



INNOVATION BEYOND IMAGINATION

Chugai ESG Meeting

June 18, 2019

CHUGAI PHARMACEUTICAL CO., LTD.
Representative Director, Deputy Chairman
In charge of Sustainability Dept., Audit Dept.

Motoo Ueno

Important Reminders

This presentation may include forward-looking statements pertaining to the business and prospects of Chugai Pharmaceutical Co., Ltd. (the “Company”). These statements reflect the Company’s current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company’s businesses.

Information regarding pharmaceuticals (including products under development) is included in this presentation, but is not intended as advertising or medical advice.

Outline of the Presentation

Chugai ESG Meeting 2019

Chugai's Value Creation

IBI 21 and ESG Initiatives

Looking Ahead

Chugai's Value Creation

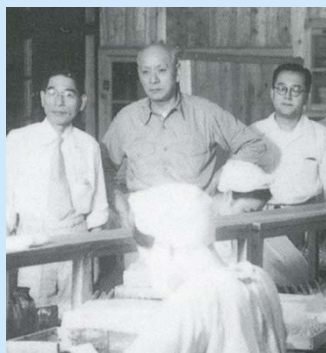


A Steadfast Commitment Since Our Founding



Since the Company's founding, Chugai has maintained a dedication to working for the benefit of patients and human health, while changing its business model in response to the changing expectations and needs of society and patients.

1925



Founded in response to a post-earthquake medicine shortage

1960s



Shift to prescription pharmaceuticals

1980s



Focus on biopharmaceuticals

2002



Strategic alliance with Roche

2019

IBI 21

INNOVATION
BEYOND IMAGINATION

Start of new vision & new mid-term business plan

Mission Statement

Mission

Dedicate ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world

Core Values

1. Patient Centric

Make each patient's wellbeing our highest priority

2. Pioneering Spirit

Pursue innovation by improving ourselves and thinking differently

3. Integrity

Maintain the highest standards in all we do to create shared value with society

Envisioned Future

Become a top innovator for advanced and sustainable patient-centric healthcare, powered by our unique strengths in science and technology and the alliance with Roche

Background of Formulation of the Basic Policy



Will

**Bring true value
to patients**

- Work toward treatment and disease control
- Contribute to the next generation of healthcare that delivers overall value to patients

Must

**Fulfill our
obligations as a top
pharmaceutical
company**

- Build a sustainable healthcare framework
- Tirelessly pursue quality in every function

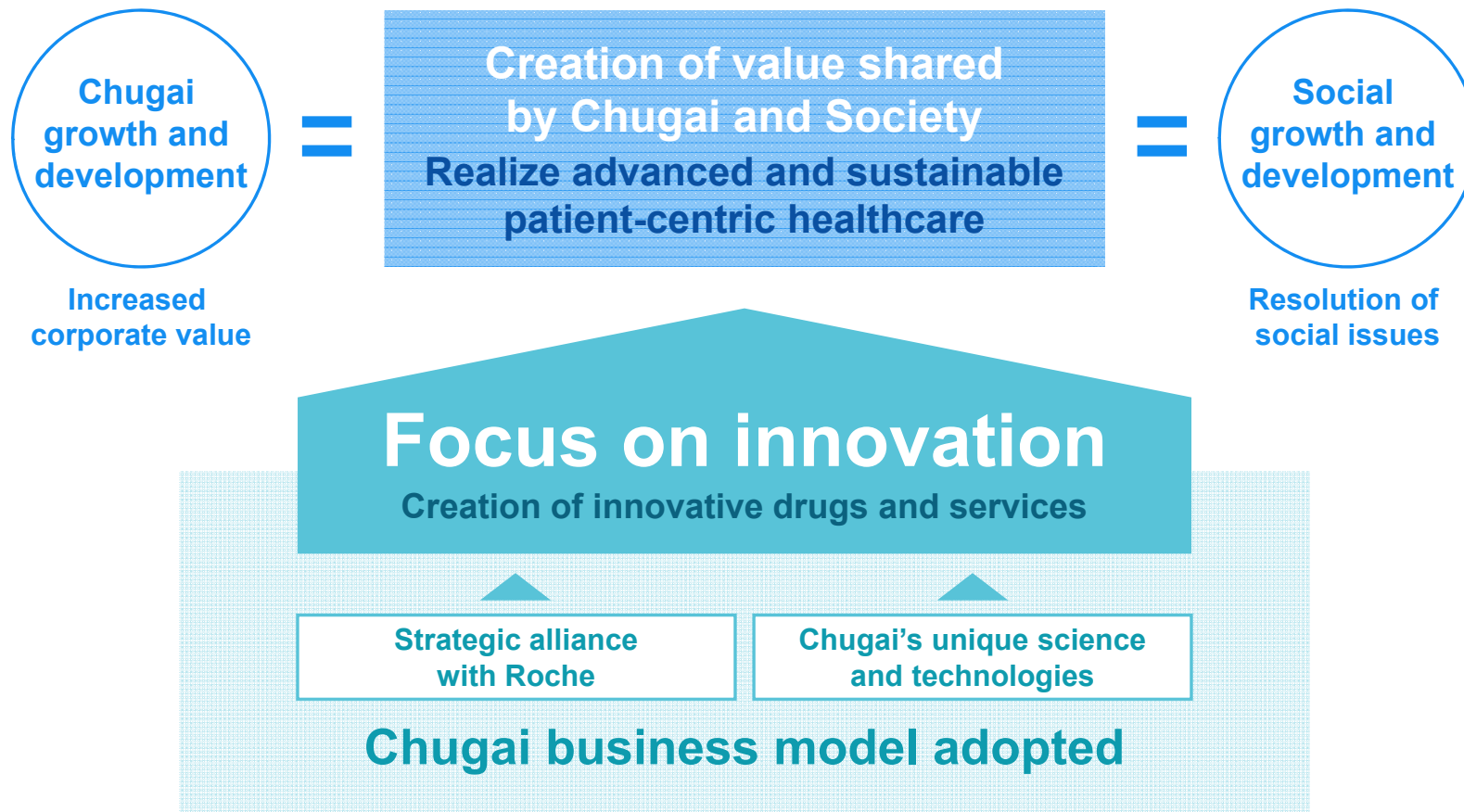
Can

**Focus on science-
and technology-
based innovation**

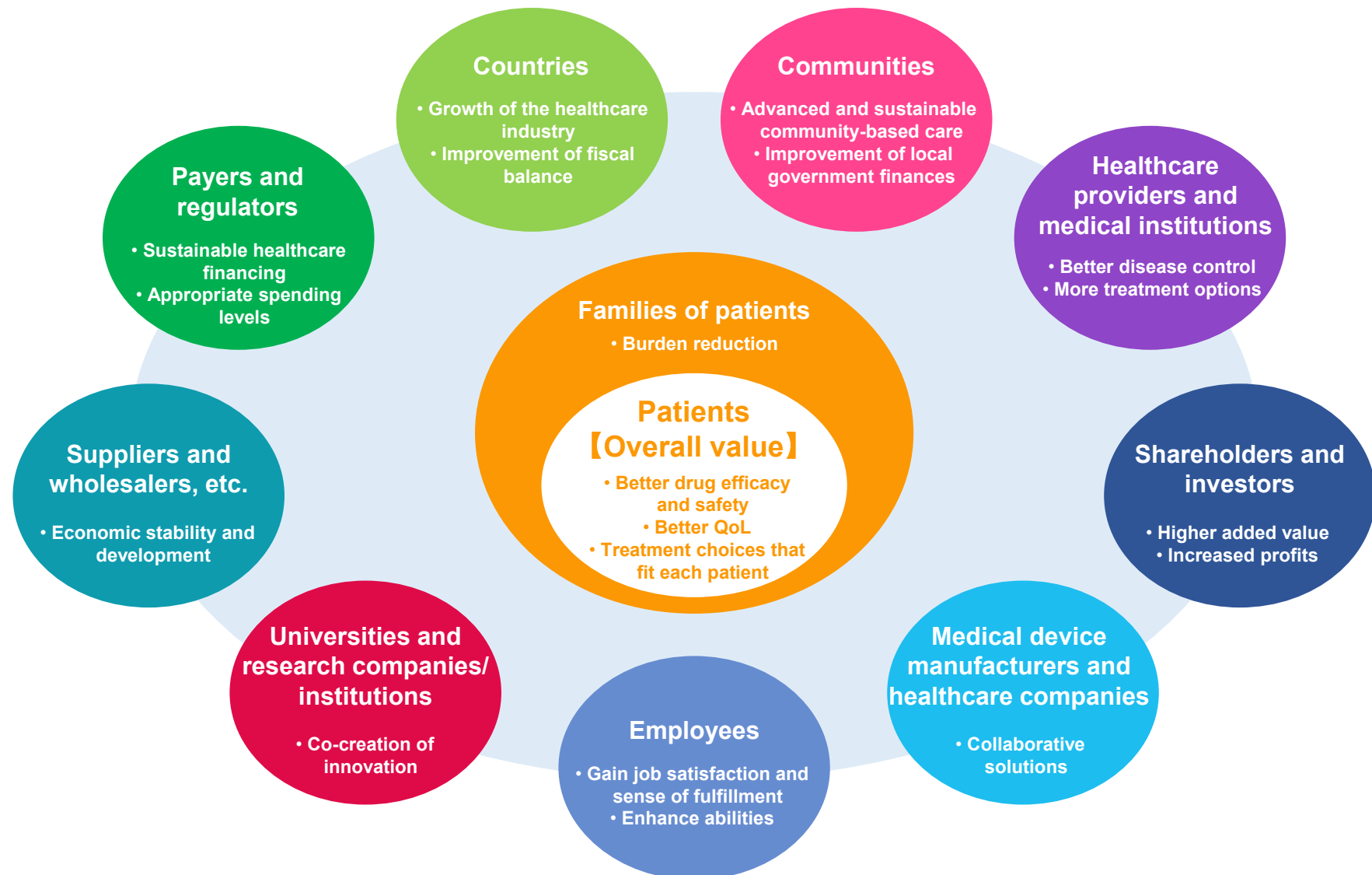
- Further innovate our unique strengths and technologies
- Take full advantage of cooperation with Roche

Basic Policy (Envisioned Future)

Become a top innovator for advanced and sustainable patient-centric healthcare, powered by our unique strengths in science and technology and the alliance with Roche

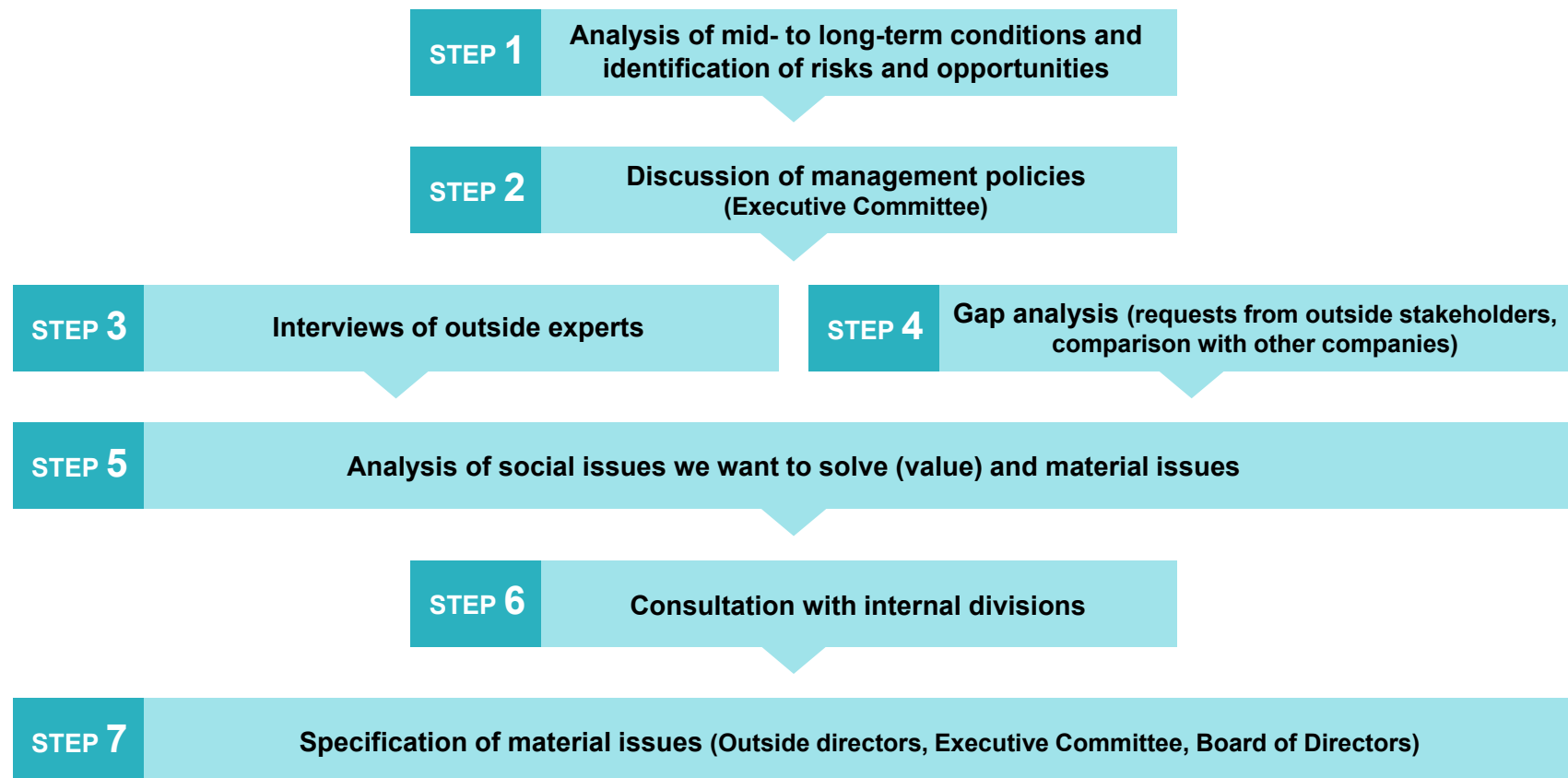


Creation of Shared Value with Stakeholders

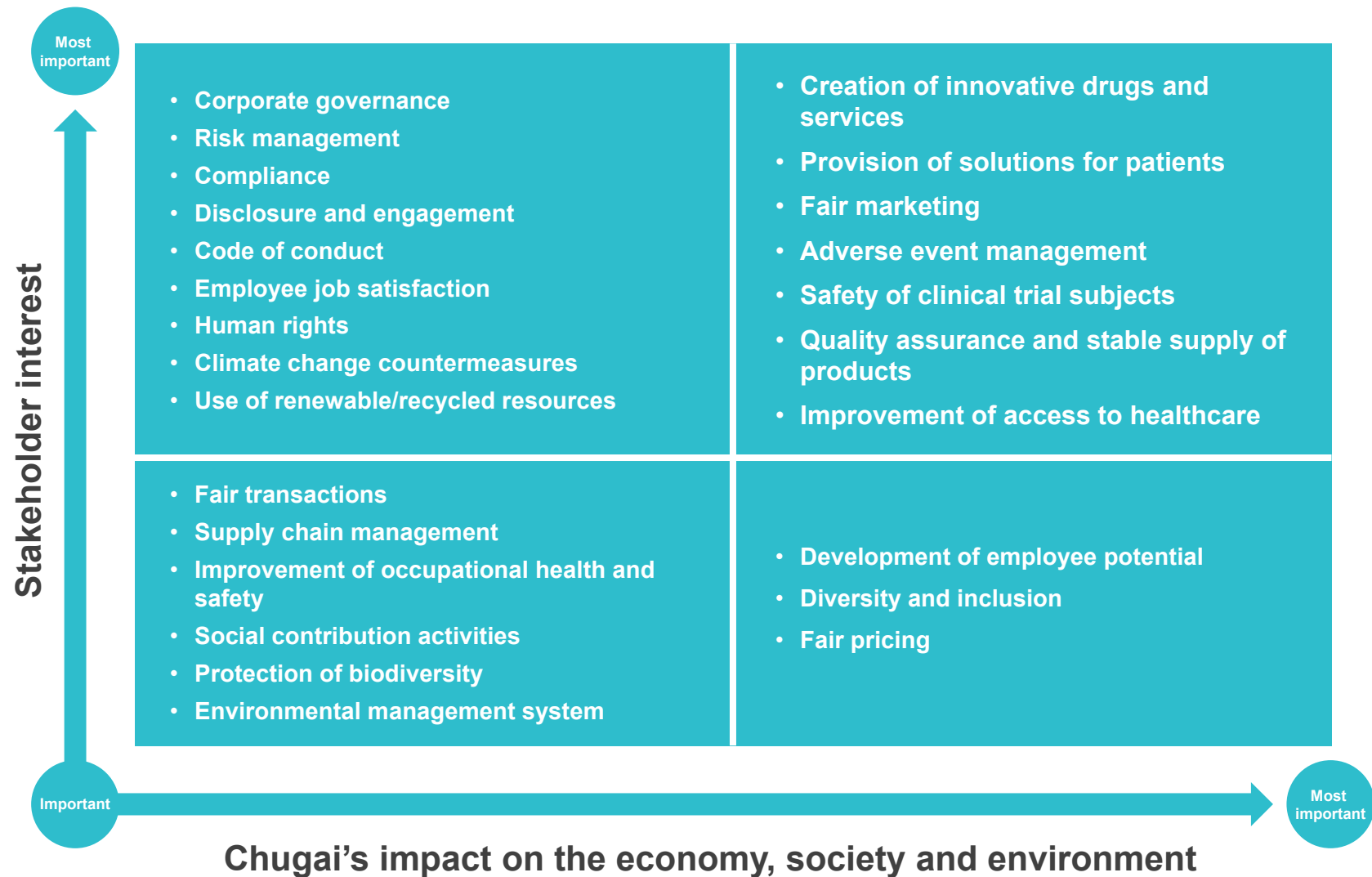


Process for Establishing Material Issues

We analyzed the future market environment, referred to the SDGs, GRI, SASB and other frameworks, and comprehensively identified the issues that society expects Chugai to address. We also scrutinized items for which Chugai is not sufficiently meeting expectations. After an objective analysis that incorporated outside views, we narrowed the list of issues to those for realizing Chugai's Envisioned Future. Based on that process, we specified 25 material issues in eight categories.



Material Issues



IBI 21 and ESG Initiatives



Overview of Mid-term Business Plan IBI 21



**Accelerate corporate and social development through innovation
focused on innovative products**

Create Global Growth Drivers and Maximize Value

Strategy
1

Value Creation

Realize innovative drug discovery to
cure and manage diseases

Strategy
2

Value Delivery

Deliver patient-centric solution to
maximize value of growth drivers

Strategy
3

Promote Advances in Personalized Healthcare (PHC)

Realize the further advancement of PHC and innovate
R&D process by utilizing digital technology and data

Strengthen HR and Infrastructure That Support Chugai's Business

Strategy
4

Strengthen Human Capital and Conduct Fundamental Structural Reform

Develop high-caliber HR talent that
supports innovation, and thoroughly
reform costs, systems and processes

Strategy
5

Strengthen Sustainable Platforms

Simultaneously realize company growth
and sustainable social development

Strategy 5: Strengthen Sustainable Platforms



Corporate Value = Economic Value + Social Value



Strategy 5: Strengthen Sustainable Platforms ①



Quality management

- Maintain and enhance world-class level of quality
- Foster and instill a quality culture



Supply chain management

- Strengthen supplier management (human rights, consideration for the environment, etc.)
- Conduct supplier due diligence



Healthcare access

- Contribute to global health



Strategy 5: Strengthen Sustainable Platforms ②



Social contribution

- Contribute to medical care, welfare, social inclusion, support for the next generation, and communities



Global environment

- Implement measures to combat climate change
- Use recycled/renewable resources
- Contribute to protection of biodiversity
- Take measures to preserve water resources and mitigate water risk



Stakeholder engagement

- Promote engagement with stakeholders
- Strengthen information disclosure and dissemination

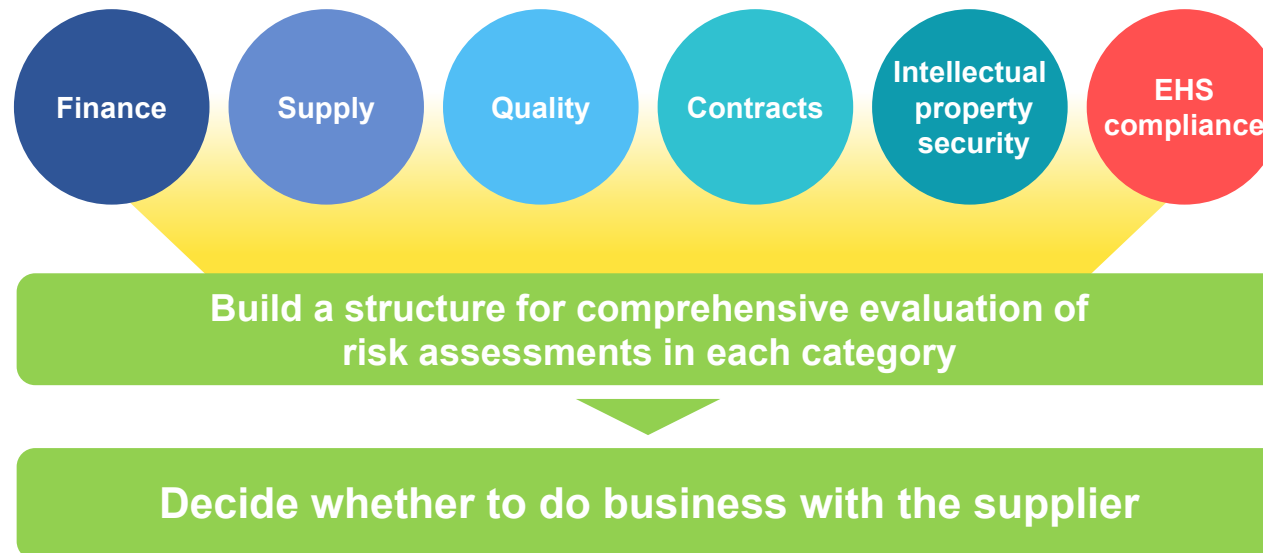


Supply Chain Management: Main Points

In addition to ensuring stable supplies and preserving quality, changes in society and the environment make it essential for management to enhance social value with suppliers.

We have strengthened our supplier evaluation to help realize sustainable supply chain management that supports continuous innovation and creation of a sustainable society.

Establishment of a Comprehensive Evaluation System for Suppliers



* EHS & compliance: Supplier's responsibility in ethics, labor, health and safety, and the environment (including child labor, forced labor and other human rights issues)

Supplier EHS & Compliance Evaluation

Dec. 2017	Began anti-corruption due diligence
Sep. 2018	Conducted dialogues with experts on human rights policy
Nov. 2018	Joined the Pharmaceutical Supply Chain Initiative (PSCI)
Jan. 2019	Formulated and announced our human rights policy
2019~	Plan to begin evaluation of supplier EHS & compliance













2021 Goals	Proposed 2030 Goal
Conduct evaluations of contract manufacturers of APIs, intermediates and formulations	Conduct evaluations of secondary suppliers of major suppliers



Global Environment: Overview of Strategy

Based on the requirements of the Paris Agreement, we examined priority issues in the value chain overall, and set next-fiscal year environmental goals for the following items in 2019.

We are beginning to consider measures for CDP evaluation improvements and initiatives consistent with TCFD recommendations.

Priority Themes in Mid-term Business Plan	Items	2020 KPIs	Considering as 2025-2030 KPIs
Climate change countermeasures (Prevention of global warming)	Energy consumption 	20% reduction (GJ per employee)	●
		Avg. fuel efficiency of MR fleet: 16 km/L or higher	●
	CO ₂ emissions 	—	●
	Renewable energy usage rate 	—	●
	Use of CFCs 	Prohibition of use of controlled CFCs	●
	Scope 3 (flight, waste, etc.) 	—	●
Resource conservation/ Waste management	Waste recycling ratio 	99% or higher at 3 or more sites	—
	Volume of waste generated 	—	●
	Water consumption 	—	●
	Water recycling ratio 	—	●
Biodiversity protection (Reduction of environmental impact)	Prevention of pollution (air, water) 	Environmental impact assessment (WET testing)	●
	Chemical substance management 	—	●
	Environmental impact assessment	—	●
	Ecological footprint	—	●
EHS management system	External assurance of non-financial information	—	●
	Supply chain management	—	—
	Training, internal/external audits 	—	—

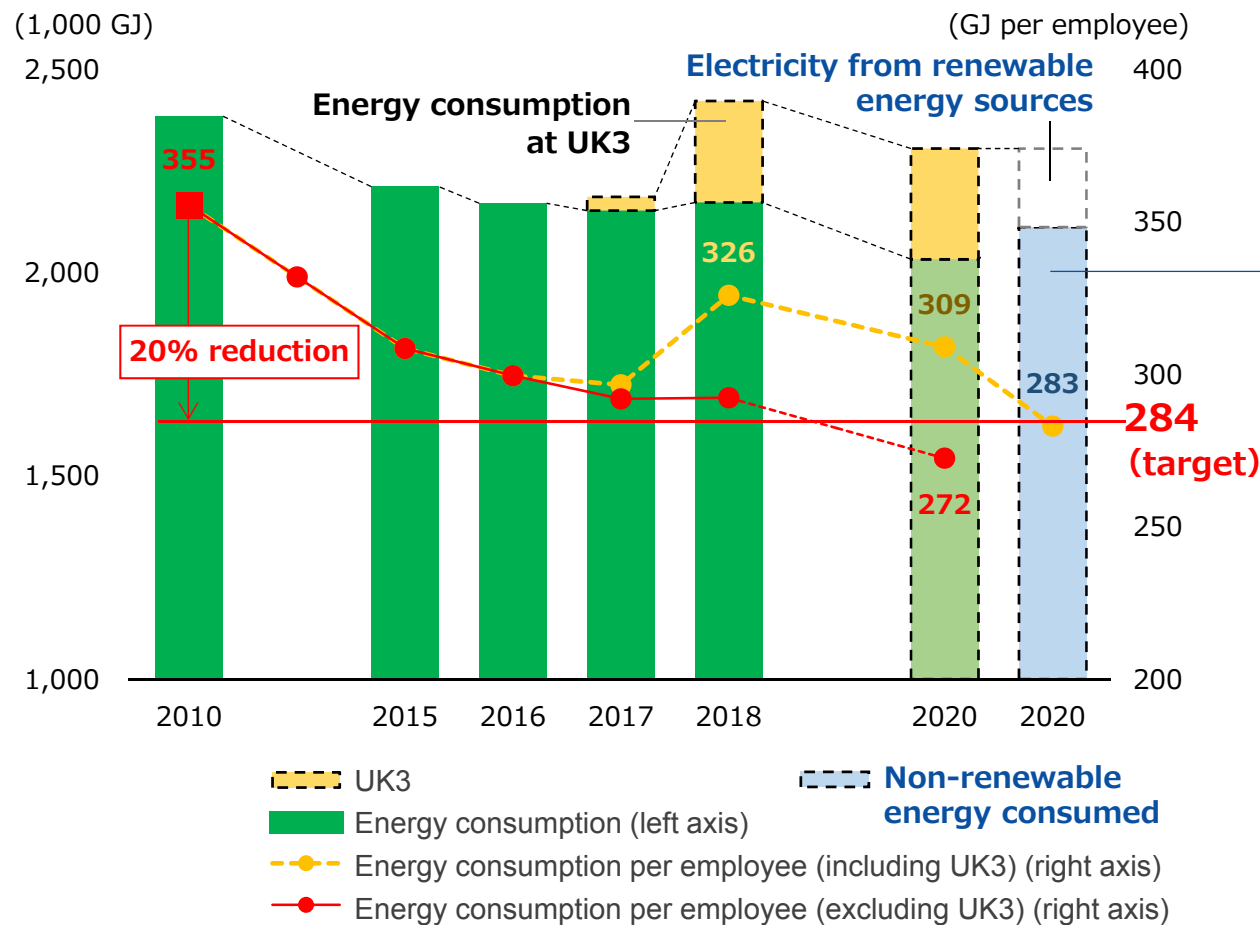
 Items reported to Roche

Energy Consumption

2020 target: 20% reduction of energy consumption per employee vs. 2010

Total energy consumption in 2018 increased 11% from 2017 due to start of operation of UK3

Expect to achieve 2020 target for non-renewable energy consumption per employee by introducing electricity from renewable energy sources



Non-renewable energy consumption per employee: 283 GJ



New bio API plant (UK3)

Specific Initiatives: Efforts at New Research Facility



Chugai Life Science Park Yokohama

A core research facility to be built in Yokohama, Kanagawa Prefecture (planned completion in 2022)
• Building area: 35,210m² • Total floor area: 119,960m²

Emphasizing climate change measures, local disaster preparedness, and biodiversity preservation; aiming to acquire LEED Gold certification for environmental performance

Including consolidation of existing facilities, will reduce our overall environmental footprint

Sign environmental agreement with city of Yokohama, emphasizing coexistence with the local community



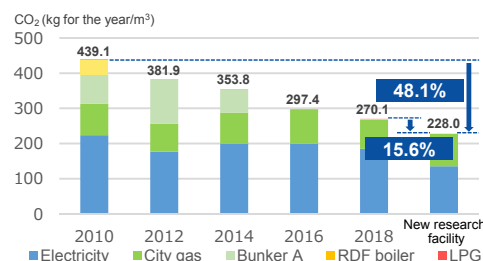
Aiming for LEED Certification

We are emphasizing climate change measures, local disaster preparedness and protection of biodiversity by introducing green infrastructure, and are aiming to acquire LEED Gold certification.



Smaller Ecological Impact

We plan to reduce our overall energy use, CO₂ emissions and waste by closing the Gotemba and Kamakura research centers and consolidating their functions and facilities.



Coexistence

Emphasizing coexistence with the local community and environment, we plan to create a park and recreation spot on the premises and cooperate with educational institutions.



Human Resource Initiatives: Main Points

Talent management

Introduced a talent management system in 2012, and implemented it while making modifications as necessary

- Globally unified competencies used in evaluation as the basis of talent management
- Built CAPTAIN, a backbone system for HR management, and created a central database
- Based on these, created development plans for each employee, and applied them in talent development
- Built a talent pool for selection and visualization of successor candidates for 94 positions

Will further review our HR requirements and development system to speed up recruiting, development and placement of world-class talent

Diversity & inclusion (D&I)

Launched a working team in 2010 and set up specialized D&I unit in 2012

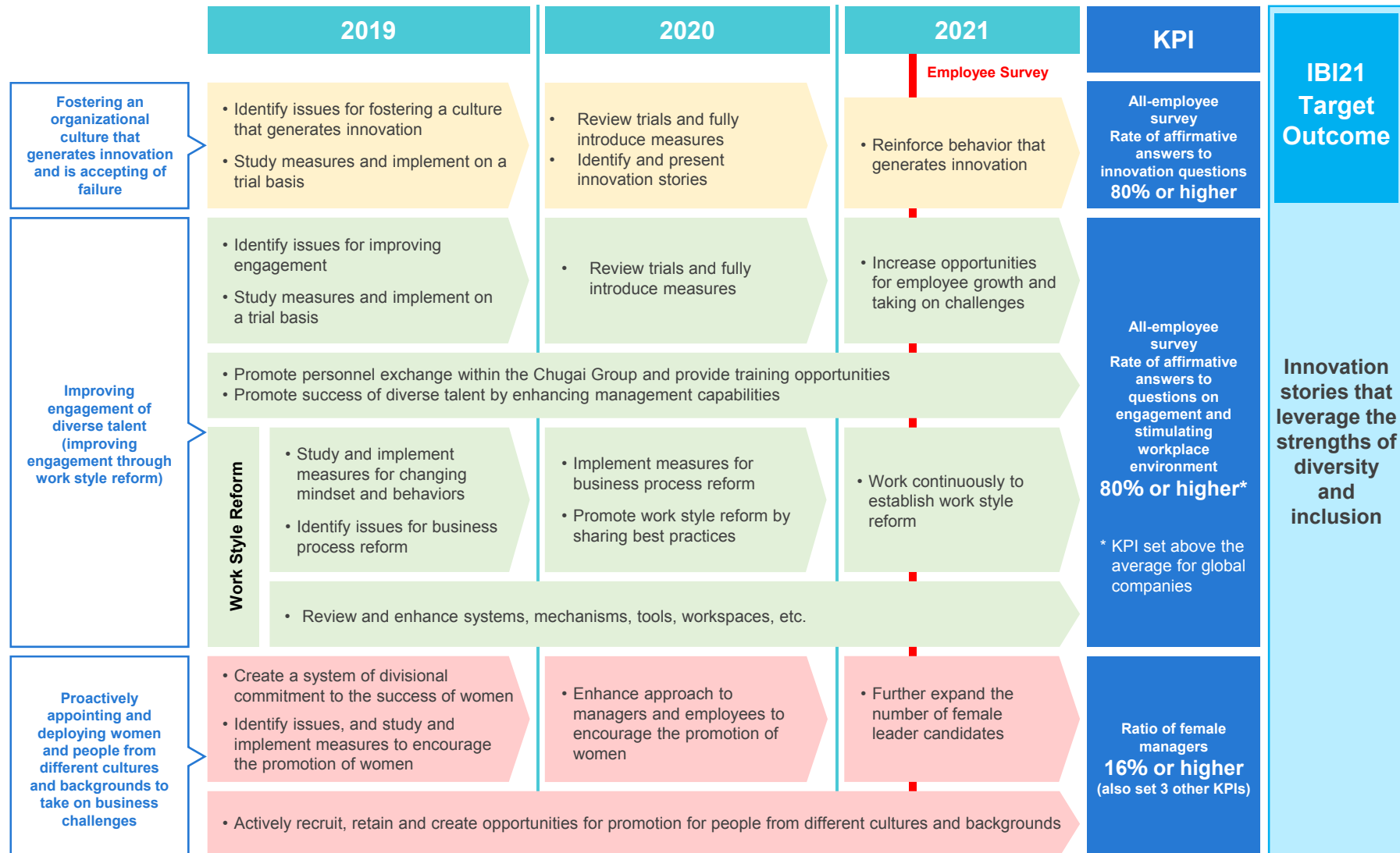
- Focused on work environment improvements and career planning and development measures for female employees
- Conducted diversity management training for managers
Ratio of female managers 2018 target: 13% or higher, Actual: 13.3%
2021 target: 16% or higher
- Updated HR systems and conducted training to promote inclusion of older and foreign employees

Drew up and will implement a detailed roadmap to foster an inclusive workplace culture where diverse employees can excel and pursue innovation

Employee health management

- Established a company-wide health and safety promotion framework to pursue both individual and organizational health
- Established and implemented measures to support employees with cancer, prevent/treat lifestyle diseases, promote employees' mental health, address presentism, improve health literacy, and promote workplace safety

Human Resource Initiatives: D&I Roadmap

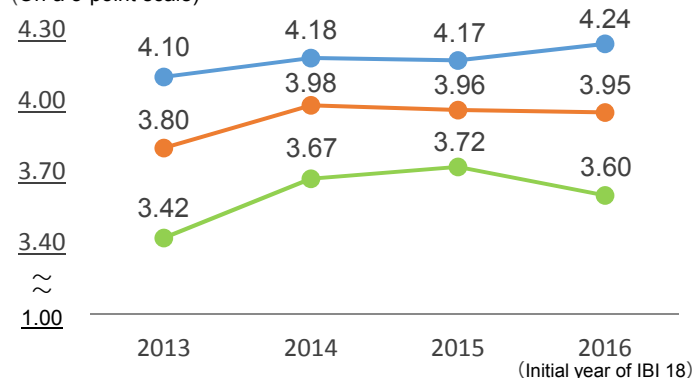


Human Resource Initiatives: Employee Survey



Degree of Promotion of Strategies (All-employee survey results)

(On a 5-point scale)



Evaluation Item

- I understand why it is necessary to achieve the targets of ACCEL 15/IBI 18 (Understanding)
- I am doing what I must to carry out ACCEL 15/IBI 18 (Action)
- My workplace has started to change for the better due to activities for ACCEL 15/IBI 18 (Realization)

Note: This survey was not conducted in 2017.

Overview of Employee Survey (2018)

Participants and response rate	Participants: 6,994 (6,498 in Japan, 496 overseas) Respondents: 6,806 (6,321 in Japan, 485 overseas) Response rate: 97.3%
Question categories	Employee engagement, environment for utilizing employees, strategy and direction, leadership, quality and customer orientation, respect for individuals, opportunities for growth, compensation and benefits, performance indicators, authority and discretion, resources, education and training, framework for collaboration, business processes and organizational structure, and innovation
Benchmark data	Average results from global companies, leading companies, pharmaceutical companies and Japanese companies

Survey Results (Overall Trends)

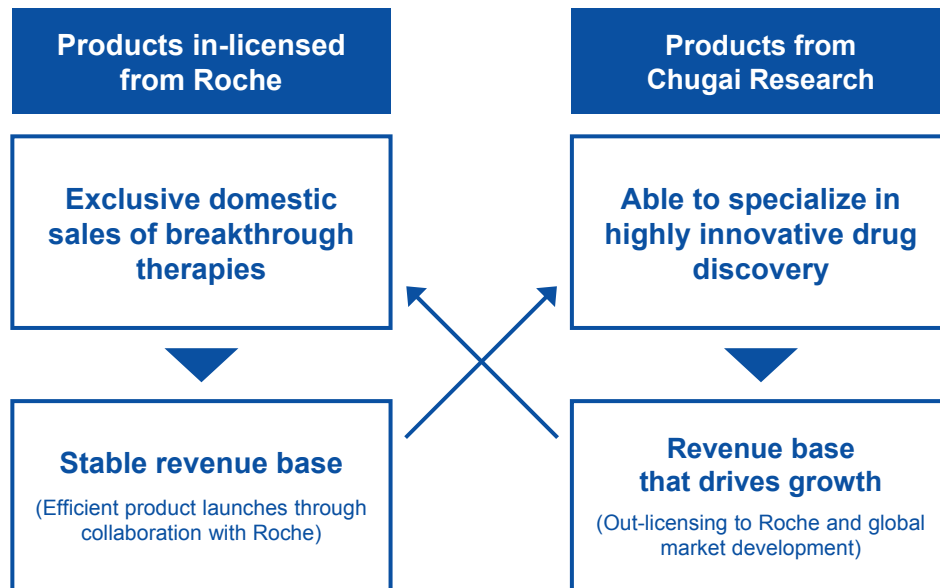
- In all question categories, Chugai scored above the average for Japanese companies. In Japan, Chugai is a leader in terms of employee awareness.**
- Chugai is on par with global companies. Employee engagement is on par with top global companies.**
- Issues for further improvement are the environment for utilizing employees, as well as the resources, framework for collaboration, and business processes and organizational structure that underlie that environment.**
- The percentage of employees who gave employee engagement and working environment high marks is at the level of global companies.**

Corporate Governance

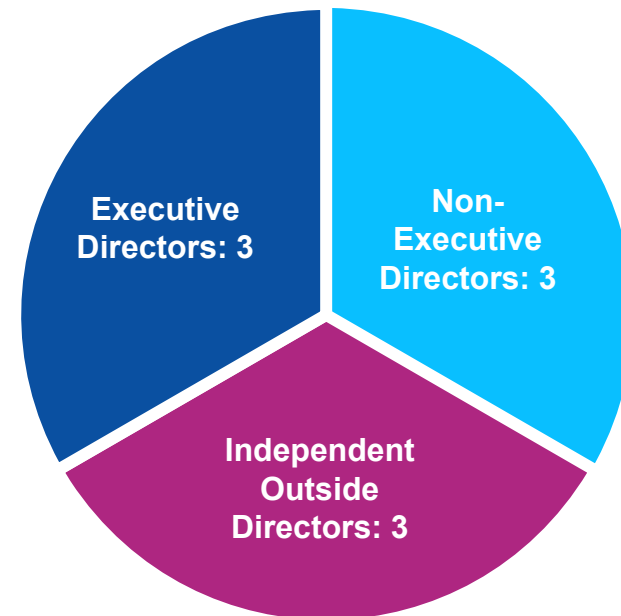
Alliance Arrangement with Roche

- Roche acquires majority of Chugai's shares (50.1%*)
- Chugai maintains management independence (TSE listing)

*Roche has owned 59.9% of Chugai's shares since 2008

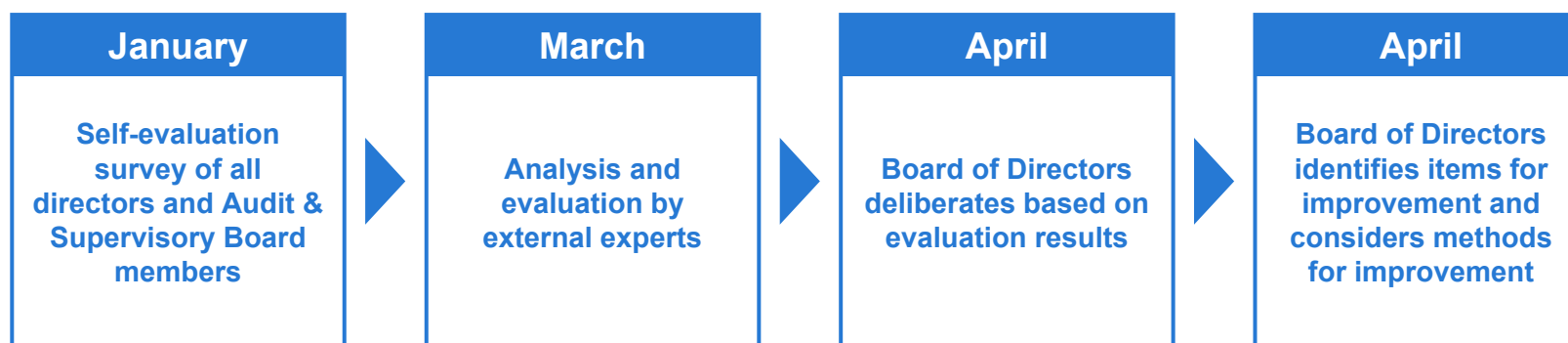


Composition of the Board of Directors



Corporate Governance Topics ①

Evaluation of Effectiveness of Board of Directors



Status of Improvements Identified through Evaluation of the Effectiveness of the Board of Directors

	Main Items for Improvement	Main New Initiatives Implemented after Analysis and Evaluation
2016	<ul style="list-style-type: none"> Review structure of self-evaluation survey and answer options Assiduously provide materials for Board of Directors meetings at least four business days prior to the event Enhance content of reports provided to Board of Directors and make materials easily understood 	<ul style="list-style-type: none"> Began providing information on industry environment trends and other information to outside directors in a Chairman's Message at the beginning of the Board of Directors meetings Provided Board of Directors meeting schedule for the coming year at an early date Implemented factory tours
2017	<ul style="list-style-type: none"> Change the procedure for providing materials to outside officers Enhance topics for reports to the Board of Directors 	<ul style="list-style-type: none"> Held lectures (information on trends of general shareholders meetings) by external experts (attorneys)
2018	<ul style="list-style-type: none"> Conduct prior and additional explanations on agenda items with complex content such as governance and legal matters 	<ul style="list-style-type: none"> Issued the Chugai IR Activities Report to outside officers (every quarter) Provided a glossary of technical terms, abbreviations etc. to outside officers

Corporate Governance Topics ②



Chugai International Council (CIC)



■ CIC Chair

- Henry L. Nordhoff (U.S.)
Former Chairman of the Board,
Gen-Probe, Inc.

■ CIC Members

- Virginia Bottomley (U.K.)
Former Health Secretary of the U.K.
- William M. Burns (U.K.)
Former Chief Executive Officer of the
Pharmaceuticals Division, F. Hoffmann-La
Roche Ltd
- Andrew von Eschenbach (U.S.)
Former Commissioner of the U.S. Food and
Drug Administration
- Victor Halberstadt (Netherlands)
Professor, Leiden University
- Andre Hoffmann (Switzerland)
Vice Chairman, Roche Holding Ltd.
- Franz B. Humer (Switzerland)
Former Chairman, Diageo plc
Former Chairman, Roche Holding Ltd.
- Robert A. Ingram (U.S.)
Former Vice Chairman of
Pharmaceuticals, GlaxoSmithKline plc
- Arnold J. Levine (U.S.)
Professor Emeritus at the Institute for
Advanced Study, Princeton University
Discoverer of the p53 cancer
suppressor protein
- Sonosuke Kadonaga (Japan) President,
Intrinsics

Looking Ahead



Initiatives for the SDGs



Goal 3
<p>Provision of innovative drugs and services/Provision of solutions for patients/Contribution to global health</p>

Goal 8	Improvement of occupational health and safety/Talent management/Promotion of work-life synergy (promotion of use of childcare leave system by male employees and telecommuting system, etc.)/Supply chain management
Goal 9	Provision of innovative drugs and services/Initiatives for personalized healthcare/Establishment of open innovation networks with academia and other parties
Goal 12	Ensuring stable supply and stable inventories/Strengthening of quality assurance and stable supply/Use of renewable and recyclable resources/Environmental management
Goal 17	Establishment of open innovation networks/Stakeholder engagement strategy/Participation in GHIT Fund and Access Accelerated

Looking Ahead



Creation of Shared Value with Society

**Realization of advanced and
sustainable patient-centric
healthcare**

APPENDIX

PSCI (Pharmaceutical Supply Chain Initiative)

The PSCI is a non-profit organization established to improve sustainability among suppliers, buyers and society through standardization of guidelines for responsible procurement by pharmaceutical companies and creation of an information sharing platform for buyers.

- **Established in 2006 in the U.S.**

- **Member companies: 30** (as of June 2018)
* Roche is also a member

- **Established industry principles that led to evaluation and improvement of suppliers sustainability**

Supplier Win

- **Results of supplier evaluations are shared with members, reducing the workload of buyers**

Buyer Win



Activities with ESG Investment in Mind

- Reselection as Component of DJSI Asia Pacific Index -

Chugai is included in all ESG indices adopted by GPIF



FTSE Blossom Japan



MSCI Japan ESG Select
Leaders Index



FTSE4Good

FTSE4Good



MSCI Japan Empowering
Women Index (WIN)



S&P/JPX Carbon Efficient
Index

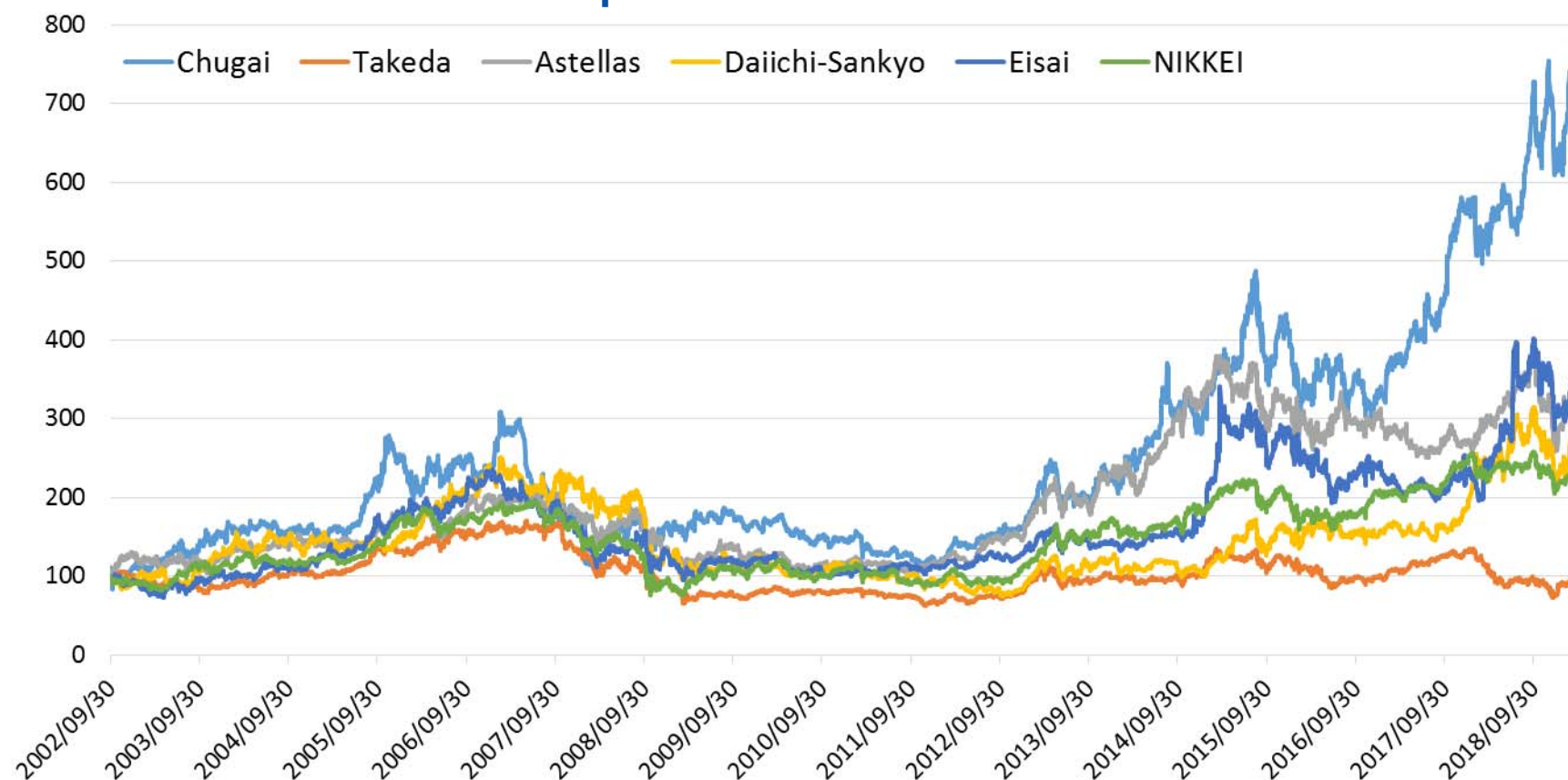


Chugai was selected for the fourth
time as a component of the DJSI
Asia Pacific Index, a socially
responsible investment index

Stock Performance (From 2002)

- Relative change in stock price based on 9/30/2002 value fixed at 100 -

From 2017 onwards, stock prices are steadily rising mainly due to expectations for Hemlibra



* Stock Price: 9/30/'02~4/26/'19 * Closing price on 9/30/'02 = 100

Contacts: Corporate Communications Dept.

Media Relations Group

Tel: +81 (0) 3-3273-0881

E-mail: pr@chugai-pharm.co.jp

**Tomoko Shimizu, Hiroshi Araki, Chisato Miyoshi,
Yayoi Yamada, Shumpei Yokoyama**

Investor Relations Group

Tel: : +81 (0)3-3273-0554

E-mail: ir@chugai-pharm.co.jp

**Toshiya Sasai, Takayuki Sakurai, Tomoyuki Shimamura,
Sachiyo Yoshimura**