Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

# CHUGAI PHARMACEUTICAL CO., LTD.

ESG Meeting

November 8, 2022

# Event Summary

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| **[Company Name]** | CHUGAI PHARMACEUTICAL CO., LTD. |
| **[Company ID]** | 4519-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Analyst Meeting |
| **[Event Name]** | ESG Meeting |
| **[Fiscal Period]** | |
| **[Date]** | November 8, 2022 |
| **[Number of Pages]** | 46 |
| **[Time]** | 10:00 – 11:47<br>(Total: 107 minutes, Presentation: 79 minutes, Q&A:28 minutes) |
| **[Venue]** | Webcast |
| **[Venue Size]** | |
| **[Participants]** | |

| | | |
|---|---|---|
| **[Number of Speakers]** | 7 | |
| | Toshiaki Itagaki | Director, Executive Vice President & CFO |
| | Masayuki Oku | Outside Director |
| | Kaori Ouchi | Vice President, Head of Medical Affairs Div. |
| | Junichi Ebihara | Executive Vice President |
| | Yoshiyuki Yano | Executive Vice President, Head of Human Resources Management Dept. |
| | Shigehiro Yamada | Head of Sustainability Dept. |
| | Toshiya Sasai | Head of Corporate Communications Dept. |
| **[Analyst Names]*** | Fumiyoshi Sakai | Credit Suisse |
| | Kazuaki Hashiguchi | Daiwa Securities |

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

## Presentation

**Sasai:** Good morning, everyone. Thank you very much for taking time out of your busy schedule to participate in our ESG meeting today. My name is Sasai from Corporate Communications Department, and I will be your moderator today.

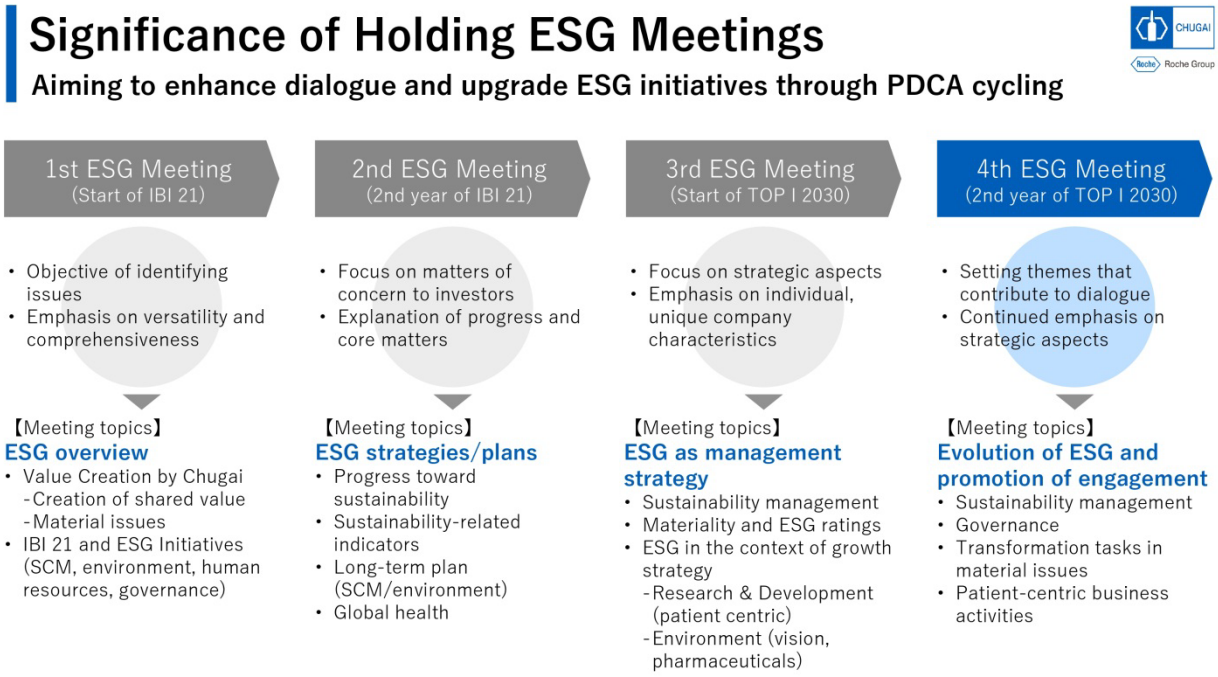
To prevent the spread of the coronavirus infection, today's session will be conducted in the mixed format of an on-site presentation and Zoom webinar.


Please see the agenda for today's meeting in page three of the presentation materials. Our presentation will be in line with the materials.

We will pause the session at the beginning of each presentation. If you are with the press, please feel welcome to capture screenshots.

Questions will be taken after all presentations have been completed. The Q&A session is scheduled to take about 30 minutes. Please note that your voice will be muted during the presentation.

Now, without further ado, I would like to turn the session over to Mr. Itagaki for his presentation on sustainability management.




**Itagaki:** Hello, everyone. This is Itagaki. This is the fourth ESG meeting since 2019. We have received a lot of questions, comments, and requests from the participants at every briefing held in the past. We modified today's presentations based on the feedback we gained. Let me express our gratitude for your support and interest once again. Thank you very much.

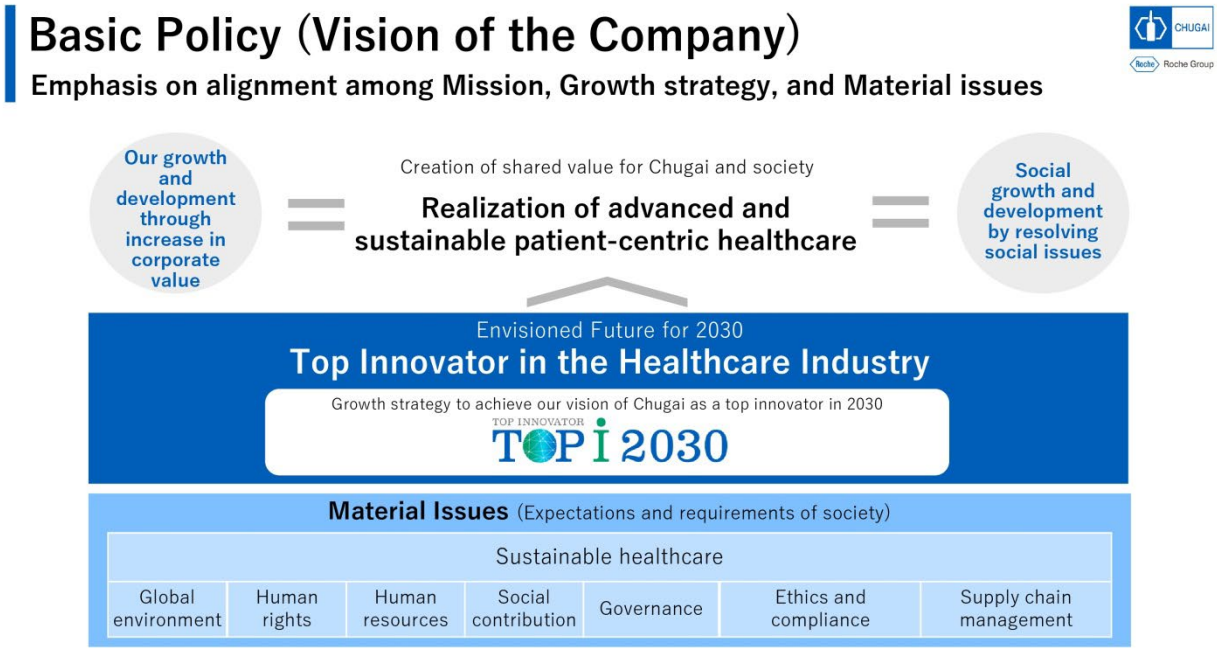
Today's agenda includes topics such as governance, environment, human resources, and patient-centric issues that we hope to continue to discuss with you today. We have a new lineup of speakers. Please stay tuned for more information.

That being said, I would like to introduce the new management structure, including the reasons why I have facilitated all four ESG meetings.


Mr. Ueno had been in charge of sustainability as Representative Director, Deputy Chairman, but he stepped down in March, so this is the structure we have had in place since April.

The overall responsibility for sustainability rests with CEO Okuda, who chairs the Board of Directors and the Executive Committee, while the eight supervisory responsibilities who are members of the Executive Committee are fully committed to the execution of the plan.

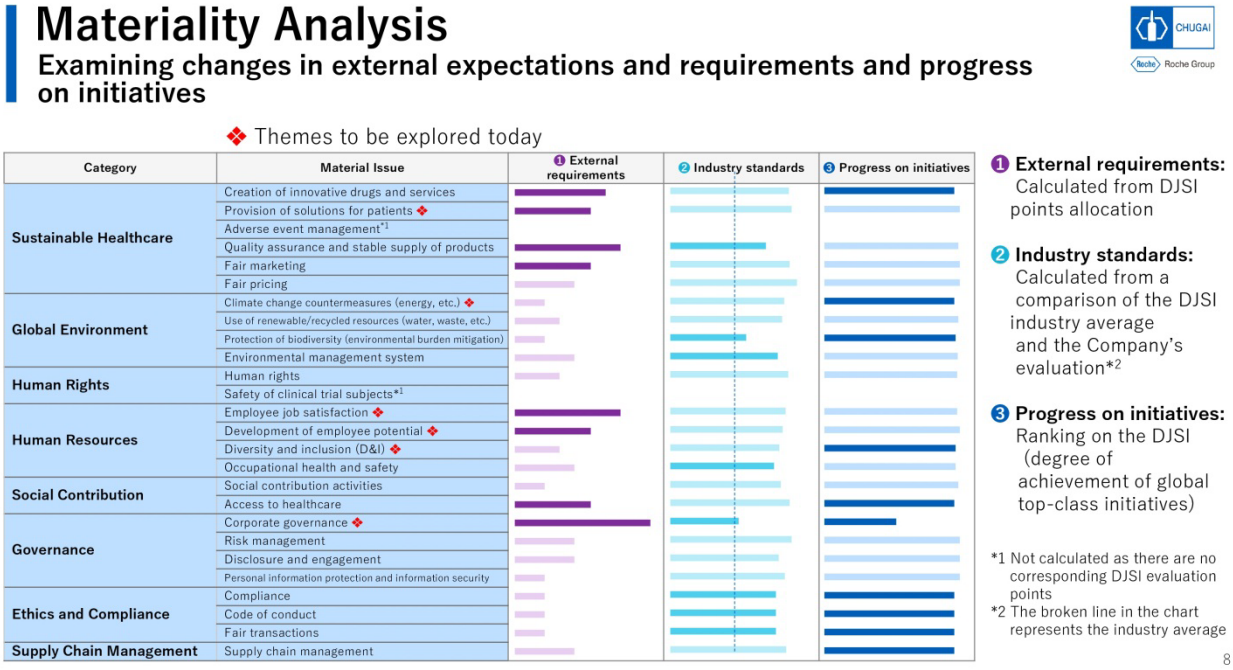
Specific and specialized matters are handled by the four committees, which are advisory bodies to the Executive Committee. Mr. Yano chairs the EHS Committee, which is in charge of environmental and human resource issues. The Compliance Committee and the Risk Management Committee are chaired by Mr. Ebihara, who is also an associate member. And as chairman of the Corporate Communications Committee, I am in charge of ESG communication. These three members are all members of the Executive Committee.




Now, as we proceed, I would like to reiterate our stance and basic policy.

We have identified the eight materialities listed here, and are currently in the process of implementing our TOP I 2030 growth strategy to achieve our goal of realizing advanced and sustainable patient-centric healthcare.

The Company's mission, our actual actions, social responsibility, and social issues are inseparable. Our basic stance and basic policy are to manage the Company in a manner that is consistent with our growth strategy and materiality.




We have compiled this report to provide a bird's eye view of the current status of this materiality. External expectations are very important, and to sustainably increase corporate value and social value, we would like to add external perspectives to this list.

From left to right, the analysis is based on external requirements, followed by our standards within the industry in the middle, and finally, the status of our progress on initiatives. The darker colored bars indicate items for which there are high external requirements and expectations, or for which we can aim a little higher than the industry standard. For those that progress on initiatives has not reached 100% is shown.

We have also marked with red diamonds those themes that we believe will be of great interest to you and that we would like to continue to discuss in the future. There are six, which we will discuss at this time, and three of them will be presented in detail later from the following speakers.


This slide summarizes the main progress of the eight materialities mentioned earlier.

Since we have had opportunities to touch on the environment, human rights, human resources, governance, and compliance, I would like to pick up two themes from the others and discuss them.

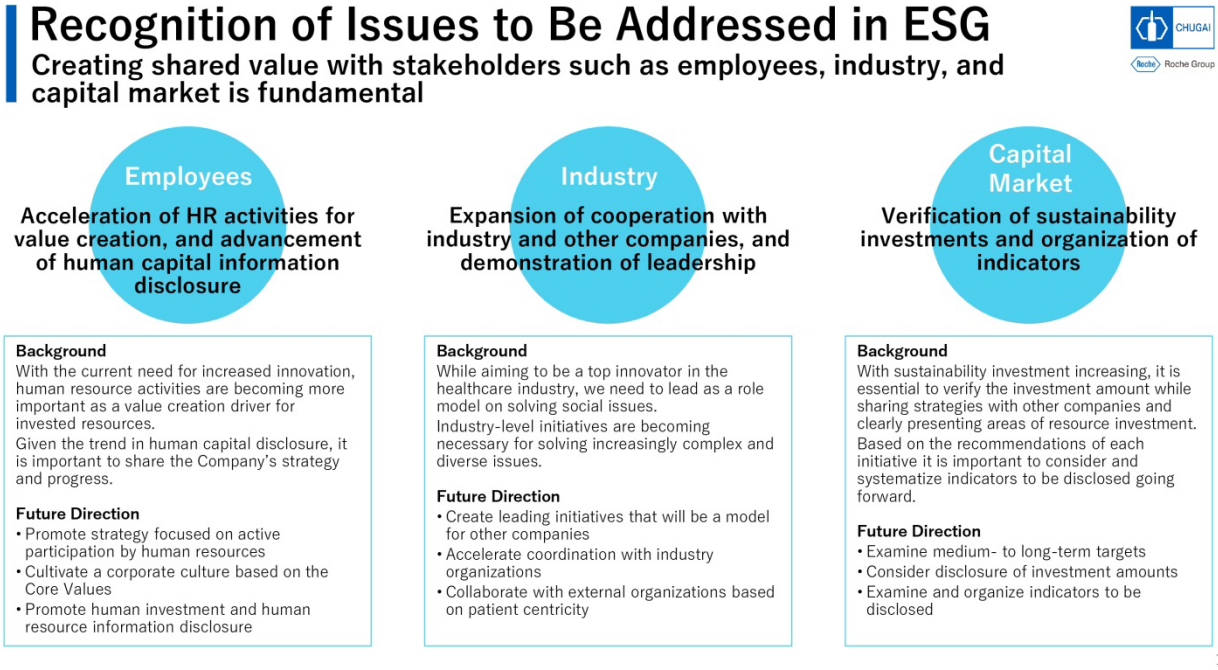
The first is about market access. This one goes at the top left, sustainable healthcare, and there is an important issue of fair pricing in it. One of the initiatives to achieve fair pricing is to ensure market access for patients.

In order to solve this problem, we need to be flexible not only in terms of price, but also in terms of the rate of insurance reimbursement or its access program, taking into consideration the different social security systems and various insurance financial situations in each region and country. For in-house products, we are working with Roche to improve market access. For example, we have been offering products at a low price or free of charge.

The second is supply chain management at the bottom right. As one of our efforts, we have been promoting comprehensive supplier evaluations. We have established supplier management guidelines, and based on these guidelines, we conduct prescreening and due diligence of suppliers to ensure that we do business with appropriate third parties.

It is not possible today to go into all the items and sequential details described here. We have a special corner featuring sustainability on our corporate website, which provides detailed data and explanations.

The fourth item on today's agenda is patient-centric activities, and we have recently launched a special patient-centric website.




External expectations are very important. If we were to list three issues that will become increasingly important in the future, based on our progress and ranking in the industry, for example, we would like to list these three.

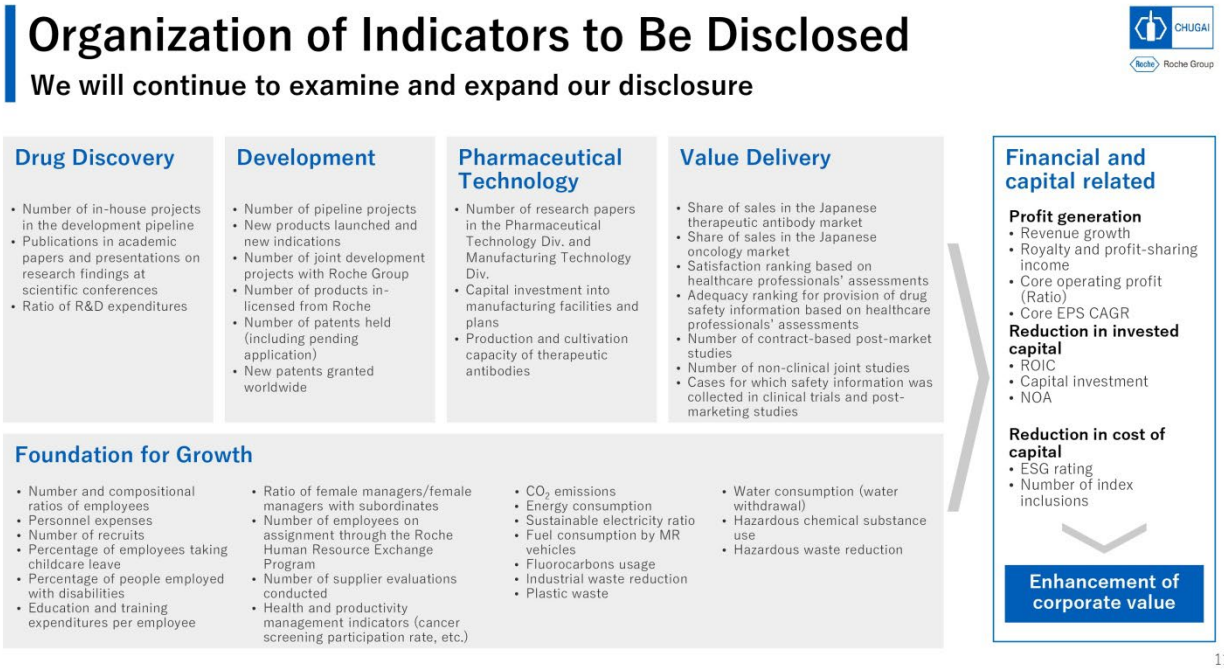
The first is employees and human resources. In business management, it is people who are important. As CEO Okuda has said, “In the end, it’s our people,”(people are the key) and I believe that the value that will be created through the active participation of human resources will become increasingly important.

AI and digital technology are also very important. However, it is still a means or a tool, and it is up to the person to decide how to use it. We believe that the source of innovation is people. There are also various requests for the disclosure of human capital information. We believe that this is ultimately an expression of interest in people.

Second, this is our responsibility as a top pharmaceutical company. As an industry leader, Chugai will take the initiative in relations with many stakeholders, such as government,  healthcare organizations, patient groups, and local communities. These expectations are growing.

For example, our special advisor, Mr. Kosaka, was recently appointed vice chair of the board of councillors in the Japan Business Federation. In October of this year, one of our employees, Yoshiyuki Ishida, was appointed as the executive director of the Japan Pharmaceutical Manufacturers Association (JPMA).

Thirdly, from the perspective of dialogue with stakeholders, I believe that there will be an increasing need to examine investments related to sustainability, and to scrutinize and organize the disclosure of non-financial information.

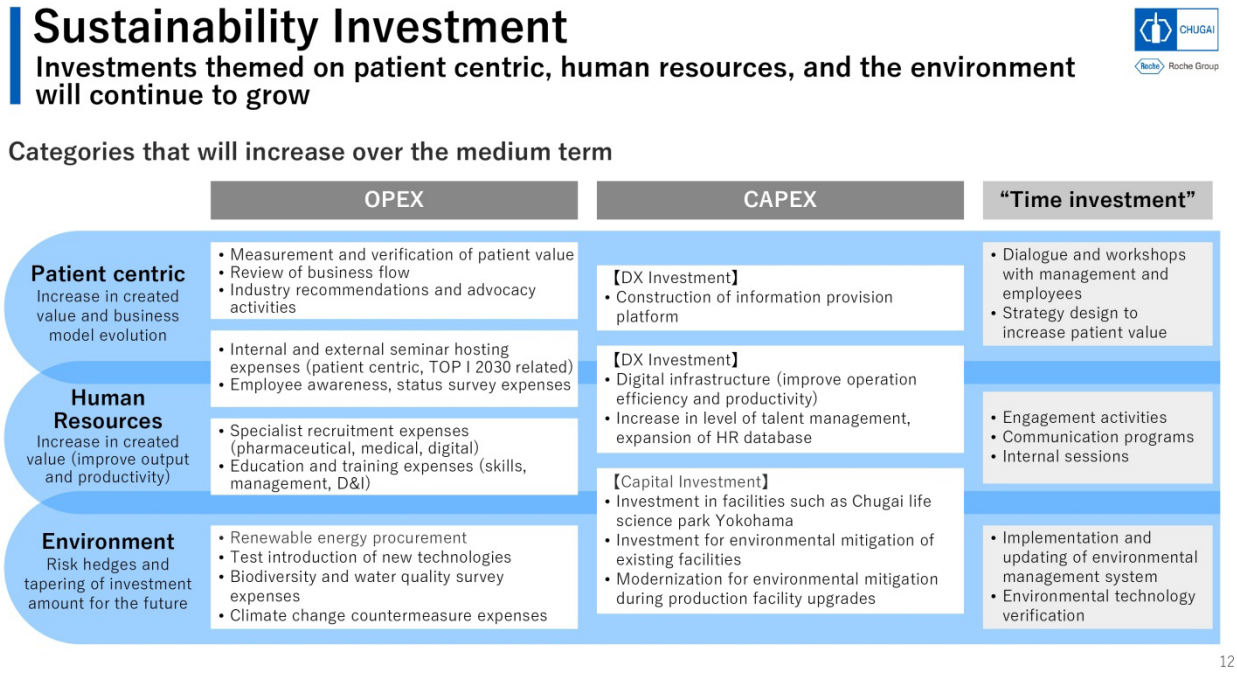



There have always been many such requests. In particular, discussions on governance, climate change, and, as I mentioned earlier, disclosure of human capital, have been moving ahead of other issues. There has been a movement in recent years to develop such a framework, mainly by international organizations.

However, I believe that the quality and quantity of information disclosure are still left to the discretion of each company.

This slide shows a summary of the information we disclose through various information sources and organizations.

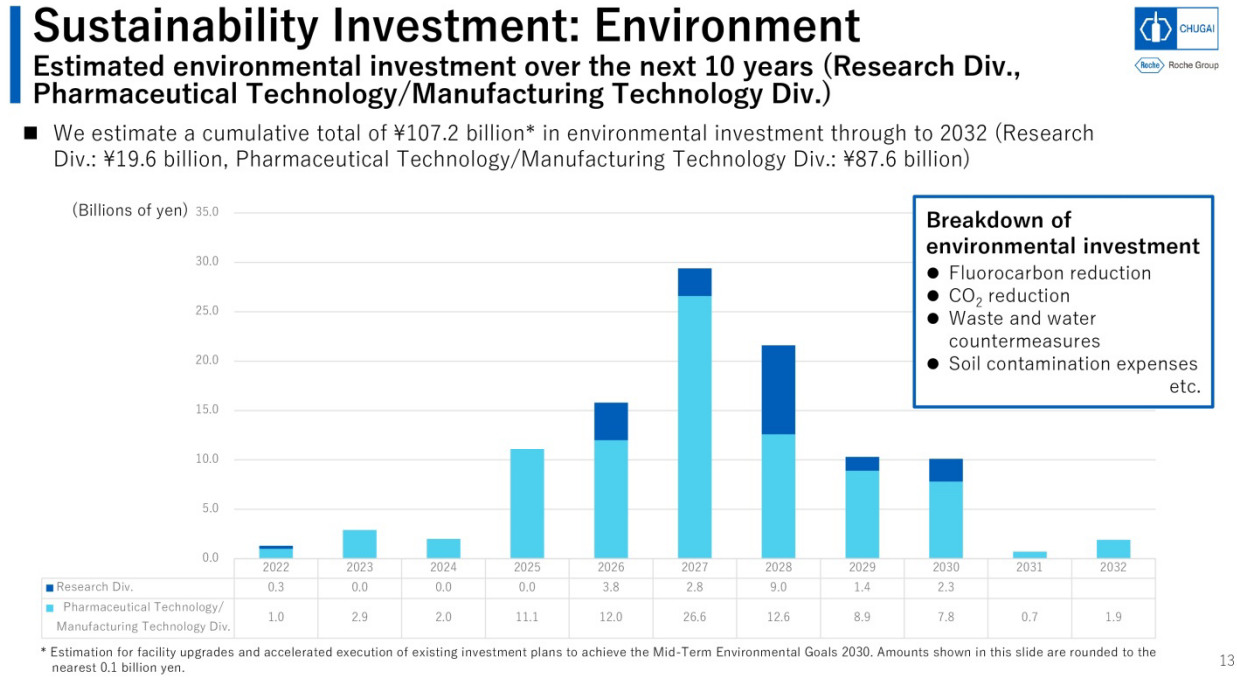
We will continue to closely examine KPIs and how to present them, while keeping a close eye on external trends, in order to enhance disclosure. Disclosure is not limited to non-financial information such as KPI goals and progress toward them, but also includes the investments necessary to achieve them, which is financial information. For example, I believe that disclosure of the amount of input and the quantity of input may need to be discussed in the future.




Here we have three materialities on the vertical axis. The leftmost one is OPEX. It says CAPEX in the middle, but this is an investment, so it comes on the balance sheet.

On the far right is the time we are involved in it. If you think about it, time and labor costs are also included in P&L. We are investing in these activities, but it is not yet sufficient to summarize or grasp the amount of time and money we are spending on them in this framework.

Although we have yet to disclose specific figures, I think you can generally understand what we intend to invest more in over the medium to long term and for what purpose.



In this environment, we have announced our Mid-Term Environmental Goals 2030 to the public. For example, we have set specific numerical targets such as becoming CFC-free by 2030, reducing $CO_2$ emissions by 60% to 75% by 2030, and zero emissions by 2050.

To achieve these goals, the amount of investment is naturally large and has an impact on financials and profit and loss, but I have not received any direct questions about the amount of investment. The Company has not discussed this with us.

However, looking to the year 2050, it is difficult to predict the future due to the technological evolution, development of nonpetrochemical and renewable energies, and so on. However, we have been able to make a certain numerical estimate for the year 2030 in the current assumption. The results of these calculations are disclosed here.

The current estimate of the environmental investment is that a cumulative investment of JPY107.2 billion will be required until 2032. We intend to disclose this information in conjunction with non-financial information as we continue to examine and update this estimate.

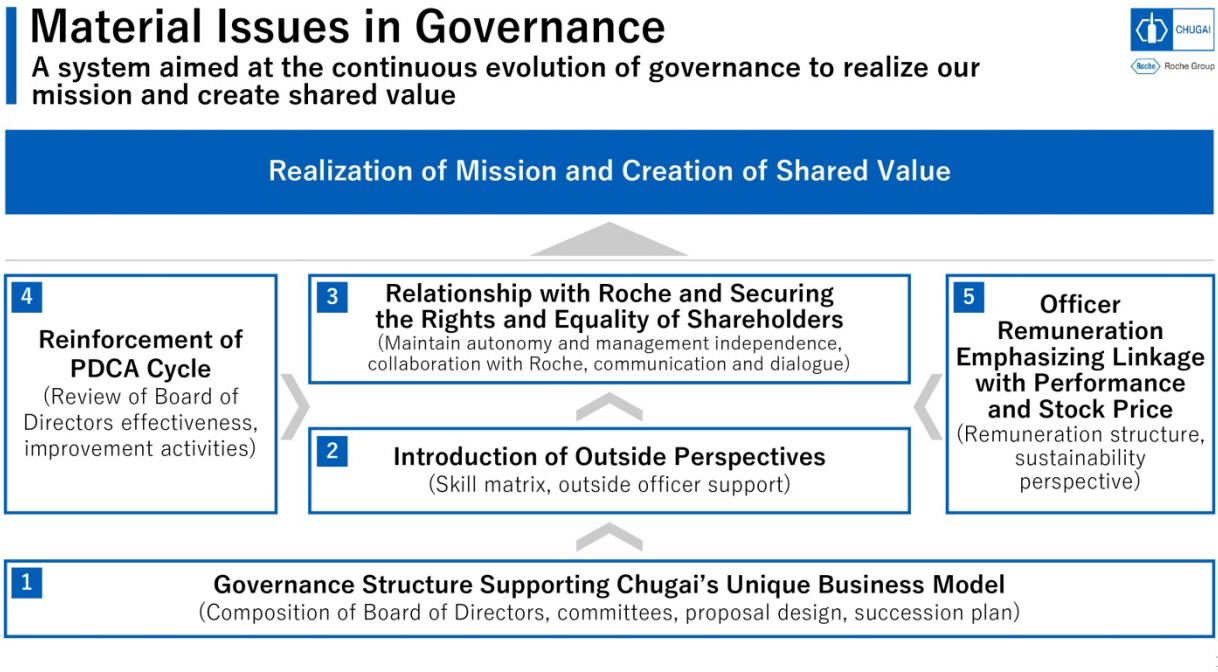
That is all from me. Thank you very much.

**Sasai:** Thank you very much. I will now continue with a presentation on Chugai's governance and issues going forward from the standpoint of an outside director.

**Oku:** I am Honorary Advisor to Sumitomo Mitsui Financial Group, and I am an independent outside director of the CHUGAI PHARMACEUTICAL, which was just introduced to you. Thank you.

This is the first time that I attend this meeting as an independent outside director. The administrative office asked me to join. My name is spelled OKU in the English alphabet, which means, everything is OK. That means I am one of those Japanese people who can't say no to anything, so I am happy to be here.

I ask myself: as an independent outside director, how do I view the governance of CHUGAI PHARMACEUTICAL? Going forward, what kind of governance structure will it evolve? I would like to continue by outlining what I think and what I am seeing, and I would like to contribute to your dialogue.

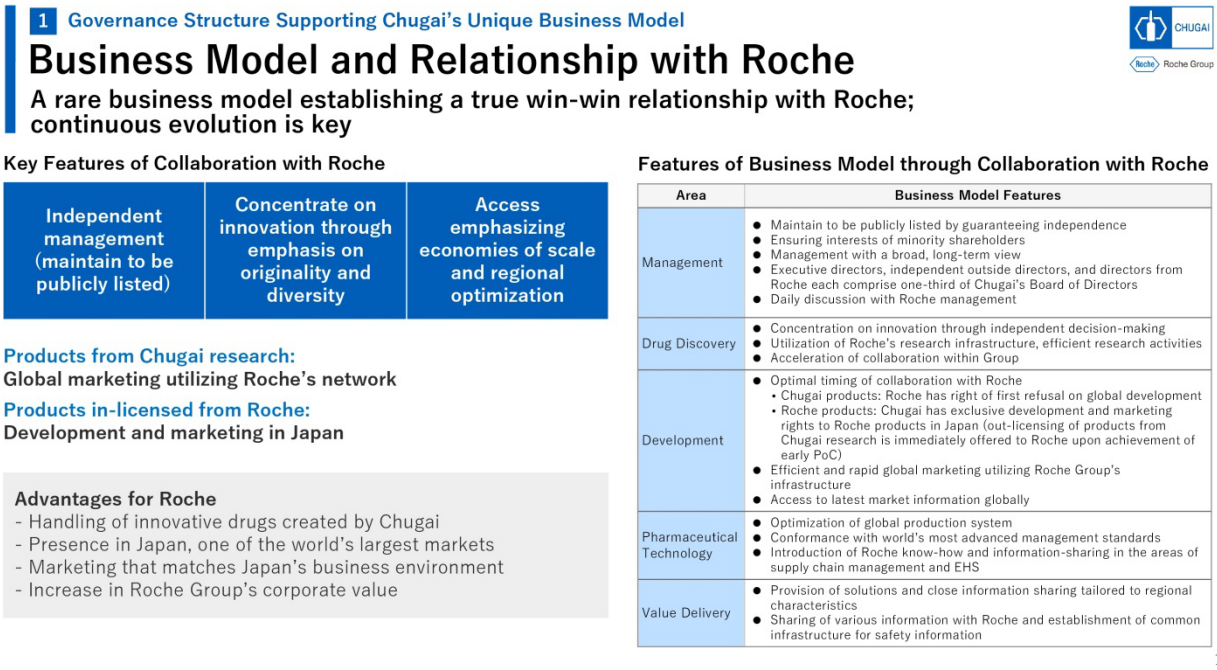



The first is a key issue in the governance of the Company. As a system that aims to realize our mission, create shared value and continuously evolve, I would like to reiterate our business model, which, as you know, is a key governance issue.

In 2002, we initiated a business alliance with Roche, which was then, as it is now, very unique. The alliance is based on that scheme, and looking back over the past 20 years, we believe that the scheme has worked very well.

The main reason for this is that, as shown in this figure, the governance structure, or governance system, is solid, first of all, as a foundation to support the scheme at the bottom. Based on this foundation, we have included external perspectives that emphasize diversity in order to create shared value with each stakeholder. On top of that, the rights of minority shareholders and their equality have been ensured.

Furthermore, to ensure the effectiveness, we have been very carefully and firmly implementing the PDCA cycle by utilizing the effectiveness evaluation of the Board of Directors, as described in ”4”. And, described in “5”, executive compensation is linked to business performance and shareholder value. This is what we have designed and are continuing to evolve in terms of remuneration. My presentation is in line with this structure.



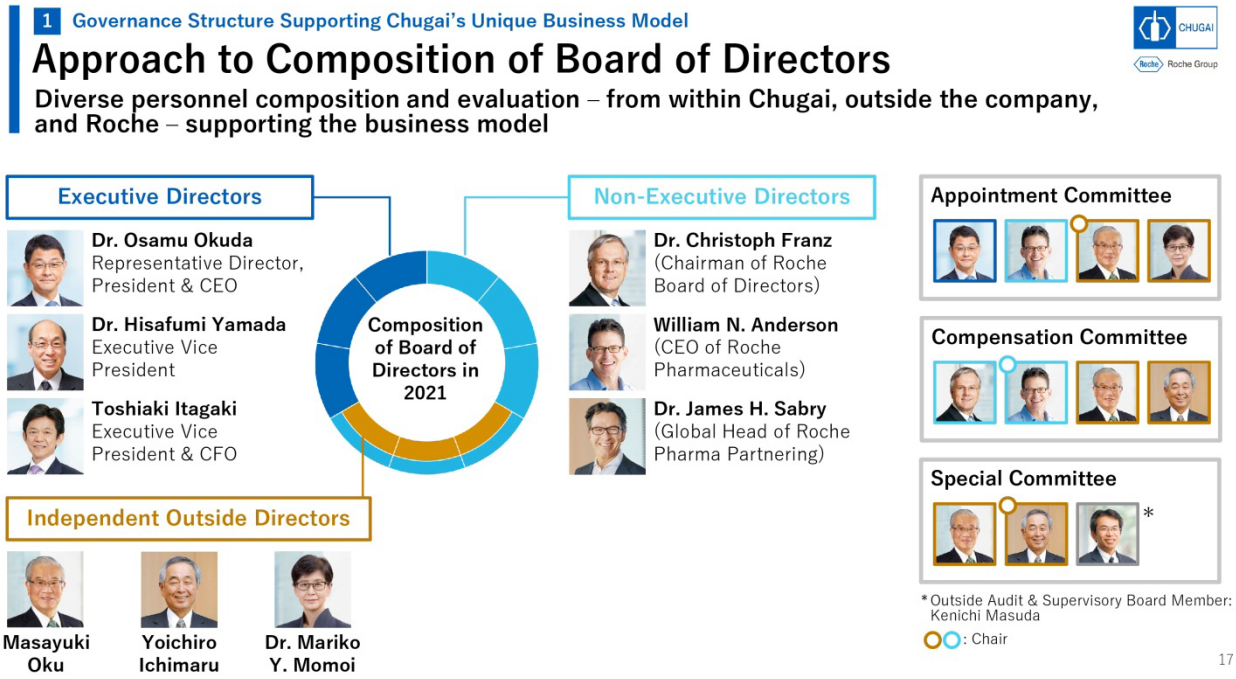

First, regarding our business model and its relationship with Roche, Roche owns 59.9% of our company. In this context, it is very unique and rare in the world to maintain a listing on the TSE prime market, to ensure independent management, and to access the global market by utilizing the Roche network.

I have been watching from the outside the Company since my days as president of the bank. It has been seven years since I became an outside director of our company, and as I look at the actual situation of our company as an outside director, I believe that our business model is very good working. I appreciate that the commonly used term "win-win" has been very well established at this point.

The key to this is in the very well-designed scheme, but if we look more closely at the relationship of trust between Mr. Nagayama and Dr. Franz Humer with Roche, which was originally the relationship of trust between the two of them when the scheme was first established. Since then, there has been a very strong mutual trust at all levels, not only at the top level, but at all levels as well. We believe that the evolution of our drug discovery capabilities is based on this mutual trust.

If we only develop and market in-licensed products from Roche, and if we are not able to create innovative drugs that create value on a global scale, this relationship will no longer be a win-win situation. Therefore, we believe that the continuous evolution of this business model in a tangible form is the key to improving our corporate value.

For your reference, on the right are some examples of collaboration with Roche in each of the key areas.

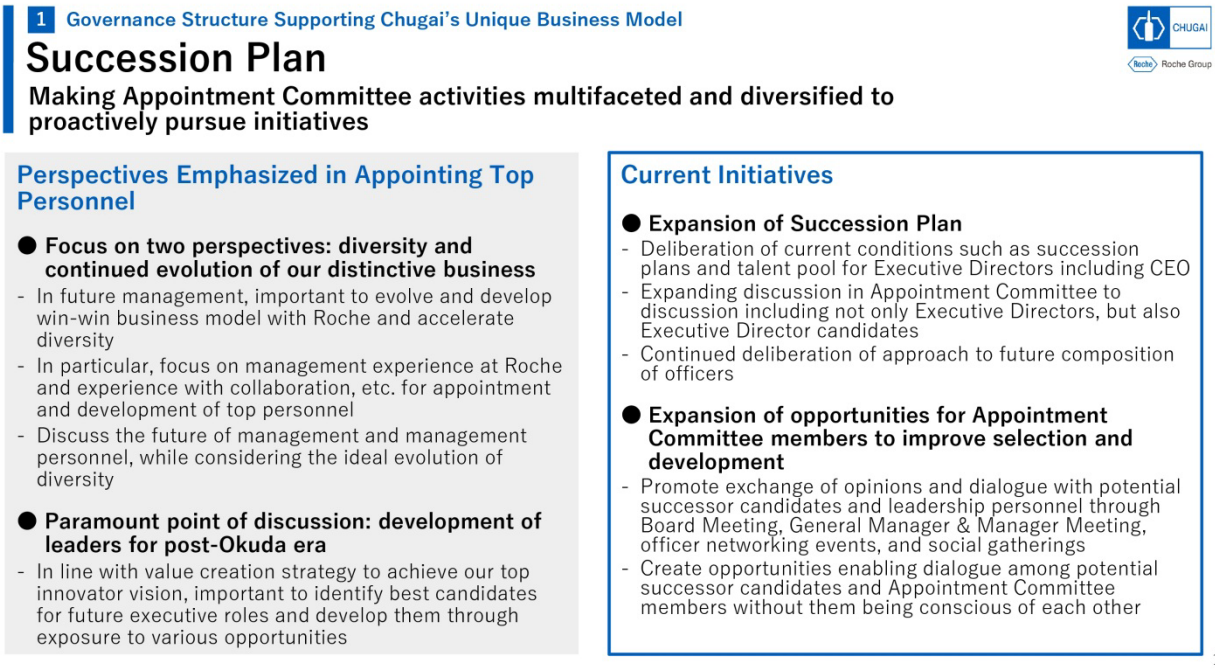



Next is the personnel composition of the Board of Directors. The personnel composition of the Company's Board of Directors consists of one-third of each of the current internal, external, and Roche companies in the evolution of the business model just described. The Board of Directors agrees that this is optimal. In addition, the Nominating Committee and the Compensation Committee have been selected with a personnel composition that reflects the purpose of the committees.

Now, if I may touch a little on the actual operation of the Board of Directors, the comments made at the Board meeting were mainly made by the three independent outside directors and by the three members of Roche. Each of these points of view is from a variety of perspectives. The three members of the Roche team often base their views and comments on their respective backgrounds.

For example, the progress of new drug development and discovery, which is reported every quarter as part of the business report, and in this report, Director Momoi spoke from a medical perspective. While Director Ichimaru and I discuss the risk management aspects, the competitive relationship with leading products, and how will the competitive relationship develop in light of the subsequent risks. And Director Anderson will talk about a lot of things from a global marketing perspective.

The discussions have been very active, although of course there is a time limit.




Next, I would like to discuss the Succession Plan, which I mentioned earlier about the Appointment Committee. In terms of governance, of course, it is essential to continuously build a very good management or management team. In the uncertain, unstable, and complex environment ahead, a succession plan that ensures objectivity, transparency, and accountability is indispensable.

For this reason, the Appointment Committee, of which I am the chair, has been taking on a very important role. The Appointment Committee has been considering the most important top management appointments, with particular emphasis on two criteria: a good understanding of the continued evolution of the unique business model with Roche, and a consideration of diversity.

As for the future, Dr. Okuda has only been CEO for a little more than a year. However, the Appointment Committee has begun discussing the next top management candidates.

The Nominating Committee has been discussing the Succession Plan down to the vice president level, but the immediate issue is the next, I don't know how many years, after Dr. Okuda, but we are thinking of about three tiers of the potential pool.

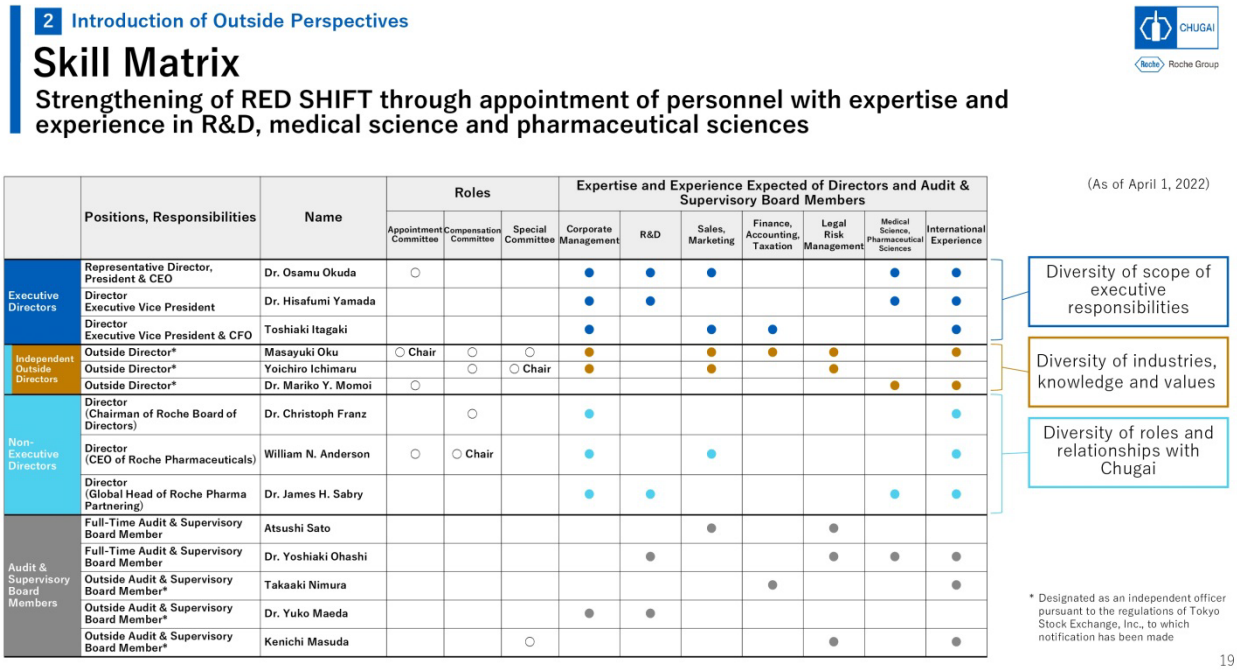
I thought the first tier would be the next near future. Then how about the next one, at the top? I would say six to seven people, or maybe we will narrow it down to around six people. The next is more than twice that number, and at the third tier, there are about 30 to 40 people. We will continue to discuss career paths and other issues in the form of a three-tiered pyramid, including those at the bottom of the pyramid.

Naturally, it is not easy for us outside the Company to look at or think about every single person at the bottom of the pyramid by proper name, but we do look at them to see what kind of career path they will take in the future.

Also, about person in the top of the pyramid, I don't think they are consciously aware of this, but as people outside the Company, we have several opportunities to attend meetings inside the Company ourselves, or just outside the Company and inside the Company together.

For example, there is a large annual meeting of business offices. Then there are the executive study sessions, which are also held off-site, including those outside the Company. We will also hold a separate briefing session for each of these topics.

We also have several people whom we meet when we visit the offices, and these people are also candidates for the position. The members of the Appointment Committee make an effort to get a comprehensive picture of a person by learning about his or her personality through private conversations.



2 Introduction of Outside Perspectives

## Skill Matrix

**Strengthening of RED SHIFT through appointment of personnel with expertise and experience in R&D, medical science and pharmaceutical sciences**

CHUGAI
Roche Group

(As of April 1, 2022)

| | Positions, Responsibilities | Name | Roles | | | Expertise and Experience Expected of Directors and Audit & Supervisory Board Members | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Appointment Committee | Compensation Committee | Special Committee | Corporate Management | R&D | Sales, Marketing | Finance, Accounting, Taxation | Legal Risk Management | Medical Science, Pharmaceutical Sciences | International Experience |
| Executive Directors | Representative Director, President & CEO | Dr. Osamu Okuda | ○ | | | ● | ● | ● | | | ● | ● |
| | Director Executive Vice President | Dr. Hisafumi Yamada | | | | ● | ● | | | | ● | ● |
| | Director Executive Vice President & CFO | Toshiaki Itagaki | | | | ● | | ● | ● | | | ● |
| Independent Outside Directors | Outside Director* | Masayuki Oku | ○ Chair | ○ | ○ | ● | | ● | ● | ● | | ● |
| | Outside Director* | Yoichiro Ichimaru | | ○ | ○ Chair | ● | | ● | | ● | | |
| | Outside Director* | Dr. Mariko Y. Momoi | ○ | | | | | | | | ● | ● |
| Non-Executive Directors | Director (Chairman of Roche Board of Directors) | Dr. Christoph Franz | | ○ | | ● | | | | | | ● |
| | Director (CEO of Roche Pharmaceuticals) | William N. Anderson | ○ | ○ Chair | | ● | | ● | | | | ● |
| | Director (Global Head of Roche Pharma Partnering) | Dr. James H. Sabry | | | | ● | ● | | | | ● | ● |
| Audit & Supervisory Board Members | Full-Time Audit & Supervisory Board Member | Atsushi Sato | | | | | | ● | | ● | | |
| | Full-Time Audit & Supervisory Board Member | Dr. Yoshiaki Ohashi | | | | | ● | | | ● | ● | ● |
| | Outside Audit & Supervisory Board Member* | Takaaki Nimura | | | | | | | ● | | | ● |
| | Outside Audit & Supervisory Board Member* | Dr. Yuko Maeda | | | | ● | ● | | | | | |
| | Outside Audit & Supervisory Board Member* | Kenichi Masuda | | | ○ | | | | | ● | | ● |

Diversity of scope of executive responsibilities

Diversity of industries, knowledge and values

Diversity of roles and relationships with Chugai

* Designated as an independent officer pursuant to the regulations of Tokyo Stock Exchange, Inc., to which notification has been made

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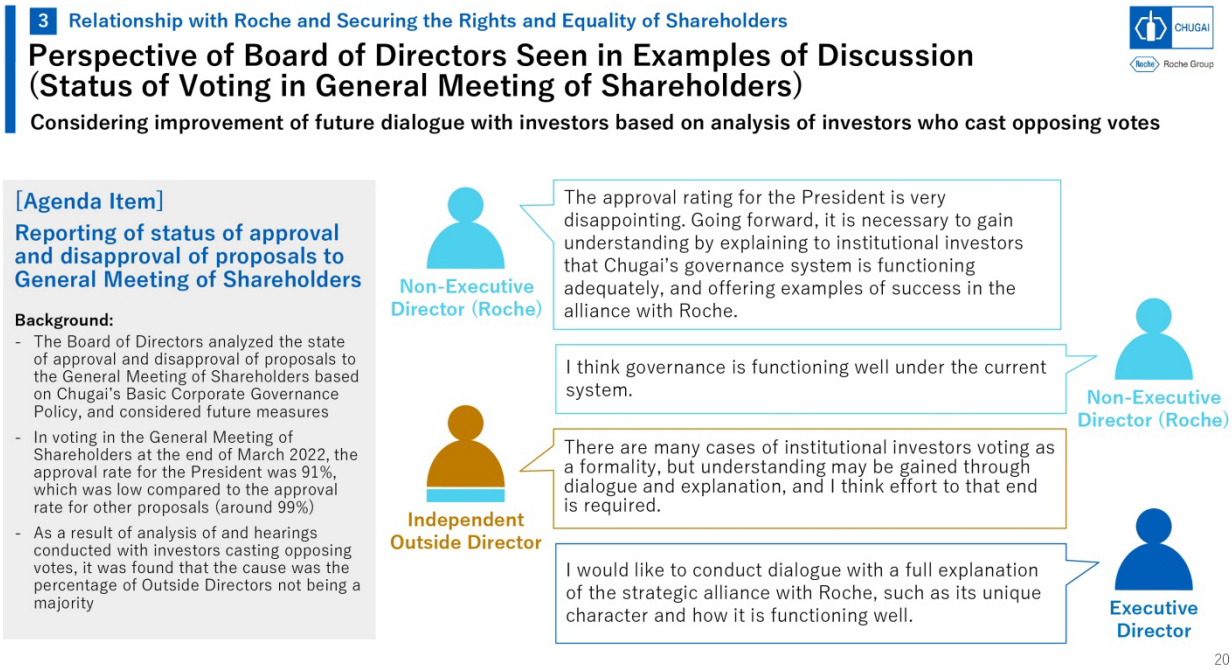
Secondly, in the last two years or so? As for the skills matrix that you have introduced, I believe that the current skills matrix shows that we have enough diversity in terms of the introduction of external perspectives in our company.

In addition to the internal, external, and Roche frameworks, the individual members of the group must be diverse. Currently, we have three independent outside directors, one from the manufacturing industry, one from the financial industry, and one from the medical industry, all of whom are professionals.

The three members from Roche also come from different backgrounds, so in that sense, I think we have ensured diversity. In any case, I believe that all of us have each background. I believe that the union of diversity will be the basic form.




Next, I would like to talk a little bit about the perspective of the Board of Directors as seen in the discussion cases.

As I mentioned earlier, in the case of our company, Roche holds 59.9% of the shares, so ensuring the rights and equality of minority shareholders is a very important issue. I would like to present an example to illustrate the Board of Directors' thinking in this regard.

In order to incorporate the opinions of minority shareholders, the Company analyzes how voting rights are exercised at shareholders' meetings and conducts improvement activities based on this analysis. Compared to the other board members, President Okuda's vote in favor of the proposal was lower, at 91%. As a result of our analysis of the investment criteria of the investors who voted against the proposal and individual interviews with them, we found that the reason was that they did not meet the formal criteria of a majority of outside directors, which is one of the Prime Market listing criteria.

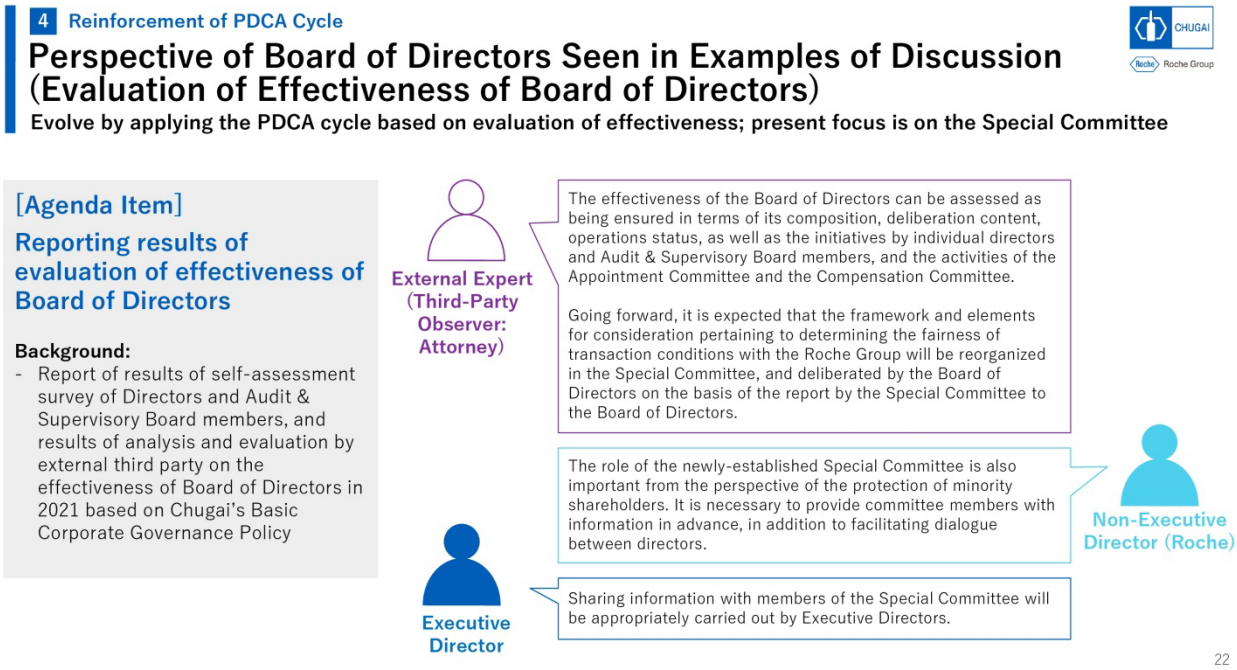
As I mentioned earlier, we believe that it is effective to operate with a one-third, one-third, one-third Board of Directors composition, so even without a majority of outside directors, we believe that the Board of Directors can operate very efficiently and effectively. Therefore, one of the reasons I took the stage at this briefing is that it is necessary to firmly discuss in dialogue with investors that although there are discrepancies in terms of form, there are no problems at all in terms of execution.

In addition, following discussions on the occasion of the recent revision of the Corporate Governance Code, it was decided to establish a special committee as stipulated in Principle 4-8-3 of the Governance Code. This is not only to meet the criteria for listing on the prime market, but also to create a system that is transparent and reassuring to minority shareholders, taking into account the unique circumstances of our Company.

To ensure transparency in transactions with Roche, the status of transactions and other matters have been widely disclosed and discussed at Board of Directors meetings. However, minority shareholders who cannot see the actual operation of the Company may have a sense of distrust and uneasiness. The fact that this cannot be completely dispelled may also be true in some ways.


In light of this, we have created a system that allows minority shareholders to feel at ease by having a special committee composed solely of independent members deliberate and review matters that may pose a conflict of interest.

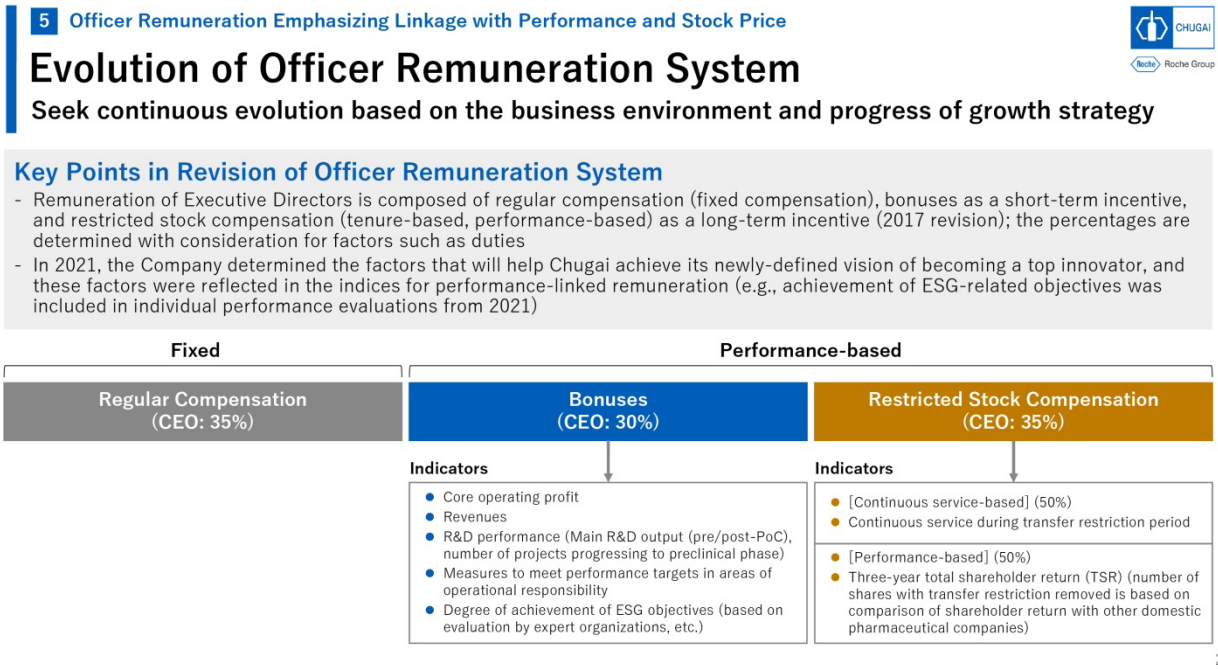
The Special Committee currently meets twice a year in principle to discuss how the Special Committee should be organized and to deliberate issues such as the revision of the basic agreement with Roche. The Special Committee has been discussing the issue of conflicts of interest more multilaterally and in-depth than in the past, and we intend to fulfill our role of ensuring fair transactions and protecting the interests of minority shareholders.




The continuous evaluation of the effectiveness of the Board of Directors and the implementation of its PDCA cycle play a very important role in the independent strengthening of the governance system.

As part of this effort, we have started a special committee this year, as mentioned on the previous page. Even though we have independence, we cannot properly deliberate without a better understanding of contractual transactions and other such details. In this sense, the provision of information is a very important factor.

I have already been an outside director for seven years. We still need to fully understand the specialized and complex contracting situation. I always bring a conceptual diagram of such transactions and a glossary of terms when I participate in these discussions. We will continue to increase dialogue with the executive members to ensure appropriate monitoring.




Finally, there is executive compensation. I am also a member of the Compensation Committee. The committee is chaired by William Anderson of Roche. When revising the executive compensation system, it is important to ensure that the compensation system continues to evolve in response to changes in the external environment and management strategy.

Last year, we identified challenges to achieve the newly-defined vision of becoming a Top Innovator and reflected them in our evaluation indicators. The major change is the status of achievement of ESG issues. We expect that the adoption of these evaluation criteria will reveal the degree of involvement and commitment of executives and employees in ESG management over the past year.

This is a brief overview of the actual situation and direction of our governance.

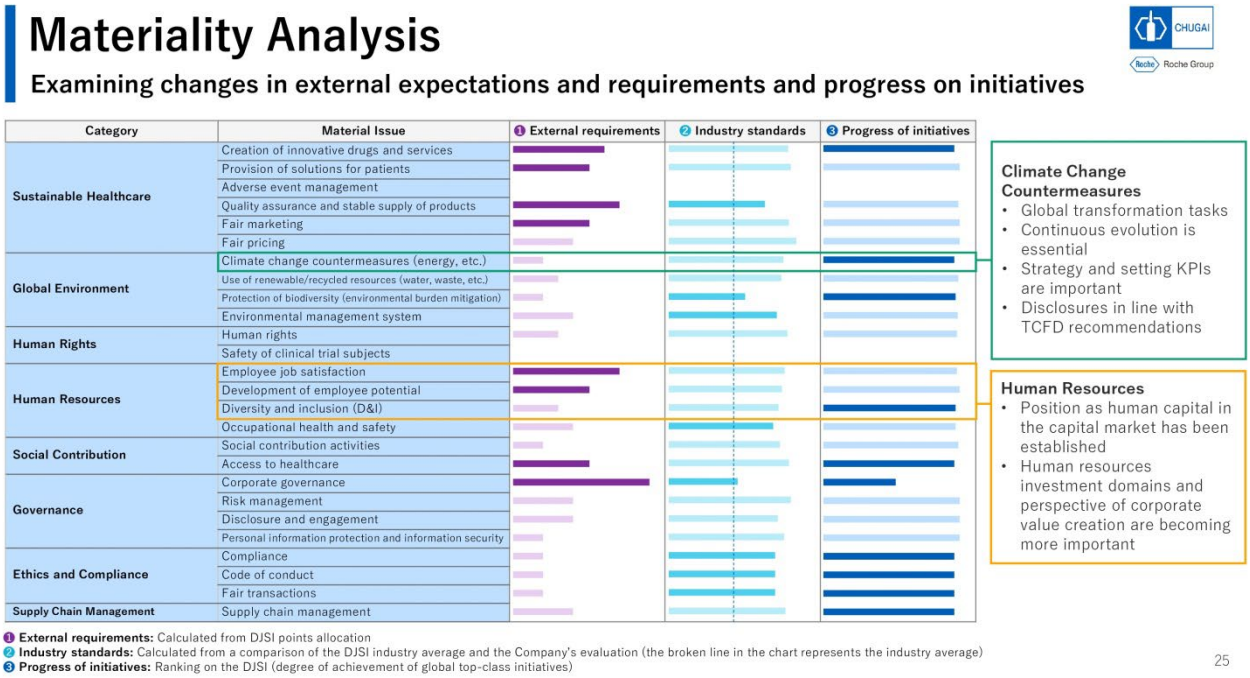
CHUGAI PHARMACEUTICAL's current business performance has been very favorable. We entered into a unique strategic business alliance with Roche 20 years ago, at which time we withdrew from OTC operations. We are also dedicated to the new drug discovery and have deepened our research partnerships with universities, focusing on oncology and biopharmaceuticals to enhance our drug discovery capabilities.

Now, there is also a focus on Mid size molecules. As I have already mentioned, Roche has also recognized our capabilities, and a win-win relationship has been established. In order to maintain and develop this good relationship, we believe that it is necessary for both companies, Roche and our company, to have mutual trust through mutual exchanges at all levels and to improve our R&D capabilities daily, in other words, to have uninterrupted co-creation and cooperation.

To this end, as an independent outside director, I will continue to contribute to the enhancement of corporate value by engaging in constructive discussions at Board of Directors meetings, making efforts to nurture successors, and taking a stance of not nipping the buds of growth while giving due consideration to risk management aspects.

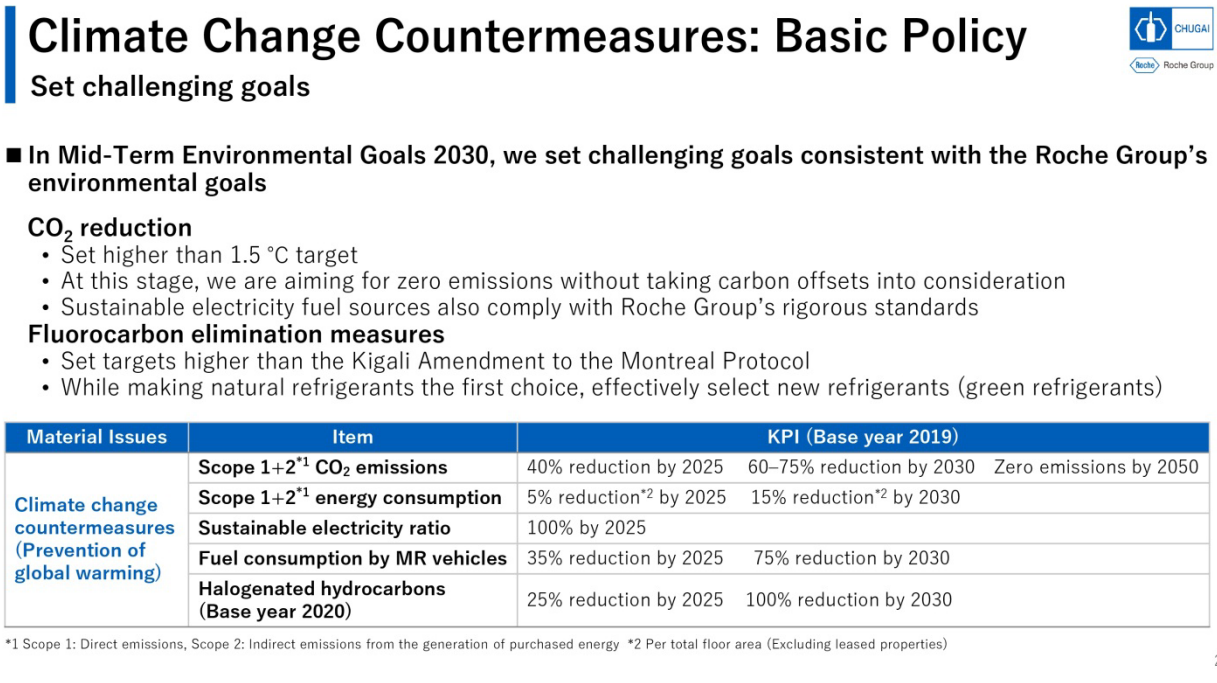
Thank you for your attention.

**Sasai:** Thank you. Now, Mr. Yano will continue with an explanation of the transformation issues in materiality.




**Yano:** My name is Yano, and I am in charge of human resources and EHS promotion. Thanks.

As you can see here, I would like to introduce and discuss the issues and initiatives we are undertaking about the two themes of our materiality, the global environment and human resources, in which we are investing heavily.



First of all, I would like to discuss our basic policy on climate change countermeasures. Starting in 2021, we have formulated a new Mid-Term Environmental Goals 2030, in which we have set and are working on challenging targets that are consistent with the Roche group's environmental goals.

Needless to say, environmental issues such as climate change, increasing waste, and resource depletion are becoming increasingly important issues around the world. On the other hand, the size of companies and the scope of their activities are expanding, and their influence is increasing. Under these circumstances, in our goal of becoming a global role model that leads in solving social issues by 2030, we have positioned environmental goals and environmental issues as one of our management issues, as one of the solutions to social issues.

In setting our mid-term environmental goals, we have identified climate change countermeasures, use of renewable/recycled resources, and protection of biodiversity as our three priority themes, but we also need to make medium-term efforts, especially in consideration of infrastructure conversion and new technology development. We have also set KPIs for 2025 as milestones, which is our approach to our goals.

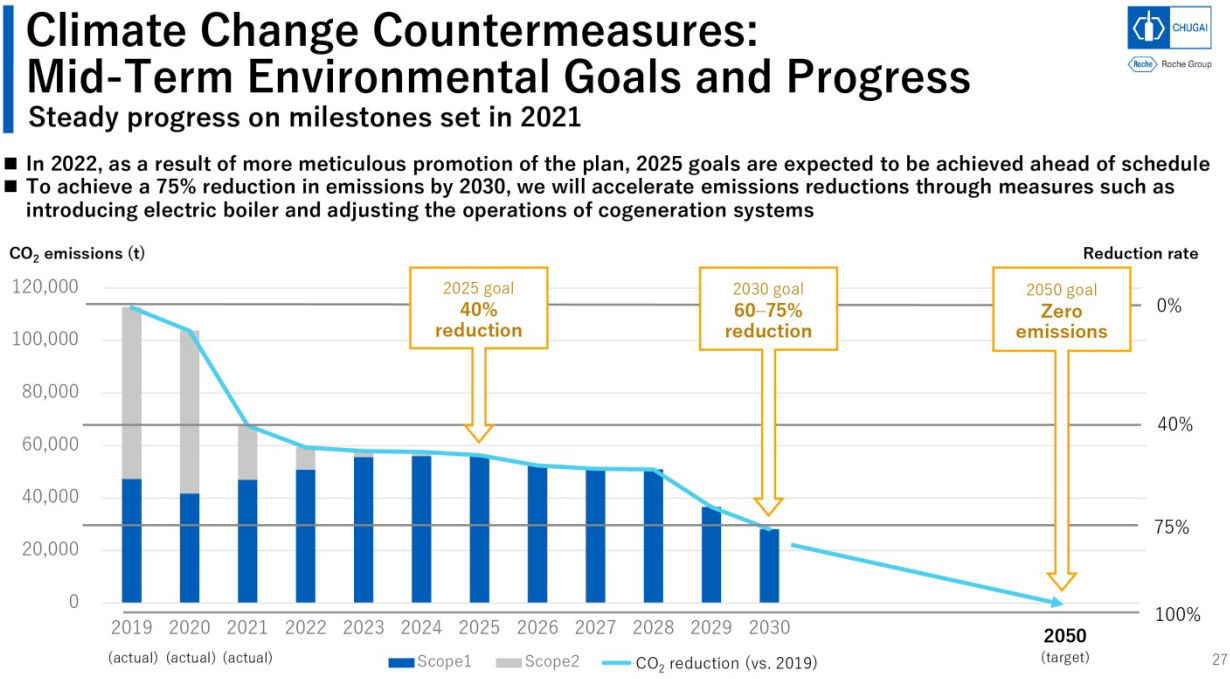
In particular, climate change countermeasures are considered an issue that should be addressed by both developed and developing countries around the world, and we believe that this is a theme that should be given the highest priority.

Our mid-term environmental goal for climate change countermeasures is to achieve zero $CO_2$ emissions by 2050, which we consider being an ambitious target level consistent with the Roche group's challenging goals.

For example, the Paris Agreement. In order to limit the temperature rise to 1.5 degrees Celsius, it has been stated that $CO_2$ emissions must be reduced by approximately 45% by 2030 in comparison with 2010, and our 2030 target is a 75% reduction. In addition, at this stage, the project aims to achieve zero emissions in Scope 1 and Scope 2, without considering carbon offsetting measures such as $CO_2$ credits. We have set such challenging goals.

In the same way, we have set an earlier and more advanced target than the internationally agreed Kigali Amendment to the Montreal Protocol, and while the Kigali Amendment sets an 85% reduction target for developed countries by 2036, we have set a 100% CFC reduction target for 2030 as shown here.

In particular, natural refrigerants such as ammonia, which are considered to have the least potential to affect the environment, are chosen as the first choice. However, considering the facility status, regional characteristics, and investment effects, we also intend to adopt new refrigerants such as HCFO.




Please refer to page 27. Here we would like to present our mid-term environmental goals for climate change action and the progress we have made.

This table shows our $CO_2$ emission targets and the expected achievement. As for the $CO_2$ emission targets, we presented a roadmap at last year's briefing. This time, we refined or updated the same roadmap and promoted specific policies such as the introduction of sustainable electricity. We expect to achieve our 2025 target of 40% reduction in 2022 ahead of schedule, and we believe that we can achieve our 2030 target of 75% reduction.

Specifically, in last year's plan, we assumed that electricity demand would increase in 2022 due to the overlap of the newly constructed Chugai Life Science Park Yokohama and the operations of the Gotemba and Kamakura research laboratories, which are scheduled to be closed. However, by refining the electricity demand forecast and introducing sustainable electricity as mentioned above, we were able to achieve a 40% reduction as of 2022 ahead of schedule.

In addition, we plan to accelerate emission reductions by 2030 through the conversion to electric power boilers and by adjusting the operation rate of cogeneration systems.

# Climate Change Countermeasures: Major Initiatives

**Despite overcoming challenges one by one, continued technological challenges remain to be examined**

| Mid-Term Environmental Goals 2030 Categories | Action steps | Main Progress and Initiatives |
|---|---|---|
| **Scope 1+2 $CO_2$ emissions Energy consumption** | • Build new facilities, update equipment, improve processes<br>• Measures to increase efficiency of existing facilities<br>• Electrification of Scope 1 facilities<br>• Identify next-generation energy source(s) to replace natural gas | ◎ Steady progress on achieving zero Scope 2 $CO_2$ emissions by 2025<br>◎ Chugai Life Science Park Yokohama expected to obtain CASBEE* certification<br>◎ Introduced solar panels and non-distillation/membrane industrial water treatment facilities at new pharmaceutical manufacturing facilities<br>✓ Energy-saving at existing facilities is difficult, so measures are applied when renewing facilities<br>✓ Extremely difficult to introduce next-generation energy facilities by 2030<br>  <br>Chugai Life Science Park Yokohama |
| **Sustainable electricity ratio** | • Stable procurement of sustainable electricity<br>• Introduction in Asia | ◎ 100% introduction at four main business locations including Yokohama and Head Office planned from 2023<br>✓ Consideration in the Asian region is at the initial stage. Going forward, we will examine issues in detail. |
| **Fluorocarbons usage** | • Update and introduce production/HVAC** equipment in line with facility characteristics<br>• Handling equipment without non-fluorocarbon technology<br>• Compatibility of production and facility renewal plans | ◎ Introduced new HCFO-1233zd(E) refrigerant in some existing facilities, accelerated renewal and reduced investment amount<br>◎ Planned to adopt centralized systems for some HVAC equipment<br>◎ Developed small-scale trial devices for use with natural refrigerant through collaboration with manufacturers<br>✓ Careful examination and verification needed with regard to misalignment of 2030 production plan and facility renewal timing |

*Comprehensive Assessment System for Built Environment Efficiency ** HVAC: Heating, Ventilation, and Air Conditioning

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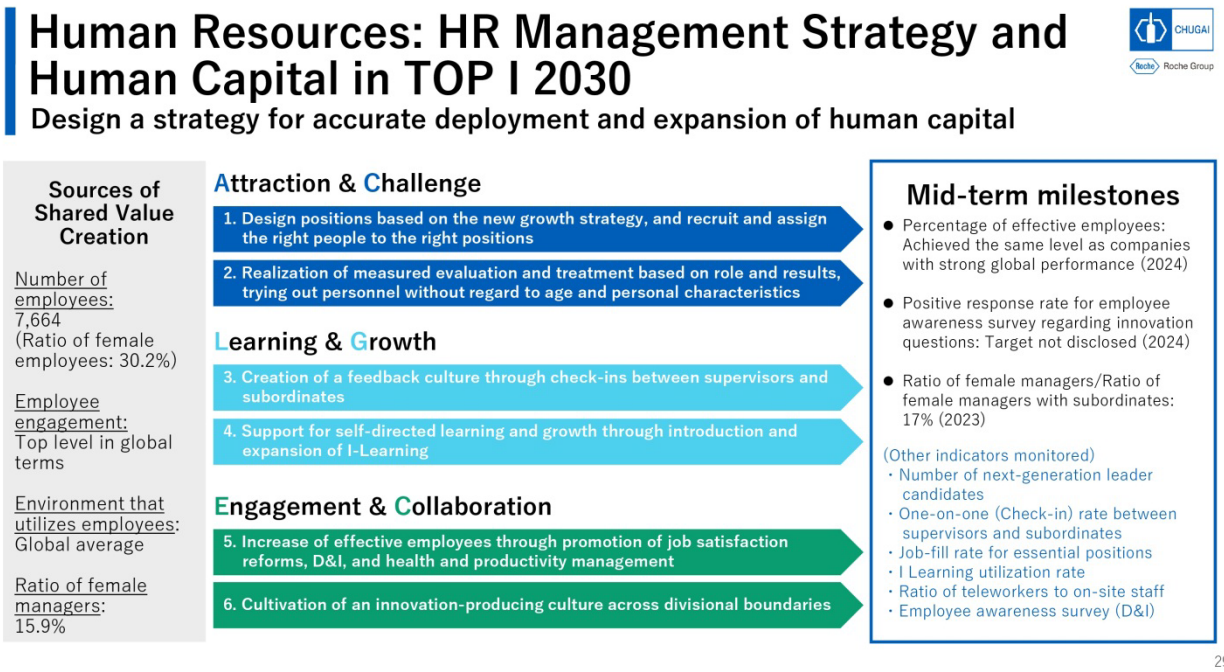
The next slide, here is a summary of the main efforts to combat climate change, especially current progress and future challenges.

Regarding the $CO_2$ emission reduction, in addition to acquiring CASBEE certification at the Chugai Life Science Park Yokohama, as I mentioned earlier, we are also promoting the installation of solar panels at new production facilities and other facilities. On the other hand, in terms of measures for existing facilities, considering the operation and cost of existing facilities, it is necessary to introduce new environmental technologies at the time of renewal of existing facilities, while avoiding any impact on business and production.

Another major challenge in reducing energy consumption will be the increase in energy use due to the electrification of Scope 1 facilities. This is a difficult issue, but reducing energy consumption is a bit of a trade-off with reducing $CO_2$ emissions, and we will give priority to reducing $CO_2$ emissions first, but at the same time, we will also promote measures to reduce energy consumption and do our best to achieve this. We will do our best to reduce energy consumption at the same time.

As for the third item, the reduction of CFC consumption, we will work on the use of natural refrigerants as the first option, in principle, for new facilities. In addition, some of our existing facilities have introduced new refrigerants such as HCFO, and we are working with manufacturers to develop new types of natural refrigerant equipment.

In each case, we are considering clearing each issue one by one by identifying the technical issues while matching the characteristics of each facility, whether new or existing.




Next, I would like to talk about our human resource initiatives.

We have been hearing a lot of discussions lately about human capital. Under such circumstances, for more than 10 years, we have been using the basic philosophy of this human resource management as our human resources are the invaluable assets that create corporate growth and development, and we have been using the assets of human resources and the assets of the property.

As you know, our mission is to create new value and contribute to global healthcare and human health through the provision of innovative medicines and services, and to this end we aim to be a leading innovator in the healthcare industry, providing advanced and sustainable healthcare.

However, as competition in new drug development accelerates on a global scale and domestic regulations become stricter, we consider it a top management priority to continuously create innovative new drugs to realize our mission and to connect the provision of solutions that are truly needed by the medical community around the world. We are committed to this mission.

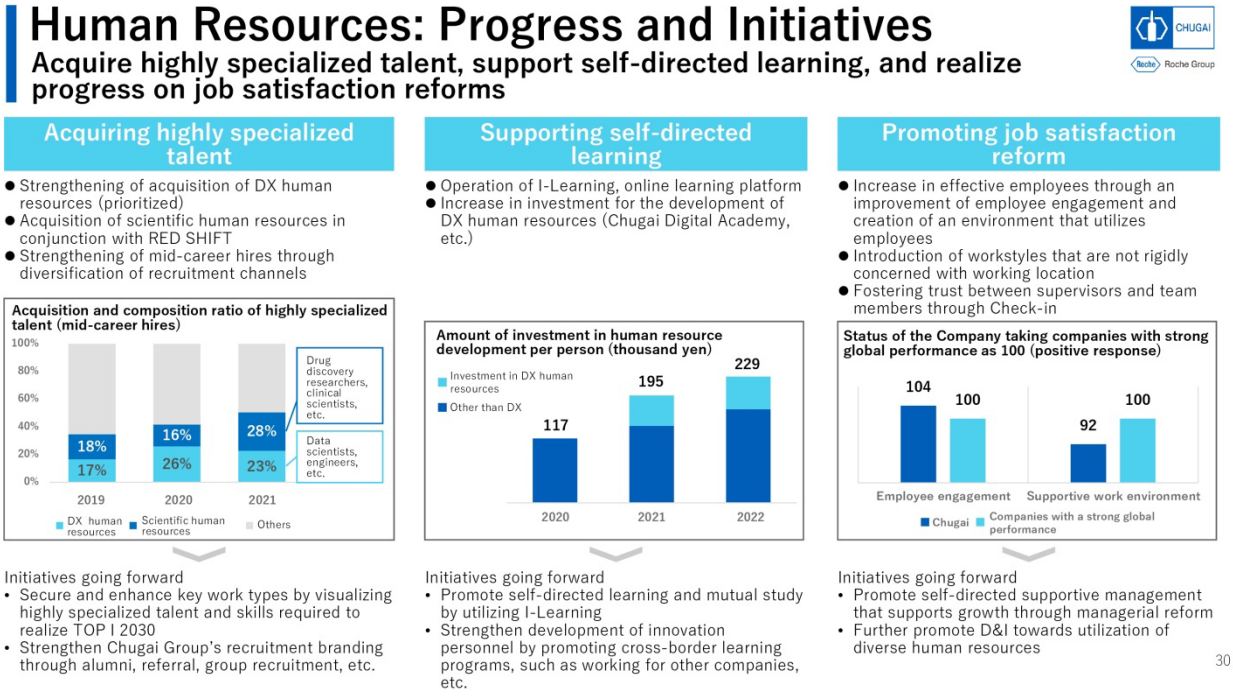
The source of innovation is people, and this means human resources. We believe that the key to success is for our human resources to make the TOP I 2030 growth strategy's transformation issues their own and incorporate them into their individual activities.

Attraction & Challenge, a human resources management strategy to realize this new growth strategy, is to challenge all employees to take on attractive jobs regardless of their age or attributes. Learning & Growth, where all employees continue to learn and grow autonomously. The third is Engagement & Collaboration, in which highly skilled and diverse human resources engage in friendly competition and work together across departmental boundaries. These three are the main pillars of our strategy.

In Attraction & Challenge, we design positions based on the TOP I 2030 growth strategy, and acquire or assign the right people for those positions. The second is to challenge people regardless of their age and attributes, and to realize a well-rounded evaluation and treatment based on their roles and achievements.

In Learning & Growth, it is a check-in between the supervisor and subordinate, the so-called one-on-one discussion. We will support autonomous learning and growth by building a feedback culture based on check-in and expanding the introduction of a management system called I Learning.

In terms of the third point, Engagement & Collaboration, we are pursuing a human resources management strategy that is integrated with the Company's growth strategy, which is to increase the number of effective employees and foster a corporate culture that generates innovation across departmental boundaries by promoting job satisfaction reform, diversity and inclusion, and health management.




Here is a summary of the major progress made in the human capital management strategy.

The left side shows the acquisition of highly specialized talent. We have traditionally focused on career recruiting, hiring people with values and experiences that differ from our own. We hire equal headcounts of mid-career talents and college graduates.

We are strengthening the acquisition of digital transformation human resources such as data scientists and science human resources linked to the “RED SHIFT”, and the percentage of such human resources in career recruitment is increasing every year. The percentage of career hires has been increasing year by year, with more than half of last year's hires going to the highly specialized professionals we have identified.

The second point, which we are focusing on most in our human capital management strategy, is the growth of employees through their autonomous learning. To this end, we are actively investing in human resource development.

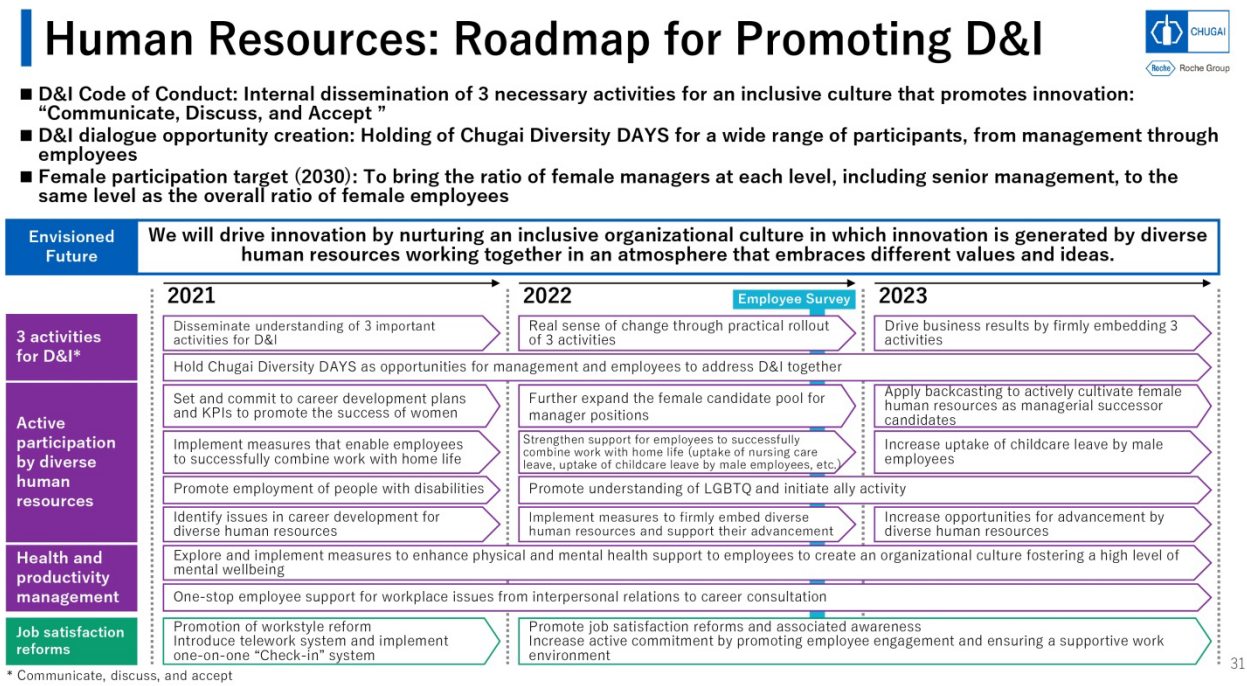
Specifically, by creating the CHUGAI Digital Academy for the development of digital human resources and so on, and by introducing a learning management platform called I Learning, we are prioritizing and expanding the skills required for employees and supporting autonomous learning and growth. This slide shows changes in the amount of education and investment per employee, including digital education. This figure has been increasing year by year. This year, we expect that the amount of investment in education per employee will exceed JPY200,000.

As shown in the third chart, we are promoting the job satisfaction reform toward the achievement of TOP I 2030. Employees are the main actors in strategy execution, and for more diverse employees to play an active role, we are promoting this job satisfaction reform to create human resources who will voluntarily and actively act toward the achievement of the Company's vision and goals.

In order to increase the number of such human resources, we believe that the two main themes are to increase employee engagement and to create an environment that brings out the best in our employees. To this end, we believe it is essential to create a feedback culture that encourages spontaneous and active action, and fosters an inclusive organizational climate.

As you can see in the table, the results of the employee awareness survey are shown here. Although the percentage of engaged employees is higher than that of global high-performing companies highlighted in light blue, when it comes to the environment that maximizes our employees' potential, we believe that there are still issues to be addressed.

We would like to be more proactive in creating a system and environment that encourages employees to act autonomously so that each one of them can fully demonstrate their abilities while feeling a sense of job satisfaction and growth.




This is the last slide. In closing, I would like to discuss our commitment to diversity and inclusion.

Based on the common understanding that diversity and inclusion are based on the idea that innovation is created from diverse values and expertise, we are working to create an environment that encourages diverse human resources to play an active role.

With regard to gender diversity in particular, we aim to increase the number of women in leadership positions and to have a diverse group of employees playing an active role in decision-making, regardless of their attributes, to achieve a ratio of female managers at all levels equal to the company-wide ratio of female employees by the end of 2030.

In other words, we have set the goal of achieving the same ratio of women at all levels of the Company, including the vice president and other executive officers, general managers, group managers, and managers, and are working to promote women to management positions and to train manager candidates.

In addition, in order to foster an inclusive organizational culture that pursues innovation, Chugai holds Chugai Diversity Days every year to promote diversity and inclusion. We provide opportunities for employees to think about diversity and inclusion and engage in dialogue.

In this context, we are actively working to foster a climate of innovation by demonstrating and promoting the three actions that are important for inclusion: communicating, discussing, and accepting.

Last but not least, in order to achieve the high goals outlined in TOP I 2030, we must not simply follow the conventional path of the past, but rather, we must clarify what types of talents will be required for the business of the future. We must attract a large number of desirable human resources, encourage their growth while allowing them to fully demonstrate their abilities, and ultimately, ensure that the performance of each individual is linked to the performance of the entire organization. We would like to foster such an organizational climate where people who want to play an active role can play a more active role.

This is the end of my presentation. Thank you very much.

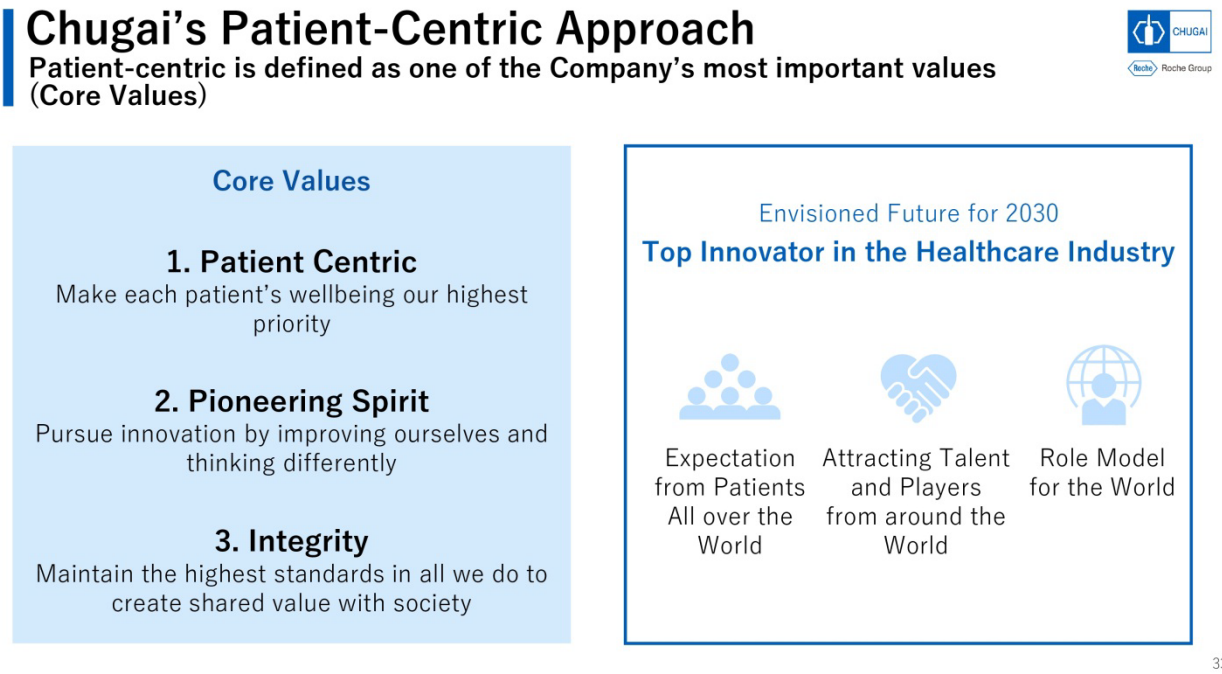
**Sasai:** Thank you. Finally, Dr. Ouchi will discuss our patient-centric business activities.

**Ouchi:** My name is Kaori Ouchi, Head of Medical Affairs Division. Thanks.

We have not had much opportunity to introduce the Medical Affairs Division, but it is a department that works to ensure that drugs and treatments are properly administered from a medical and scientific standpoint.

In particular, I consider our activities to be a research division that aims to provide solutions to patients in real clinical settings. Roche, many global pharmaceutical companies, and an increasing number of domestic companies have established medical affairs divisions.

The reason I am here today is that, as Itagaki reported earlier, I would like to focus on one of our materialities, the provision of solutions for patients. Thanks.




First, I would like to introduce our core values. As we have mentioned in various places, the first of our three most important core values are Patient Centric

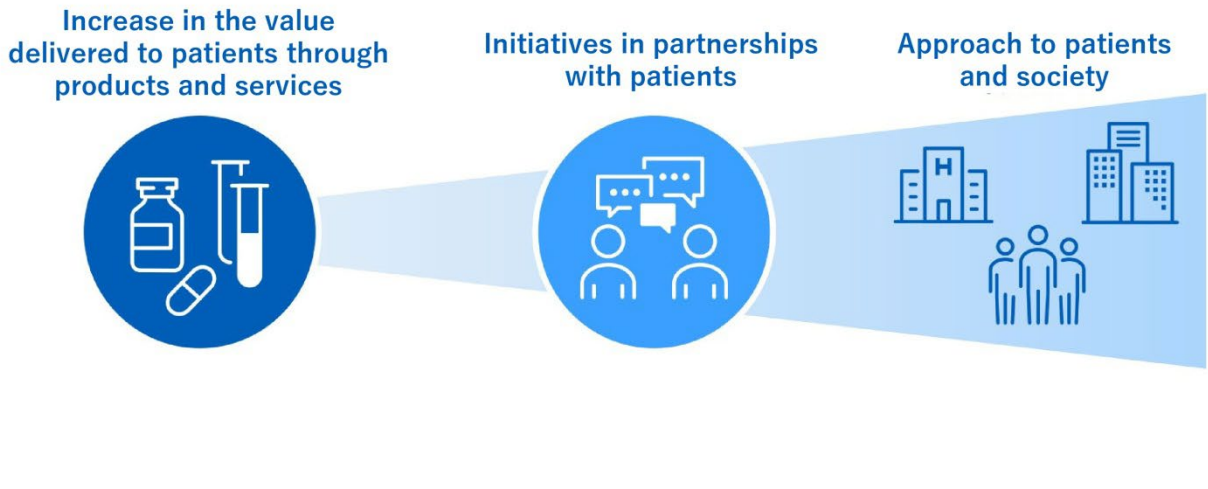
This is based on the idea that the happiness and well-being of each and every patient is our top priority, and we place our values on conducting our business with a patient-centric approach in every department of Chugai.

I am also aware that many other companies have recently adopted the patient-centric philosophy, which I think is a very good thing, but Chugai has been operating under the patient-centric philosophy for more than 10 years, as far as I can remember. I think it is a value deeply rooted in our culture.

Also, one of the three items in our vision for 2030, to be the top innovator in the healthcare industry, is placed at the top of the list: the expectations of patients around the world. This is not only because we want to produce something, but also because we want to be a company that patients can look forward to and expect new treatments and innovative new drugs.

## Overview of Patient-Centric Initiatives

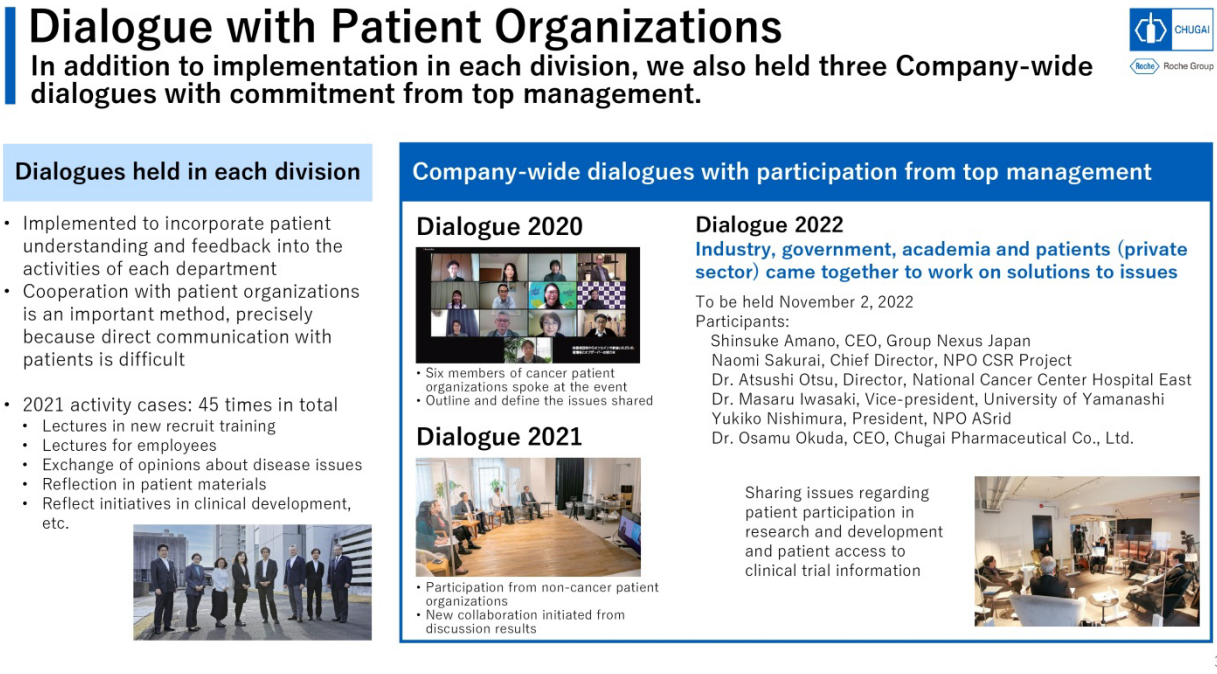
**By placing patients at the center of everything we do, we aim to evolve our corporate activities and increase our corporate value**




Now, what exactly do you mean by "patient-centric"? Our goal is to evolve our overall corporate activities and increase our corporate value by placing at the core of all our activities the question of whether we are benefiting or contributing to patients.

Here, you can find three categories. We have always improved patient value through our products and services, but we are now in the process of providing value that more clearly contributes to patients. And not only that, we do not only listen to our patients, but also place them in the middle of our efforts to develop medical care together with them as partners.

In addition, there are many patients in real clinical settings other than the patient group. And you receive treatment every day. We would like to expand our activities by focusing on such patients, their supporting families, and society.




In this context, I would like to introduce one of our efforts to partner with patients in the middle of three categories, which is a dialogue with patient groups. As of 2019, we have already conducted dialogues with patient groups and patients, with all 900 individual organization managers and above, and we have reaffirmed our goal of contributing to patient value. We have also conducted dialogues with patient groups and related parties in each department.

In addition, we have been holding company-wide dialogues in which top management participate since 2020, not only in each department. For example, there was a dialogue with Kosaka in 2020, and dialogues with Okuda and patient groups in 2021 and 2022. This year, we have also held a dialogue with academia, including Dr. Otsu National Cancer Center Hospital East and Dr. Iwasaki with the University of Yamanashi, to discuss medical care with all members of the industry, government, and academia.

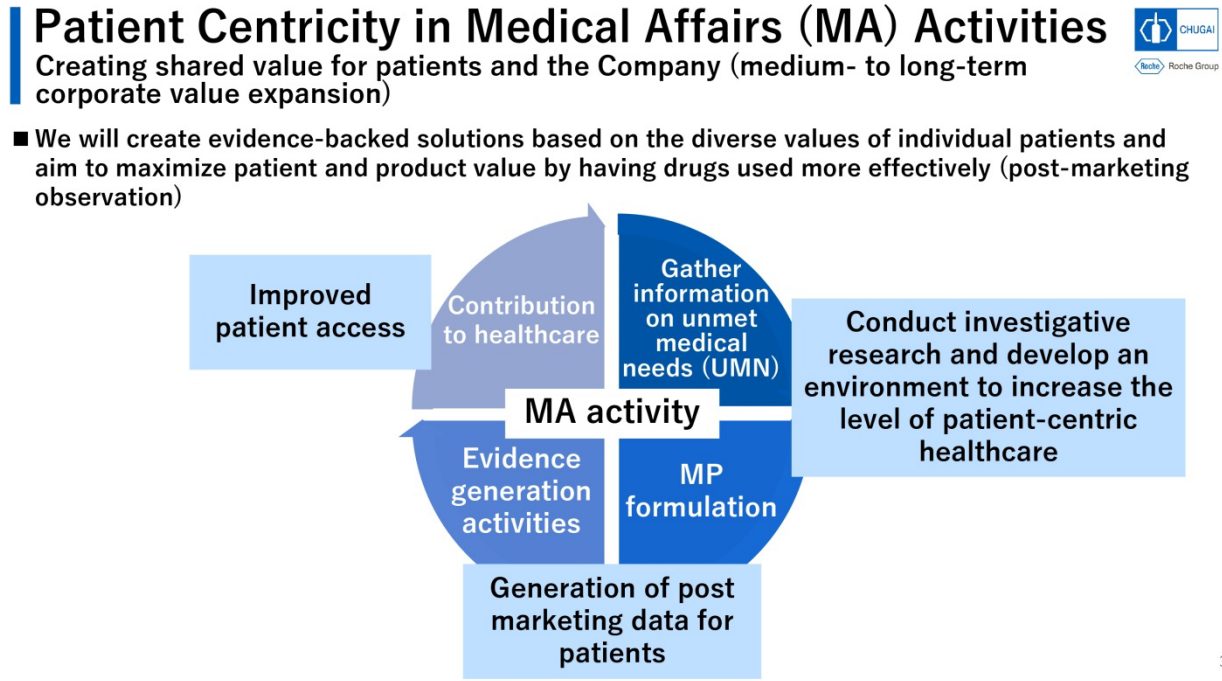
This meeting is not the end of such dialogues. Our activities have begun to reflect the voices of patients who want us to reflect the reality of their treatment, or their demands, in drug discovery, which became an issue in 2021. Here is a case in point.


This is to inform you that we have launched a new scheme we call "PHARMONY," a unique name.

Last year, in response to requests from patients, we decided to create this scheme as a trial to see if it would be possible to incorporate patients' voices into drug discovery from the very early stages of drug discovery.

We are currently in the trial stage and have already started dialogues with patients. It will take many years for the drug to become a medicine, so it may be years before it becomes a drug, but the goal is for patients and pharmaceutical companies to work together to make it useful for patients in the future.

Chugai has already been involved in clinical development that incorporates the voices of patients and in medical affairs activities. By actually incorporating the voices of patients into drug discovery research, we hope to resolve the situation in which the drug, dosage form, and administration method sought by patients have not been adequately reflected, or have not been able to access the needs of patients once the drug has been approved. In addition, as part of our RED SHIFT policy to create innovative drugs, we believe that innovative drugs are those that are useful to patients, and we are promoting drug discovery based on information from the patient's perspective from the early stages of drug discovery.




Now, here's the thing about Medical Affairs. MA is an abbreviation, but it refers to Medical Affairs. Although we are patient-centric in real clinical settings, our activities are divided into four main categories.

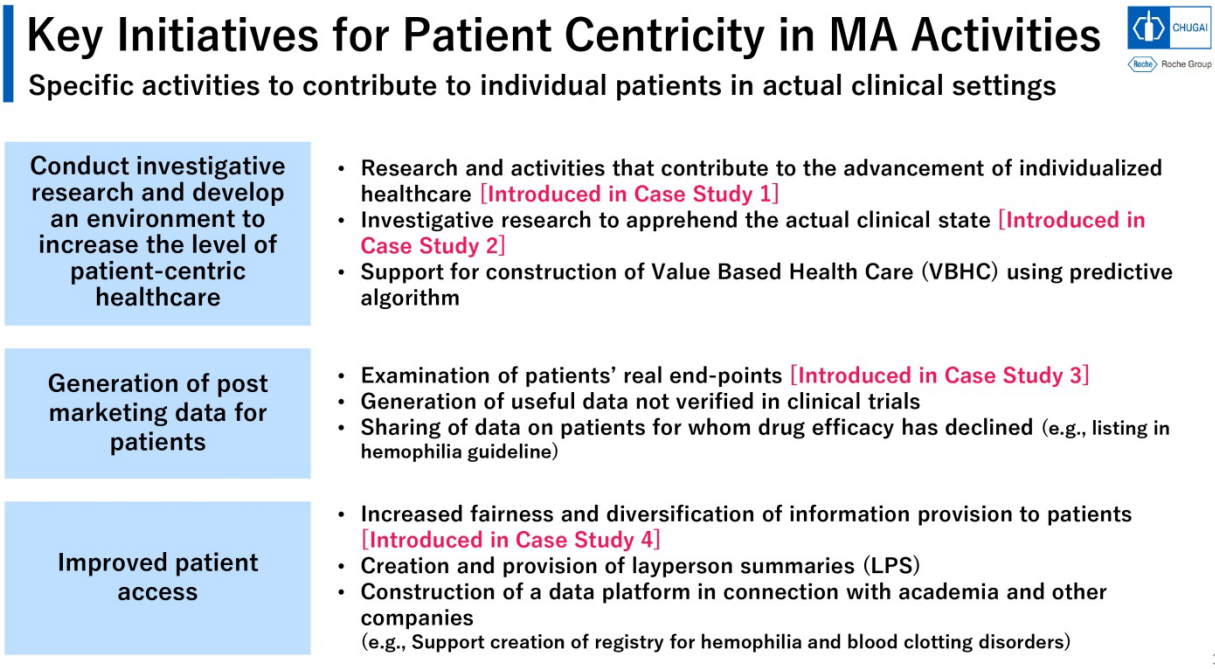
It says UMN, unmet medical needs. We need to gather information about the requests of patients who are present, and also about concerns such as the fact that a drug is available but does not say whether it can be used for their treatment, in order to make sure that the prescription is reliable.

And it says MP, which is a medical plan. It is the process of planning and actually thinking about how to solve the problem. This will be a plan that is largely tied to our Product Lifecycle Plan.

Then, we do generate the evidence. This is currently done using a variety of methods, including clinical, non-clinical, and real-world research.

Finally, we continuously implement the PDCA cycle to ensure that our results are returned to the medical community and to provide an environment in which patients can receive treatment with peace of mind.

Today, I would like to introduce a research study for the advancement of patient-centric medical care and the development of its environment. I would also like to share with you some of the post-marketing data generation for patients and improving patient access.

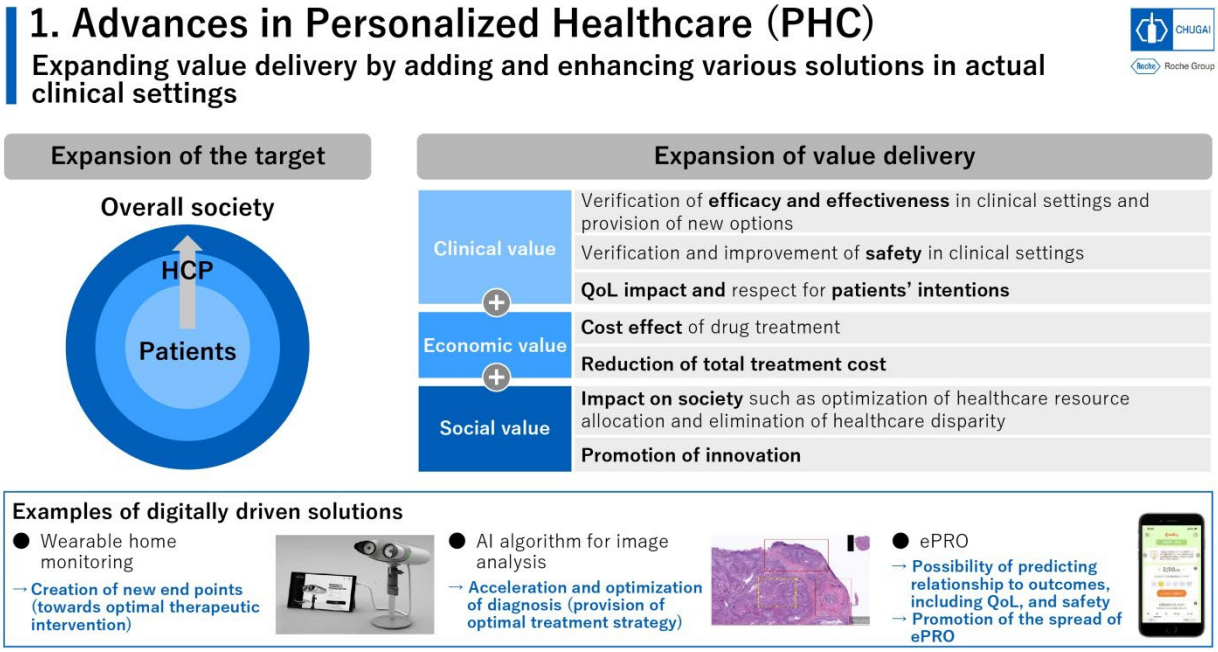



These three categories are very large, so large in fact that today you will look at them only in text form. In this section, I would like to introduce some examples of therapeutic research for patient-centric, advanced medical care, or environmental improvement, as well as initiatives for the advancement of personalized healthcare, and survey research to understand the actual state of clinical practice.

In addition, we will skip the topic of support for construction of value-based healthcare using predictive algorithms today. As for the generation of post-marketing data for patients, I would like to introduce research that will solve what patients in actual clinical practice want with the drugs we have.

Other activities include generating efficacy data that have not been verified in clinical trials, and making recommendations on what should be done for the patients who don't show the sign of improvement using the drugs we provide, therefore the treatment should be stopped.

In addition, we have begun to provide the layperson summary, which provides feedback to patients on the results of their participation in research. We are also working together with academia and other companies to create data.



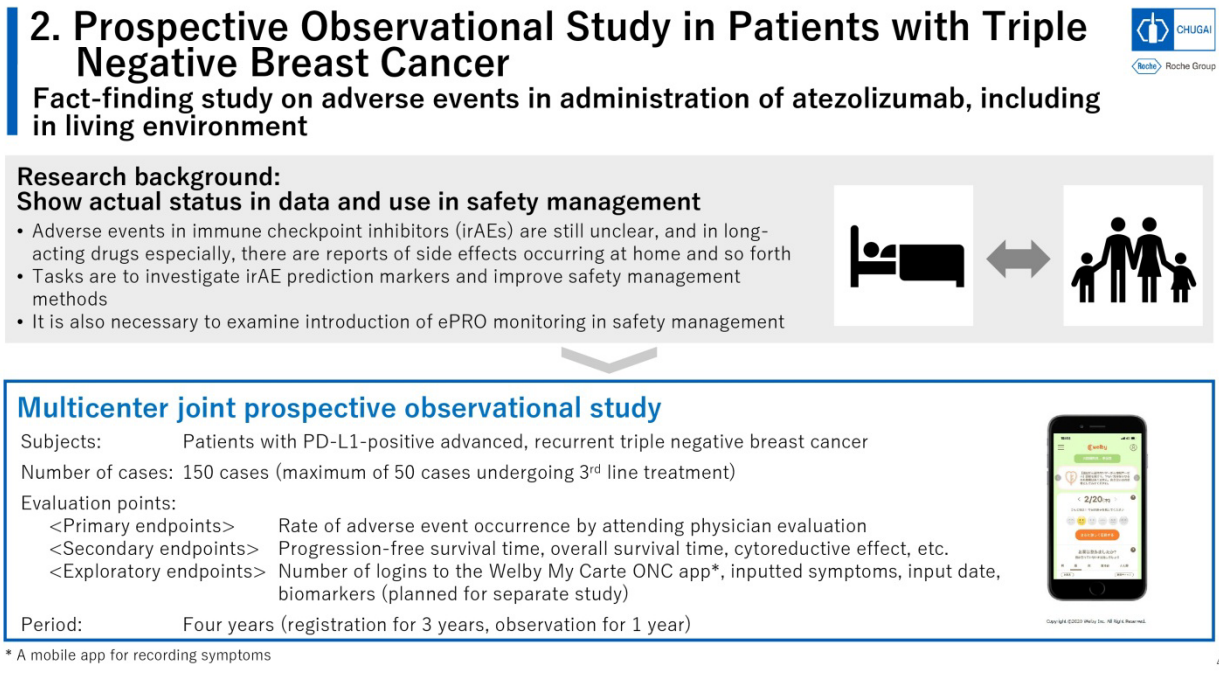

Let us first discuss case 1. It is the advancement of personalized healthcare.

In drug discovery, we have been engaged in many drug discoveries targeting personalized healthcare. As you all know, testing for HER2 and administering Herceptin only to HER2-positive patients would be an example of this. Many of these have been done as CoDx, but in reality, patients have a variety of unmet medical needs in real clinical settings.

Therefore, we are conducting research to improve the clinical value of the drugs we already offer, either in terms of efficacy or safety. Or what is the impact on quality of life and what is the patient's intention? For example, we are currently examining and verifying the answers to the question of whether potent treatment is required or whether treatment with low drug costs is required.

And not only the clinical value, but also whether it is very cost-effective and useful as a drug treatment. Or, overall, we are also researching to determine if this will lead to a reduction in the total cost of treatment.

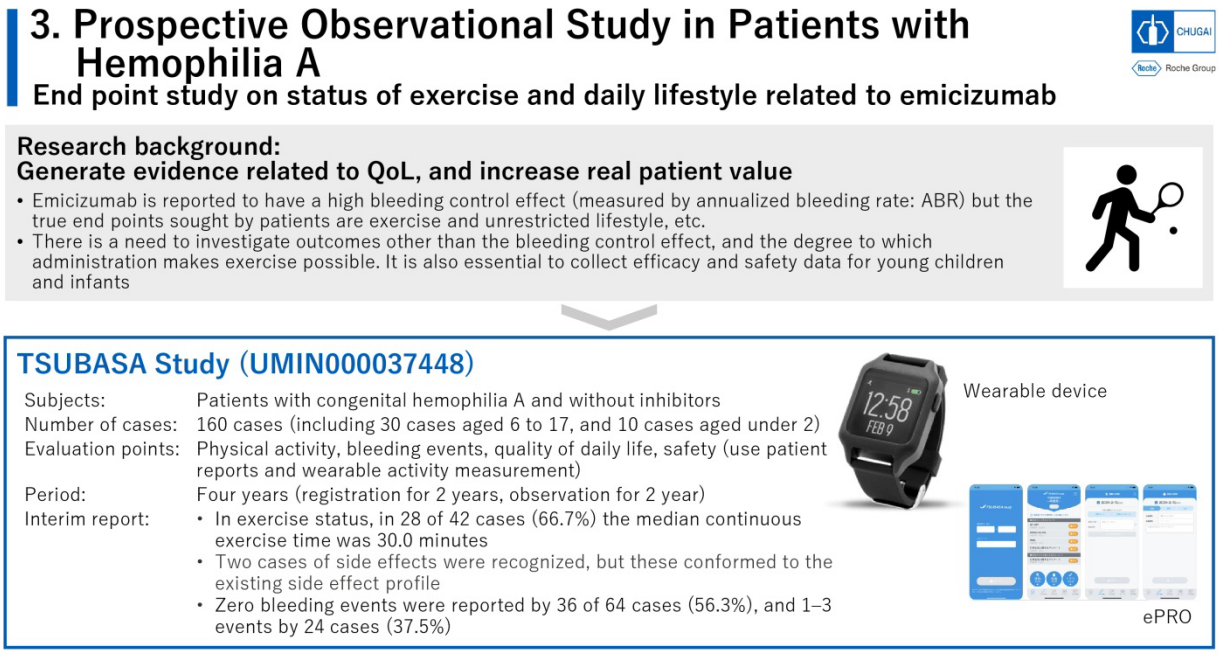
We also believe that these two activities have the potential to have an impact on society as a whole, such as optimizing the allocation of healthcare resources and eliminating healthcare disparities, as well as promoting innovation. We also incorporate many digital activities into these activities.




Now, next to the case study, how do you verify the value of the patient, I'd like to get back to you on the details if you have more questions.

For example, when a cancer patient is given a drug that we provide and side effects occur. However, its side effects, such as with atezolizumab, which we currently offer, may occur slightly later in the course of administration. In such cases, since the patient is not able to see the results while in the hospital, the e-PRO can be used to follow up with the patient after he or she returns home and asks if he or she is feeling sick or has any concerns about what to do.

At present, we are still in the process of examining what side effects occur at what time of the year, but we hope that this will eventually lead to appropriate responses to side effects for the appropriate patients.

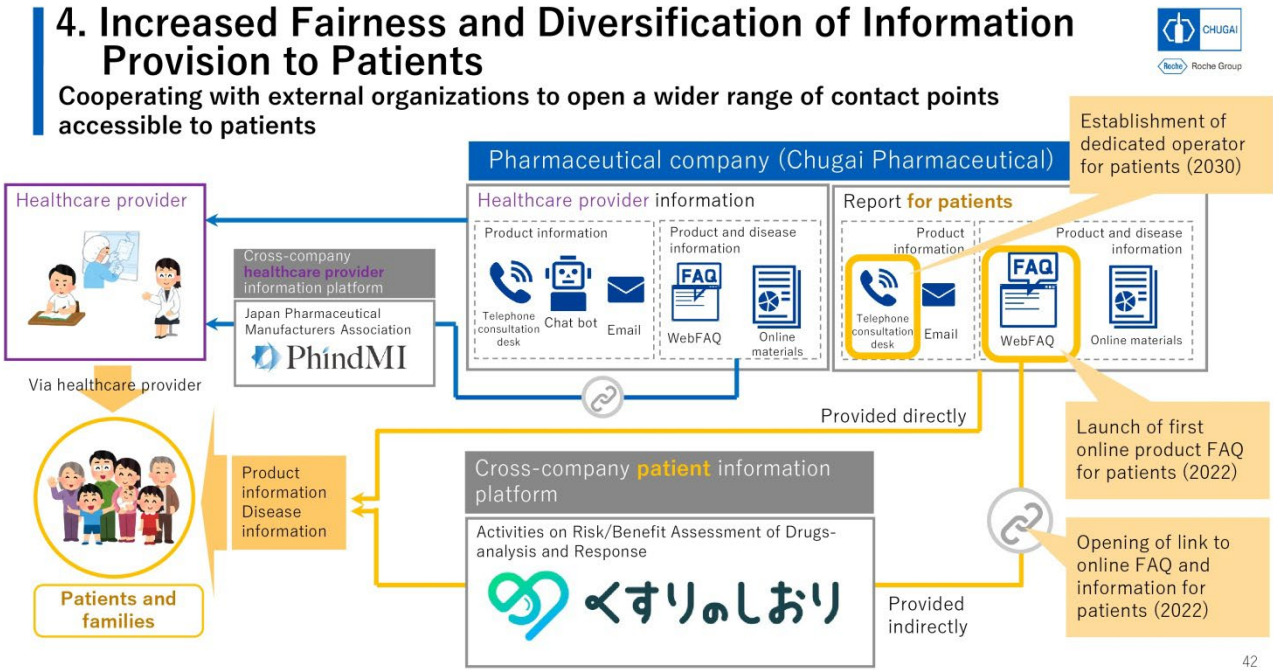



Next, this is about real patient value.

We are providing emicizumab or Hemlibra to hemophilia patients, and the clinical trial endpoint is that the bleeding has stopped. If you put yourself in the shoes of the actual patient, or the patient's family, how healthy can we be, how healthy can we live our lives, and can we attend physical education classes? So those are the true endpoints.

So we had the patient wear an actigraph like Fitbit and various other digital devices. Or, the TSUBASA study here is a follow-up study to see if they participated in physical education classes and what their bleeding status was at that time.

The final results of this study will be announced at a medical conference next year. We were slightly nervous to see how much movement had already been made at the interim report stage this year, as some of the participants were very active. The results have shown that it is quite acceptable, and that no bleeding occurred at that time. We hope to be able to wait for next year's announcement here.




Finally, how do we provide our information to patients? Our medical information department is the main organization in charge of answering the questions of patients, pharmacists, and many others.

This center has been simply a customer reception center, but in the future, we will further expand the activity for drugs called “KUSURI no SHIORI” that will allow patients to access the information they want to access. This is an activity that RAD-AR has been conducting as the lead custom.

Then there's PhindMI, which answers the request of medical professionals who want to gain knowledge across companies about various drugs, not just our company's drugs. This is an activity led by the Pharmaceutical Manufacturers Association of Japan (PMAJ), and we are actively participating in it and providing information.

In addition, Chugai is expanding its efforts to provide information in various ways, such as by enhancing FAQs for patients and providing FAQs on its website.

That's all from me. I didn't introduce it today, but these Medical Affairs activities are very well coordinated with our parent company, Roche. And Roche also participates from outside of Japan in lots of MA research led by Chugai Medical Affairs. We believe that there is also a spillover effect on a global level.

Thank you for your attention.

## Question & Answer

**Sasai [M]:** Thank you. Now, we would like to move on to the Q&A session.

Mr. Ebihara, Executive Vice President, and Mr. Yamada, Head of Sustainability Department, are also present for the Q&A session. Mr. Ebihara would like to answer governance-related questions and Yamada would like to answer environment-related questions.

For us to answer as many questions as possible, we would like to limit each person to posting two questions. Thank you for your cooperation. Please note that the audio file of the Q&A along with the presentation will be posted on our website at a later date.

We would like to take questions from the audience first, and then from the online participants. Please raise your hand if you have any questions. The person in charge will bring a microphone. Thank you.

**Sakai [Q]:** My name is Sakai from Credit Suisse Securities. I just have one question.

In the last part of Dr. Ouchi's presentation, she mentioned that there are various interactions between Roche and Medical Affair. I believe Roche is doing an ESG presentation in June or May. So the emphasis is on DIAGNOSTICS PHARMA.

Unfortunately, DIAGNOSTICS and PHARMA is a separate company in Japan, so I am unsure how smoothly your company communicates with DIAGNOSTICS. I wonder if you are thinking of various ways to improve the value of early diagnosis for patients, in other words, improving the value of therapeutic drugs, improving the value of medical care, and furthermore, reducing costs.

How are you communicating with Roche? I would like to know what you think the value of DIAGNOSTICS is.

**Ouchi [A]:** Thank you for your question. It is true that DIAGNOSTICS and PHARMA, our company, are different entities in the Japanese territory. There may not necessarily be the same kind of integrated relationship that takes place at Roche.

We have had in-depth discussions with Roche Diagnostics in Japan, and we are also collaborating with them. In addition, we are learning what we can learn in Japan through Global Roche, such as the way DIAGNOSTICS should be and the relationships between PHARMA and DIAGNOSTICS in Roche.

On a different note, the external environment for medical device is currently undergoing a great deal of change. I think a statement was issued in September of this year, from the Ministry of Health, Labour and Welfare. We believe that Japan is undergoing a period of significant change about what categories of medical devices can be applied for or allowed to be applied for.

We believe that there is a unique possibility that CHUGAI PHARMACEUTICAL could offer in the format of products, devices, services, or as an insight business in the future, not as a CoDx,.

**Sasai [M]**: Thank you very much. Next question.

**Hashiguchi**: I am Hashiguchi from Daiwa Securities. Thank you for your time today. I have two questions.

The first is on governance. Aside from the percentage of outside directors, the number of outside directors is three, which I think is insignificant compared to other companies with similar market capitalization. Wouldn't

it be better to have more people with different backgrounds participate to deepen the discussion? I wonder if the weight of responsibilities assigned to three persons might be overwhelming.

The other question I have is about environmental measures. On page 27, you have shown us that Scope 1 emissions are expected to drop significantly beginning in 2029. Is this based on the assumption that the production volume of products with relatively high environmental impact will decrease significantly at this time, or is it based on the expectation that there will be large-scale investments around 2027, as you mentioned on page 13, which will produce this effect? Could you please discuss the background of your outlook on page 27?

**Sasai [M]:** Outside Director, Mr. Oku, please.

**Oku [A]:** Thank you for your question. As to your question about the total number of directors and the number of outside directors being low, well I do not think that is the case. All three of them have a distinctive background, and since finance is a very broad field, we can talk about a wide range of topics, or perhaps it would be better to say thin, but in that sense we can talk about a fairly comprehensive range of topics.

Mr. Ichimaru is with Toyota. He can talk about the manufacturing process, including the manufacturing process and its management and so on, with a great deal of in-depth knowledge about our pharmaceutical manufacturing process. And from a global perspective, he can also talk about things in a variety of ways.

Dr. Momoi, who is a new addition to our team, brings a very keen sense in terms of medical care.

I think it is a very good combination, and although there are three independent outside directors, there are nine in total, one from within the Company and one from Roche. In that sense, I think we are having a very well-balanced discussion, even though we are speaking with simultaneous interpretations.

Therefore, as I mentioned earlier, I think it would be a good idea to use this combination, at least for a while, for the combination of independent outside directors.

**Sasai [M]**: Thank you very much. Now, Mr. Yamada will answer the environmental question.

**Yamada [A]:** Thank you for your question. As for your question about the sudden drop from 2028, there are two factors. One is to invest in the conversion of gas boilers to electricity, as you mentioned, to convert them from Scope 1 to Scope 2, and to shift that electricity to sustainable power.

Another factor is the cogenerator installed at the Fujieda Plant and Yokohama Research Laboratory. This system uses gas combustion to generate electricity on-site, but we will adjust the operation of this system to reduce the amount of gas combustion and put that amount into sustainable electricity. By doing so, we would reduce Scope 1 and replace it with Scope 2, which will be shifted to sustainable electricity.

These are the two main reasons.

**Hashiguchi [M]**: Thank you.

**Sasai [M]:** Thank you. Let's continue. How about you in the middle?

**Hyogo [Q]:** My name is Hyogo and I am a fund manager at Mitsubishi UFJ Trust. Thank you very much for the excellent presentation today. I would like to ask a question about governance.

The first point is the number of external directors. Of course, considering the history to date, I am aware that the alliance with Roche has contributed to your corporate value. Nevertheless, when we think about the next 10 to 20 years, if the Board of Directors comes up with a proposal to leave the Roche Group, or to reduce the

current shareholding ratio and become a different group, or to become independent, I wonder if the governance is capable of carrying out such a proposal. I think that institutional investors are probably concerned about that point.

Since things have been going well up to now, I am sure that there is no objection to that point at all. The minority shareholders are probably concerned about whether the board is capable of such decision-making in such cases, but I would like to receive your comments on this point.

My second question, related to organizational management, is about the lack of quantitative targets in the medium-term management plan, which makes it difficult for investors to see the momentum of Chugai's growth over the next three to five years and beyond, which is negatively evaluated on the part of some. I believe that this is reflected in the recent changes in corporate value. I would appreciate it if you could suggest the opinion of the outside directors regarding the lack of quantitative targets.

**Oku [A]:** The first aspect of governance, as I said before, the combination is working very well at the moment. I would prefer that the number of directors, including independent directors and outside directors, be somewhat smaller.

It is important to be able to discuss the issue. Then, of course, the board meetings will also become a forum for discussion rather than the traditional formal forum, and then the people discussing the issues themselves will be the ones who have the career path, or the kind of career they have.

I am not in a position to say what will happen in the future, but each of us has been involved in the management of a company, or the management of a company from a position of responsibility. In that sense, there is nothing to be concerned about at the moment.

So, in that sense, this combination is good for the time being, and as I said in my presentation earlier, it is for the time being. How that will change in the future in the course of our dialogue with you, I cannot say here with any prejudice. Regarding the current trend of things, or rather, the stage of our company's development and concerns of investors, I cannot say that there is no room for change.

At the risk of repeating myself, I believe that the focus should be on the professional experiences of those who become outside directors or independent directors. For me and Mr. Ichimaru, our successors are those who have managed companies and some of them might have served as outside directors of other companies. Serving as an outside director of another company is also a very important factor to consider in the management of a company, and should be carefully considered in the selection process. That's all from me.

**Sasai [M]:** Regarding your second question, the quantitative factor.

**Oku [A]:** To be honest, the administrative office and I had many discussions about quantitative targets for TOP I 2030. I think that the distant goal of 2030 and the current position are too far apart, and that a quantitative goal of about three years is still necessary, if my experience is any indication.

This is also a question of how much meaning quantitative targets will have in a world that has changed so drastically, despite our experience to date. Backcasting from the big goal of 2030, but still with milestones in place, so I guess it's a compromise there. I don't mean compromise, but I think it is a matter of giving it a try.

I cannot say, at this stage, which is better. So I decided that such a trial would be a good idea.

**Hyogo [M]:** I'm glad to hear that someone with a similar awareness of issue is one of the outside directors. I still feel that communication in this area is still lacking in the capital market, so I would like to see the executive committee members take the lead again.

That's all from me. Thank you very much.

**Sasai [M]:** Thank you very much. Now, I will take the last question from the on-site participants.

**Otomo [Q]:** My name is Otomo from Sumitomo Mitsui DS Asset Management. Thank you very much for having me. I have one question, which is the recognition of future issues related to ESG, which you have indicated on page 10.

Last year and the year before, I think you identified issues based on the results of analysis from external evaluations on ESG. I would like to know if it was based on the results of the analysis from the external evaluation, or if you came to this recognition of the issue by thinking of something new in your company. I would like to know the background. That's all from me.

**Itagaki [A]:** Thank you. This is Itagaki.

We have presented on page 8, as last year, the same view and approach as to how our company was positioned and progressed from an external perspective. From these things, and moreover, external evaluation is a snapshot kind of thing, isn't it? Since we will have an external evaluation at a certain point in the year, we have arranged for an overall timeline and a look ahead to see how we are planning for the future, we have especially listed these three.

In other words, our sense of the task, and the weighting of it, is the same as it has been since last year. Looking further into the future, and taking into account their importance, we have narrowed it down to these three. However, please understand that this is just a narrowing down and does not mean that we are neglecting other things. I hope it is correct to say that the way we do things has not changed that much.

**Otomo [M]:** Thank you very much.

**Sasai [M]:** Thank you very much. We would now like to continue with questions from those who are participating online.

Ms. Yatsunami with Nissay Asset, please go ahead.

**Yatsunami [Q]:** My name is Yatsunami from Nissay Asset Management. Thank you very much for your time today. Following up on Mr. Hyogo's earlier question, I would like to ask Mr. Oku, one of the outside directors, as a follow-up.

I understand that milestones are being set within the Company for the 2030 target, and that CEO Okuda and others have been able to disclose specific milestones, but some of them are still difficult to understand from the outside.

Do you consider that to be an appropriate milestone from the perspective of an outside director? Or, if any issues need to be addressed, what are some areas that could be looked at more closely, or if there is room for improvement in the external capital markets? Or, if you have any qualitative evaluation points, could you tell us about them? Those are my one question.

**Oku [A]:** Thank you for your question. As I mentioned earlier, 10 years is a very long time. However, in this rapidly changing world, which demands innovation, inevitably, the three-year plan we have used up to now will not be able to be managed by the numerical targets alone, as compared to the past.

For example, a financial shock can cause a major change in the market, or a single drug can cause a major innovation that changes the industry. In such cases, I think it is not enough to just follow the numbers, because there are many other factors as well.

More importantly, as the top innovator, we will look at the next 10 years with one goal in mind: the aspiration to become a world-class top innovator. Various factors may have to be changed from time to time, and we will have to be flexible in this regard.

Therefore, since we have just started, we are not yet in a position to tell them what to do or how to do it, but we will keep a close eye on the situation for a while. Then, as the times change, if there are new elements to be included, we will incorporate them, and if there are elements that no longer match the times, we will remove them. I believe that such selection work will naturally be done by corporate planning division.

Since we have only just started, it is still too early to evaluate. We need to build those things up year by year and see what happens. Naturally, we are trying something new. In the sense of fulfilling our responsibility to our investors, we believe it is necessary to do so as well as to conduct such a review every year, or rather, the very same PDCA cycle. That is all from me.

**Yatsunami [M]:** Thank you.

**Sasai [M]:** Thank you very much. Due to time constraints, please let this be the last question. The last question is from Mr. Koguchi with Sumitomo Mitsui Trust Asset Management. Please go ahead.

**Koguchi [Q]:** Thank you for your presentation. I would like to ask one question related to the advancement of personalized healthcare. You have presented the clinical value, economic value, and social value in a very clear manner, but how exactly will you disclose this information? How it is going to be cross-checked with investors? Especially in the economic value, there is language about cost-effectiveness and total treatment cost reduction, but I wonder to what extent you will disclose this in detail.

Also, in the section on social value, it says "Impact on society" in bold letters. How are you going to show this to the public, and what targets are you going to set? This area may not have been specifically decided yet, but please let us know how it is being considered.

**Ouchi [A]:** This is Ouchi. I will take your question.

The description on slide 39 about advanced personalized healthcare may be very confusing. Let me give you an example of one of the specific things we are putting into action. It is a study that would do an assumption of the kind of treatment provided by the use of our drug compared to treatment without our drug, and how much the introduction of the drug could change the lifetime income of the patient.

If this treatment is continued or switched, the patient's OS, or survival time, is also important. We are also conducting research on the length of time it takes for patients to return to work, the effectiveness of treatment, and safety requirements.

I would like to talk about research conducted by Medical Affairs. We do not hide inconvenient research results. We will publish research results that we publish in UMIN and other publications, even if the results are inconvenient to us, because we believe it will benefit our patients. I hope I have answered your question.

**Koguchi [Q]:** Thank you very much. So you are saying that even an outsider can learn everything through academic papers?

**Ouchi [A]:** Yes, you are correct. Also, as I mentioned earlier, it is possible to view a list of clinical studies that are being conducted, such as in UMIN. We believe that we have been able to publish the information about the studies that are prospectively enrolling the patients, though maybe not all of them. Thank you very much.

**Koguchi [Q]:** Could you please conclude with how you intend to show an impact on society?

**Ouchi [A]:** I hope you allow me to talk abstractly. We believe that the best treatment for each patient is to provide the best treatment for each patient, who has different values. As I said earlier in one example, each person who needs a safe treatment will be satisfied and will be able to evaluate the treatment concerning whether he or she needs an intensive treatment or a less expensive one.

That is how we think of patients, and that is the value of the Company as a company where each patient can choose the products or services offered by CHUGAI PHARMACEUTICAL that meet his or her individual goals. That is what we are aiming for.

In a wider scope, we are medicine suppliers but we do not approve of continuing to administer unsafe or ineffective drugs. We would like to provide information on not providing unnecessary treatment, and as we have been providing a great deal of information on safety for some time, we would like to contribute to reducing medical costs while asking people to stop unsafe treatment. We also believe that we can contribute to the achievement of a healthy society for the people.

This is a bit of a big story, so I can't give you any specifics yet, if that's okay.

**Koguchi [M]:** I hope we can continue to exchange ideas. Thank you very much.

**Ouchi [M]:** Thank you very much.

**Sasai [M]:** Thank you. This concludes the Chugai's ESG presentation. As always, if you have any additional questions, please contact the Corporate Communications Department.

We would like to finish our ESG Meeting. Thank you very much.

[END]

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***Document Notes***

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