questions regarding settlement of accounts during this period. However, in the cases where an event subject to timely disclosure arises during this period, we make disclosure in compliance with the Timely Disclosure Rules.
5. Future prospects
Of those information we disclose, all information but historical facts are our future prospects made based on judgment made by us as of the time of disclosure and future forecast based on contracts. These future forecasts contain risks and uncertainties and please note that actual results and performance may vary from the statements.

[Diagrammatic illustration (referential material)]

