

# Chugai's Stance on Sustainability

## Chugai's Approach to ESG

Chugai conducts its business activities to fulfill its mission of benefiting the medical community and human health around the world. That fundamental commitment, shared by each employee, has not changed since the Company was founded in response to the shortage of medicine after the Great Kanto Earthquake of 1923.

In recent years, interest has grown in using environmental, social and governance (ESG) metrics to assess corporate value that does not appear in the financial statements. Chugai views corporate value as a comprehensive product of its economic performance, social awareness and human development. We believe that making meaningful efforts in these aspects will enable us to steadily fulfill our mission over the long term, and increase our corporate value. In other words, for Chugai, which is engaged in business related to the important social issue of health, ESG and the continuous, long-term fulfillment of its mission are inextricably linked.

## ESG and Business Activities

For example, the "social" aspect of ESG includes Chugai's

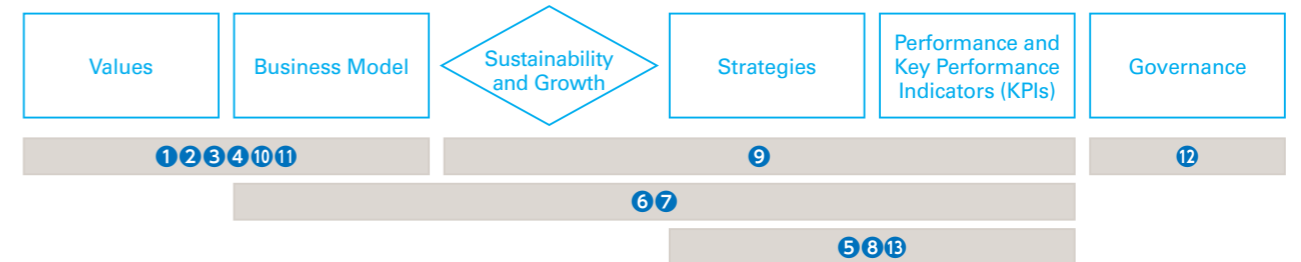
business activities for fulfilling its mission, and "environmental" encompasses its Company-wide efforts to help protect the global environment as an endeavor for the sustained fulfillment of its mission over the long term. In governance, as we are a member of the Roche Group, but maintain management autonomy and independence as a publicly listed company, we promote risk management and compliance to fulfill the mandate of our various stakeholders appropriately and fairly. We also emphasize human resource management based on the idea that people are the source of value creation.

## Measures for Further Evolution

Amid the growing global focus on ESG, external initiatives such as the Sustainable Development Goals (SDGs) are increasingly being used as key metrics. Chugai's mission shares common values with the SDGs, and many of its initiatives are in line with the SDGs. In tandem with formulation of the next mid-term business plan, we are conducting a social and environmental analysis using such external initiatives for reference, and are considering formulating targets for non-financial aspects from the perspective of long-term sustainability.

### Composition of the Annual Report

Chugai considers all of its activities, including the ESG initiatives described above, as efforts for value creation. Accordingly, in this report we aim to provide information that gives readers a deeper understanding of how we create value. The composition of this report follows the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation from the Ministry of Economy, Trade and Industry (METI) of Japan, as shown below.



### Information on Chugai's CSR Initiatives

Chugai discloses its CSR initiatives in a variety of media, including this printed report and its website. Please refer to the website for further details on initiatives presented in this report.

For further details, see the CSR section of the Chugai website  
<https://www.chugai-pharm.co.jp/english/csr/>

## External Evaluation of Chugai's ESG Initiatives



FTSE4Good



2017 Constituent MSCI ESG Leaders Indexes

Chugai is included in all three ESG indices selected by the Government Pension Investment Fund of Japan



FTSE Blossom Japan

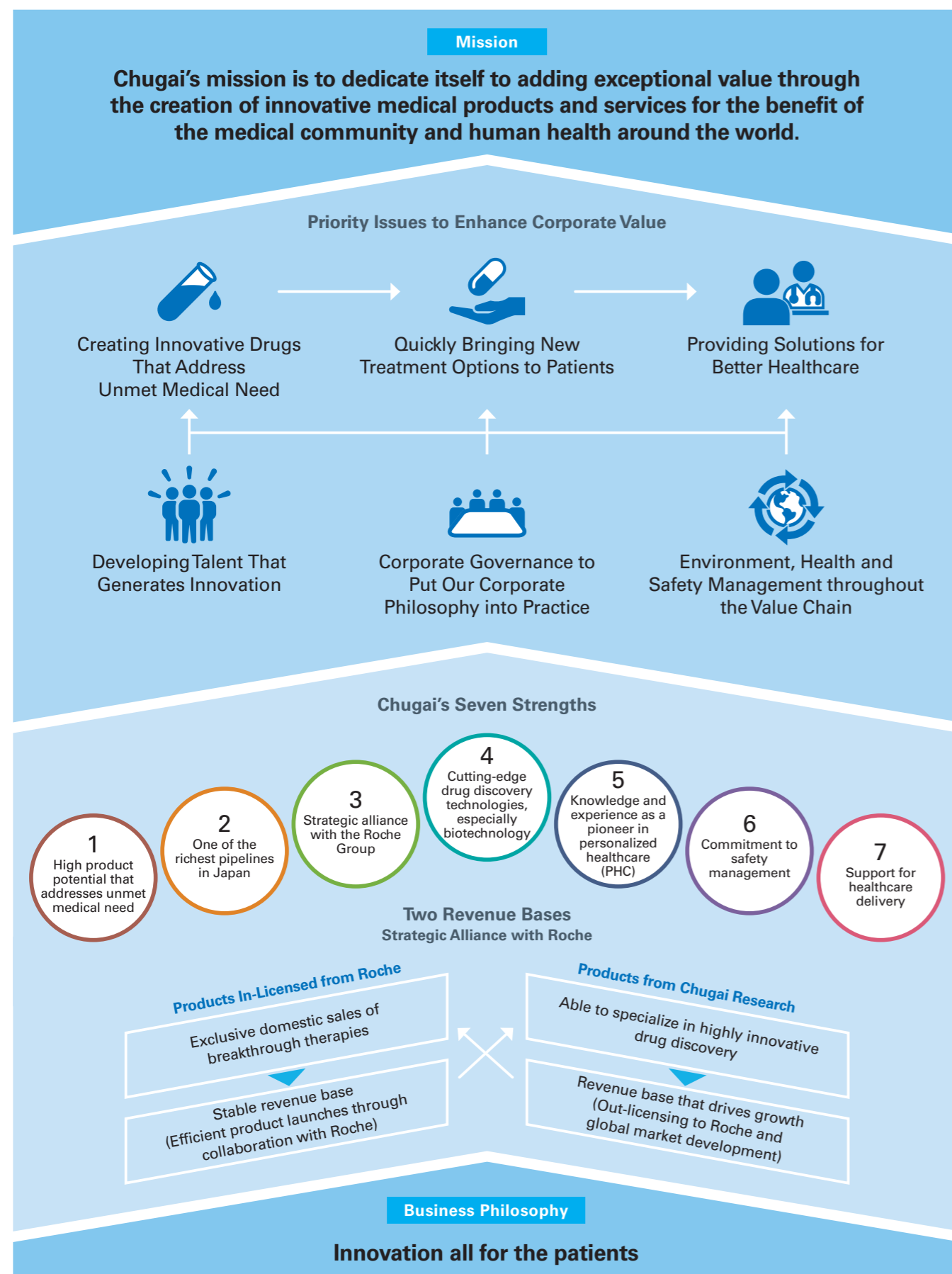


2017 Constituent MSCI Japan ESG Select Leaders Index



2017 Constituent MSCI Japan Empowering Women Index (WIN)

# Chugai's Value Creation Model



"Innovation all for the patients." Guided by this business philosophy, Chugai is focusing on priority issues to enhance its corporate value through innovation, drawing on a unique business model that is built on the strategic alliance with Roche, together with Chugai's "Seven Strengths." Through this approach to value creation, Chugai fulfills its mission of working for the benefit of the medical community and human health around the world.

## Priority Issues to Enhance Corporate Value

To enhance its corporate value, Chugai is implementing a variety of activities that deliver new value to patients. At the same time, the external environment is changing dramatically, and the roles that the pharmaceutical industry and Chugai are expected to play are also changing. In these circumstances, Chugai has identified six main priority issues for generating innovation and further enhancing its corporate value. The most important of these are creating innovative drugs that address unmet medical need through continuous innovation, and quickly bringing new treatment options (groundbreaking drugs) to patients, while simultaneously providing solutions for better healthcare that go beyond just supplying products. To continue demonstrating such value, it is also essential to develop talent that generates innovation, and to promote environmental, health and safety management throughout the value chain. By continuously strengthening corporate governance to put our corporate philosophy into practice, we will create value over the medium to long term.

## Applying Chugai's Seven Strengths

As a result of its continuous innovation for the benefit of patients and its creative initiatives, Chugai has built advantages that contribute to increasing its corporate value. After identifying Chugai's "strengths" from interviews with people inside and outside the Company, we evaluated and analyzed those strengths from the standpoints of value to patients and competitive advantage, resulting in 25 categories. We then organized those categories through outside analysis and other means and distilled them down to seven strengths. By fully applying and developing these strengths, which are the source of Chugai's unique value, we intend to continue contributing to solutions that provide new value for society.

## Two Revenue Bases

The strategic alliance with Roche allows Chugai to in-license, develop and sell Roche's groundbreaking therapies on an exclusive basis in Japan. This stable revenue base allows us to concentrate investment on highly innovative proprietary technologies and drug discovery. Moreover, out-licensing our in-house products to Roche gives us access to global markets, which provides a revenue base that drives growth. Meanwhile, in addition to maximizing the value of Roche products in Japan, the alliance enables Roche to sell our products – which we create through highly innovative, specialized research – in global markets. It is a win-win relationship.

## 2017 Performance (Capital)



1. Copyright © 2018 IQVIA. Source: JPM 2017. Reprinted with permission. The scope of the market is defined by Chugai.  
2. Based on a survey of overall assessments of companies by physicians in hospitals with 100 or more beds, as defined by Chugai

# Message from the CEO (Discussion)

Chugai appointed a new CEO on March 22, 2018. In this section, Representative Director & Chairman Osamu Nagayama, who served as CEO until that date, and Representative Director & President Tatsuhiro Kosaka, the newly appointed CEO, share their thoughts with stakeholders.

## We constantly transform ourselves to deliver innovative pharmaceuticals.

**Nagayama** Continuously bringing innovative drugs to patients suffering from disease is Chugai's purpose. Chugai was founded in 1925 in response to the severe shortage of medicine after the Great Kanto Earthquake, and the Company's commitment to contributing to healthcare with exceptional medicines has not changed since then. To live up to the Company's founding spirit, we constantly transform ourselves to adapt to the needs of the times and society. I believe this is the reason we have continued to grow.

**Kosaka** Chugai's business model has certainly changed a great deal during its history of more than 90 years. In response to changes in social and business conditions, the Company switched its primary business focus from over-the-counter drugs to prescription drugs, and ventured into biopharmaceuticals ahead of its industry peers. We have never been afraid to change or to take risks. The turning point that laid the foundation for our current business model was the strategic alliance we began with Roche in 2002. I conducted negotiations for the alliance as head of the working group under your supervision, but I was deeply aware of how significant it would be for the medicines that Chugai creates to contribute to healthcare globally.

**Nagayama** Diseases have no borders. Chugai exists to create innovative drugs that address unmet medical need,<sup>1</sup> but unless we deliver value to patients worldwide, we cannot fulfill that role. And there are limits to how much of the enormous cost associated with creating new drugs can be covered by a single

Diseases have no borders, so Chugai has to deliver value globally. We will enhance our corporate value by continuing to innovate for the benefit of patients around the world.

**Osamu Nagayama**  
Representative Director & Chairman



company. The formation of this unique alliance, in which we are a member of Roche Group but still maintain our stock listing and management autonomy in Japan, was a decision we made in order to continue pursuing innovation independently as an R&D-driven company.

In 2017, the fifteenth anniversary of the alliance, Chugai's revenues and operating profit have more than tripled and our market capitalization has grown about 9 times<sup>2</sup> compared with their levels before the partnership. I see this as proof of the value of the business model we established through the alliance.

## Creating a unique business model enabled global growth.

**Kosaka** I agree. At the party held when the alliance was formed, someone said in a speech that "Chugai has become a global company overnight," and that really is true.

These last 15 years can be divided into three periods. In the first phase up to 2008, we were busy bringing the management of the "New Chugai" up to a global level. We carried out clinical development, regulatory filings and launches of

multiple large projects simultaneously to make the products sold by Roche worldwide available in the Japanese market, which was an unprecedented challenge for us. At the same time, we introduced a project lifecycle management system and a Specialty MR system, carried out business process reengineering, and made other enhancements in anticipation of business scale expansion.

With the establishment of this business foundation during this phase, we were ready to step up our efforts in the second phase from 2009 to 2014 toward becoming a "top pharmaceutical company".

**Nagayama** In 2009, we set our fundamental goal of becoming a top pharmaceutical company, backed by the growth of our employees.

The source of corporate value is people. The quality and volume of the global-level work our people experienced following the start of the

1. Medical need that is not adequately met due to a lack of effective treatments  
2. As of December 31, 2017

In a time of structural change for the healthcare industry, our people will be the key to benefiting patients. Backed by their talents, we will pursue innovation to achieve growth in the medium to long term.

**Tatsuhiro Kosaka**  
Representative Director,  
President & CEO



alliance in 2002 significantly boosted their professional development. We had already established top positions in oncology and antibody research, but the awareness of our employees had not kept pace with the rapid expansion of our business in certain aspects.

Our next task was to instill in employees a mindset of setting ambitious goals for themselves rather than following other companies, and working with pride and awareness as an industry leader. That's why we set the goal of becoming a top pharmaceutical company.

We laid out a clear vision and encouraged the autonomous change of individual employees, which helped to raise the level of our subsequent activities. I think this prepared us to deliver unprecedented value to patients and the medical community in all our functions as a leading company, in ways such as continuous generation of innovative projects, promotion of personalized healthcare, and enhancement of safety management.

**Kosaka** That brings us to the third phase from 2015 to the present. The goal of becoming a top pharmaceutical company is now well established among our

employees, and we are taking on the challenge of new fields on our own through acquisition and implementation of competitiveness at a top global level. Mid-term business plan IBI 18, which incorporates our message of "Innovation beyond Imagination," is a management plan for taking on unprecedented challenges.

**Nagayama** When I look back at our growth since the start of the alliance, I think it has been driven by our pursuit of innovation in every aspect of our business and by Chugai's unique earnings structure.

Chugai has two growth engines. One is the products we in-license from Roche. Exclusively selling the Roche Group's groundbreaking therapies in Japan provides a stable revenue base. That stability has allowed us to tackle more challenging and innovative projects in our own research activities, our second growth engine. The innovative products resulting from that research are sold in the global market through the Roche Group. This is a revenue base that drives growth, and provides the capital for pursuing further innovation.

### Definition of a "Top Pharmaceutical Company" (The company Chugai aims to become by the late 2010s)

A company that focuses on first-in-class<sup>1</sup> and best-in-class<sup>2</sup> products and services, and continuously provides new solutions to patients and medical communities around the world.

— Innovation all for the patients —

1. An original drug that is highly novel and useful, and will significantly change the therapeutic system  
2. A drug that offers clear advantages over other existing drugs in the same category, such as those with the same molecular target

#### Quantitative Aspects

##### 1. Among the top three Japanese pharmaceutical companies in the following:

- Domestic market share
- Ratio of consolidated operating profit to revenues
- Consolidated operating profit per employee
- Domestic sales per medical representative

##### 2. No. 1 presence in strategic disease areas

- Oncology/Renal/Bone & Joint/RA: Top-class sales share and stakeholder satisfaction

- Establishment of top brand in hospital market by supporting medical liaison networks between medical professionals

##### 3. Expansion of global presence

- Higher overseas sales ratio
- Number of large global products in lineup
- Number of global projects in late-stage development
- Continuous addition of first-in-class and best-in-class in-house projects to the portfolio

#### Qualitative Aspects

##### 1. A company that satisfies all its stakeholders and receives their active support and trust

##### 2. A company that works proactively on a global level

- Continuous creation, development, and domestic and overseas launches of products with a competitive advantage in clinical results
- Contribution to the Roche Group's results through product-appropriate fostering and sales
- Leadership in pharmaceutical industry activities
- Activities in which all employees have an awareness, sense of responsibility and pride as part of a top pharmaceutical company

### Industry-leading discovery capabilities lead to major value creation.

**Nagayama** Chugai's drug discovery capabilities are also an important growth engine for the Roche Group. Actemra and Alecensa, which were both discovered by Chugai, are being brought to patients around the world through Roche, and are contributing to the Roche Group's earnings. The fact that five<sup>3</sup> of the Roche Group's 19<sup>3</sup> breakthrough therapy designations (BTDs)<sup>4</sup> were for projects originating from Chugai research indicates the high level of our innovation capabilities.

Chugai was one of the first companies in Japan to begin discovery research using biotechnology and has established a world-leading technological platform, including antibody engineering technologies. The therapeutic antibodies and other drug candidates we discovered are now entering the clinical stage of development one after another. We are also working on creating middle molecule drugs as our next-generation technology in pursuit of value creation driven by advanced science and technology.

**Kosaka** In 2017, the second year of IBI 18, our strengths began to yield real results. As such, it was a pivotal year for us. In terms of financial performance, we achieved record revenues and operating profit, and the quantitative and qualitative objectives we set for becoming a top pharmaceutical company are now within reach.

In terms of strategy, Hemlibra, a product from Chugai research that promises to be one of our most important growth drivers, was launched first in the United States for hemophilia A with inhibitors, following simultaneous regulatory filings in Japan, the United States and Europe. This is a very significant achievement. Hemlibra is an innovative drug that was discovered using Chugai's proprietary bispecific antibody technology, and we were able to carry out rapid global development and a quick market launch through the Roche Group's network. It is thus a project that exemplifies the strength of our business model. As a drug that brings innovation to hemophilia treatment, Hemlibra is expected to offer significant benefit to patients worldwide. We also steadily advanced our priority agenda, including the smooth development progress of Tecentriq, another key growth driver, the establishment of a biological API production system to handle high-mix, low-volume production, and the development of a new system for providing solutions based on cooperation among the Marketing & Sales, Medical Affairs and Drug Safety divisions.

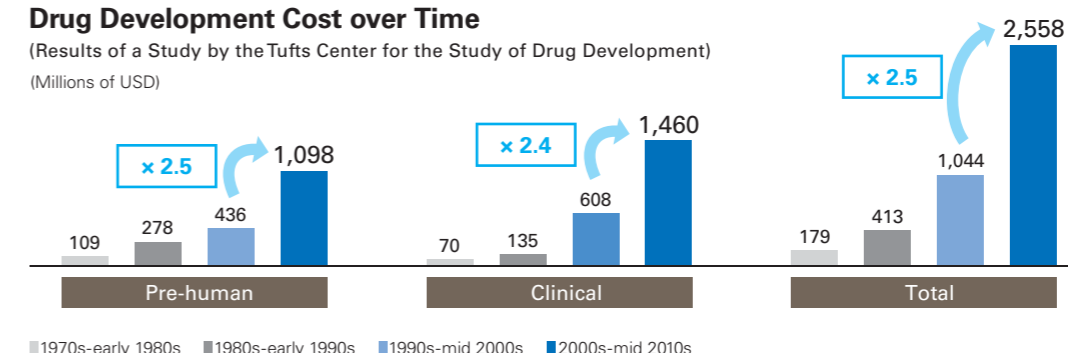
In 2018, the final year of IBI 18, the market environment is expected to pose challenges, such as the biannual NHI drug price revisions. However, we are committed to successfully completing our strategies in all functions – discovery, clinical development, manufacturing and solution provision – and adding to our accomplishments to wrap up our efforts during the three years of the plan.

3. As of February 1, 2018  
4. A system introduced in July 2012 by the U.S. Food and Drug Administration aimed at expediting the development and review of drugs for the treatment of severe or life-threatening diseases or symptoms

### Drug Development Cost over Time

(Results of a Study by the Tufts Center for the Study of Drug Development)

(Millions of USD)



Source: DiMasi, J.A., *Journal of Health Economics* (2016) 47: 20-33

## The only response to structural changes in the industry is to pursue innovation.

**Kosaka** As we go forward, disruptive technologies such as artificial intelligence, the Internet of Things and nanotechnology are expected to bring about what has been described as the Fourth Industrial Revolution. In addition, there are threats to sustainability, including declining birth rates, aging populations, environmental degradation, and ballooning public debt. The interaction between these issues is likely to usher in a period of dramatic change unlike any we have ever experienced. In the healthcare industry, although new medical technologies are expected to generate new demand, competition is sure to intensify with the entry of players from other industries, and the global rise in social security costs and weakening fiscal positions will inevitably lead to further measures to control healthcare costs.

In order to continue creating value going forward, Chugai has to make the most of its strengths and prepare for the coming changes in the industry structure. The only way to do this is by pursuing innovation.

**Nagayama** Chugai's driving force truly is innovation. On the other hand, innovation – that is, the creation of novel medicines – is becoming increasingly difficult. Global competition to develop new drugs has intensified as the difficulty of development rises and technological advances drive up costs. According to one study,<sup>5</sup> successfully developing a new drug and bringing it to market requires investment of as much as U.S.\$2.5 billion (roughly ¥300 billion), including the cost of projects that quietly fail. It is hard for a pharmaceutical company to grow and survive without the financial strength to shoulder that burden.

However, drug development is highly specialized by nature, so the risks associated with the business, the process of innovating, and the various technologies and amount of investment required are not well understood by the public. Unless innovation is properly valued, pharmaceutical companies cannot create breakthrough drugs to cure diseases that have no existing treatments. Life science, which includes the pharmaceutical industry, is a field that uses precise and advanced science and technology. It will continue to be a growth sector in the global industrial structure.

5. In a study by the Tufts Center for the Study of Drug Development (see graph on page 7), it was estimated that development of a single drug requires investment of approximately U.S.\$2.5 billion (approximately ¥300 billion) based on the clinical development success rate.

**Kosaka** The pharmaceutical industry as a whole should be engaging in a discussion on health economics and the balance between innovation and cost. As a leader in the industry, Chugai should do what it can to encourage such debate.

In addition, while we have grown on the strength of our unique business model and technologies, there is no guarantee that this growth will continue indefinitely. As I said earlier, technological innovation with the potential to transform society is advancing. To continue innovating, we must think beyond the conventional framework of drug discovery.

In this context, while realizing advanced pharmaceutical treatments in our core realm of “the pill,” we must expand our efforts “around and beyond the pill,” in other words, beyond the borders of the pharmaceutical industry. In the realm of the pill, we will continuously produce innovative medicines by leveraging our existing strengths as well as middle molecule discovery technology – our next-generation core technology – and open innovation<sup>6</sup> that includes cutting-edge immunology research through a comprehensive alliance with IFRc.<sup>7</sup> Around the pill, in the realm of solutions bordering on medicines, we will start offering a genomic testing service that uses a next-generation sequencer in the business with Foundation Medicine Inc. (FMI) that we will launch on a full scale in 2018. We want to take advantage of the synergy of this service with the pharmaceutical business so that we can contribute to the advancement of personalized healthcare and genomic medicine. Beyond the pill, in fields beyond medicines, we intend to work toward greater innovation in various ways including through collaboration with partners in other industries while harnessing the so-called Fourth Industrial Revolution as an opportunity for innovation. Led by the Science & Technology Intelligence Department established in April 2017, we plan to link these efforts to a growth scenario as our first initiative.

The next mid-term business plan is currently being drawn up. We intend to disclose the specifics of our growth strategy when the plan is announced.

## Under the new CEO structure, we will aim for continuous innovation and greater corporate value.

**Nagayama** The year 2017 was very significant for Chugai. The initiatives we have taken began to yield results; we marked the fifteenth anniversary of the alliance with Roche; and, for me, it was the twenty-fifth year since I was first appointed President. Now, 2018 will be the year we prepare the next mid-term business plan as we approach our goal of becoming a top pharmaceutical company. I thought the timing was right to pass the baton to a new CEO, and Mr. Kosaka accepted. I will focus on supervising management as Representative Director & Chairman so that Chugai creates value befitting a top pharmaceutical company, including value from an environmental, social and governance (ESG) perspective.

**Kosaka** When I heard that I was going to be named the new CEO, I was very surprised, but I also felt a tremendous sense of responsibility and motivation.

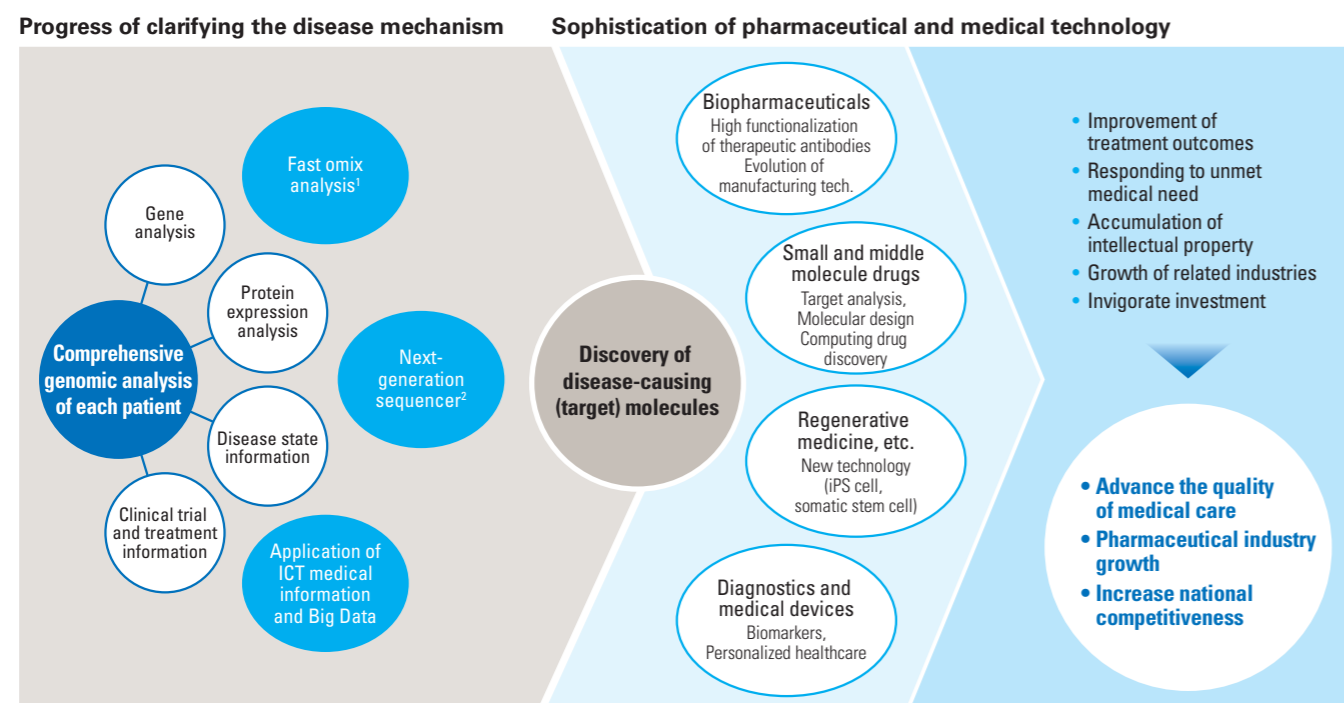
As you said, our people are the key to pursuing innovation for the benefit of patients. Under IBI 18, I made a commitment to revamp our human resource strategy and talent management system to develop the next generation of managers. We have identified seven global competencies as the parameters for the type of people we seek, and by linking productivity, diversity and work-life synergy, we intend to be a company where talented people have the freedom to reach their full potential. I will place the highest importance on fostering an energetic, enjoyable and positive corporate culture because I believe such a culture is fertile ground for nurturing the seeds of innovation.

With people as its greatest asset, Chugai will further increase its corporate value by continuing to innovate. You can expect great things from Chugai as we move forward.

6. Generating innovative, new value by utilizing the technologies and development capabilities of external research networks in addition to in-house capabilities

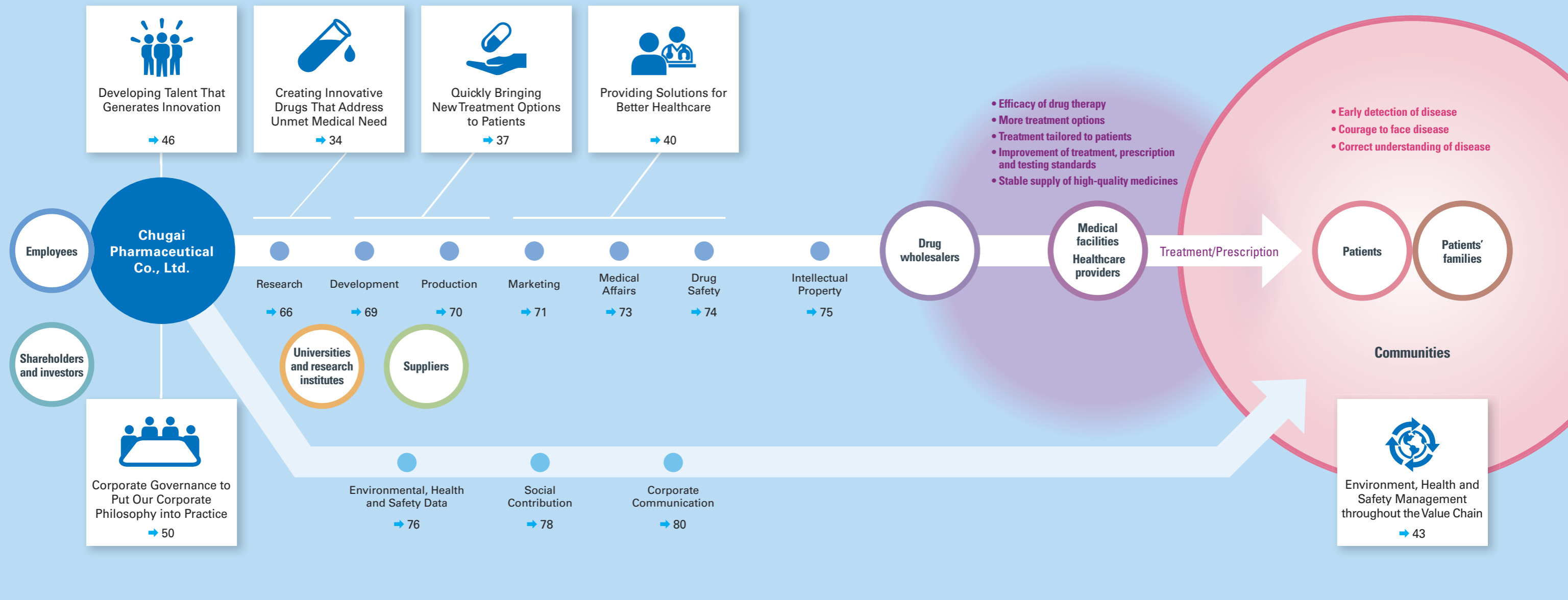
7. Osaka University Immunology Frontier Research Center

## Clarification of Disease Mechanisms and the Advancement of Emerging Drug Discovery Technologies



1. Comprehensive analysis, recording and use of in vivo DNA, protein and other molecules  
2. A device that is capable of sequencing genomes at high speed

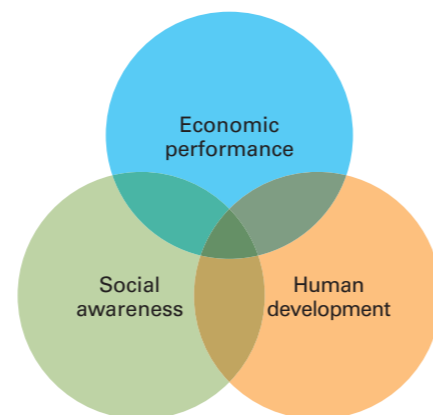
# Creating Value with Stakeholders



Chugai's business activities depend on the support of many stakeholders. Among them are patients, consumers, healthcare providers, shareholders and investors, business partners, society, non-profit and non-governmental organizations, and our employees. As changes in the business environment intensify, profit growth alone will not be enough for achieving long-term sustainable growth; processes and quality will also be scrutinized more closely than ever.

At Chugai, we have long held the belief that corporate value is a comprehensive product of our economic performance, social awareness and human development. We have planned and implemented our business strategies based on this concept, and have actively pursued initiatives to increase our non-financial value. As we go forward, we will fuse these three elements – economic performance, social awareness and human development – on a higher plane to achieve our mission of benefiting the medical community and human health around the world. By doing so, we intend to increase the value that Chugai creates.

## Chugai's Concept of Corporate Value



The value that Chugai creates goes beyond improving the effectiveness of patient treatment through medicines. We also create value in ways such as enabling healthcare providers to deliver better treatment and helping patients to detect their disease early, understand it better and face it with courage. We are focusing on priority issues to support this value creation, entitled "Priority Issues to Enhance Corporate Value."

The Chugai Group's mission is to "dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world." We share the values expressed in United Nations SDG 3 – Ensure healthy lives and promote well-being for all at all ages. Many of our CSR activities to date are also aligned with other SDGs.

## U.N. Sustainable Development Goals (SDGs)



# Deputy Chairman on Engagement with Society

## Solutions That Fit the Times

Chugai's mission is to benefit the medical community and human health around the world. As such, the role we play is continually changing. The pharmaceutical industry is facing an era of uncertainty marked by trends such as a declining birth rate and aging population, the growing need to contain healthcare costs, and low success rates and rising costs in research and development. In these circumstances, Chugai's presence in the industry is increasing. For this reason, we must address larger societal issues together with our stakeholders. One of the qualitative objectives of Chugai's fundamental goal of becoming a top pharmaceutical company is to be a "company that satisfies all its stakeholders and receives their active support and trust." I believe that by using innovation to solve the issues facing patients and the medical community, we will earn the trust of society.

## Value Creation: Progress and Results

In 2017, our numerous research and development projects showed progress, and new drug approvals and launches were on schedule. Chugai's efforts continued to focus on providing solutions for social

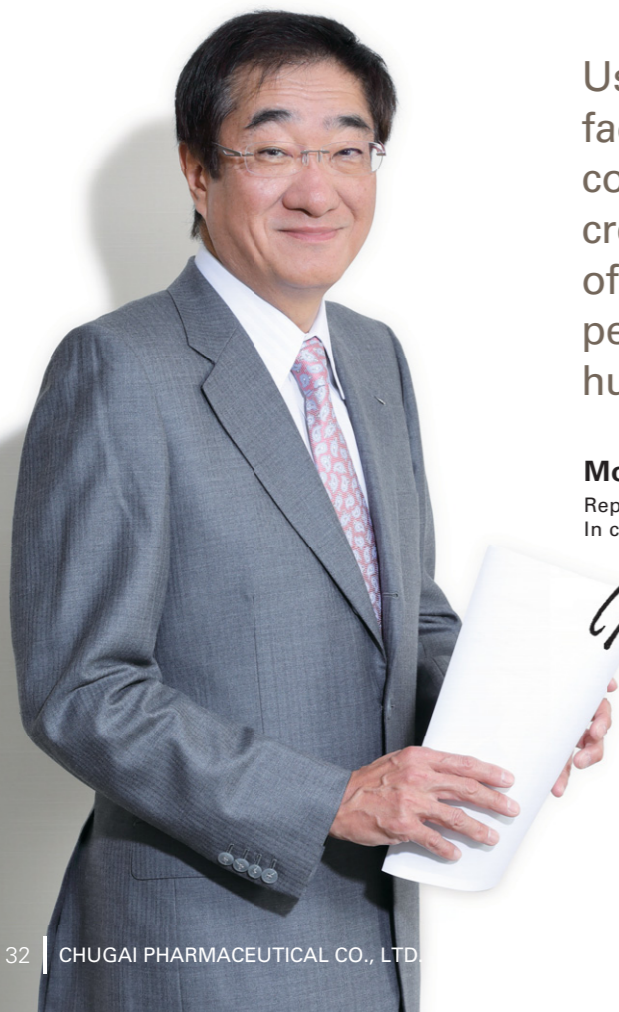
issues by creating innovative drugs and making them available to patients as quickly as possible. However, our achievements for the year went beyond that. For example, we promoted the use of extensive safety information through the databases we built to support effective adverse drug reaction management and continuation of treatment for patients. In addition, we contributed to community-based care by establishing a solution provision system adapted to the new regional healthcare system that will begin in 2018 in Japan. We see all of these accomplishments as major steps forward.

Helping patients gain an accurate understanding of their disease and improving their social and treatment environments are also issues that we can help to address, and we made progress in these areas as well. For disease awareness, in addition to the existing activities that we conduct jointly with local public bodies, we began cooperating with companies in other industries to increase the effectiveness of our efforts. We also implemented programs to support employees during cancer treatment and after they return to work, based on the belief that this is an activity in which Chugai should take the lead. In these and other initiatives, we are at the forefront of the industry in Japan.

Using innovation to solve the issues facing patients and the medical community is Chugai's vision of value creation. We will meet the expectations of our stakeholders by fusing economic performance, social awareness and human development on a higher plane.

### Motoo Ueno

Representative Director & Deputy Chairman  
In charge of Corporate Social Responsibility Dept., Audit Dept.

## Meeting the Requirements and Expectations of Society

In our internal operations, we have made improvements to governance and our human resource strategy. One initiative in particular that I have spearheaded is strengthening compliance at the global level. At Chugai, we believe that corporate ethics take priority over profits, and as such, our definition of compliance goes beyond simply following laws and regulations to include meeting the requirements and expectations of society. With the increase in our global activities, it was important that we also build a robust global compliance system. We began that effort in 2016, and in 2017 we reorganized our committee structure and established a global system that includes overseas subsidiaries. The new system has enabled unified management of corporate compliance,<sup>1</sup> healthcare compliance<sup>2</sup> and regulatory compliance,<sup>3</sup> which had been handled separately. To promote the new system in frontline operations, I personally visited our overseas subsidiaries to talk about it with employees and exchange ideas, and I think our message was well received. We will continue such activities as we go forward.

## Considering Strategies from a Long-Term Perspective

In the long term, advances in artificial intelligence and other disruptive technologies are likely to have a significant impact. In the medium term, it is important that we adopt these technologies to create added value, and in the long term we must also consider using them as tools to address outstanding social issues and deal with those that newly emerge. Cooperation with companies from other industries will be a key management priority in such initiatives, and we will work to enhance such collaborative efforts to generate further innovation.

To achieve sustainable long-term growth under these conditions, we must more clearly define the issues we should help to address and the value we offer, and act more strategically. Accordingly, in tandem with the formulation of the next mid-term business plan in 2018, we will also consider establishing a long-term vision and targets for non-financial aspects of our business after analyzing the social environment and identifying the value that we can contribute.

## Corporate Value through Economic Performance, Social Awareness and Human Development

Underlying Chugai's approach to value creation that I have outlined is the consistent and firm belief that our corporate value is a comprehensive product of our economic performance, social awareness and human development, and that it is important to fuse these three elements on a higher plane. Ten years have passed since we established our CSR policy and started managing CSR action plans and their progress. Initially, many employees viewed CSR and business as separate endeavors, but through continued proactive communication within the Company, and diligent efforts by managers at every level to link our concept of economic performance, social awareness and human development to daily business activities and apply it in each job, I am proud to say that the concept has taken root.

Our vision for value creation is now widely shared. In my view, there is no better foundation for corporate growth and development. Through innovation, Chugai will continue to advance value creation that benefits the medical community and patients around the world. We appreciate your ongoing support.

1. Defined by Chugai as compliance with general laws, industry standards, Company rules and other regulations, as well as with societal norms and values
2. Defined by Chugai as compliance in general business operations related to conducting clinical testing, clinical research and nonclinical research, support operations, collecting medical information and providing drug information
3. Defined by Chugai as compliance with pharmaceutical regulations in Japan and overseas and with Company rules and procedures based on those regulations

### Chugai Business Conduct Guidelines (Chugai BCG)

In order for the Chugai Group to fulfill its Mission Statement, be trusted and selected by society for its faithful conduct, and make sustained contributions to society, the Chugai BCG has been established as a set of standards governing both corporate and individual employee behavior based on the Core Values of the Chugai Mission Statement.

- **Responsibility to Patients and Consumers**  
We will always put the patient and the consumer first, and provide high-quality products and services of superior safety and efficacy.
- **Strict Adherence to the Law**  
In all our business activities, we will strictly adhere to all laws and their underlying principles.
- **Respect for Human Rights**  
We will respect human rights in every aspect of our business activities.
- **Fair Trade**  
We will engage in fair and transparent transactions with medical institutions and organizations, suppliers, customers and other business partners.
- **Management of Corporate Assets**  
We will achieve our management objectives through the optimal and appropriate management and use of corporate assets.
- **Disclosure of Information**  
We will actively and fairly disclose our corporate information in accordance with both legal requirements and the principles of social justice.
- **Social Contribution**  
We will remain aware of our responsibility as a good corporate citizen and actively continue with our social action programs.
- **Protection of the Global Environment**  
We believe the supreme value to the future of "one and only Earth" and, therefore, we continue our efforts to reconcile our business activity with nature and environments.
- **Relations with Governmental and Administrative Bodies**  
We will maintain fair and transparent relations with policymakers and administrative bodies.
- **Relations with External Bodies**  
We will maintain fair and transparent relations, within reason, with external bodies.

# Board of Directors, Audit & Supervisory Board and Executive Committee Members (As of April 1, 2018)

## Representative Directors



**Osamu Nagayama**  
Representative Director & Chairman  
Outside Director and Chairman of the Board of Directors of Sony Corporation

**Executive Director**



**Motoo Ueno**  
Representative Director & Deputy Chairman  
In charge of Corporate Social Responsibility Dept., Audit Dept.

**Executive Director**



**Tatsuro Kosaka**  
Representative Director, President & CEO  
Outside Director of Asahi Group Holdings, Ltd.

**Executive Director**

## Directors



**Dr. Yasuo Ikeda**  
Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation,  
Specially Appointed Professor of Waseda University,  
Professor Emeritus of Keio University

**Outside Independent**



**Masayuki Oku**  
Outside Director of Kao Corporation  
Outside Director of Komatsu Ltd.  
Outside Director of Panasonic Corporation  
Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.  
Non-Executive Director of The Bank of East Asia (China) Ltd.

**Outside Independent**



**Yoichiro Ichimaru**  
Executive Advisor of Toyota Motor Corporation  
Senior Advisor of Aioi Nissay Dowa Insurance Co., Ltd.

**Outside Independent**



**Dr. Christoph Franz**  
Chairman of the Board of Directors,  
Roche Holding Ltd.  
Member of the Board of Directors of Stadler Rail AG (Switzerland)  
Member of the Board of Directors of Zurich Insurance Group Ltd. (Switzerland)

## Audit & Supervisory Board Members



**Shunji Yokoyama**  
(Full-time)

**Independent** Independent officer pursuant to Article 436-2 of the regulations of Tokyo Stock Exchange, Inc.



**Mamoru Togashi**  
(Full-time)



**Hisashi Hara**  
Advisor, The Law Office of Nagashima Ohno & Tsunematsu  
Outside Director of the Board of Nippon Paint Holdings Co., Ltd.

**Outside Independent**



**Takaaki Nimura**  
Representative of Nimura Certified Public Accountant Office, Outside Director and Chairman of Audit Committee of Sony Corporation

**Outside Independent**

## Board of Directors (As of April 1, 2018)

### Osamu Nagayama

1978 Joined the Company  
1985 Deputy General Manager of Development and Planning Div. and Director  
1987 Director & Senior Vice President  
1989 Representative Director & Deputy President  
1992 Representative Director, President & CEO  
2010 Outside Director and Chairman of the Board of Directors of Sony Corporation (to present)  
2012 Representative Director, Chairman & CEO  
2018 Representative Director & Chairman (to present)

### Motoo Ueno

1984 Joined the Company  
1991 General Manager of London Representative Office  
1993 Director  
1994 Director and General Manager of Medical Information Div.  
1995 Director and General Manager of Clinical Research & Development Division  
1996 Director and Deputy General Manager of Research and Development Division  
1997 Director & Senior Vice President  
1998 Senior Vice President  
2000 Director & Senior Vice President  
2002 Director & Deputy President  
2003 Director & Deputy President, Vice President  
2004 Representative Director & Deputy President  
2006 Representative Director & President, Chugai Pharma Manufacturing Co., Ltd.  
2012 Representative Director & Deputy Chairman (to present)

### Tatsuro Kosaka

1976 Joined the Company  
1995 Deputy President, Chugai Pharma Europe Ltd. (U.K.)  
2000 General Manager of Business Strategy Planning Office  
2002 Vice President & General Manager of Corporate Planning Dept.  
2004 Senior Vice President & General Manager of Corporate Planning Dept.  
2005 Senior Vice President & Deputy Managing Director of Sales & Marketing Group  
Senior Vice President & Head of Strategic Marketing Unit  
2008 Senior Vice President & Head of Lifecycle Management & Marketing Unit  
2010 Director & Executive Vice President  
2012 Representative Director, President & COO  
2016 Outside Director of Asahi Group Holdings, Ltd. (to present)  
2018 Representative Director, President & CEO (to present)

### Yasuo Ikeda

1979 Director, Keio University Hospital Blood Center  
1991 Professor of Internal Medicine, Keio University School of Medicine  
2001 Director, Keio University Center for Integrated Medical Research  
2005 Dean, Keio University School of Medicine  
2009 Professor Emeritus, Keio University (to present)  
Professor, Department of Life Science and Medical Bioscience of Graduate School of Advanced Science and Engineering, Waseda University  
2010 Outside Director of the Company (to present)  
2013 Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation (to present)  
2014 Specially Appointed Professor of Waseda University (to present)

### Masayuki Oku

1968 Joined The Sumitomo Bank, Ltd. (SB)  
1994 Director, SB  
1998 Managing Director, SB  
1999 Managing Director and Managing Executive Officer, SB  
2001 Senior Managing Director and Senior Managing Executive Officer, SB Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation (SMBC)  
2002 Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. (SMFG)  
2003 Deputy President, SMBC  
2005 Chairman, SMFG  
President and Chief Executive Officer, SMBC  
2015 Outside Director of the Company (to present)  
2017 Honorary Advisor, SMFG (to present)

### Yoichiro Ichimaru

1971 Joined Toyota Motor Sales Co., Ltd.  
2001 Member of the Board of Directors, Toyota Motor Corporation ("TMC")  
2003 Managing Executive Officer, TMC  
2005 Senior Managing Director, TMC  
2009 Representative Director, Executive Vice President, TMC  
Corporate Auditor, Aioi Insurance Co., Ltd.  
2010 Corporate Auditor, Aioi Nissay Dowa Insurance Co., Ltd.  
2011 Senior Corporate Auditor, TMC  
2015 Executive Advisor, TMC (to present)  
Representative Director, Chairman, Aioi Nissay Dowa Insurance Co., Ltd.  
2017 Director of the Company (to present)  
Senior Advisor, Aioi Nissay Dowa Insurance Co., Ltd. (to present)

### Christoph Franz

1990 Joined Deutsche Lufthansa AG  
1994 Member of the Executive Board and CEO of Passenger Transport Division, Deutsche Bahn AG  
2004 CEO, Swiss International Air Lines AG  
2009 Deputy Chairman of the Executive Board, Deutsche Lufthansa AG  
2011 Chairman of the Executive Board and CEO, Deutsche Lufthansa AG  
2014 Chairman of the Board of Directors, Roche Holding Ltd. (to present)  
2017 Director of the Company (to present)

### Daniel O'Day

1987 Joined Roche Pharma USA  
1995 Director Human Resources, Roche Pharma U.S.A.  
1996 Director Product Marketing, Roche Pharma U.S.A.  
1998 Business Unit Head, Arthritis and Respiratory, Roche Pharma Headquarters  
1999 Lifecycle Leader Tamiflu, Roche Pharma Headquarters  
2001 Head Corporate Planning, Nippon Roche K.K.  
2003 General Manager, Roche Pharma Denmark  
2006 President & CEO of Roche Molecular Diagnostics  
2010 COO of Roche Diagnostics Division and Member of the Corporate Executive Committee  
2012 COO of Roche Pharmaceuticals Division, Member of the Roche Corporate Executive Committee and Member of the Genentech Board of Directors  
2013 Director of the Company (to present)  
2016 CEO of Roche Pharmaceuticals, Member of the Roche Corporate Executive Committee and Member of the Genentech Board of Directors (to present)

### Sophie Kornowski-Bonnet

1985 Abbott Diagnostic Division – Paris, France Scientific Manager  
1989 Abbott Pharmaceutical Products – Chicago, U.S.A. Marketing Research Analyst  
1990 Abbott Pharmaceutical Products – New York, U.S.A. Neuroscience Sales Representative  
1991 Sanofi Winthrop – New York, U.S.A. Director of Strategic Marketing, Diagnostic Imaging  
1994 Sanofi Winthrop – Paris, France Director of Neuroscience Business Unit  
1996 Merck Sharp & Dohme Paris, France Director of Marketing Research and Strategic Planning  
1997 Merck Sharp & Dohme Israel Managing Director  
2000 Vice-President Arthritis and Analgesia Franchise, Merck & Co. Inc. U.S.A.  
2002 Merck Sharp & Dohme Paris, France Director of Rheumatology Division  
2006 Merck Sharp & Dohme Paris, France Director of Cardiovascular Division  
2007 Roche Pharma, France General Manager  
2012 Head of Roche Partnering, Member of the Roche Enlarged Corporate Executive Committee (to present)  
Director of the Company (to present)



Members of the Executive Committee and Enlarged Executive Committee Not on the Board of Directors (As of April 1, 2018)



**Shinya Unno**  
 Executive Vice President  
 In charge of Human Resources Management, Human Capital Development, Legal, General Affairs and Secretarial and General Manager of Human Resources Supervisory Div., in charge of General Affairs Dept. and Secretarial Dept.  
 1999 Joined the Company  
 2005 General Manager of Corporate Planning Dept.  
 2006 Vice President and General Manager of Corporate Planning Dept.  
 2007 Vice President and Deputy General Manager of Sales Div.  
 2010 Senior Vice President, General Manager of Corporate Planning Supervisory Div. and General Manager of Corporate Planning Dept.  
 2015 Senior Vice President, in charge of General Affairs and Secretarial Dept.  
 2017 Executive Vice President and General Manager of Human Resources Supervisory Div., in charge of General Affairs Dept. and Secretarial Dept. (to present)



**Dr. Yasushi Ito**  
 Executive Vice President  
 In charge of Project & Lifecycle Management (R&D), Regulatory & Quality Management, Clinical Development, Drug Safety and Medical Affairs and Co-Head of Project & Lifecycle Management Unit  
 2004 Joined the Company, Department Manager of Development Planning Dept.  
 2005 Department Manager of Targeted Disease Area Dept.  
 2007 Department Manager of Clinical Research Planning Dept.  
 2009 Department Manager of Medical Science Dept. and Clinical Research Planning Dept.  
 Vice President and Department Manager of Clinical Development Div.  
 2015 Vice President and Head of Project & Lifecycle Management Unit  
 2016 Senior Vice President and Head of Project & Lifecycle Management Unit  
 2018 Executive Vice President and Co-Head of Project & Lifecycle Management Unit (to present)



**Dr. Osamu Okuda**  
 Executive Vice President  
 In charge of Project & Lifecycle Management (Marketing) and Corporate Planning and Co-Head of Project & Lifecycle Management Unit  
 1987 Joined the Company  
 2009 Department Manager and Lifecycle Leader of Lifecycle Management Dept. 2  
 2011 President, Roche Products (Ireland) Limited  
 2013 Head of Oncology Unit of Marketing & Sales Div.  
 2014 Vice President and Head of Oncology Unit of Marketing & Sales Div.  
 2015 Vice President and General Manager of Corporate Planning Dept.  
 2017 Senior Vice President and General Manager of Corporate Planning Dept.  
 2018 Executive Vice President and Co-Head of Project & Lifecycle Management Unit (to present)



**Dr. Hisafumi Okabe**  
 Executive Vice President  
 In charge of Research and Translational Clinical Research and General Manager of Translational Clinical Research Div.  
 1991 Joined Nippon Roche K.K.  
 2002 Joined the Company, Department Manager of Pharmaceutical Research Dept.  
 2007 Director, Forerunner Pharma Research Co., Ltd. (to present)  
 2009 Vice President and General Manager of Research Div. Head, C&C Research Laboratories (Korea) (to present)  
 2012 Director and COO, Chugai Pharmabody Research Pte. Ltd. (Singapore) (to present)  
 2016 Senior Vice President and General Manager of Research Div.  
 2018 Executive Vice President and General Manager of Translational Clinical Research Div. (to present)



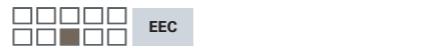
**Toshiaki Itagaki**  
 Executive Vice President & CFO  
 In charge of Finance & Accounting, Corporate Communication, Information System and Purchasing and General Manager of Finance Supervisory Div., General Manager of IT Supervisory Div. and General Manager of Finance & Accounting Dept.  
 1983 Joined the Company  
 2007 Department Manager of Finance & Accounting Dept.  
 2010 Department Manager of Planning & Research Dept.  
 2012 General Manager of Marketing & Sales Planning Dept.  
 2015 Vice President, General Manager of Finance & Accounting Dept.  
 2017 Vice President, General Manager of IT Supervisory Div. and General Manager of Finance & Accounting Dept.  
 2018 Executive Vice President & CFO, General Manager of Finance Supervisory Div., General Manager of IT Supervisory Div. and General Manager of Finance & Accounting Dept. (to present)



**Keiji Kono**  
 Senior Vice President, in charge of External Affairs Dept. and Global Health Policy  
 2010 Joined the Company, Senior Advisor  
 Vice President and Deputy Head of Lifecycle Management Unit  
 Vice President, Deputy Head of Lifecycle Management & Marketing Unit and Department Manager of Lifecycle Management Dept. 2  
 2012 Vice President and Deputy General Manager of Marketing & Sales Div.  
 2013 Vice President and General Manager of IT Supervisory Div.  
 2015 Vice President in charge of Global Health Policy and General Manager of IT Supervisory Dept.  
 2017 Senior Vice President, in charge of External Affairs Dept. and Global Health Policy (to present)



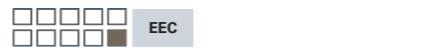
**Junichi Ebihara**  
 Senior Vice President  
 General Manager of Legal Dept.  
 2014 Joined the Company as Senior Corporate Advisor  
 Vice President and General Manager of Legal Dept.  
 2017 Senior Vice President and General Manager of Legal Dept. (to present)



**Dr. Yoshiaki Ohashi**  
 Senior Vice President  
 Head of Quality & Regulatory Compliance Unit and General Manager of Drug Safety Div.  
 1988 Joined the Company  
 2004 Department Manager, Quality & Regulatory Compliance Dept.  
 2009 Department Manager, Drug Safety Coordination Dept.  
 2011 Global PV Head (to present), Pharmacovigilance Manager  
 2013 General Manager of Drug Safety Div.  
 2015 Vice President, Head of Quality & Regulatory Compliance Unit, General Manager of Drug Safety Div. and General Marketing Compliance Officer (to present)  
 2018 Senior Vice President, Head of Quality & Regulatory Compliance Unit and General Manager of Drug Safety Div. (to present)



**Dr. Hiroshi Murata**  
 Vice President  
 General Manager of Pharmaceutical Technology Div.  
 1986 Joined the Company  
 2008 Department Manager of CMC Regulatory Affairs Dept.  
 2011 Department Manager of CMC Development Dept.  
 2012 Manager of Fujieda Plant, Chugai Pharma Manufacturing Co., Ltd.  
 2016 General Manager of Pharmaceutical Technology Div.  
 2018 Vice President and General Manager of Pharmaceutical Technology Div. (to present)



**Tsunanori Sato**  
 Vice President  
 General Manager of Marketing & Sales Div.  
 1982 Joined the Company  
 2005 Department Manager of Renal Disease Area Medical Business & Science Dept.  
 2009 Supervisory Branch Manager of Yokohama Branch  
 2011 Supervisory Branch Manager of Kyoto Branch  
 2013 Department Manager of Primary Sales Promotion Dept.  
 2015 Associate Vice President and Supervisory Branch Manager of Osaka Branch  
 2017 Associate Vice President and Head of Kansai Regional Management Office  
 2018 Vice President and General Manager of Marketing & Sales Div. (to present)

\* Executive Committee  
 \*\* Enlarged Executive Committee