Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CHUGAI PHARMACEUTICAL CO., LTD.

Sustainability Meeting

November 20, 2023

Event Summary

[Company Name]	CHUGAI PHARMACEUTICAL CO., LTD.
[Company ID]	4519-QCODE
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[Event Type]	Analyst Meeting
[Event Name]	Sustainability Meeting
[Fiscal Period]	
[Date]	November 20, 2023
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[Time]	10:00 – 11:31 (Total: 91 minutes, Presentation: 62 minutes, Q&A: 29 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	6

Toshiaki Itagaki	Director, Executive Vice President & CFO Supervisory responsibility for Finance & Accounting, Corporate Communication and Procurement
Junichi Ebihara	Executive Vice President, Supervisory responsibility for Legal, Intellectual Property General Affairs, Risk Management, Compliance and Quality & Regulatory Compliance
Yoshiyuki Yano	Executive Vice President, Supervisory responsibility for Human Resource Management and EHS
Hiroyuki Yamase	Head of Public Affairs Group, External Affairs Department
Kaeko Sato	Head of Diversity Office, Human Resources

		Management Department
	Kae Miyata	Head of Corporate Communications Department
[Analyst Names]*	Kazuaki Hashiguchi	Daiwa Securities
	Shinichiro Muraoka	Morgan Stanley MUFG Securities
	Seiji Wakao	JPMorgan Securities
	Fumiyoshi Sakai	UBS Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

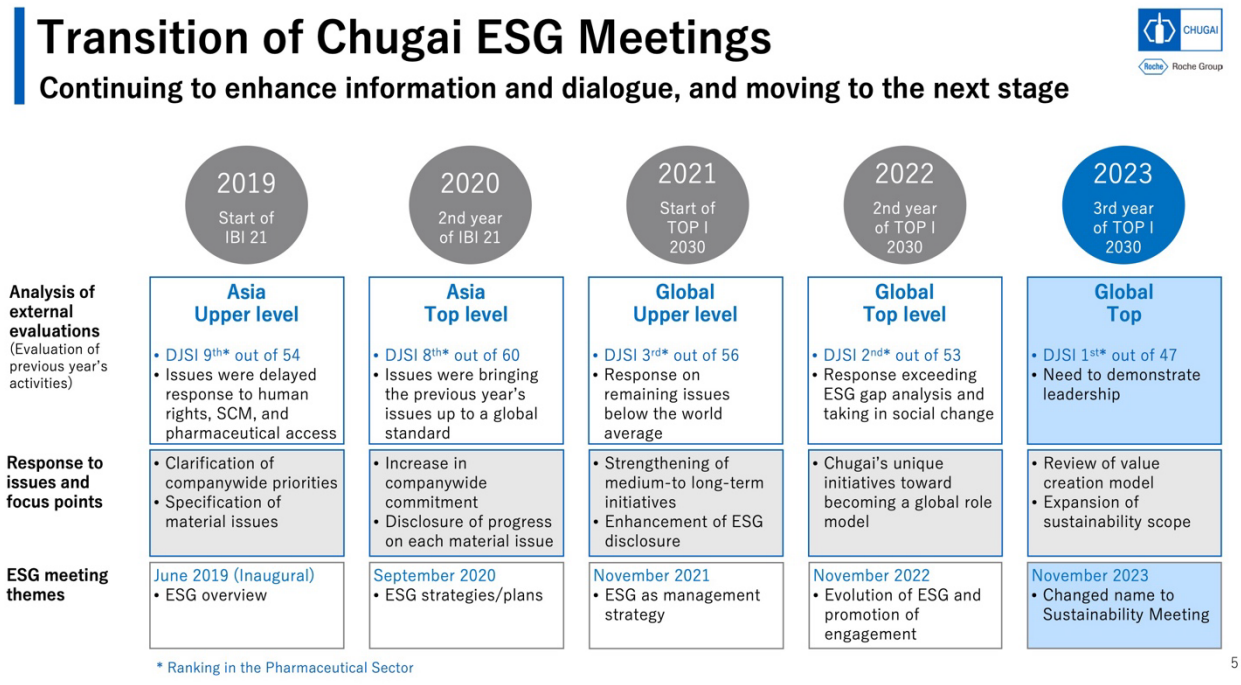
Miyata: Thank you very much for attending the Chugai sustainability meeting of today. I'm Miyata from the Corporate Communications Department., and I will be your facilitator today. Thank you.

Today's event is held on an on-site basis and distributed on a Zoom webinar basis at the same time. The agenda for today's meeting is shown on the venue screen, on the web screen and on the third page of the presentation materials. I will explain the contents accordingly. Please note that there will be time for screen capture before each presentation.

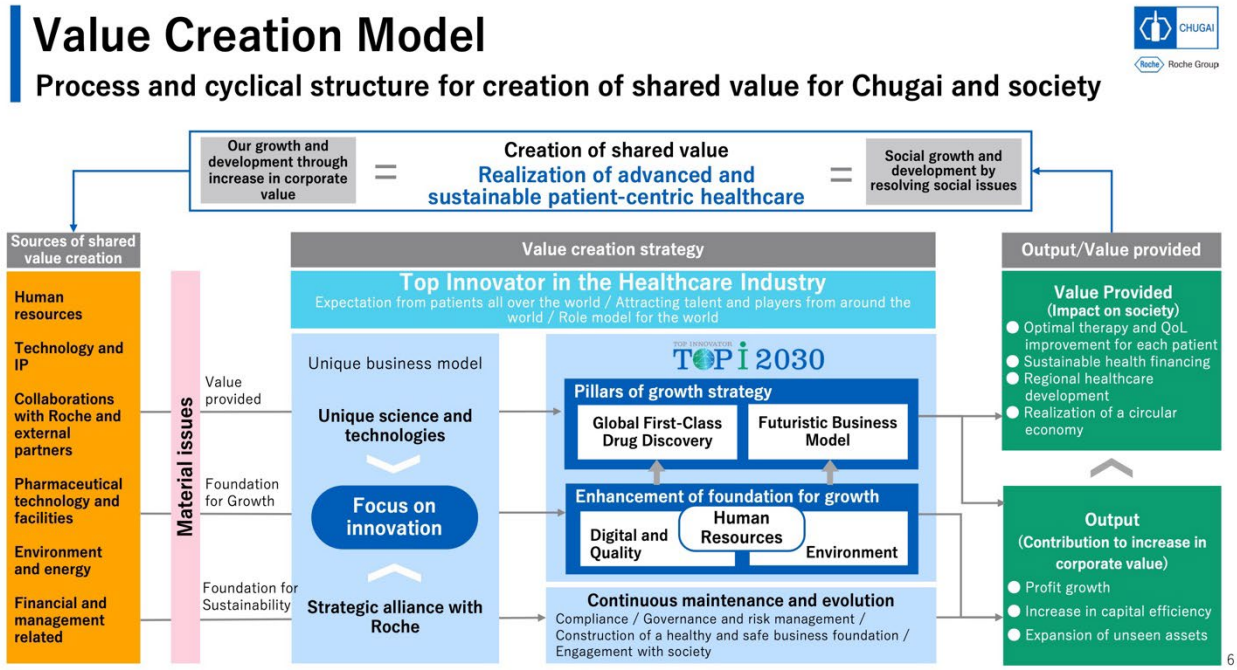
Questions will be taken after all presentations have been completed. The Q&A session is expected to last 30 minutes, so please feel free to ask any questions you may have. Please note that your audio will be muted during the presentation.

Now, Mr. Itagaki will explain the shared value creation model between our company and society. There will be a short pause at the beginning, so if you would like to take a screen capture, please use this opportunity. Now, let us begin the presentation.

Itagaki: Good morning, everyone. I am Itagaki, CFO in charge of Corporate Communications. This will be the fifth time this meeting has been held. We have increased the number of speakers to five people, so we hope to move forward today at a good pace.



In the past four briefings, we have gradually increased the resolution of ESG issues, starting with an overall view of ESG, followed by a strategic plan, information disclosure, and specific examples of initiatives. On the other hand, in terms of actual management, ESG initiatives are integrated with our growth strategy. Therefore, we would like to enhance and expand the content of this briefing session by raising its perspective from the ESG perspective to that of sustainability management.



I would like to start by looking at the value creation model. This is a visualization of the process and cyclical structure for creation of shared value for Chugai and society.

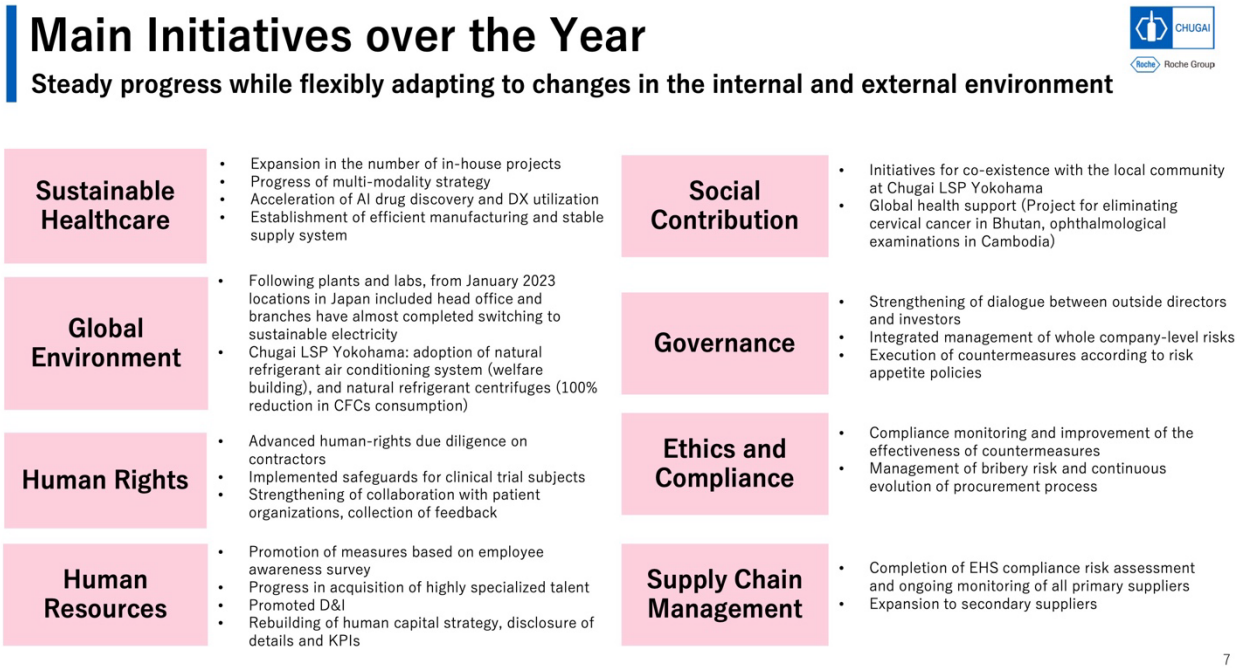
First of all, the mission of creation of shared value is set forth on the top row, and the orange area on the left shows the six capitals that are the source of value creation. We will utilize them to deal with the key issues, materiality issues, indicated in pink.

Then, a more specific strategic plan is shown in the middle, in blue. In our case, the foundation of our growth strategy is our strategic alliance with Roche and our unique scientific and technological capabilities. And by promoting and implementing the new growth strategy TOP I 2030 with the year 2030 as the goal, we can achieve the outcomes or outputs on the right side shown in green. In other words, it is a process that increases the corporate value of the Company and provides social value in the form of advanced, sustainable, patient-centered medical care.

This process and its results will eventually lead to a further increase and strengthening of the six capitals of the self, which are, of course, the source of value creation, and they will again be put into the process of creating value at a higher level. This is our cyclical structure for sustainable value creation. That is how it will be.

The ESG elements are the sources of value creation in the model, the business foundation or growth foundation of TOP I 2030, and the ultimate value provided. It is built into these things. This is how it works.

Now, let's take a look at the contents of each.



I have summarized our sustainability activities over the past year according to the eight materiality issues.

As for sustainable healthcare in the upper left-hand corner, we have already reported on the contents of the financial results, DX, R&D, etc., which were updated at the respective briefings.

As for the global environment, we have set med-term environmental goals of being CFC-free by 2030 and achieving zero CO2 emissions by 2050, and we are making steady progress toward achieving these goals.

For example, we have almost achieved the goal of sustainable electricity at our domestic sites, including our head office and branches, following our plants and research laboratories. In addition, the Chugai Life Science Park Yokohama, which started full operation in April, and manufacturing facilities under construction, such as FJ3 in Fujieda, UK4 in Ukima, and UTA or UT3 in Utsunomiya, are being constructed in consideration of the global environment.

Regarding human rights, human resources, and the four issues on the right, each of the four speakers will introduce them later, so I will not go into them here, but we are steadily making progress in responding to all of them.

Current Status and Issues for “Sources of Shared Value Creation” (1/2)

Six important capitals that contribute to innovation

❖ Matters related to today’s themes

Sources of Shared Value Creation		Key Theme	Recognition of Issues and Countermeasures
Human resources (Human capital)	**Employees** (Overall: 7,771; men: 65%; women: 35%)	● Increase employees’ job satisfaction, improve sense of fulfillment ● Acquire and develop human resources and foster a corporate culture that will contribute to innovation ● Continuously pursue D&I	❖ Acquisition and development of highly specialized talent ❖ Building of environment and systems for innovation, maintaining and enhancing corporate culture
	Organizational culture (Environment for engagement and employee enablement)		
Technology and IP (Intellectual capital)	**Antibody engineering technology and small molecule and mid-size molecule drug discovery technology**	● Advance multi-modality approach ● Expand patents for world-leading drug discovery technology and platforms ● Strengthen drug discovery platforms using digital technology ● Deepen our understanding of biology research	● Concentration on R&D investment ● Complement multi-modality technology ● Deepening of understanding of disease biology, external collaboration ❖ Enhancement of IP strategy in step with modality evolution
	Research process library		
	IP related to research and pharmaceutical technology (Number of patents held: 6,578)		
Collaborations with Roche and external partners (Social capital)	**Exclusive sales rights to Roche products/infrastructure** (Number of products in-licensed from Roche in the pipeline : 41)	● Develop products from Chugai research globally and collaborate via the Roche Group and other networks ● External collaboration in technology, science, and DX ● Engage in dialogue with stakeholders	● Ongoing substantial contribution to collaboration with Roche ● Collaboration with academia, start-ups, and others
	Networks with academia (IFReC, the University of Tokyo, National Cancer Center Japan, and overseas research institutions, etc.)		
	Dialogue with patient organizations, patients, investors, and others		

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Current Status and Issues for "Sources of Shared Value Creation" (2/2)

Six important capitals that contribute to innovation

◆ Matters related to today's themes

Sources of Shared Value Creation		Key Theme	Recognition of Issues and Countermeasures
Pharmaceutical technology and facilities (Manufacturing capital)	**Research sites** (Yokohama, Ukima, and Singapore) **Production sites** (Ukima, Fujieda, Utsunomiya) **Quality management system**	● Advance research and production suited to modalities, technologies, and digital technology ● Develop systems for flexible and rapid development and next-generation production ● Ensure stable supply and rigorous quality assurance	● Establishment of systems to keep pace with increase in R&D output ◆ Response to quality and supply risks, and risk reduction
Environment and energy (Natural capital)	**CO_2 reduction** **Environmental investment** **Initiatives to abolish use of SVHC** **Environmental management system**	● Contribute to climate change countermeasures and protection of biodiversity ● Recycle resources consistent with a circular economy	● Stable, steady introduction of sustainable electricity ● Promotion of best mix of environmental impact and cost ● Development of low-EHS risk manufacturing processes
Financial and management related (Financial capital)	**Earnings structure** (Core ROIC 36.1%, ratio of Core operating profit to revenue 38.7%) **Cash position** (Net cash ¥503.1 billion)	● Continuously evolve revenue structures ● Increase cash flows to ensure a growth trajectory and agile strategic investment	● Continuous reinvestment ● Continuously build up reputation in capital markets

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Next is the sources of shared value creation.

We have identified the components of six types of capital: human capital, intellectual capital, and social capital as shown here, and manufacturing capital, natural capital, and financial capital, as shown on the next page.

Then, we set up key themes to link these capitals to value creation, as shown in the middle. We will identify the issues that each capital is facing according to the themes, come up with specific measures, and incorporate them into the plan.

For example, the second row from the top. In the case of intellectual capital, the key assets that constitute intellectual capital are the modality, which we have described as small, mid-size, or polymer molecule drugs, the research process library, and the patents we hold.

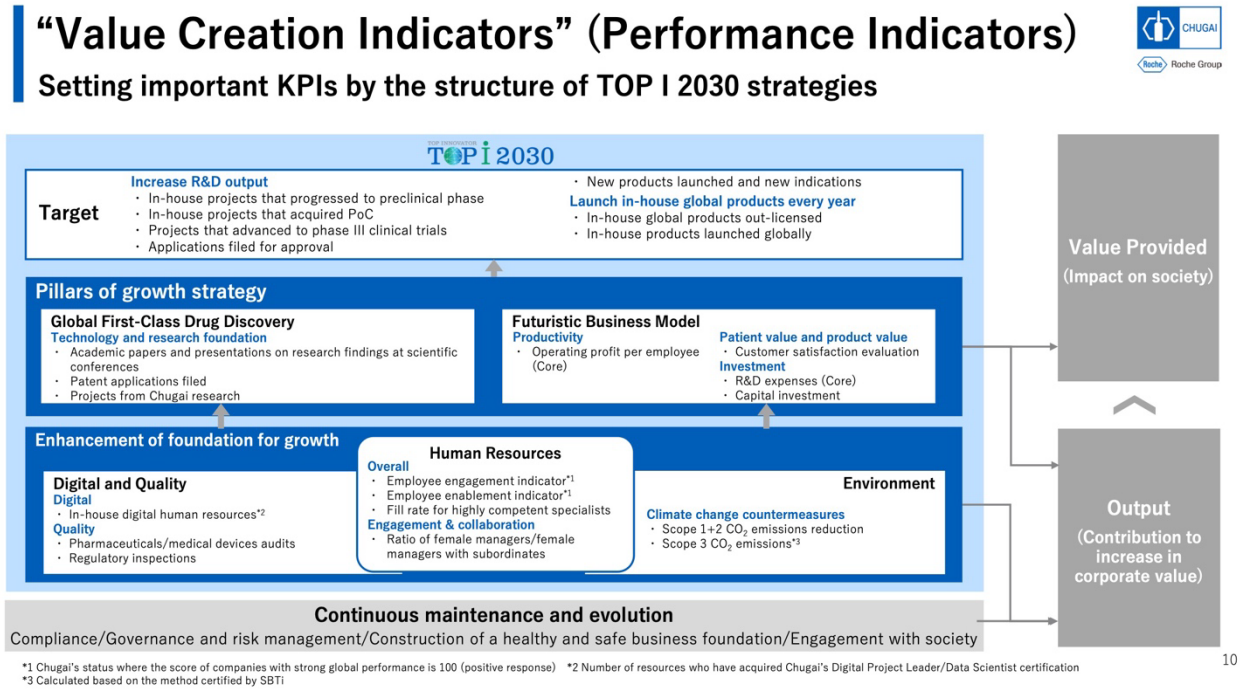
There are several important themes, but we have set about four, ranging from the advancement of modalities to the deepening of biology. Regarding these important themes, we will consider the gap between To Be and As Is as an issue and will take the measures listed in the far-right column.

For example, regarding this modality, we will take a strategy of increasing input resources, that is, RED SHIFT, and to secure technology, we will need to take actions such as establishing or providing corporate venture capital. Patent registration and protection of modalities will also be an important measure.

You can see that ESG-related topics are already incorporated in these two-page tables. For example, going back to page eight, human capital is related to the Society, S of the SDGs, and if it is capital related to Roche, it is part of ESG governance.

On the next page, there is natural capital, which is the E in ESG, environment itself, which means that business management and ESG are inseparable.

Of the issues and measures listed on the right, the ones marked with red diamonds are today's in-depth themes, which will be explained by the speakers later in the session.

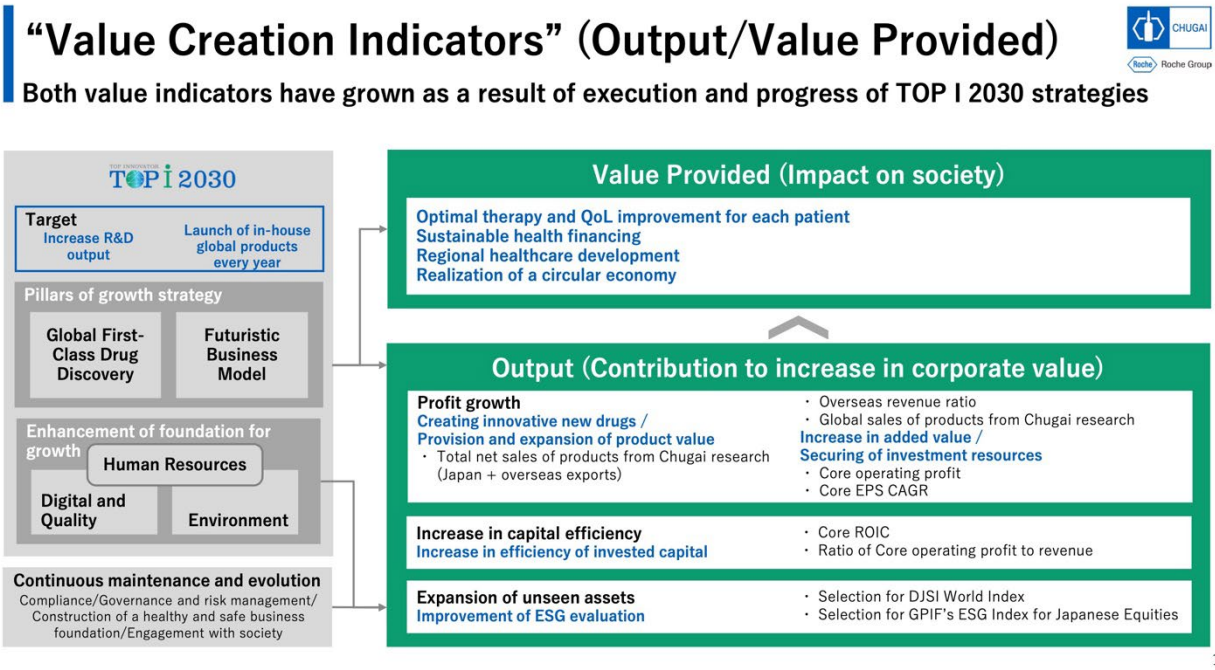


The next step is to look at value creation.

TOP I 2030 is a specific strategic blueprint for us to become a top innovator in the healthcare industry by 2030. Double our R&D output and launch our own global products every year are our goals.

In order to realize this goal, we have two strategic pillars and three foundations that support the execution of the strategy, each of which has its own KPI targets as described here, and we regularly check the progress and feasibility of the strategy.

We call these KPIs performance indicators, and we explain the progress of some of the KPI targets as mid-term milestones when we announce our financial results. The actual results of each KPI are disclosed in the Integrated Report and on the Company website.



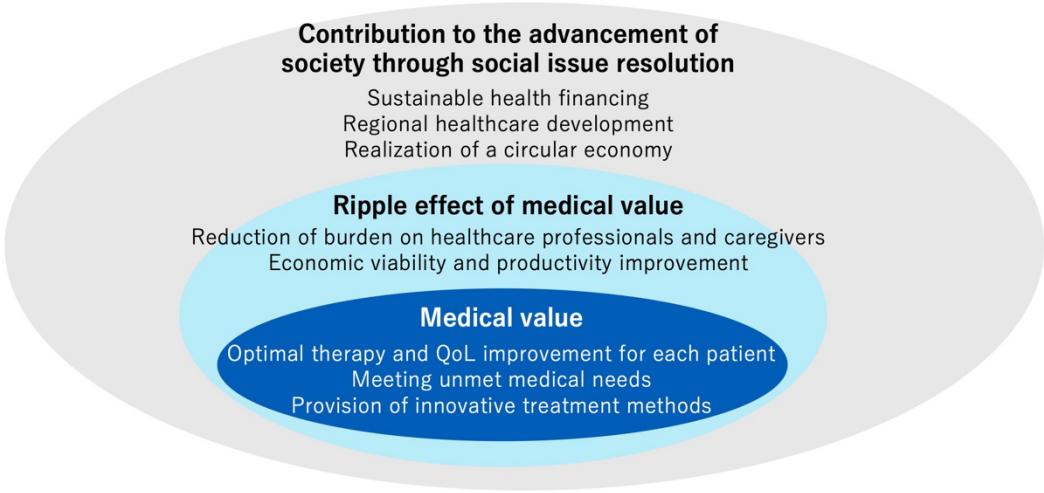
By improving the performance of this strategy, outputs or outcomes will be created after a certain time lag.

First of all, the outputs below are profit growth, capital efficiency improvement, and expansion of unseen assets, each of which is directly related to the increase in corporate value. In addition to these outputs, we will also produce outcomes, or social impacts, as a result of the implementation and progress of the strategy.

These outcomes include direct outcomes such as optimal therapy and QoL improvement for each patient, and sustainable healthcare financing, as well as the provision of value to society such as the development of regional healthcare and the realization of a circular economy.

Approach to Value Provided (Impact on Society)

Contribution to society through "realization of advanced and sustainable patient-centric healthcare"



Source: Modified from the "Image of value of pharmaceuticals" by the Office of Pharmaceutical Industry Research, OPIR News No.68 issued in March 2023

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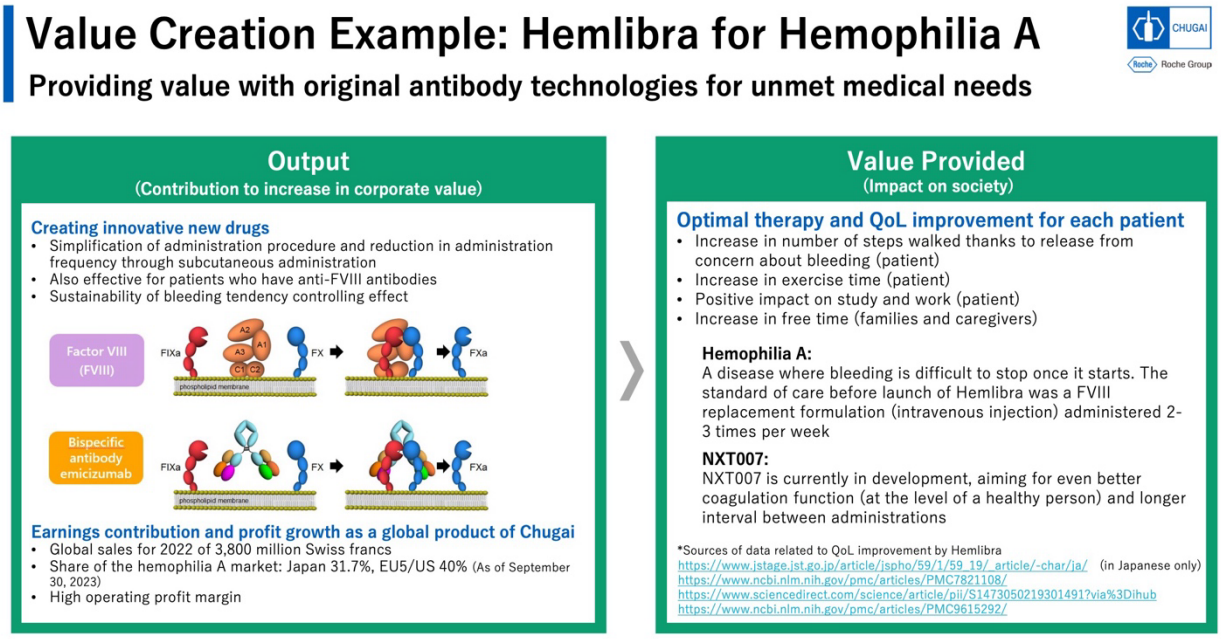
This is how our company envisions providing value when expressed in a diagram.

First, as you can see in the center of this page, Chugai's core providing value is to be the first to deliver innovative drugs to as many patients as possible. KPIs that can be measured include the number of countries where our products are sold, the number of patients for whom our products are prescribed, and of course the number of breakthrough therapy designations obtained, which we believe are KPIs that represent medical value.

In terms of social impact, it is in this area. The ripple effect on healthcare professionals and care givers will also be value provided, and furthermore, the contribution to healthcare finance, social costs, and social infrastructure will also be in the scope of value provided.

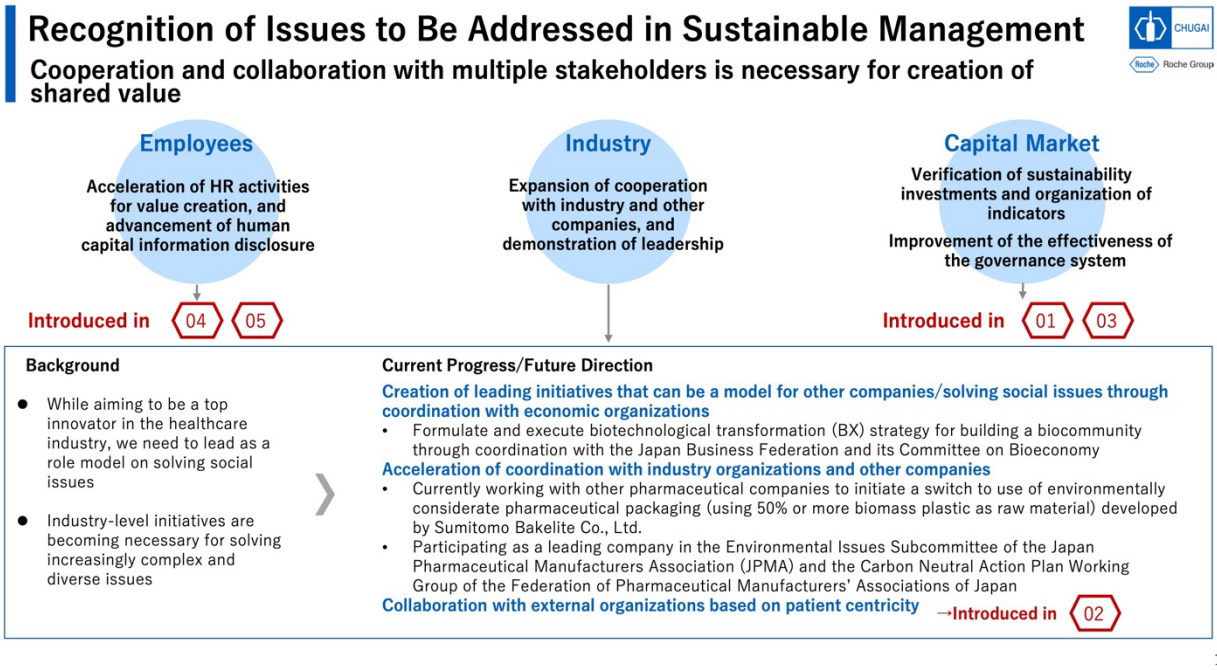


For example, let's look at the value provided by Hemlibra.

In terms of output, global sales amounted to CHF3.8 billion last year, and in terms of our company's financial value, our export sales and royalty income are the major contributors to our high operating profit margin. Hemlibra has already been sold in 114 countries and used by approximately 20,000 patients, and of course, it has been designated as a breakthrough therapy.

On the other hand, when we consider the value or outcome that the drug brings to society, it is not for intravenous infusion but for subcutaneous infusion, or the frequency of administration has been extended to a maximum of once every four weeks, the frequency of bleeding has been significantly reduced, and drug antibodies have not been generated. These contribute not only to the patients' QOL by freeing them from anxiety or behavioral restraint, but also by reducing the burden on their families and caregivers.

These outcomes will be quantitative, reliable, and continuously monitored and measured. We are currently investigating and studying these methods in cooperation with related parties.

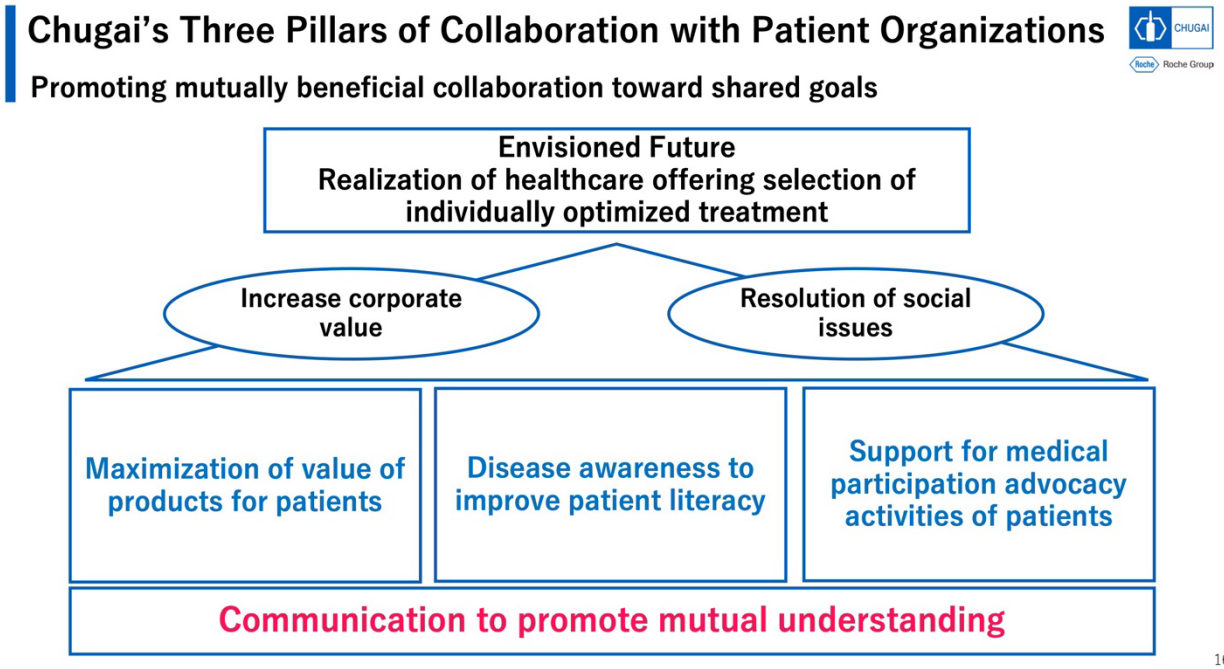


In this sense, the creation of shared value between our company and society is the creation of well-balanced outcomes and outputs, and in order to make this cycle turn even faster and larger, we need the understanding, cooperation, and collaboration of many stakeholders.

In particular, the relationships with employees, the industry, and the capital market, which are listed here, are very important stakeholders in terms of external evaluation and social demands, so these are themes that we have continued to focus on since last year.

In particular, the collaboration with patient organizations will be explained by Mr. Yamase, governance by Mr. Ebihara focusing on risk management, and human resources by Mr. Yano and Ms. Sato.

Miyata: Thank you very much. Next, Mr. Yamase will explain about collaboration with patient organizations.
Yamase: My name is Yamase, and I am the Head of Public Affairs Group, External Affairs Dept. Thank you. I will be making an introduction titled Collaboration with Patient Organizations: The Future of Medicine Created through Dialogue.

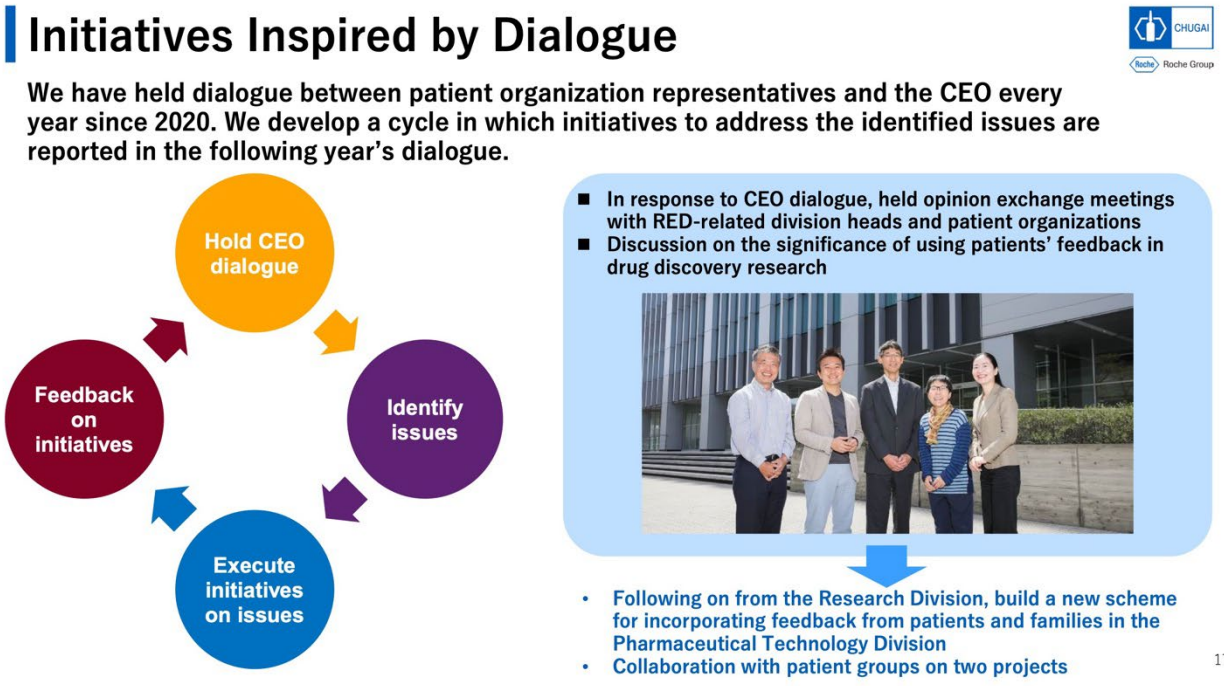


The first is collaboration with patient organizations.

We have set out our envisioned future and the three pillars to realize it.

Our envisioned future, as described here, is the realization of healthcare offering a selection of individually optimized treatment. To achieve this, from the left, we are focusing on three pillars: maximization of value of products for patients, disease awareness to improve patient literacy, and support for medical participation advocacy activities of patients.

However, in any of our activities, we believe that communication with patient organizations to promote mutual understanding is essential, and we place great importance on this communication.



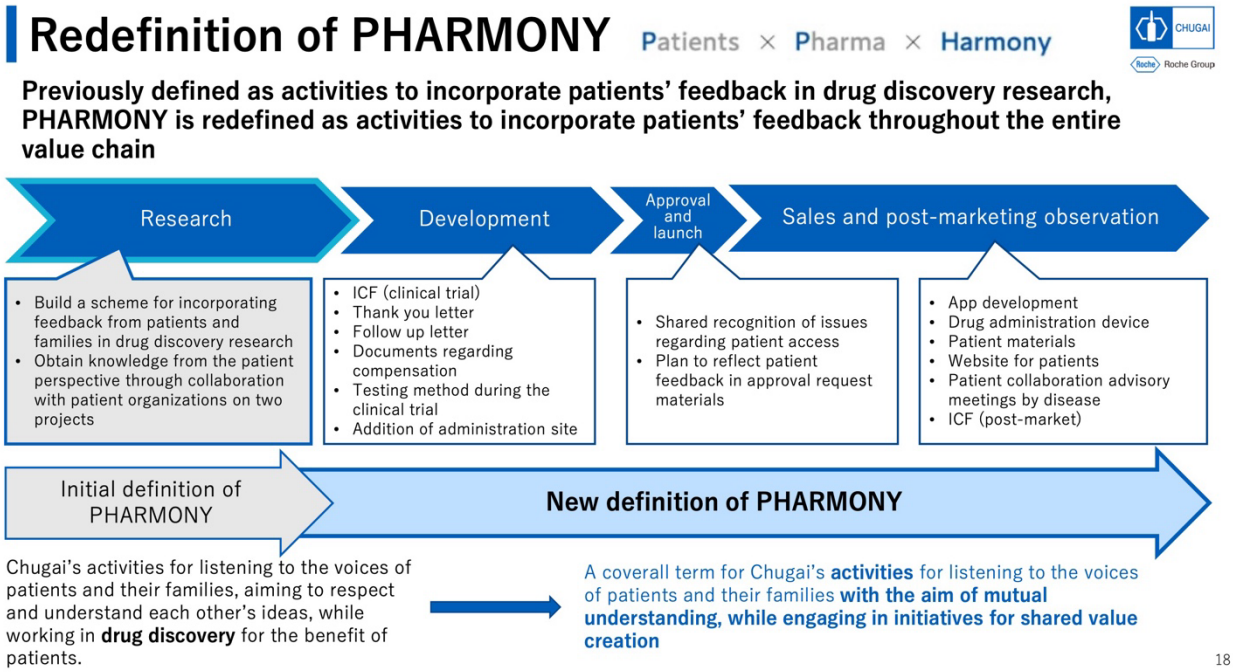
As part of this effort, we have been hosting a dialogue between representatives of patient organizations and our CEO every year since 2020.

The left side shows the cycle of the dialogues, in which we first hold a dialogue and discuss with patient organizations. We will identify the issues that emerge from this process and work together to address them.

The most important thing is to give feedback on the results, or even the parts that were not done, so that they can be brought back to the following year's dialogue and discussed again. This is how the cycle works.

I think I introduced it here last year as well, but one of the issues that came up was to reflect the voices of patients at an earlier stage of research and development, and we have been working on an initiative titled PHARMONY, which I will introduce later.

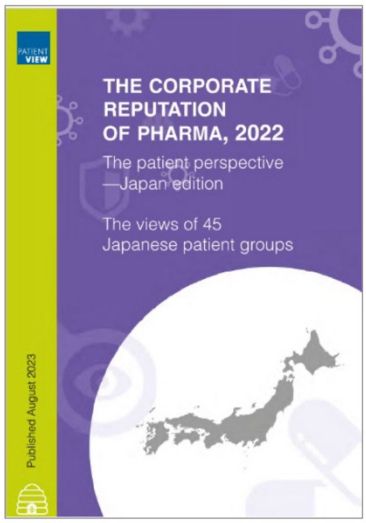
This year, we are trying to expand this horizontally, and as you can see in the photo on the right, we have the heads of the RED-related Division, the Research Division, the Pharmaceutical Technology Division, and the TR Division. The heads and patient organizations held an exchange of opinions, which resulted in the establishment of a new scheme at the Pharmaceutical Technology Division to incorporate the voices of patients and their families.



This explains PHARMONY that I mentioned a little on the previous slide.

This is a coined word, PHARMONY, which is a combination of P for Patients, P for Pharma, and Harmony. Originally, we called our activities and initiatives that reflect the voices of patients in our research PHARMONY, but this year we have redefined the term PHARMONY to include activities that incorporate the voices of patients in all value chains.

Patient Organization Survey: Ranked Number 1 in Japan for Overall Evaluation



- **Survey company: PatientView Ltd**
- **Survey period: November 2022 to February 2023**
- **Number of patient group responded: 45**
- **Number of companies in the survey: 5*** (Astellas, Takeda, Chugai, Novartis, Pfizer) *Selected based on revenue scale and request from patient organizations
- **Number of survey items: 14** (patient centricity, information provision, communication, sincerity, medium- to long-term strategic objectives, ease of collaboration, R&D collaboration, etc.)

- **Ranked number 1 in Japan for overall evaluation**
- **Top evaluation in 10 of the 14 survey items**

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We have been strongly promoting efforts to reflect the voices of patients, not only in research but also in development and post-marketing activities, especially after establishing the core value of patient-centric.

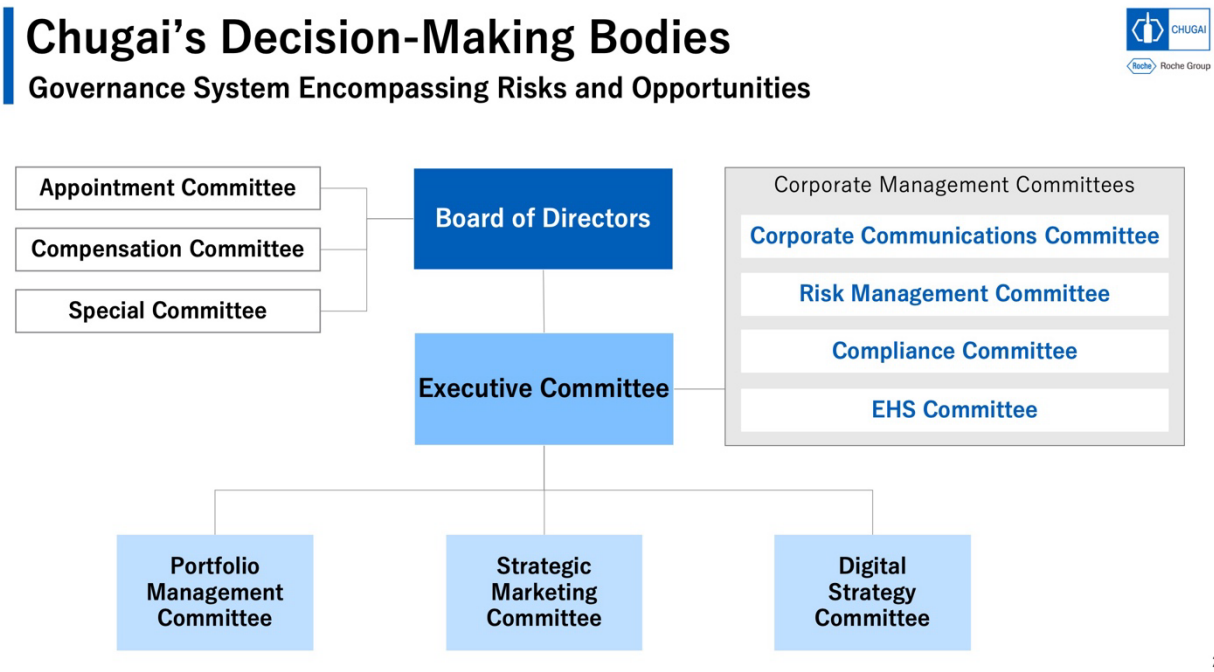
In recognition of these activities, the Company was ranked number one overall in Japan in an external, third-party survey of patient organizations. We are encouraged by the result and will continue to promote these efforts from today.

This will be my last slide. The following is the things we want to work together with patient organizations. The message we want to convey is that we recognize patient organizations as partners. We would like to work together with our partners, the patient organizations, to realize medical care that allows each patient to choose the optimal individual healthcare.

That's all for my presentation. Thank you.

Miyata: Thank you very much. Next, Mr. Ebihara will explain about sustainability and risk management.
Ebihara: My name is Ebihara, and I am in charge of legal affairs, intellectual property, risk management, and compliance. I will now explain the overall picture of risk management at Chugai and our initiatives.

We have been disclosing our risk management initiatives through media such as our annual report, but this is the first time I have had the opportunity to explain the overall picture at a venue like this. Thank you.



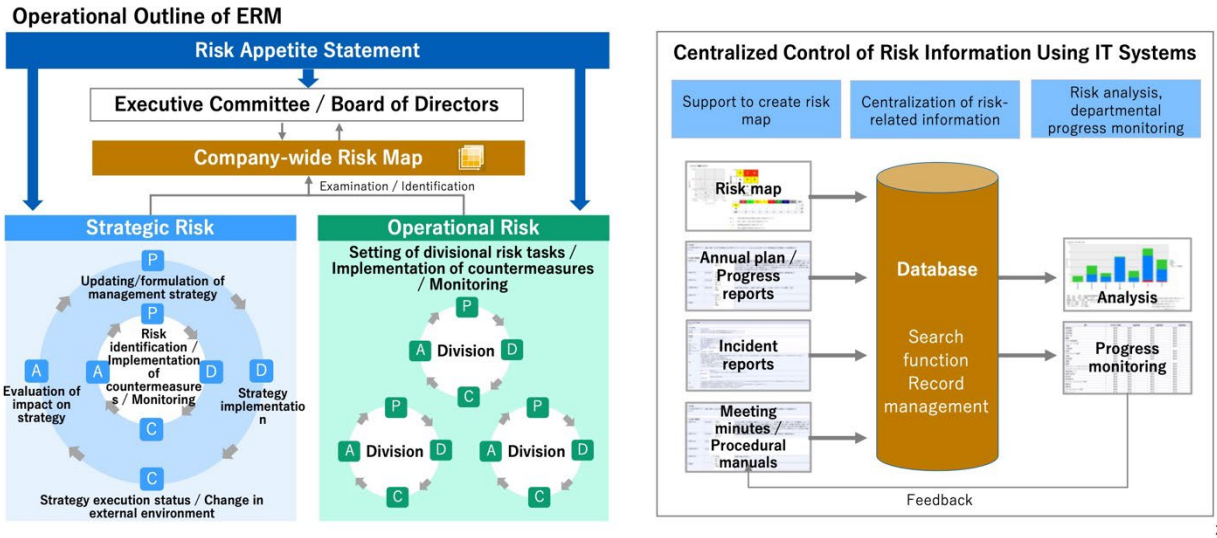
First, before I discuss overall risk management, I would like to briefly introduce our governance structure.

The Company makes final decisions on management strategies and important management issues at the Executive Committee, and on particularly important issues at the Board of Directors' Meeting. To support the decision-making of the Executive Committee and its supervision from a more professional perspective, we have established four specialized committees as advisory bodies to the Executive Committee: Corporate Communications Committee, Risk Management Committee, Compliance Committee, and EHS Committee.

On the other hand, as a place to discuss individual matters, we have set up a separate committee directly under the Executive Committee that specializes in discussing research and development strategies, marketing strategies, DX-related strategies, etc. The process for individual research and development projects, investments in research and production facilities, and investments in digital projects, etc., are thoroughly reviewed and discussed by these committees, and then brought to the Executive Committee and, if necessary, to the Board of Directors.

Operational Outline of ERM

Centralized identification, classification, and visualization of strategic and operational risks



Now that I have briefly introduced our governance, I will now give an overview of our risk management system.

In 2021, we are implementing an ERM framework to visualize risks at the company-wide level and to manage these risks in an integrated manner.

As shown in the figure on the left, Chugai faces risks related to management strategies and operational risks related to individual operations, and these risks are centrally grasped and visualized for the entire company. By doing so, we aim to promote effective and efficient risk management.

In implementing this, we collect information such as understanding and analyzing risk information, reporting the progress of initiatives or incidents that occur individually, and the BCP of each organization throughout the Company, using a risk management system developed independently by Chugai to create a database and centrally manages the information.

Main Risks

Reviewing risk scenarios with external environmental changes and progress on growth strategies and business plans

Underlined sections: Introduction of specific initiatives in today's presentation

Please see Annual Report 2022 p. 74-75 for details on our response policies to main risks, etc.

Strategic Risk

Main risks	Specific risk scenarios	Appetite policy* ❶	❷	❸	❹
Technology and Innovation	● Delay or failure in in-house drug discovery or technology development ● Failure in development of mid-size molecule drugs ● Emergence of innovative products and solutions by competition ● Emergence of disruptive new technologies and solutions ● Infringement of IP rights	○			
Systems, Regulations, and Policies	● Changes in pharmaceutical regulations, systems, and policies in Japan and overseas ● Further tightening of environmental regulations	○	○	○	○
Markets and Customers	● Market changes and decrease in market presence ● Restrictions on business due to increase in geopolitical risk	○	○		○
Business Platforms	● Failure of development or market penetration for products in-licensed from Roche/out-licensed to Roche ● Failure to attract, develop, and promote the active careers of human resources ● Deterioration in earning conditions due to greater-than anticipated cost increase ● Impediment to DX promotion	○	○		

Operational Risk

Main risks	Specific risk scenarios	Appetite policy* ❶	❷	❸	❹
Quality and Side Effects	● Emergence of product quality issue, emergence of serious side effects exceeding expectations		○		
IT Security and Information Control	● Operational impairment, suspension of external service delivery, interference with the content of information provided, the leakage of trade secrets relating to research and development or other areas, or of personal or other information, as a result of cyberattack or incident in-house or in supply chain		○	○	
Large-Scale Disasters	● Damage to business site or supplier from earthquake, typhoon, fire, or other large-scale disaster		○		○
Human Rights	● Delay in taking action on occupational health and safety, or other human rights issues			○	○
Supply Chain	● Delay or slowing of delivery from suppliers, environment, health, and safety (EHS)-related risk at suppliers		○		○
Global Environmental Issues	● Delay in technology- and facility-related response to climate change ● Unexpected environmental contamination or damage by harmful substances ● Insufficient response to social expectations and requirements relating to environmental protection ● Further strengthening of environment-related regulations			○	○
Pandemics	● National or global pandemic of new infectious disease		○		○

* Appetite Policy (categories of the risk appetite policy): ❶Risk associated with pursuit of innovation, ❷Risk that hinders product efficacy and safety, quality assurance, and stable supply, ❸Risk of compliance infringement, and ❹Risk related to social responsibility as a corporate citizen

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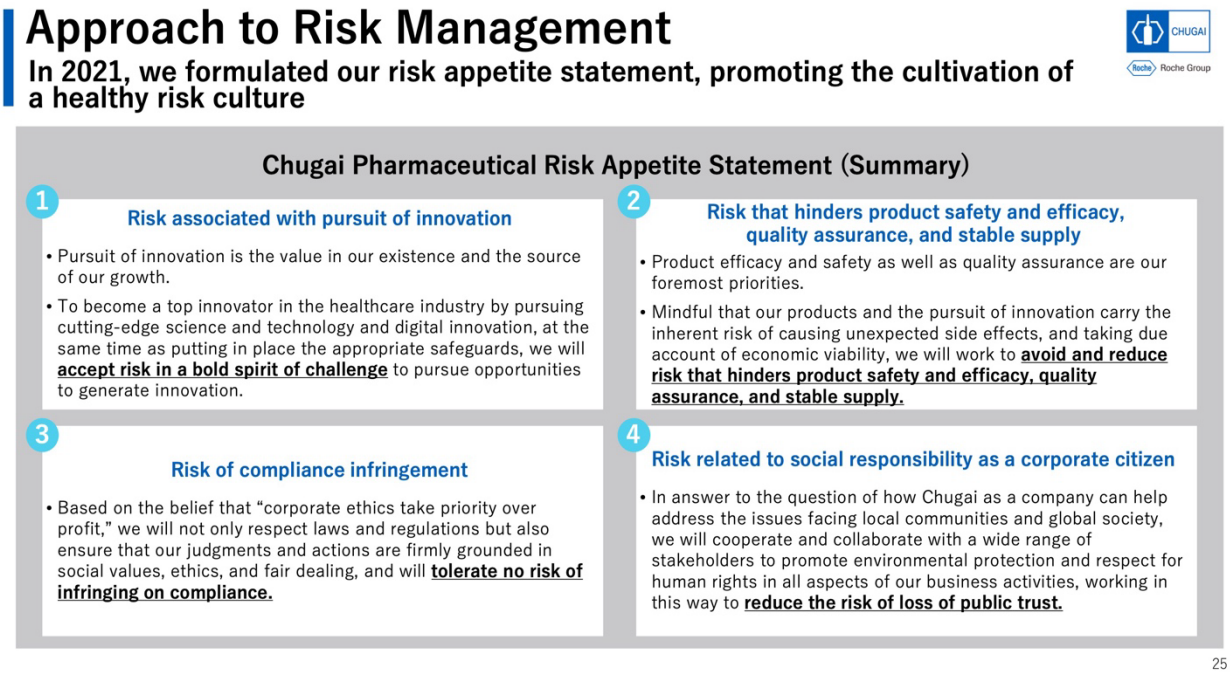
This is an overall picture of the major risks that we are currently capturing through our ERM framework or ERM activities that we just introduced.

Examples of major risks and specific risk scenarios for both strategic and operational risks are shown. The relationship to risk appetite, which will be presented on the next page and beyond, is also indicated with the circles on the right. These risks are regularly reviewed in light of changes in the external environment, the progress of business plans, and other changes in the internal and external environment.

Due to time constraints, we are not able to introduce each of the risks in detail today, but we will introduce the underlined risks in a little more detail later.



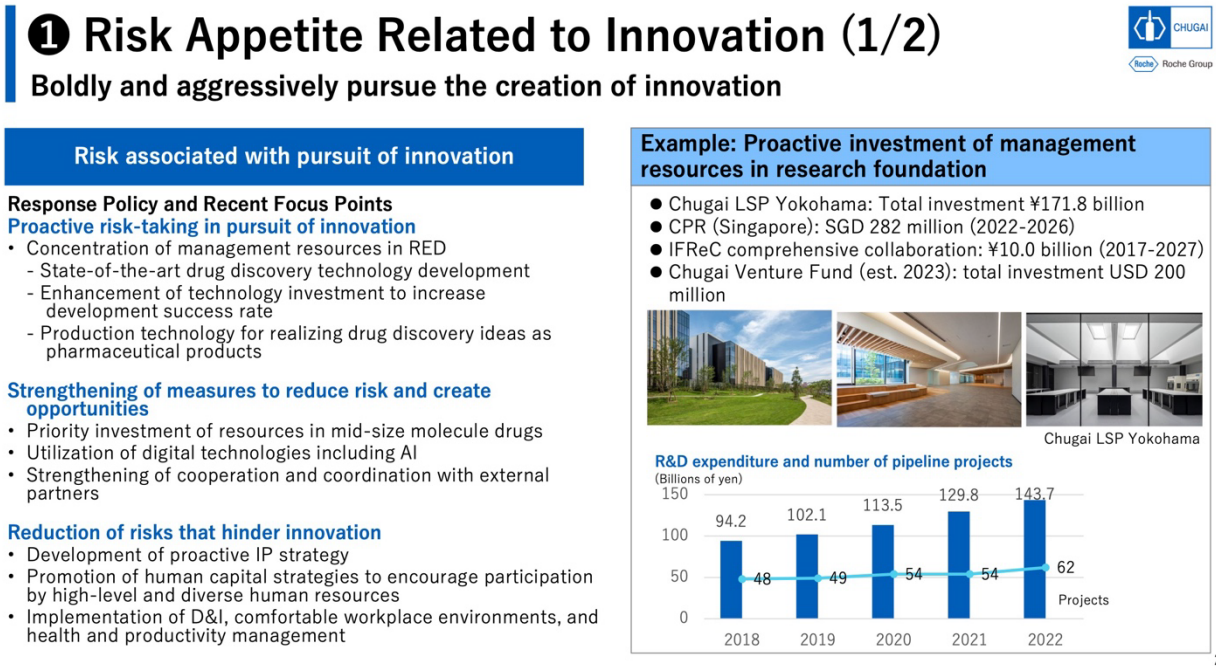
So far, I have described an overview of Chugai's governance and risk management systems. I would like to discuss how Chugai views and manages risks under this framework with a few specific examples.

I mentioned earlier that we introduced the ERM framework in 2021, and in conjunction with the introduction of the ERM framework, we have newly developed a risk appetite statement that sets forth our policy regarding our risk appetite. We have classified the risks we face into four major categories, and have formulated our risk appetite statement for each risk. This is the summary of that.

The upper left-hand corner clearly states the Company's policy of actively taking risks in pursuit of innovation to create shared value with society. We believe that risk is inextricably linked to opportunity. In the pursuit of innovation, in particular, we are pursuing a number of initiatives based on the belief that not taking risks is the greatest risk of all.

On the other hand, as you can see on the lower left, we have declared that we do not take any risks that infringe on compliance. In addition, as shown on the right side, the Company clearly states that it will avoid or reduce risks related to product safety and efficacy and risks related to its social responsibility as a corporate citizen by taking various measures.

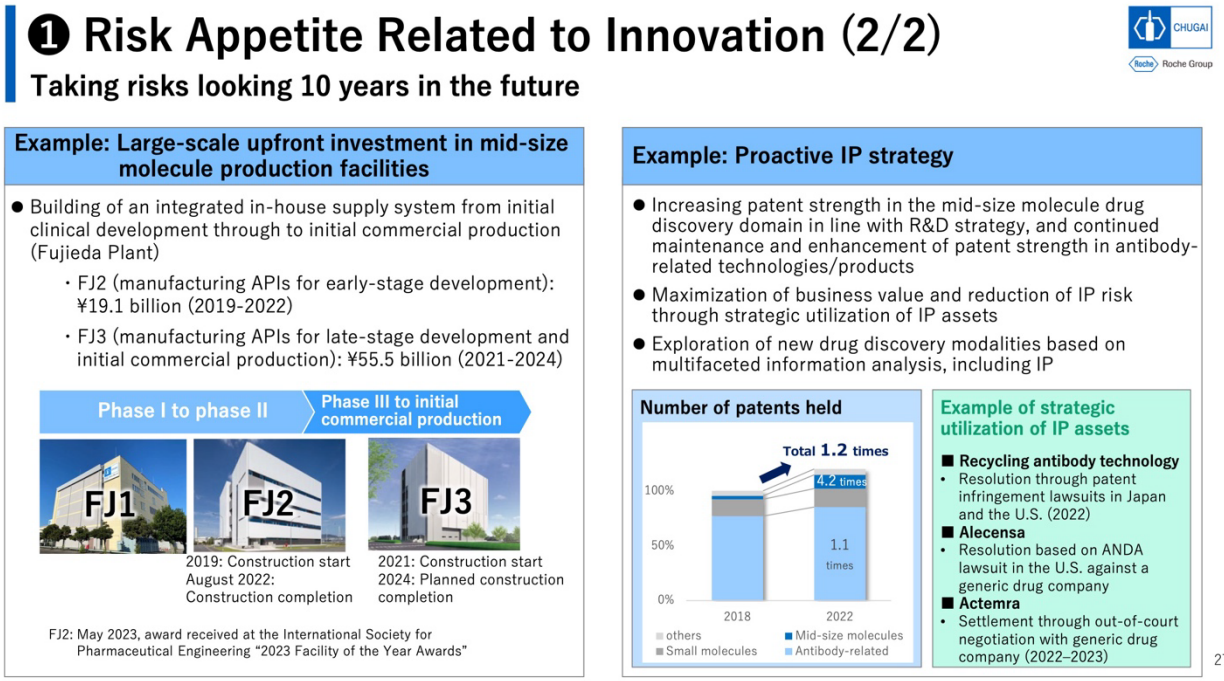
Next, I would like to introduce the direction of response for each of these four categories, recent focus, and characteristic examples.



First are the risks associated with the pursuit of innovation.

As I mentioned earlier, our policy is to actively take risks in pursuit of innovation. As you can see on the left, we are taking on the challenge of creating innovation by concentrating management resources on the RED function. In particular, we are prioritizing the investment of resources in mid-size molecular drugs, which will be responsible for the future growth of the Group and strengthening collaboration and partnerships with AI technology and external partners to enhance opportunity creation and reduce risks.

As an example, the top right corner shows actual investments in research foundation. We are strategically investing in research foundation, including the Chugai Life Science Park Yokohama, which went into full operation in April of this year, and the establishment of the Corporate Venture Fund, which we recently announced. As the table below right shows, the amount of investment in R&D has increased year after year, and the number of pipelines has steadily increased.

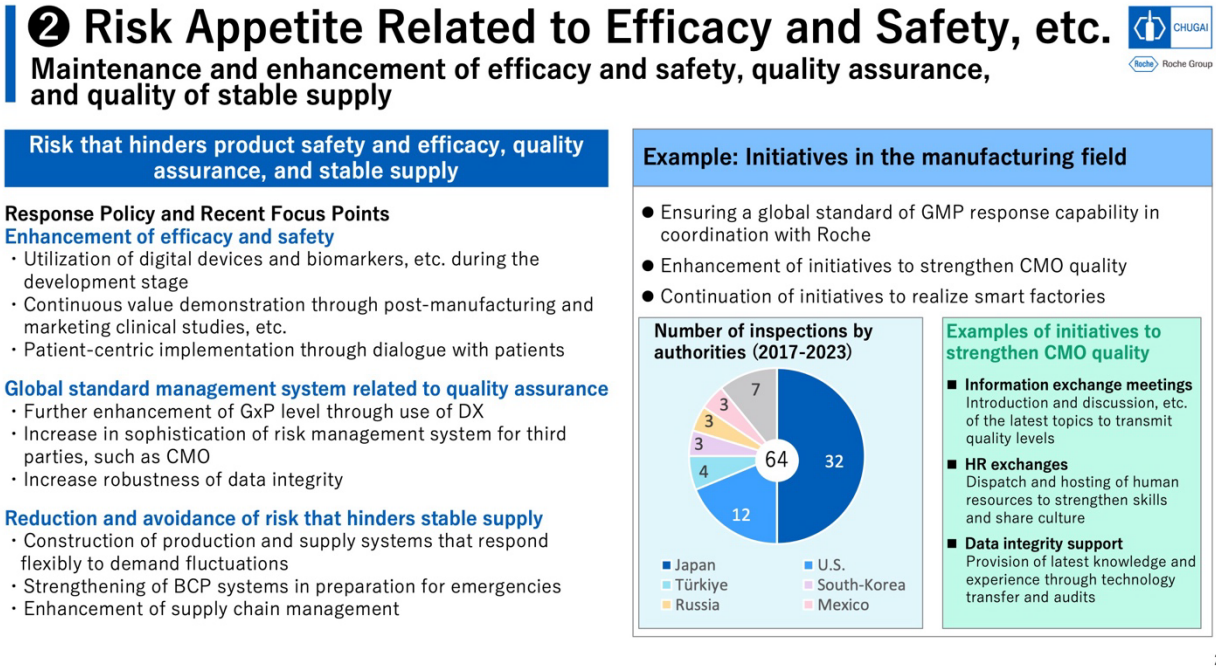


I would like to explain two more specific examples of risks related to the pursuit of innovation.

First, on the left side, as already announced, we are aiming to establish a system at the Fujieda Plant that will enable us to supply mid-size molecule in-house, from initial clinical development to initial commercial production. We are making upfront investments to secure production capacity for mid-size molecule so that we can deliver breakthrough new drugs to patients in a timely manner.

On the right side, regarding intellectual property, in addition to continuing to strengthen our patent portfolio for antibody technology and antibody drugs, which are our strengths, we are actively strengthening our patent portfolio for mid-size molecular drugs. As a result, as shown in the table below right, the number of patents held related to mid-size molecule has expanded by approximately 4.2 times over the past five years.

On the other hand, as more and more in-house breakthrough drugs are created and delivered to patients around the world, we are increasingly dealing with disputes over intellectual property in many countries around the world. In order to proactively take on these risks in the pursuit of innovation, we are continuously strengthening our intellectual property function and preparing for any future disputes on a regular basis.



Next, I will discuss risks related to efficacy and safety, etc.

What is the value of the products we offer? We believe that, above all, efficacy and safety, and the quality assurance that guarantees them, are of the utmost importance. In addition, we are striving to ensure a stable supply through advanced supply chain management that considers geopolitical and economic security risks, which have become major themes in recent years.

As a specific example, please see the pie chart on the lower right. This shows the status of response to GMP inspections at the Company and its group companies. Since 2017, we have received a total of 64 GMP inspections in a little over five years, of which about half were conducted in Japan and the other half were conducted globally, including by the U.S. FDA.

We will use this global knowledge and experience to help our partner, CMO, strengthen its quality assurance system. We believe that this is also an important mission of the Company and one of the ways to reduce risks in production. For example, from this perspective, information should be exchanged regularly with the CMO department. We also actively accept and dispatch human resources for the purpose of technology transfer and technical support.

Thus, in addition to maintaining and improving the quality of our own quality assurance activities, we are focusing on improving quality throughout the supply chain surrounding Chugai.

Next, I would like to report on risks related to compliance and risks related to social responsibility in a single page.

For Chugai, compliance is the very license to conduct business activities. “Corporate ethics take priority over profit.” This is a belief that has long been emphasized within the Company, and based on this basic approach, we are working to promote compliance not only with laws and regulations, but also to ensure that we act fairly based on social values and ethics.

In addition, as a recent trend, we have been working to strengthen cyber security and compliance with the use of generated AI, including ChatGPT, while aiming to promote innovation through the promotion of DX strategies.

As for our social responsibility as a corporate citizen, in order to continue to earn a high level of trust, we are working to understand the expectations and demands of society and implement and promote our own strategies based on the risks of social issues, such as environmental, digital, human resources, and human rights, through dialogue with our stakeholders.

Case Study: Preparation of a Digital Compliance System

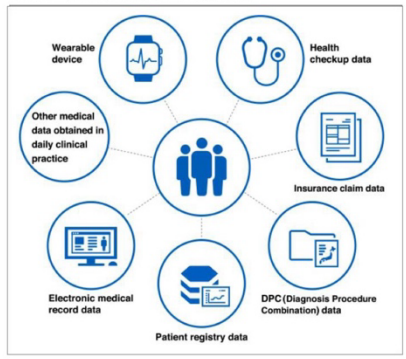
As has been mentioned in various places, I would like to talk a little about the Company's digital compliance efforts as a case study, using the word digital as a key word.

Have you ever heard of the term digital compliance? We have been using it for about five years now, but I am not sure if the term is familiar to the public yet. Today I would like to share with you what this digital compliance is and what we are looking for in it.

Creating Innovation Through Data Utilization

- Creation of innovative drug products through utilization of genome information
- Improving efficiency and sophistication of the development process by leveraging real-world data (RWD)
- Promotion of patient understanding through utilization of digital biomarkers, and demonstration of value of drugs
- Secondary use of data from treatment and clinical trial to make new drug development more efficient and faster

RWD (conceptual diagram)



Driving innovation and realizing optimal treatment for individual patients through use of various data

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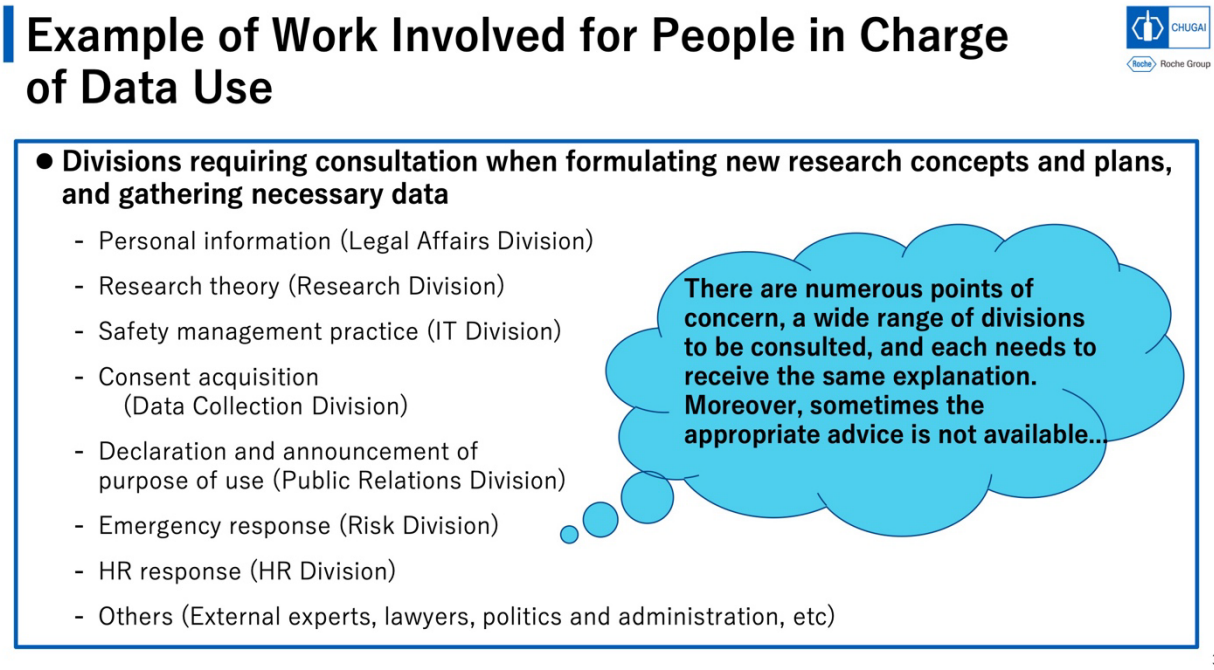
As you know, the amount of available data is exploding due to innovations in digital technology, and the data is becoming more and more diverse. The situation is the same in the pharmaceutical industry, where the use of data is essential for the development of innovative drugs and their delivery to patients.

By utilizing data originally derived from the human body, such as genomic information and digital biomarkers, as well as information obtained through diagnosis, treatment, and clinical trials, it is possible to promote personalized medicine that is optimal for each individual patient. At the same time, we believe that by utilizing these data or real-world data, we can expect further improvements in convenience or economy, etc., such as streamlining and speeding up the research and development process.

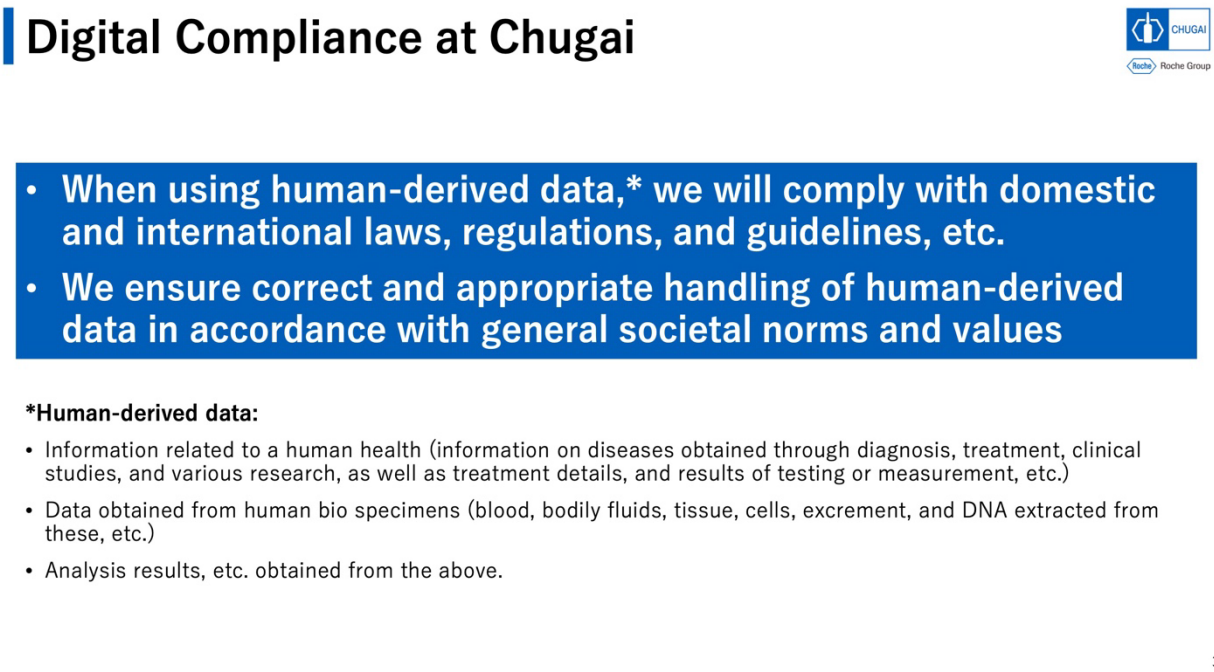


On the other hand, in utilizing such digital data, sufficient attention and action are required in terms of risks and compliance, such as ensuring the appropriate handling of information and securing the infrastructure for this purpose.

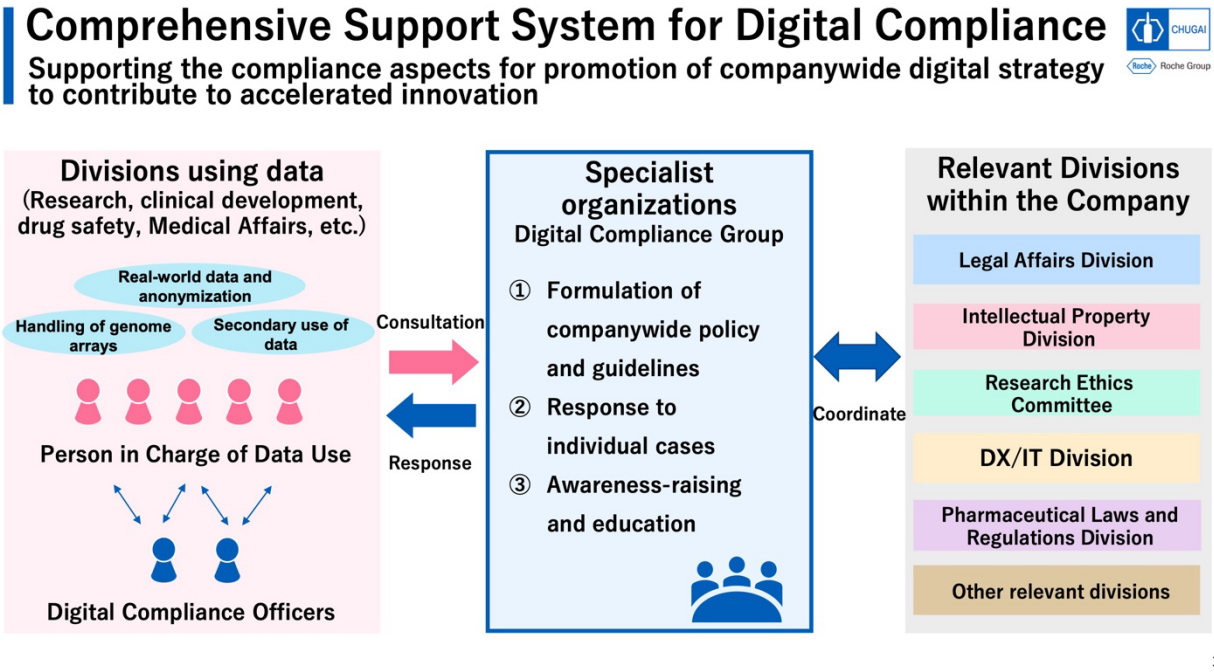
For example, if a researcher actually wants to conceive of a new study, collect necessary data, or make use of the data, there are many issues that need to be cleared up, as you can see here.

For example, how will personal information be handled, how will research ethics be handled, and how will the infrastructure be designed against information leaks and other countermeasures? We will need to consult with numerous departments of the Company for a professional evaluation. Depending on the content, we may further seek the opinions of outside experts to consider measures.

However, as you can imagine, the more cutting-edge and original the work is, the more difficult it is to judge it within existing frameworks and precedents. Often it took time to reach a conclusion.



Therefore, we have established a new dedicated organization to be at the core of our efforts to properly handle human-derived data and its utilization, which are the heart of our R&D activities, in compliance with relevant domestic and international laws and regulations, and based on social ethics and values, which we call digital Compliance, and have begun its activities from 2019.



Our goal in this initiative is to provide a one-stop service for risk management and compliance in the use of data. We receive inquiries and consultations from the Data Utilization Department and work with related departments within the Company to promptly respond inquiries. Based on accumulated case studies and other information, we are also working to formulate company-wide policies and guidelines, and to conduct awareness-raising and educational activities using these policies and guidelines.

To give a specific example, at the beginning of the project, there was a tendency for many consultations to be related to the utilization of genome information, but recently there has been an increase in consultations related to the utilization of real-world data, or data collection using digital biomarkers, and the utilization of the obtained data.

This one-stop hub function contributes to more efficient and speedy examination of individual cases and has the effect of strengthening the Company's ability to respond to data utilization by accumulating knowledge through such case studies.

We will strive to support the promotion of company-wide digital strategies in terms of risk and compliance, and to contribute to the acceleration of innovation creation, by viewing the utilization of increasingly diverse and complex digital technologies and data as an opportunity.

That concludes my explanation. Thank you very much for your attention.

Miyata: Thank you very much. We are very sorry for the interruption due to computer trouble. Next, Mr. Yano will explain about human capital and innovation.

Yano: Once again, my name is Yano, and I am in charge of human resource management and EHS. Thank you.

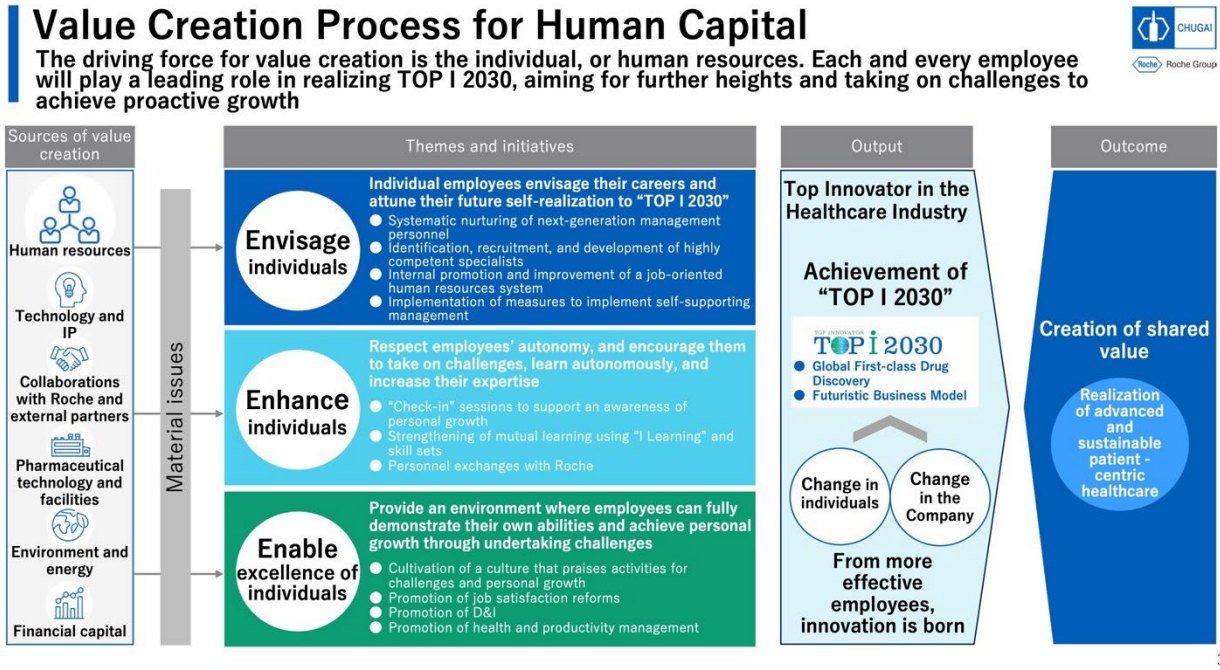
I would like to talk about human capital, which is the source of value creation, and the challenges and initiatives in this area. In the second half of the presentation, Ms. Sato, Head of the Diversity Office, will talk about the promotion of women's empowerment.

Now, we at the Chugai Group have long been committed to enhancing the value of human capital. In order to deliver innovative drugs to patients around the world, we value the idea of innovation and the pursuit of creativity. We have long promoted the acquisition, development, and utilization of diverse human resources, regardless of gender or nationality, based on the common understanding that diverse values and expertise can generate innovation and those human resources in particular are irreplaceable assets that form the foundation of corporate growth.

In the area of diversity in particular, we established a Gender Diversity Working Team in 2010, which was headed by the president, and based on its report, we set up a dedicated organization in 2012 to continuously promote diversity throughout the Company. In addition to the promotion of women's empowerment, we are working on nationality and seniors as our three priority themes and are currently focusing on inclusion and fostering a culture in which diverse human resources can play an active role regardless of their specific attributes.

Regarding talent management, to promote and develop human resources regardless of gender or age, in 2012 we introduced a talent management system that evaluates human resources from a common perspective centered on competency. At management human resource development meetings led by the president, we have created a culture in which the discovery and development of human resources is discussed and put into practice based on ability.

In terms of engagement, in 2015, labor union and management formulated a policy based on the concept of work-life synergy, and since 2018, we have been implementing work style reforms to promote flexible work styles, and from 2020, we are implementing job satisfaction reforms to improve engagement.



To clarify the value creation process regarding human capital toward the realization of TOP I 2030, we have once again established a human capital management policy that focuses on the growth of each and every employee. We believe that individual transformation and growth will lead to the growth of the Company, which in turn will lead to the realization of TOP I 2030 and the transformation of the Company.

Specifically, we are promoting a variety of initiatives based on the three pillars of our human resources management policy: envisage individuals, enhance individuals, and enable excellence of individuals. In strengthening our human capital, we need to strengthen and grow our diverse individuals. Each person has their own way of thinking, their own situation, and the career they are aiming for, but by envisaging individuals, they can synchronize what they want to achieve and what they want to become with the Company's mission and goals. We are focusing on these things.

In addition, by recognizing the gap between our current selves and the image we want to achieve, we will promote individual enhancement to achieve this goal. By practicing autonomous learning, we place emphasis on training and enrichment, as well as experience, including tough assignments, and career paths. We are looking at how to train each of our employees with a plan for the next several years.

In terms of enable excellence of individuals, each individual must demonstrate his or her own individuality, make decisions on his or her own initiative, and choose and execute them in order to create innovation. Therefore, we are creating an environment in which each employee can maximize his or her abilities and achieve growth through challenges, and we are promoting personnel systems that encourage such challenges, human resource exchanges with Roche to gain global experience, job satisfaction reforms, and diversity and inclusion.

Theme: Envisage Individuals

Individual employees envisage their careers and attune their future self-realization to "TOP I 2030"

- To realize the goal of TOP I 2030, we delineate the image and requirements of management and highly skilled employees as human capital, and accelerate discovery, recruitment, and training.
- By facilitating autonomous management, we encourage employees to develop their own careers, and we reinforce opportunities for them to be challenged

Main Initiatives		Progress
Systematic nurturing of next-generation management personnel	Regarding important key positions, confirmation by the president and other management of ongoing development plan deliberation and implementation	Successor preparation rate for important key positions 227% (2021) → 224% (2022) → 256% (2023)
Identification, recruitment, and development of highly competent specialists	Priority recruitment of digital and scientific personnel critical to realizing growth strategies	Adequacy rate of highly specialized human resources 77% (2021) → 68% (2022) → 78% (2023)
Enable employees to develop their careers autonomously	Demonstrating employee independence with autonomous management practices, an in-house job posting system, challenging assignments, etc.	Rate of challenge to management positions* 12% (2021) → 28% (2022) → 26% (2023) *Percentage of new appointments assigned through the challenge assignment system and internal recruitment system

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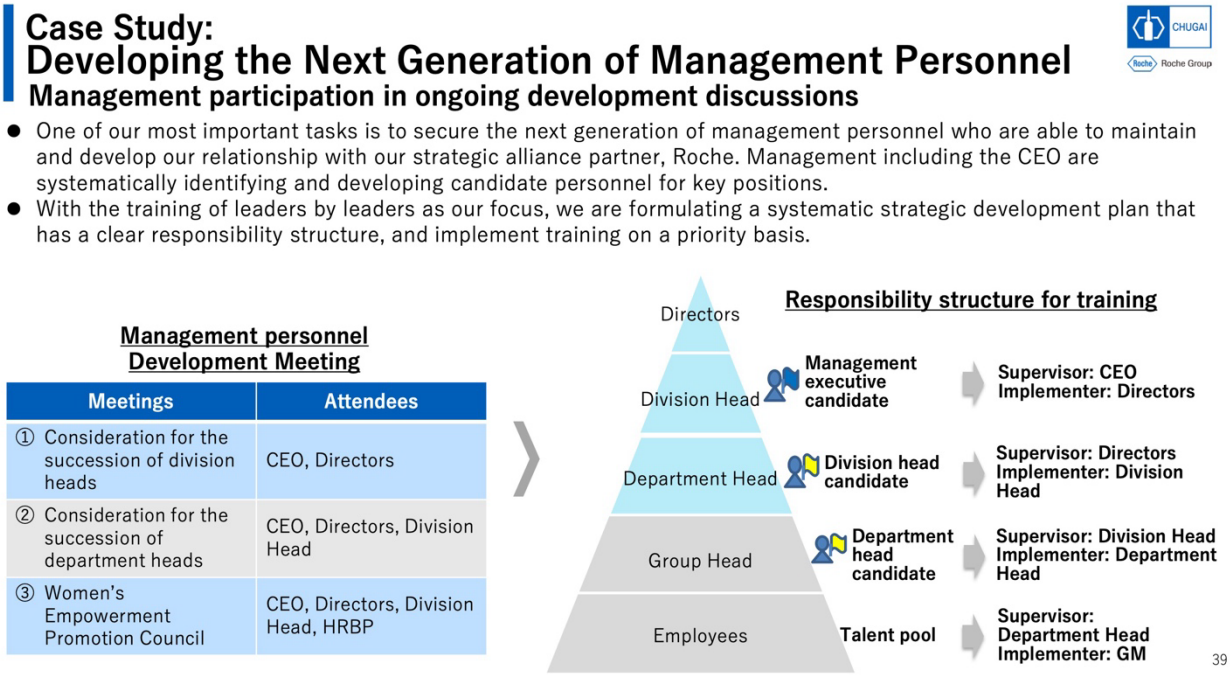
Let me first talk a little about the theme of envisage individuals. We are accelerating the search, recruitment, and training of management personnel or highly competent specialists by drawing up human resource images and requirements toward the realization of TOP I 2030. As for the systematic development of next-generation management personnel, we are promoting talent management for the 108 key positions that are important within the Chugai Group and have indicated the percentage of successor candidates ready for these key positions as follows. In 2023, the percentage of successor candidates for 108 key positions was 256%, which means that approximately 270 successor candidates have been selected and are being trained for these positions.

In addition, we recognize that Identification, recruitment, and development of highly competent specialists is an issue that must be addressed in order to realize TOP I 2030 amid intensifying competition for human resource development. In particular, we are focusing on recruiting data and digital human resources, data scientists and data engineers, which are indispensable for the realization of our growth strategy, as well as scientific human resources to strengthen pharmacological researchers and clinical science. In this context, the projected fulfillment rate for 2023 is 78%, or approximately 70% to 80%.

In terms of envisage individuals, the proactive career development of employees is also an important theme. We have a challenge assignment system to promote young employees to managerial positions, an in-house job posting system, and a variety of other systems. The percentage of employees challenging management positions, in particular, is gradually increasing each year, and will reach 26% in 2023.

We are also promoting management reforms that focus on individual growth, and we are considering switching from a management style of direct support to one of autonomy support, and further strengthening

the provision of opportunities for employees to take on the challenge of independent career development.



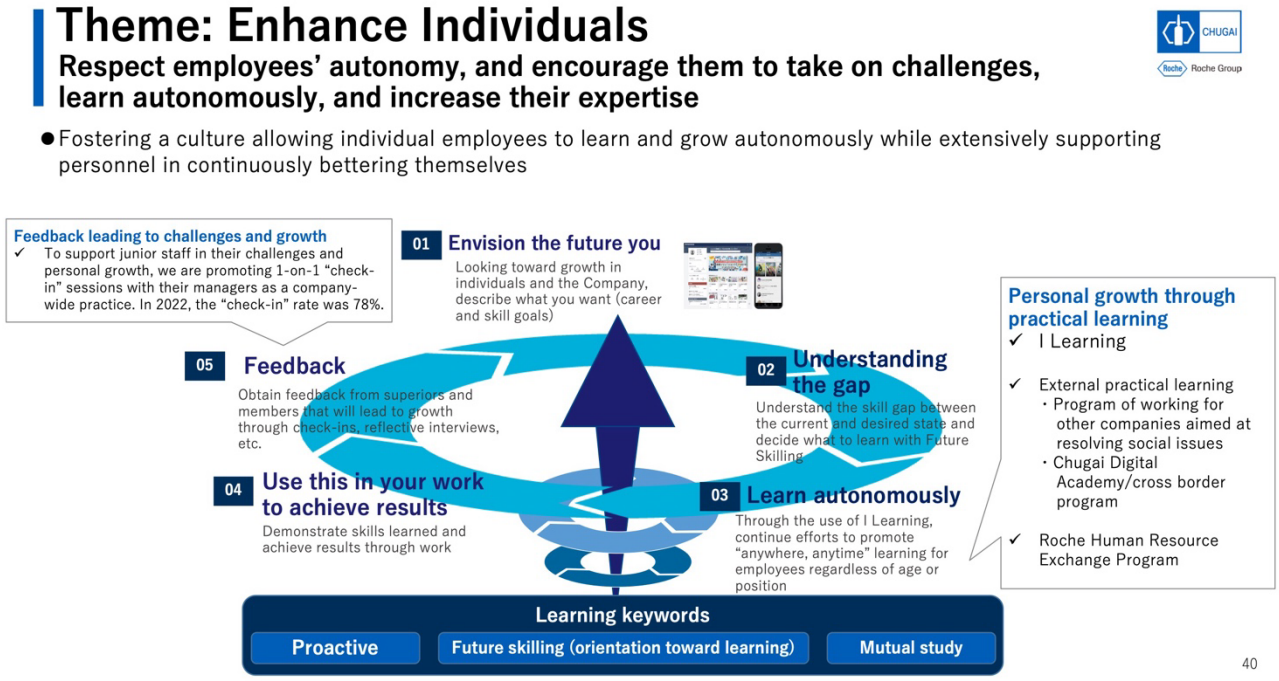
Here is one example from envisage individuals, the development of next-generation of human resources.

At last year's ESG briefing, I believe that the previous Director Oku spoke about the Nominating Committee and potential successors to the CEO. This time, I would like to briefly introduce how our company is working on the next generation of management personnel, which are the members below them.

In particular, in order to maintain and develop this strategic alliance with Roche, one of our key management issues is to secure the next generation of management personnel. At the management personnel development meeting, which has been held annually since 2012, the CEO and other senior management discuss and formulate plans for the promotion and development of managers, including division heads or basic department heads, as well as the appointment of female managers in the Women's Empowerment Promotion Council.

The right-hand side shows the training system. With a view to developing leaders by leaders, we have created a system in which managers at two levels above are responsible for training leaders, and together with those at one level above, strategically and systematically formulate human resource development plans and give priority to training.

For example, the CEO, who is two levels above the executive officer candidates, is responsible for the execution of the training system. Then, as executers of the system, executive officers are currently discussing matters such as career paths together with the HR officer.



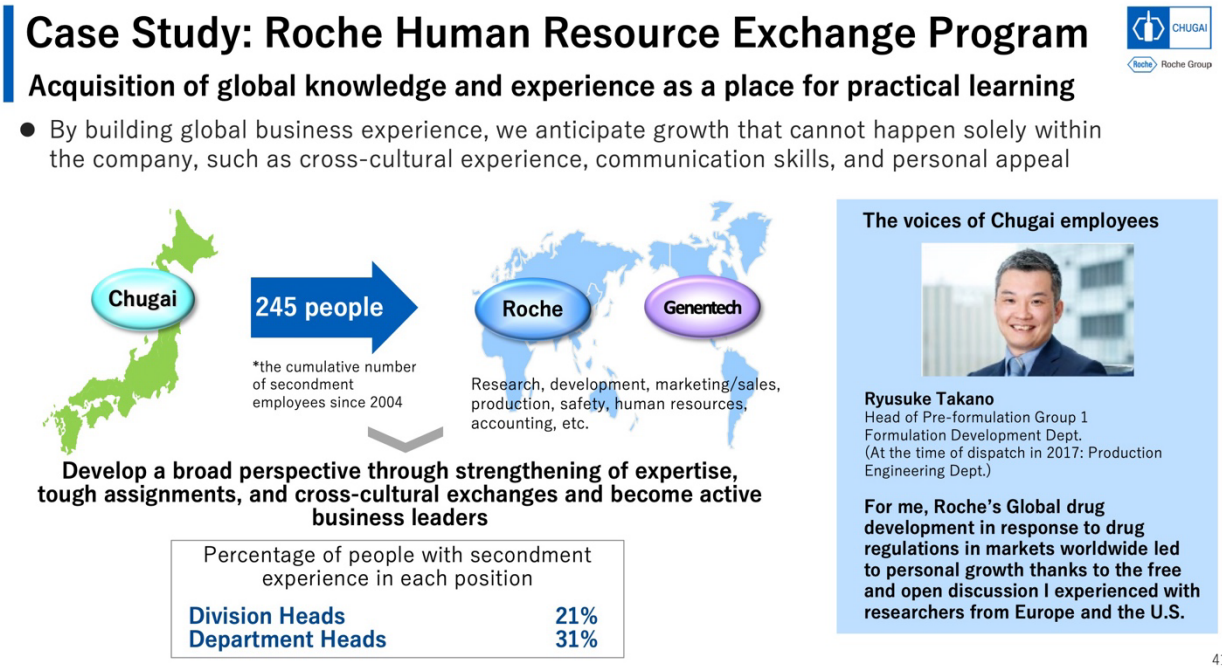
Next is the theme of enhance individuals.

In order to respect the autonomy of employees, challenge them on their own, and strengthen their autonomous learning and expertise, employees are asked to draw what they want to become, what they want to be in the future, as I mentioned earlier, and to identify the gaps and what experience and skills they are lacking. What can they do to fill the gap? And then they put it to work. Above all, feedback is the key. Feedback in this relationship between supervisor and subordinate becomes important.

There are five steps to that end: point out the underlying way of thinking, then be proactive in improving their individualities, and consider the direction of their learning. And to conduct mutual study not only with superiors and subordinates, but also with the members around you. We are promoting human resource development with these three basic keywords.

As I mentioned earlier, feedback is especially important for a sense of growth. We are promoting 1-on-1 what we call check in dialogues in various places to support the challenge and growth of subordinates in these check in sessions.

In order to realize personal growth, we are actively promoting not only internal but also external programs, such as job placement programs, cross-border programs, and human resource exchange programs with Roche.



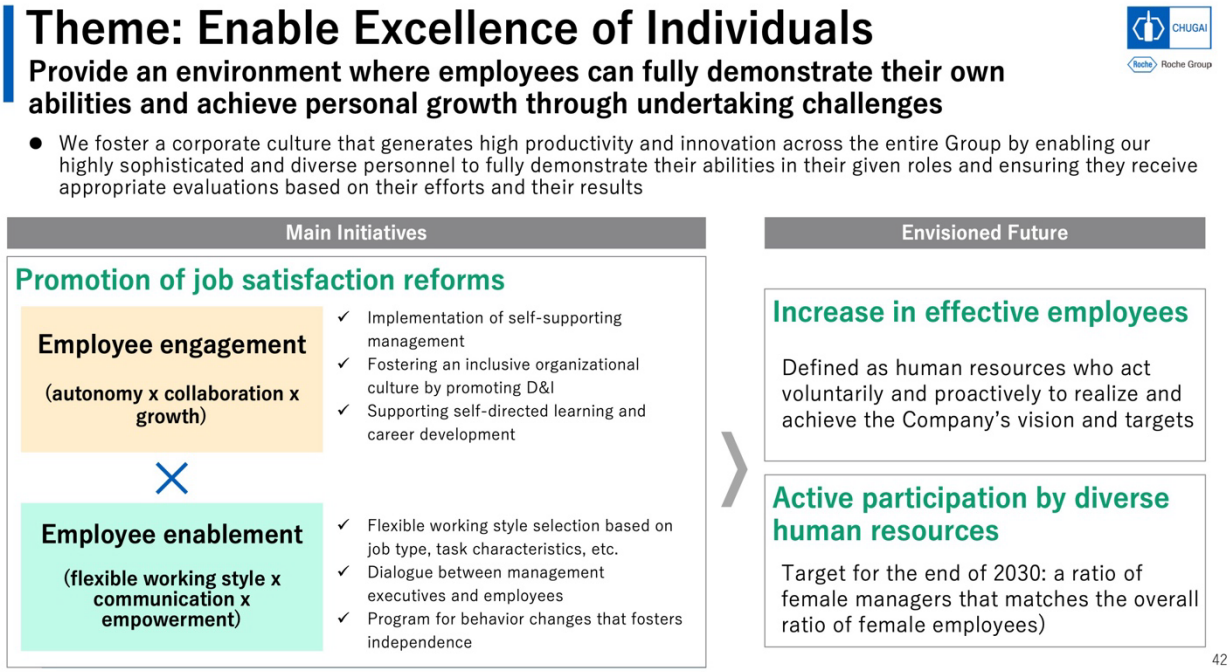
Here I would like to introduce a case study of the Roche Human Resource Exchange Program.

The Roche Human Resources Exchange Program involves sending employees from Chugai to Roche or Genentech in the United States, where they are dispatched for about one to two years, or even three years for long-term cases, but they do not work for Chugai but conduct Roche's business.

This program was actually started in 2004. A total of 245 Chugai employees have gained experience at Roche and Genentech, including personnel from research, clinical development, marketing, sales, production, safety, and human resources, finance and accounting, who have been dispatched through this program. The program has contributed to networking with Roche.

Those who have participated in this program have gained experience based on their global business experience at Roche, develop a broad perspective through strengthening their expertise, take tough assignments, and interact with other cultures, and become active as human resources who lead the business.

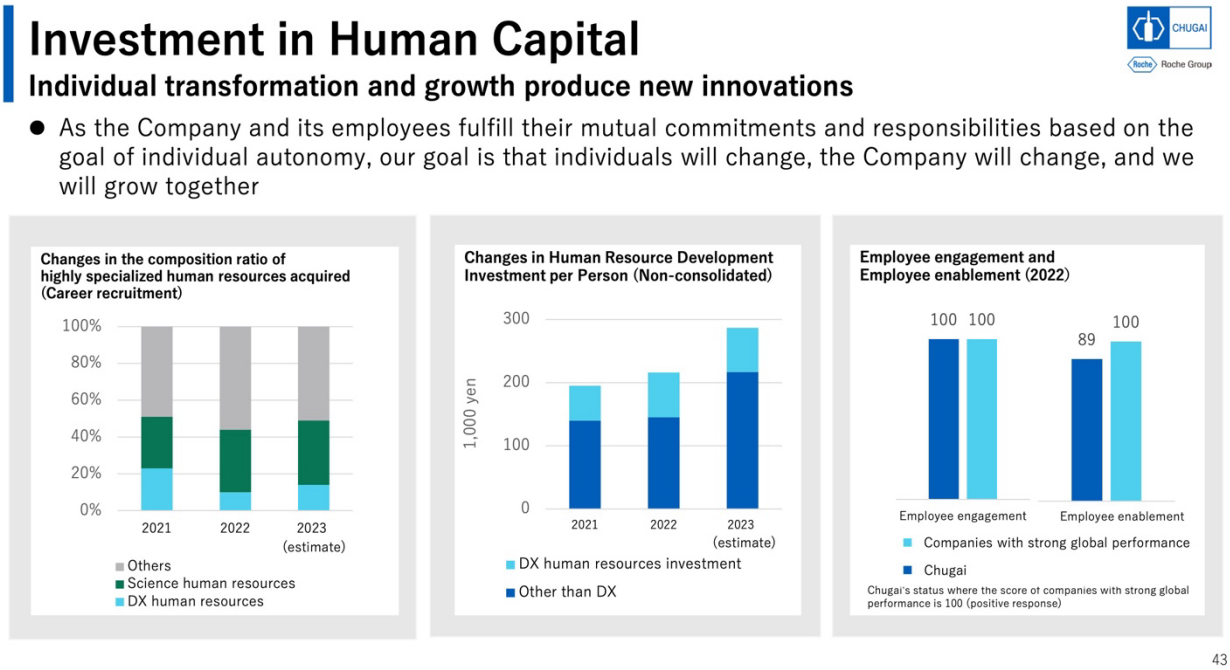
Here, the percentage of people with dispatch experience for each position is 21% at the division heads level, but about 30% at the department heads level have gone through the Roche Human Resources Exchange Program. This is the situation.



Finally, I would like to talk about enable excellence of individuals.

To realize this strategy, each employee will be the key. To achieve this, such personnel will act voluntarily and actively toward the realization and achievement of the Company's vision and goals. We define those personnel as effective employees and we expect each employee to become an autonomous human resource with the aim of increasing the number of such employees.

We believe that it is important to increase the number of such employees, and as part of this initiative, we are working on job satisfaction reform, specifically employee engagement and the environment in which employees live. In addition to self-supporting management, practical learning, career development support, flexible work styles, etc., we are also working to foster an inclusive organizational culture of diversity and inclusion.



This is the last slide. As I have explained, we are also investing in human capital by promoting various initiatives based on the three Individuals, our human capital management policy focused on the growth of each employee.

The graph on the left shows highly specialized human resources, digital human resources, and scientific human resources in career recruitment. This shows the composition of this ratio. Approximately half of the career hires are connected to the hiring of highly specialized human resources.

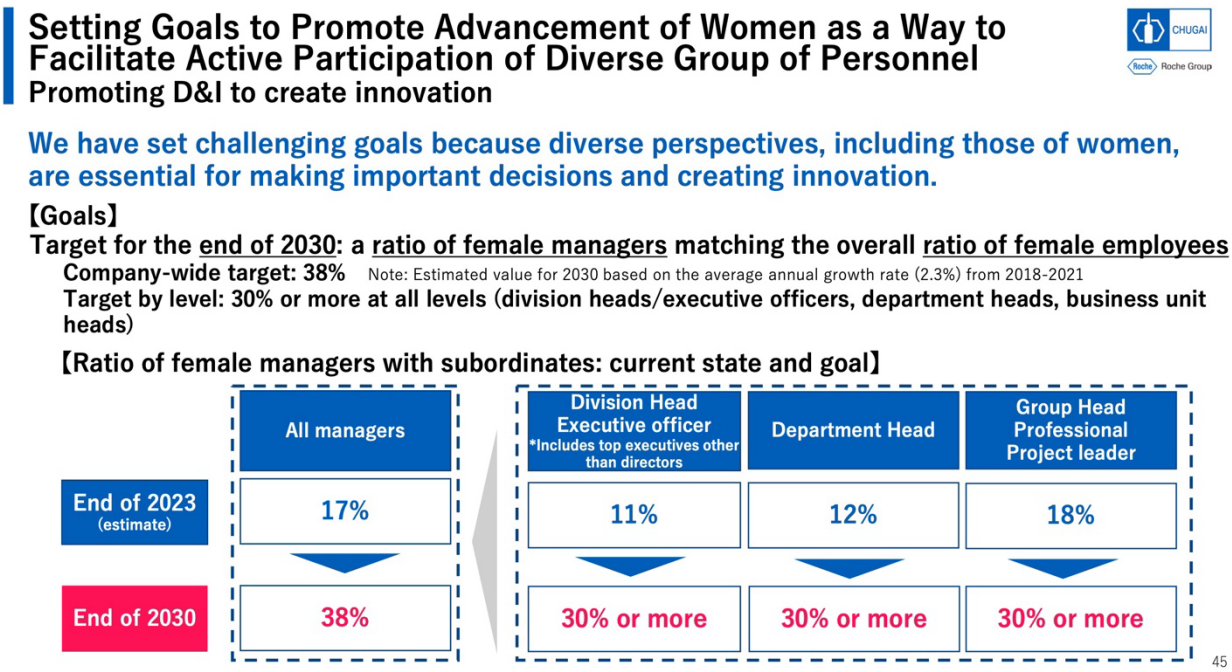
The middle graph shows changes in human resource development investment per person. Especially in 2023, with COVID-19 having settled down, we are actively promoting the Roche Human Resource Exchange Program and the program of working for other companies, and we are seeing a very large growth in these programs.

In addition, regarding employee engagement and employee enablement, which are the two pillars of effective employees, this is our company's situation if we set global companies with good performance as 100. The engagement rate is 100, but the employee enablement is still inferior to that of high-performing global companies. By fulfilling the promises and responsibilities of both the Company and its employees based on the premise of each individual's autonomy, individuals will change, the Company will change, and the Company and employees will grow together. We would like to further promote such a model.

That concludes my explanation. Thank you.

Miyata: Thank you very much.

Lastly, Ms. Sato will explain about the promotion of women's success.

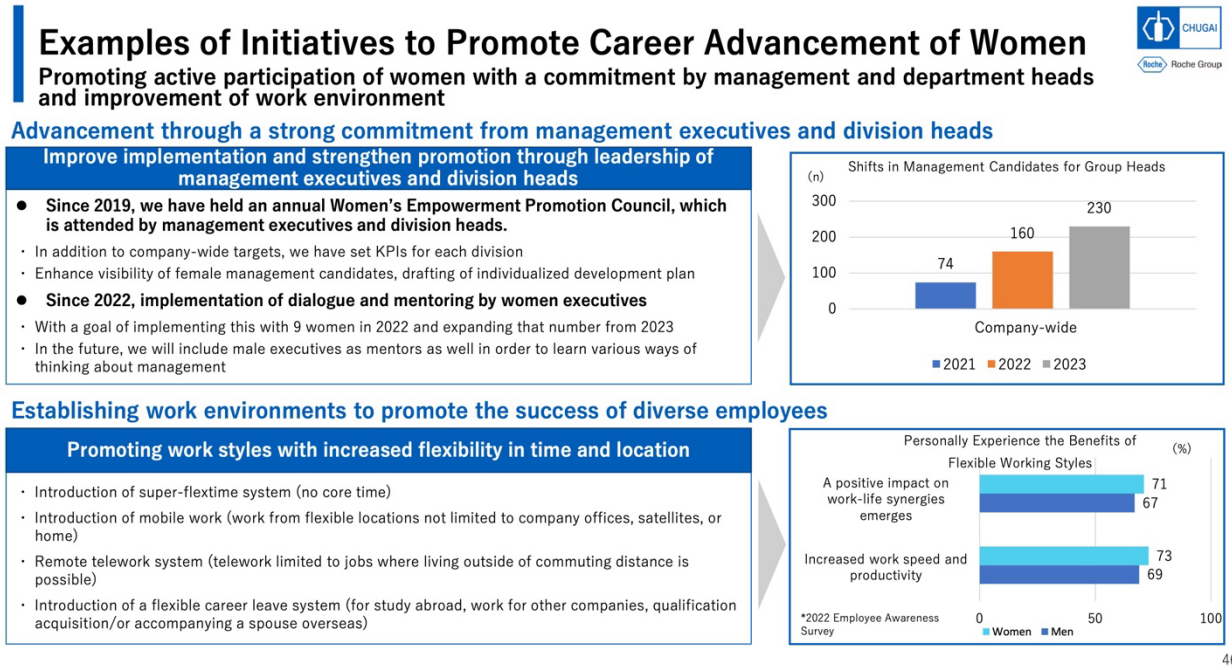


Sato: Now, I, Sato of the Diversity Office in the Human Resources Department, would like to introduce our efforts to promote women's success in our company as a case study.

We have long been working on D&I as one of our key management issues, as it is indispensable for creating innovation. In this context, we recognize that the promotion of women's success as one of the ways to promote the success of diverse human resources is extremely important. Diverse perspectives, including those of women, are essential in business decision-making and innovation creation. To achieve this goal, we have set challenging goals and are promoting the advancement of women.

The goals shown here are the ones we are currently working toward. We have set a goal to bring the ratio of female managers to the same level as the overall ratio of female employees by 2030. Although this is only an approximate estimate, we estimate that the current level will be 38%, and we are working toward this goal. In addition, we have set a target of not only 38% of the total, but also 30% or more at each level, with the aim of having women participate in all aspects of decision-making.

We are currently working towards these goals, and the chart below shows the gap between the current situation and 2030. The percentage of female managers is expected to be approximately 17% by the end of 2023. This will be increased to 38% in 2030. The right side of the chart shows the percentages for each level, and we have set a very challenging figure of 30% for this level as well.



I would like to introduce some of the initiatives which we are promoting to achieve these goals. We believe that the strong commitment of management executives and department heads is essential to achieving these challenging goals. As Mr. Yano mentioned earlier, since 2019, we have held an annual Women's Empowerment Promotion Council, which is attended by management executives and division heads.

In addition to the company-wide targets we have set, we have also set KPIs for each division, as the situation differs from function to function. Based on this, each organization will identify candidate female managers, set up individual development plans, and steadily develop them into managers. We are promoting these activities in tandem.

In addition, with the commitment of the board members to training, as you can see here, since last year we have been implementing a program of dialogue and mentoring by female managers. From this year, we have been expanding and promoting the program with the cooperation of male board members, as we believe that it is important to learn diverse perspectives on management.

As a result of such efforts, as shown on the right, we are showing the changes in the human resources of the candidate population for individual organization leaders, which will approximately triple in size from 2021 to 2023.

In addition to the commitment of management executives and division heads, we believe that the creation of a working environment is also essential for the success of diverse human resources. We have been promoting a work style that allows for greater flexibility in terms of location and time.

We have written several examples. First of all, we believe that the introduction of super flextime without core hours has enabled us to achieve a fairly flexible work style. In addition, we have been promoting work styles that utilize the Company office, satellites, and home, but we are also introducing mobile work styles that will allow employees to work in other locations with greater flexibility.

We have also introduced a remote teleworking system that allows employees to work from remote locations, although the types of jobs are still specific and limited, and a flexible career leave system that allows

employees to take a leave of absence to accompany their spouse overseas, in addition to study abroad and learning opportunities. With such, we have introduced a flexible career leave system that allows employees to continue their careers without giving up.

The right-hand side shows the results of the employee awareness survey, which was conducted in 2022, and the results show that the various initiatives have resulted in a positive impact on life-work synergy, as employees feel the effects of flexible work styles. Also I think that there is a tendency for the feeling that work productivity is also increasing, as shown in this graph. We believe that women in particular are feeling the effects to a greater extent.

The examples I have presented today are just one example, but through these efforts, we would like to link the realization of the high goals I mentioned earlier to the success of diverse human resources in the future.

It was a brief introduction to promoting women's success. Thank you.

Miyata: Thank you for your attention.

Question & Answer

Miyata [M]: We will now move to the question-and-answer session. Mr. Nishimura, Head of the Risk and Compliance Department, is also present for the question-and-answer session.

We apologize for the inconvenience, but to encourage more people to ask questions, we would appreciate your cooperation in limiting the number of questions to two per person. Please note that the audio of your questions, along with the presentation, will be posted on our website later. We will first take questions from those attending onsite, followed by those attending via Zoom webinar. For those in the venue, if you have any questions, please raise your hand. We will give you a microphone and ask you to tell us your company name and your name and ask your questions.

Kozaki [Q]: My name is Kozaki, and I am a freelance writer. Thank you for your presentation today. I would like to ask Mr. Yamase if there are any specific examples of how patient feedback has been reflected in your company's business or products.

The other thing I would like to ask Mr. Ebihara is that the handling of personal health records will be extremely important and risky for pharmaceutical companies in the future. I would like to ask you to explain your basic stance to the extent that you can. These two points, please.

Yamase [A]: Thank you for your question. As you can see on the slide 18, we are reflecting the voices of patients in all kinds of places. For example, in research, I can't tell you the name of the project, but we are reflecting the voices of patients in the project. In development, ICF. We are also working to create ICFs that are easier for patients to read, such as consent documents. This means that thank you letters, follow-up letters, and all of the other items listed here fall under that category.

When you asked me to give specific examples, I am sure you are asking about specific products and such. For example, in the field of hemophilia, we have been engaged in dialogue with patients.

For example, we have received requests for improving storage methods or some glitches, or requests for earlier administration schedules. Or, not only those preparations, but since they are hemophilia patients, they would be in trouble if there was a risk of bleeding in the event of an accident, so they requested us to create something like an emergency card for such cases. They asked if we could do something like that. We have received such requests.

We deal with both the product itself and other issues that patients may have in their daily lives. Especially in the last part, it is not enough for individual companies to work alone, so we are also working with the industry and other related parties to promote initiatives. That’s all from me.

Kozaki [M]: Thank you.

Ebihara [A]: Thank you very much for your question. As I mentioned earlier, PHC is something that we are currently working on with the utmost effort. We have been working on the collection of information and the infrastructure for utilization, which includes human, organizational, and technological resources, to create a system to promote proper utilization from a multifaceted perspective. We would like to continue to put even more effort into this.

Hashiguchi [Q]: My name is Hashiguchi from Daiwa Securities. I'm afraid this is a very basic question, but it is about working with patient organizations. As a manufacturer, I feel that it is a matter of course to listen to

users' opinions, but what is the background behind the need for this kind of activity now that your company has not been able to do so much about it in the past?

As a result, when compared with other companies, I believe that the fact that you ranked top in 10 out of 14 survey items means that there are many companies that are lagging behind. Can you tell us why your company was not able to do this in the past and why you are now able to do it, or why your company is able to do this when other companies are not?

Yamase [A]: Thank you for your question. As you say, the usual story would be to listen to the needs of the end consumer and develop products based on those needs. However, in the case of pharmaceutical companies, because they are life-related products, there are certain restrictions in terms of compliance that prohibit promotions. Therefore, I have been feeling that our industry has been distant from patients, which is not good.

However, even so, as you just mentioned, there is a trend toward expanding the scope of participation to include patients and citizens in healthcare. The basic premise is that compliance takes priority over profit. Based on this premise, we are starting communication with patients in strict compliance.

That kind of movement really started in 2019. We have been taking a leading role in this area and are actively promoting these activities in conjunction with the reestablishment of the patient-centric value in 2019. That is our situation.

Hyogo [Q]: My name is Hyogo from Mitsubishi UFJ Trust and Banking Corporation. Thank you for your explanation today. I have two questions. First, Mr. Itagaki, you talked about quantifying outcomes, but what time frame are you thinking about. Also, what are the bottlenecks in your current efforts to quantify outcomes.

My second question is regarding Mr. Yano's explanation. In terms of developing the next generation of management personnel, the phrase capable of maintaining and developing the strategic alliance with Roche is included. What skill sets will this change?

In short, as a publicly listed company, I think that you and Roche have worked well together up until now, but I wonder if there is a possibility that you will be able to develop this relationship in the long run. Will the skill set change by maintaining and developing this relationship with Roche? I would appreciate it if you could explain this point. I would appreciate a supplemental explanation here, as it appears to me that it would be fine without this phrase. These are my two questions. Thank you.

Itagaki [A]: This is Itagaki. Your question is about outcomes, correct? I think your question is specific to how to measure outcomes and when and how to disclose them.

Our awareness of the issue is, as mentioned here, how to objectively, continuously, and use reliable data to determine the optimal treatment. As with QOL, I think that capturing it as a numerical figure is ultimately easier to understand for the outside world, after all. These three elements are the keys. Objectivity, reliability, and sustainability.

How to do this is, as I said earlier, to actually grasp it from the patients and medical professionals. It is also a question of how to grasp that from the global markets where our company provides products, and I feel that this cannot be done easily.

We may not have enough information on products, areas, and what we can do in those areas, but within the scope of our understanding, we would like to announce things that can be announced externally, even individually. We are in the process of organizing the reliability of the sources of such data within the Company and all the departments concerned, and we are considering and organizing the data to be disclosed in the

annual securities report, annual report, website, and at briefings such as this. We hope to disclose even a part of this information in next year's annual report.

Hyogo [Q]: Thank you very much. In this respect, I think that Hemlibra is probably the easiest to do, perhaps more so than other drugs. On the other hand, like cancer treatment drugs have greater impacts and larger markets, but is it correct that you chose Hemlibra, a disease that is unique to your company?

Itagaki [A]: Yes. This case study is a good example, because Hemlibra has a very good market share rate and direct feedback from people with hemophilia A. In this sense, we have used it as an example because it is easy to share with everyone, and we would like to use the dialogues in this way outside, even if only partially, in the future, including such aspects as ease of collection.

Hyogo [M]: Thank you.

Yano [A]: I would like to answer your second question. I'm Yano. Regarding the concept of the human resources exchange program with Roche, you asked what kind of competency skills would be obtained, including the relationship with Roche.

First, as you mentioned, the human resource exchange program with Roche has two main objectives. One is to nurture management personnel that I just mentioned, including the alliance with Roche, which we can proceed with while understanding that. The other is to exchange human resources between Roche and Chugai to develop globally specialized human resources in each function. These are the two objectives.

In particular, in the context of the first item, the development of management personnel, how do we build a relationship of trust and communication with Roche's management? From this perspective, we can thoroughly discuss and move forward with the strategies that Chugai is aiming for, and the alignment of these strategies with Roche. One of the things we expect is this kind of competency.

At the same time, by having them gain management experience not only in Japan but also within Roche, we aim to gain more global management skills at the same time. We believe that we can proceed with this kind of approach and gain competency.

Hyogo [Q]: Thank you very much. If so, would it be correct to say that you are thinking on the assumption that the alliance with Roche and the current relationship will continue, and that when the time comes to discuss the general framework in some form, it will be done by the board members, board meetings, or something like that?

Yano [A]: Basically, the purpose of this Roche Human Resource Exchange Program is to nurture personnel, so we are thinking on this basis of how to maintain and develop the so-called strategic alliances to that extent. Other areas will be discussed by the board or management.

Hyogo [M]: I understand very well. Thank you.

Muraoka [Q]: I am Muraoka from Morgan Stanley MUFG Securities. Thank you. My question is about the 28th slide explained by Mr. Ebihara. It mentioned strengthening the quality of the CMO. I'm sorry if my understanding is wrong, but I have the impression that your company does not deal much with CMOs, considering the types of products you deal with. There are a lot of protein products. If you consider Genentech as CMO, I guess it is, but. What concrete efforts are being made to strengthen the quality of the CMO?

For example, recently, it has become common for other companies to outsource manufacturing, but as a result, problems have occurred, and the supply chain has been disrupted. Many of your company's products

are particularly difficult to deal with, so we would be grateful if you could share any stories of how you were able to prevent such problems by doing this or that.

Ebihara [A]: Thank you very much for your question. As you mentioned, we are doing our best to do things in-house, especially in the clinical stage and early stages of commercial production, but when we enter the later stages of commercial production, we are assisted by CMOs in various ways. There are a variety of companies, both domestic and international.

Among them, we are supported by a considerable number of CMOs, not only for APIs, but also for formulations and various other matters. It is difficult to make a general statement, but many of the CMOs we work with in Japan have relationships with various global pharmaceutical companies, not limited to our company. In that sense, there are many companies that have a very strong infrastructure, including data integrity and other aspects of quality that we are considering.

On the other hand, there are also companies in Japan that are working hard to become like that, and we are also working with them. For example, we will proactively provide the knowledge we have gained through our global GMP inspection experience, and by deploying such knowledge, we will work together to enhance our capabilities. We are promoting many such initiatives in some areas.

As for specific examples, a few were mentioned earlier. For example, it is often said that there are SOPs and audits, but these alone are not everything. We are also involved in the creation of a culture and the exchange of human resources for this purpose.

Muraoka [Q]: Thank you. Another question. With patient organizations, I don't know if I should call it an advocacy group, but this is about PHARMONY. I kept hearing the Hemlibra mentioned over and over. Sorry if I'm wrong or mistaken about this, but I think Hemlibra still requires a syringe and a vial. Japan may have various regulations such as restrictions on self-injection, but from a global perspective, I think the first thing you need to do is make a pen-type that is easy for children to use. Why hasn’t that gotten there or isn't getting there based on feedback from patient groups?

Itagaki [A]: This is Itagaki. Our priority is to provide the world with new drugs, and inevitably, the drug still uses syringes. Devices such as pen-type and auto-injectors are next in line, and we are developing them, so we do not think that as is, is the best.

Sakai [Q]: My name is Sakai from UBS Securities. One thing I would like to ask is about real-world data, which you mentioned earlier. This has been talked about for the past few years, but we don’t see it being put to practical use at all. The reason is that in Japan, patient data is registered discretely, and you have to start by scrutinizing it. I think there are a lot of things to consider, such as the handling of personal information.

I think that your company's efforts are probably quite advanced, but I assume you cannot give us any specifics. If your company were to succeed in commercializing this, what kind of innovation or new approach or new way of drug development would emerge from this? It's fine to just give an idea, but if you don't tell us more about that, I think the real world will end up becoming a non-real world.

Also, I think it would be difficult to do this without building something like a smart city, like automobile manufacturers do, where patients are properly managed, and data is collected from them.

Ebihara [A]: Thank you very much for your question. In a word, you are absolutely right, and I believe that there are still great challenges ahead. Although a lot of things have been said, there has not been much progress in actually using it in a visible way, for example, because of the way data is held, and because of the fact that laws, including the Personal Information Protection Law, have not yet been developed. It has not yet become something that is easy to use in Japan. I believe that there were many such issues.

On the other hand, as mentioned, the laws and regulations themselves will be revised, or new, and what was difficult to do anonymously will work well under a pseudonym. In addition, this is not just the efforts of individual companies, but in a sense, the efforts from the industry as a whole, or even more broadly, is necessary to move forward. Therefore, while we are firmly driving what we can do, we are now exploring what we can do through repeated trials and errors in the process.

In terms of specifics, as has been often said, there is a potential to significantly change the way clinical trials are conducted, or provide a variety of insights, so even though we are currently conducting trials and errors, we are making preparations so that we can move forward when we really start moving forward with high expectations. That is our situation.

Sakai [Q]: How is Roche working in this area? I think they probably have most of the data on non-Japanese, but are there any opportunities to use that?

Ebihara [A]: Well. I am not going to go into too many details about another company. But there have been discussions and exchanges of information with Roche, our strategic partner, in terms of data utilization, such as the possibility of secondary use of various types of clinical trial data. However, we are still in the various trial and error stages, and we are in similar situations.

Miyata [M]: Thank you. We will then take questions from those attending via Zoom webinar.

Mr. Wakao from JPMorgan Securities, please go ahead with your questions.

Wakao [Q]: I'm Wakao from JPMorgan. Thank you. I have two questions. The first is the 23rd slide, and I would like to know the extent to which this ERM is effective. In particular, I would like to know whether this can be used for export sales to Roche, or for items with which you have a partnership.

My impression is that by utilizing this, you are reducing business risks. I wonder if this would also stabilize export sales to Roche, for example. In the recent past, there were inventory adjustments of Hemlibra, and I think there have been several issues related to export sales. If you utilize ERM in the future, will it reduce that risk and make it a little easier to see the outlook? In particular, I believe that your company's global products will increase in the future, so I would like to know more about this point first, as I think it is desirable to stabilize export sales.

The second question is about the 27th slide. I think this is a little bit out of the scope of this presentation, but I would like to know about the positive development of intellectual property strategies on the right side of this page. Looking at your company's business situation up to the present, I see that you have a very strong intellectual property strategy, and I would like to know the reason.

For example, the number of patents held by the Company has increased, but on the other hand, I don't think that having a large number of patents is necessarily a good thing. I would like to know a little more about why your company is doing so well with the patent and IP strategy. I would like to know this so that I can better understand your company's approach to risk reduction or control there. That's all.

Ebihara [A]: Thank you very much for your question. The first question was regarding ERM. I am not sure if this is a direct answer to your question, but as you said, we are considering the relationship with Roche, for example, as a strategic risk, or how to look at risks with such partners, as part of the overall ERM theme. We are looking at it and we are taking various measures.

On the other hand, since this is a major theme, it is more of a medium- to long-term risk than a short-term impact on performance, or a BCP approach. In that sense, for example, as just mentioned in the example, how we think about this inventory adjustment in the following year, and then in terms of the short-term financial

impact, we see it as a financial assessment rather than within the overall risk management. I hope you understand that this is the situation.

On the second question, thank you very much for your comments on our intellectual property. In this regard, our company is technology-driven to begin with, and this is true for antibodies as well as for mid-size molecule drugs, but we have a business model with which we consider development of new products across disease areas based on technology.

In particular, how to strengthen technology-related intellectual property has been a major issue for a very long time, and we have been working on it for a long time. Now that it has been commercialized in various forms, or the technology itself has attracted attention, there are disputes, both domestically and internationally. We have been preparing for such a situation for a long time. I think that is one of the first points.

Another point is that this is also a feature of our business model. Our overseas distribution is left to a strategic partner, Roche. In that sense, while we are competing domestically and internationally, it is important to form a strong partnership with Roche to compete in Japan, also especially in the United States, Europe, and more recently in China, India, and Canada. This requires Chugai from the beginning to respond on a global level, not just as a Japanese company, and it also increases our capabilities. I hope you can understand it that way.

Wakao [M]: Okay, thank you. I understand very well.

Miyata [M]: Thank you. This concludes the question-and-answer session as the time has just come. With this, we conclude the Chugai sustainability briefing. If you have any questions that we were unable to answer due to time constraints, please contact the Corporate Communications Department. The phone number and email address are provided on the last page of the presentation materials. Thank you for joining us today despite your busy schedule. Thank you very much.

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