



Sustainability Report 2019

JCR Pharmaceuticals Co.,Ltd.

JCR Pharmaceuticals Co., Ltd. (JCR) will contribute to the development of a sustainable society through business activities based on its corporate philosophy of “Contributing towards people’s healthcare through pharmaceutical products.”

Since its inception in 1975, JCR has sought to create groundbreaking therapeutics that respond to unmet medical needs, particularly in the rare diseases field, under its corporate philosophy of “Contributing towards people’s healthcare through pharmaceutical products.” To this end, we have been harnessing forward-looking biopharmaceuticals, as well as technologies for regenerative medicine and gene therapy. The global environment and conditions and issues facing society have been changing year by year. With this in mind, JCR believes that it is crucial to create sustained corporate value through its business activities, while contributing to the development of a sustainable society. As a reliable pharmaceutical company contributing to the welfare of society, we will proactively implement activities in the core areas of rare diseases, environment, society, and corporate governance.

Contents



JCR aims to achieve sustainability from an environmental, social and governance (ESG) perspective, with rare diseases, environment, society, and corporate governance as its priority areas.

Since its inception, JCR has developed unique strengths and achieved sustained growth as a company which takes “one step ahead” of competitors at all times. We believe that our core mission is to focus in rare and intractable diseases and develop and create the world’s first innovative biopharmaceuticals originating from Japan.

JCR has defined rare diseases, environment, society, and corporate governance as its priority areas, and is determined to solve issues in each through its business activities. The benefits derived from these activities will be returned to and shared with a broad range of stakeholders within and outside the company. In the process, we aim to achieve sustainability from an ESG perspective.

JCR seeks to be a “Research oriented specialty pharma with global exposure.” Concurrently, we will make a concerted effort to engage in sustainability and steadily realize our corporate philosophy of “Contributing towards people’s healthcare through pharmaceutical products.” We look forward to your continued understanding and support as we endeavor to reach our goals.

Toru Ashida

Senior Executive Director, In charge of Corporate Strategy



As a company that has been engaged in the research and development of pharmaceuticals for rare diseases since its inception, JCR is involved in awareness-raising activities to support patients.



Rare Diseases



What JCR can do
for rare diseases

RARE DISEASE Project

The RARE DISEASE Project is a cross-sectional internal awareness-raising project for all JCR employees to further increase their understanding of rare diseases, with “What JCR can do” as its motto. We collect information and share it internally to deepen employees’ understanding of rare diseases. We also support and cooperate with patient groups and support organizations that help people fight rare diseases.

At JCR, we promote awareness within the company by conducting fundraising activities and encouraging employees to wear official badges for Rare Disease Day, distributing reports on participation by employees in events organized by patient groups and organizations that support patients with rare diseases, and arranging internal lectures for our employees. For each lecture, we invite rare disease specialists and members of patient groups to talk about disease mechanisms and their experiences.

In January 2019, we held our first public seminar titled “Learning More about Rare Diseases” in Ashiya, Hyogo Prefecture, where JCR is headquartered. At the event, lectures were given by a rare disease specialist, a leader of a patient support group, and the manager of Momiji House, a facility for seriously ill children and their families operated by the National Center for Child Health and Development. Through this seminar, we strove to increase knowledge of rare and intractable diseases primarily among Ashiya residents.



RARE DISEASE Project team

Rare Disease Day

From FY2015, JCR has been a supporter of Rare Disease Day (celebrated globally). There are patients suffering from rare and intractable diseases around the world, but the total number of these patients is small, and the disease mechanisms are complicated. Therefore, almost no progress has been made in research and development of therapeutics and methods of diagnoses for some diseases. Rare Disease Day activities began in Sweden in 2008 with the aim of improving the quality of life of patients with rare and intractable diseases through better diagnoses and treatments. It is hoped that these activities will create a bridge between patients and society, and help to increase awareness of rare and intractable diseases.



Fundraising Activities

To commemorate Rare Disease Day, JCR encourages employees to wear official Rare Disease Day badges and raises funds within the company in February every year. Funds raised are donated to organizations working to provide information to patients with rare diseases, encourage cooperation with healthcare professionals, promote research to develop therapies, and raise awareness in society.

Donations from fundraising activities

FY2014	205,159 yen
FY2015	164,570 yen
FY2016	145,969 yen
FY2017	192,990 yen
FY2018	261,634 yen

• Report on activities in FY2018

http://www.jcrpharm.co.jp/en/site/en/csr/pdf/rare_2018.pdf

• Report on activities in FY2017

http://www.jcrpharm.co.jp/en/site/en/csr/pdf/rare_2017.pdf

• Report on activities in FY2016

http://www.jcrpharm.co.jp/en/site/en/csr/pdf/rare_2016.pdf

Message

The RARE DISEASE project is a cross-sectional internal awareness project that has been active since 2016. Currently, a total of 13 members from various divisions within JCR are active as members of the project.

Our activities center on two areas: (1) Collection and internal dissemination of information intended to deepen understanding of rare diseases and (2) Collaboration with and support for patient groups and rare disease support organizations. Specifically, our activities include participation and interaction with patient groups at seminars and distribution of reports on those activities within the company. We also hold in-house lectures and fundraising events, disseminate Rare Disease Day events in the company, and participate in other nationwide events. This year, we held a public seminar about rare disease in Ashiya, Hyogo Prefecture, where JCR is headquartered, and we were able to carry out awareness-building activities for local residents. Going forward, we would like to expand the range of our awareness-building activities about rare diseases.

Takanori Nakajima Manager, RARE DISEASE Project



JCR has been implementing a wide range of measures to mitigate its environmental impact, such as reducing CO₂ emissions and effectively using water resources.



Environment

JCR has been implementing a wide range of measures to mitigate its environmental impact, including reducing CO₂ emissions and effectively using water resources. For example, we have worked to transition to LED lighting at all company facilities and shift all our commercial vehicles, including those used at plants and the Research Institute, to hybrid cars and electric vehicles. In addition, we have promoted measures such as reducing water use at manufacturing sites, along with adopting single-use bioreactors to ensure the efficient use of manufacturing facilities. In 2015, we introduced electric vehicles as a means of transportation between sites, in conjunction with installing power feed systems at our headquarters as well as at plants and the Research Institute. Currently, hybrid cars account for around half of the vehicles used in business activities. Going forward, we will sequentially switch over to electric vehicles as public charging stations become more widely available. In 2016, we installed a solar power generating system at our Research Institute (in Nishi-ku, Kobe). Moreover, we have taken steps to improve energy consumption in production activities in cooperation with The Kansai Electric Power Company, Incorporated.

Energy Use



Water Resources

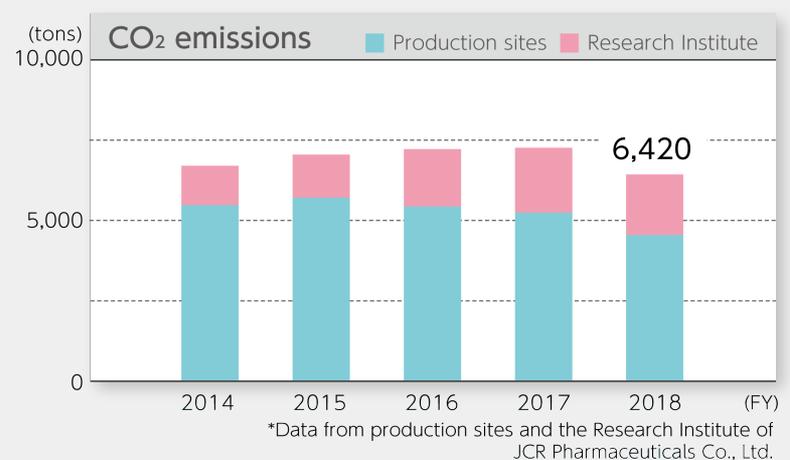
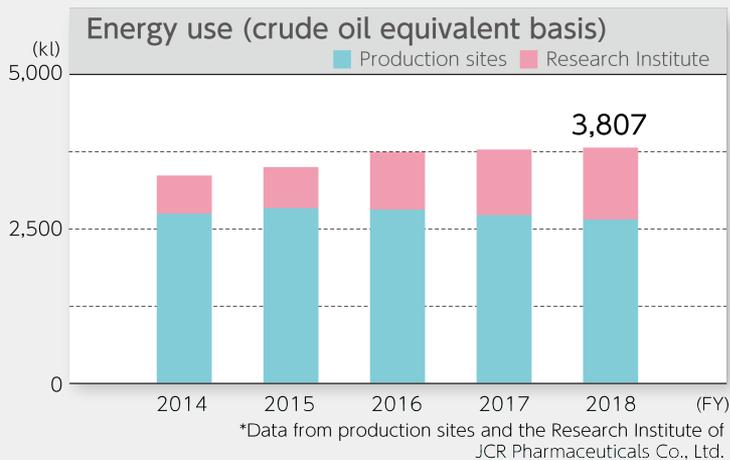


Environmental Impact



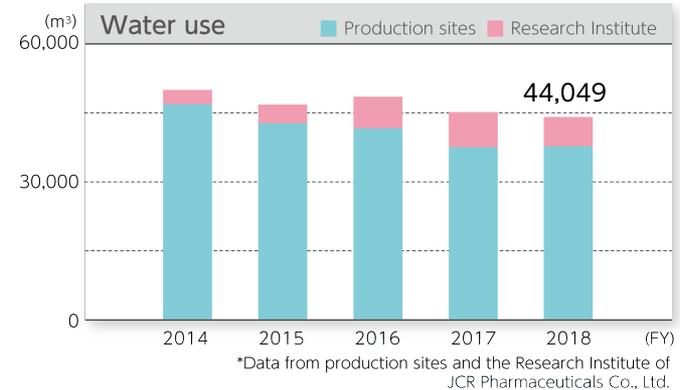
Energy Use

JCR has seen an increase in total energy use (electricity, gas) as its business results have grown. In the Research Division, total energy use has increased due to the start of operation of the Clinical Trial Material Manufacturing Center (CTMC) and Cell Processing Center (CPC) in 2016. In the Production Division, total energy use has remained mostly flat, mainly owing to the installation of highly energy-efficient equipment and revisions to how we use energy. We expect to obtain data on energy use in business activities (mainly gasoline) from FY2019.



Water Resources

We have seen a decrease in the use of water resources, despite growth in our business results. The main reasons for the decrease were reductions in the amount of water used in research and production processes and efforts to promote the recovery, reuse, etc. of exhaust steam. All water used in research and production activities has been treated appropriately.



Environmental Impact

Fluorocarbon emissions are known to be a cause of global warming. JCR complies with the Fluorocarbon Emission Control Law (Act on Rational Use and Proper Management of Fluorocarbons) to control the impact of fluorocarbon emissions on the environment. Pursuant to this law, we implement statutory inspections (simplified and regular), manage the number of refrigeration facilities, which can generate fluorocarbon emissions, and monitor the volume of fluorocarbon leakage. We also comply with the Noise Regulation Act to control the impact of noise on the areas surrounding sites. Pursuant to this act, we install equipment and other facilities in consideration of any noise impacts sites may cause. We comply with the Water Pollution Prevention Act and Sewerage Act to control the impact of wastewater on the environment. Pursuant to these laws as well as ordinances, we monitor items (such as pH, BOD, and heavy metals) at the required frequency, taking into account the different types of raw materials. We have confirmed that every item is within the legally required environmental standards. Turning to waste, we conduct industrial waste treatment in compliance with the Waste Management and Public Cleansing Act and related ordinances, and recycle certain recyclable materials, such as cardboard.

To date, we have confirmed that none of our environmental impacts has exceeded statutory environmental limits as a result of the aforementioned research and production activities. Up until this point, we have also appropriately managed the weight of waste materials, recycling rate, and other metrics. However, data convertible to weight has not been obtained, but we plan to gather this information from FY2019.

JCR is working to create an ideal workplace environment for all employees, while engaging in various activities to contribute to society.



Society

Initiatives for the Workplace Environment

Introducing flexible working systems to realize workstyle reforms

We believe that work and private life are both important, and have introduced a flexible working system that will help realize workstyle reforms, such as a flextime system and allowing employees to use their annual paid leave in hourly increments.

Supporting employees raising children

We have provided an in-house daycare center at the Research Institute for employees who are raising children. In addition, we provide a monthly childcare subsidy to support employees who are unable to use the in-house childcare center due to their work location. In recognition of these initiatives, we received the Kurumin certification from the Ministry of Health, Labour and Welfare in July 2018.

Introducing of AED (automated external defibrillator)

We have installed AEDs* at each office, plant, and the Research Institute.

*AED: A medical device that returns an electrical shock to a heart that has undergone ventricular fibrillation (a state in which the heart shakes finely and cannot send blood to the entire body).



In-house childcare center JCR Kids Land

Initiatives for the Workplace Environment

Helping to create a work environment with an open and good atmosphere

We introduced a subsidy program for social events within departments in order to encourage closer relationships between coworkers. The program is applied to a wide range of events such as department welcome parties for new recruits, and farewell parties for those who are transferring from the department or retiring. In November each year, we hold a Beaujolais Nouveau wine tasting event and a year-end party. Other events for creating a work environment with a good atmosphere include an annual lunchtime meeting with the directors. Furthermore, our biannual company magazine aims to encourage reader participation by running various features.

Creating an ideal workplace environment where employees can work comfortably

As an initiative to create an ideal workplace environment where employees can work healthily and comfortably, we are encouraging the use of annual paid leave. We also provide Group administration of influenza vaccinations and support employees aged 35 and over who wish to receive a comprehensive health check. To improve the workplace environment, we hold a monthly Safety and Health Committee meeting and assist one another to implement any necessary improvements. We also have a team of three selected corporate physicians, including one who provides mental healthcare as a designated mental healthcare physician. Furthermore, inside the Research Institute, we have created a space called "JCR Oasis" where employees can get a massage and refresh themselves during work.

Initiatives to foster a sense of belonging within the company

As a company that values people, we conduct a long-service award ceremony each year on our founding anniversary in September, and distribute commemorative gifts to all employees. We also hold a founding anniversary golf tournament, in which many employees participate. In other initiatives, we observe Valentine's Day by distributing sweets made by a local Hyogo Prefecture confectionery company to all employees.

Initiatives for the Workplace Environment

Enhancing health and welfare

In preparation for its global development going forward, JCR conducts its annual Study Tour in Europe for employees who have been in JCR for more than three years. In FY2018, 28 participants visited France and Luxembourg. In FY2019, 40 participants are going to visit Italy and Luxembourg. JCR also strives to enhance employee benefits, signing contracts with several outsourcing companies that support leisure pursuits or efforts to gain qualifications, as well as providing services for employees and their families, such as child-raising support.

Enhanced training programs

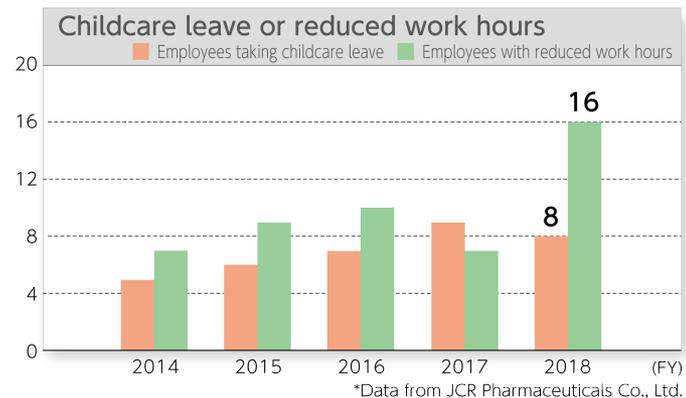
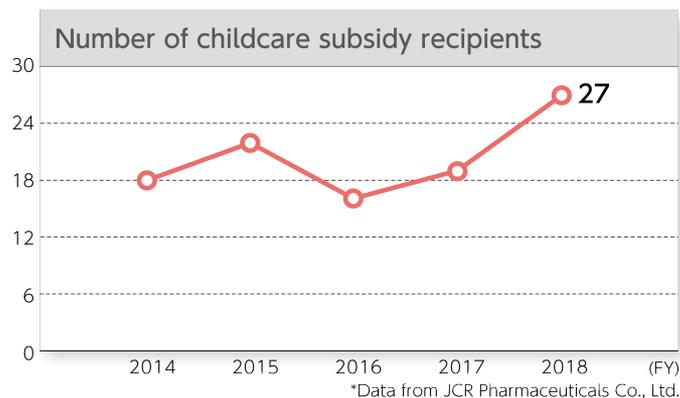
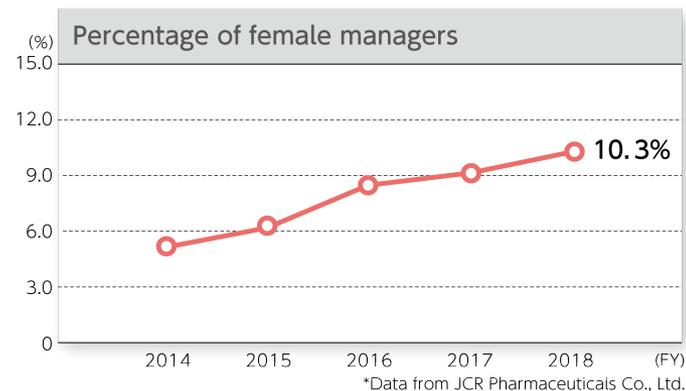
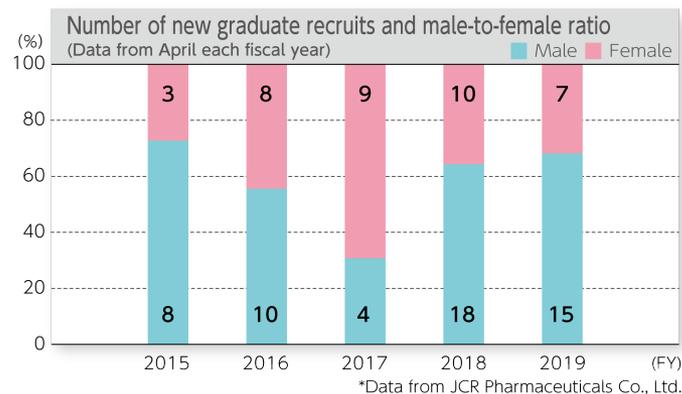
JCR focuses its efforts on employee training, considering that improving employee skills leads to growth for the company. In their first month after joining JCR, new graduate recruits attend group training, which includes business etiquette, communication skills, presentations from each business division, practical training at plants and the Research Institute, and accompanying medical representatives in the field. We also conduct specific training for each employee rank regularly, as well as English language training.

Creating workplaces where women can participate actively

In October 2018, JCR was recognized in the Third Annual Hyogo Women's Active Participation Awards for its efforts to expand career opportunities for women, raise the ratio of female employees in managerial positions (from 5.8% in FY2012 to 10.3% in FY2018), establish in-house daycare facilities, and encourage the participation of male employees in parenting activities. We also received Eruboshi certification (Grade 2) from the Minister of Health, Labour and Welfare as an outstanding company with regard to promoting active participation of women based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



Initiatives for the Workplace Environment



Initiatives for Society

JCR supports various activities in the field of public health while promoting activities that contribute to local communities.



Support for better learning opportunities

- Support for the Swiss nonprofit foundation **GLOBAL FOUNDATION FOR LIFE SCIENCES**

In the field of medicine, the foundation provides humanitarian assistance in various medically underprivileged countries, and support the development of young researchers.



Initiatives for Society

Initiatives for contributing to society

- **Support for the Award for Promotion of Maternal Child Health**

We support the Award for Promotion of Maternal Child Health, which aims to further the development of maternal and child health by encouraging the good work of individuals who have made great contributions to society in the field of community-based maternal and child health.

Link to Award for Promotion of Maternal Child Health website (Only in Japanese)

<http://www.mcfh.or.jp/shoureishou/index.html>

- **Donation to Momiji House, a Short Stay Medical Care Facility**

JCR supports Momiji House, the first hospice for children in Japan, built on the premises of the National Center for Child Health and Development (Setagaya-ku, Tokyo) in April 2016. Momiji House provides care for children who require constant medical care at home. Those with serious illness and disabilities and their families can relax at Momiji House as if they are at home.

Link to Momiji House website (Only in Japanese)

<http://home-from-home.jp/>



Photo courtesy of the Mothers' and Children's Health and Welfare Association



もみじの家

Initiatives for Society

Support for the home prefecture of Hyogo

We support our home prefecture through the following initiatives.

- **Research Institute observations for high school students**

Since 2016, we have been conducting research institute observations as part of career education for second-year students wishing to go on to science at the Hyogo Prefectural Miki Senior High School. JCR's young researchers explain their research, work, motivation to go on to science, high school club activities, learning methods, and so on for helping career decision of high school students.



- **Other Initiatives**

- Delivery class (career education) for junior high school students
- Sponsorship for the Kobe Festival
- Sponsorship for Kobe Luminarie
- Sponsorship for Relay for Life Japan in Ashiya
- Donation to the Uchideten Shrine

JCR is strengthening corporate governance for sustainable corporate value creation.



Corporate Governance

Corporate Governance

JCR Group considers that for the purpose of providing superior quality and more useful pharmaceutical products and medical equipment to society, it is important to aim to enhance the legality, transparency and objectivity of the Company's management, to heighten our corporate value further, and at the same time to build a system to ensure the protection of the interests of shareholders. For this purpose, we are putting forth effort to secure implementation and operation of effective internal control systems, to evaluate the effectiveness of such systems on our own, and to fulfill social responsibilities as a corporation.

JCR as a company with the Audit & Supervisory Board, has established the Board of Directors consisting of nine Directors, including four Outside Directors, the Audit & Supervisory Board consisting of five Outside Audit & Supervisory Board Members, and Accounting Auditors. In addition to these organs, we have established the Management Control Committee, Advisory Committee for Nomination, Compensation, etc., Management Committee, Internal Audit Department, Internal Control Committee, Compliance Committee, and Safety and Health Committee. As for the composition of the corporate governance system, we believe it covers an appropriate scope in line with the Company's current condition, and that it is possible to conduct efficient management operations. Also, we judge that the current governance system, which includes four Outside Directors and five Outside Audit & Supervisory Board Members is effective for ensuring management transparency, objectivity (impartiality) and independence of supervision over management.

Please refer to "Corporate Governance" for details.

<http://www.jcrpharm.co.jp/en/site/en/ir/governance.html>

Compliance

JCR has established a Compliance Committee as an organization to implement and promote company management in line with social norms and corporate ethics as well as compliance with laws and regulations. The Committee consists of two sub-committees: a Compliance Control Committee chaired by Toru Ashida, Director and Chief Compliance Officer with committee members including our Directors and Corporate Officers, as well as external experts; and a Compliance Promotion Committee comprising employees nominated by the Compliance Control Committee members and assigned by President Shin Ashida. To promote compliance at JCR, the Compliance Committee holds meetings on a regular basis, determines the Company's compliance action plans and policies, and provides employee training and education in accordance with the Compliance Code of Conduct and the Compliance Handbook, along with making compliance matters more widely known and raising awareness through a compliance newsletter.

Please refer to "Compliance" for details.

<http://www.jcrpharm.co.jp/company/compliance.html>

Risk Management

JCR has listed the important risks it should be aware of and selected and decided on the three items below as Business Continuity Plan (BCP) items. The BCP is reviewed each fiscal year and revised if needed.

1. Response measures for GROWJECT® supply in the event of disruption
2. Company-wide response measures in the event of a large-scale disaster
3. Response measures in the event of a major compliance violation

In particular, as a pharmaceutical company, JCR regularly holds meetings of the three roles in manufacturing and marketing (those responsible for overall manufacturing and marketing, quality assurance, and safety management) in accordance with laws and regulations, and has constructed systems that assure the quality, effectiveness and safety of drugs.

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

Society				
	FY2015	FY2016	FY2017	FY2018
Number of employees	482	522	540	613
Research	78	88	98	129
Development	22	26	27	32
Production	200	208	209	230
Sales	102	108	112	117
Quality Assurance	22	25	26	31
Administration and other	58	67	68	74
Number of male employees	322	347	352	385
Number of female employees	160	175	188	228
Number of male managers	136	151	160	165
Number of female managers	9	14	16	19
Percentage of female employees	33.2%	33.5%	34.8%	37.2%
Percentage of female managers	6.2%	8.5%	9.1%	10.3%
Number of male new graduates	8	10	4	18
Number of female new graduates	3	8	9	10

Society				
	FY2015	FY2016	FY2017	FY2018
Average age	41.1	41.4	41.6	41.4
Length of service	8.3	8.6	9.0	8.8
Number of persons with disabilities	5	7	8	8
Percentage of employment of persons with disabilities	1.2%	1.7%	1.9%	1.6%
Number of retired employee	5	3	13	9
Turnover rate	1.3%	0.7%	2.9%	1.8%
Percentage of acquisition of paid holidays	49.0%	57.3%	60.6%	68.1%
Average overtime hours	13.0	12.7	12.6	12.5
Number of parenting leave takers	6	7	9	8
Number of short-timers	9	10	7	16
Number of recipients of childcare subsidy	22	16	19	27
Number of occupational accidents (without leave of absence)	0	3	4	2
Number of occupational accidents (leave of absence)	0	0	0	0
Number of meetings with investors (Japan)	47	81	129	103
Number of meetings with investors (Overseas)	10	23	6	20

Governance					
Compositon of organs of the company		FY2015	FY2016	FY2017	FY2018
Borad of Directors	Directors	9	9	8	9
	Outside directors	4	4	3	4
	Female director	1	1	0	1
Audit & Supervisory Board	Audit & Supervisory Board members	4	4	5	5
	Independent Outside Audit & Supervisory Board members	4	4	5	5
Management Committee	Directors	5	5	6	6
	Outside directors	0	0	1	1
	Female director	0	0	0	0
	Audit & Supervisory Board member	1	1	2	2
	Independent Outside Audit & Supervisory Board member	1	1	2	2
	Corporate Officer	8	7	8	7
	Female Corporate Officer	1	1	1	2
	Adviser	1	3	1	1

* JCR indicates information as of the end of March each year

Environment					
		FY2015	FY2016	FY2017	FY2018
Electricity (1,000kWh)	Research Division	2,572.489	3,607.734	4,107.132	4,512.009
	Production Division	8,400.446	8,319.669	7,973.610	7,678.841
Water (m ³)	Research Division	4,059.000	6,916.000	7,670.000	6,389.000
	Production Division	42,658.000	41,529.000	37,412.400	37,660.000
Gas (1,000m ³)	Research Division	0.07	0.08	0.09	0.07
	Production Division	592	590	590	604
BOD (t)				1.85	2.47

Sustainability Report 2019

- Period covered: FY2018 (From April 1, 2018 to March 31, 2019)
- * This report contains some contents of FY2019.
- Organizations covered: JCR Group (JCR Pharmaceuticals Co., Ltd. and other five consolidated subsidiaries)
- See explanatory notes for exceptions.

JCR Pharmaceuticals Co., Ltd.

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

Tel: +81-(0)797-32-8591