

# 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

## About Our Mission Statement

To share value and grow together with its various stakeholders, Chugai has set forth a Mission Statement consisting of its Mission, Core Values and Envisioned Future. This Mission Statement forms the basis of all of Chugai's corporate activities.

We have established a new Envisioned Future, established material issues and formulated a new mid-term business plan and strategic agenda.

## About Our Mission

Our Mission is the enduring, foremost concept behind Chugai's corporate activities. It is the idea that all we do is "for the benefit of the medical community and human health around the world," and is the continuation of our founding spirit, with which we sought to resolve medicine shortages following a natural disaster.

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

### About Our Core Values

Formerly comprising seven items, our Core Values have been expressed in simpler terms reorganized for greater clarity. This has made them easier for employees to embody as shared values, and easier to understand. Contributing to the wellbeing of each patient, with their different disease conditions, circumstances and perspectives, underpins all our actions. It requires the ceaseless pursuit of innovation with a pioneering spirit. Moreover, the Core Values clearly state the importance of unwavering integrity to earn trust as a company that meets the expectations and requirements of society by working to solve social issues together with its stakeholders.

### About Our Envisioned Future

Previously, we had set a goal of becoming a top pharmaceutical company by the latter half of the 2010s. Through continuous innovation, we have realized this goal, including the provision of value to patients and the establishment of our presence in the pharmaceutical industry. In light of the changing environment for medical treatment, we have committed ourselves to realizing an Envisioned Future as a “top innovator” that goes beyond the framework of the pharmaceutical business. Based on its alliance with Roche, Chugai will raise the quality of all its business activities by applying its unique strengths in science and technology as it works to solve social issues by achieving advanced and sustainable patient-centric healthcare.

## Financial Performance

¥579.8 billion

Revenues (2018)

**No. 6<sup>1</sup> among pharmaceutical companies in Japan**

Due to exports of Chugai products and an increase in products in-licensed from Roche, among other factors, our revenues have grown substantially over the past 10 years, but we particularly emphasize profitability over the scale of sales. We are developing a business that specializes in the creation of innovative medicines, not blindly aiming for expansion.

21.4%

Ratio of operating profit to revenues (2018)

**No. 2<sup>1</sup> among pharmaceutical companies in Japan**

In working to increase Core EPS, the ratio of operating profit to revenues is an important indicator. We take pride in our very high ratio, with a ratio of operating expenses to revenues comparable to that of the world's leading pharmaceutical companies. This is the result of the pursuit of greater profitability from an increase in products created in-house and greater productivity from our collaborative relationship with Roche, as well as our cost structure reforms going back more than 10 years.

¥3.6 trillion

Market capitalization (as of December 31, 2018)

**No. 1<sup>1</sup> among pharmaceutical companies in Japan**

Chugai's market capitalization is about 10 times what it was prior to the strategic alliance with Roche and has roughly tripled over the past five years alone, ranking highest among Japanese pharmaceutical companies relative to sales (sixth in Japan). We will continue to emphasize dialogue with stakeholders as we accelerate value creation.

1. Financial results: Chugai: Fiscal year ended December 31, 2018; Other companies in the same industry: Fiscal year ended December 31, 2018 or March 31, 2018

Note: "Pharmaceutical companies" covers the top 10 Japanese domestic manufacturers of pharmaceuticals in terms of sales. (Takeda Pharmaceutical Company Limited, Astellas Pharma Inc., Otsuka Holdings Co., Ltd., Daiichi Sankyo Company, Limited, Eisai Co., Ltd., Chugai Pharmaceutical Co., Ltd., Sumitomo Dainippon Pharma Co., Ltd., Mitsubishi Tanabe Pharma Corporation, Kyowa Hakko Kirin Co., Ltd. and Shionogi & Co., Ltd.)

## Chugai's Five Strengths



**Continuous provision of innovative drugs**

59%

Proportion of sales from products that qualify for premium pricing (2018)

48

Pipeline projects  
(as of January 31, 2019)

With projects developed in-house and in-licensed from Roche, Chugai has one of the richest development pipelines in Japan as well as the technologies and systems for efficient and stable production of the resulting new drugs. This underpins our continuous provision of innovative medicines. As a result, in Japan we have held the top market share<sup>2</sup> in the oncology field for 11 consecutive years and have market-leading product lineups in the fields of bone and joint diseases and renal diseases.



**Unique science and technology**

24.5%<sup>2</sup>

Share of sales in the Japanese therapeutic antibody market (2018)

7

Breakthrough therapy designations<sup>3</sup>  
(as of January 31, 2019)

Chugai has gained a reputation worldwide for its proprietary antibody engineering technologies as well as for its strong drug discovery capabilities backed by a research infrastructure in various modalities including small molecules. We also focus on technology research and genetic analysis for therapeutic antibodies as we strive for a deeper understanding of diseases and biology. We are the leading presence in the Japanese therapeutic antibody market.



### Leader of next-generation personalized healthcare (PHC)

More than **50%**

Proportion of development projects based on PHC  
(as of January 31, 2019)

**27**

Number of development projects based on PHC  
(as of January 31, 2019)

As a pioneer of PHC in Japan, Chugai has contributed to the progress of this approach to healthcare, in which treatment plans are prepared according to each patient's genetic profile and other factors. Today, our efforts include providing PHC that uses genomic analysis technology and contributing to the progress of cancer genomic medicine to usher in the next generation of PHC, which offers more advanced treatments optimized for each patient.



### Strategic alliance with Roche

More than **110** countries

Number of countries in which Chugai products  
have been approved (as of January 31, 2019)

**15**

Number of products in-licensed from Roche  
(2014-2018)

Chugai maintains its management independence under its strategic alliance with Roche, one of the world's leading pharmaceutical companies. In addition to efficiently in-licensing the Roche Group's pharmaceuticals for sale in Japan, we use the Roche Group's powerful research infrastructure and its global development and sales platform to offer significant value to the rest of the world.



### Provision of advanced patient-centric solutions

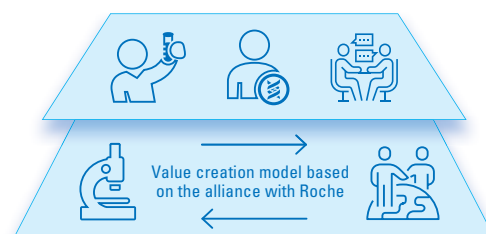
**No. 1<sup>4</sup>** in Japan

Satisfaction ranking based on healthcare providers'  
assessments (hospitals with 100 or more beds) (2018)

**No. 1<sup>5</sup>** in Japan

Adequacy ranking for provision of safety information  
based on healthcare providers' assessments  
(hospitals with 100 or more beds) (2018)

Chugai has established a system for providing solutions that can be precisely adapted to diverse needs in different regions, backed by industry-leading safety management and a high level of expertise in each disease area. Our efforts to promote multidisciplinary team care and regional healthcare coordination include providing various kinds of information, holding study sessions and cooperating with the government in activities to raise awareness. These initiatives receive strong support from healthcare providers.



Chugai has identified "five strengths" to help stakeholders recognize and understand the source of its unique value. These strengths were selected through evaluation and analysis from the perspective of patient value and competitive advantage, based on quantitative, comparable information and data. Previously, we had established "seven strengths," but due to factors including changes in the external environment and the evolution of Chugai's various functions, we reorganized our strengths into five. To create value going forward, we have also specified initiatives for further developing our strengths, and will continuously enhance the source of our value creation.

2. Copyright © 2019 IQVIA. Source: JPM 2018. Reprinted with permission. The scope of the market is defined by Chugai.

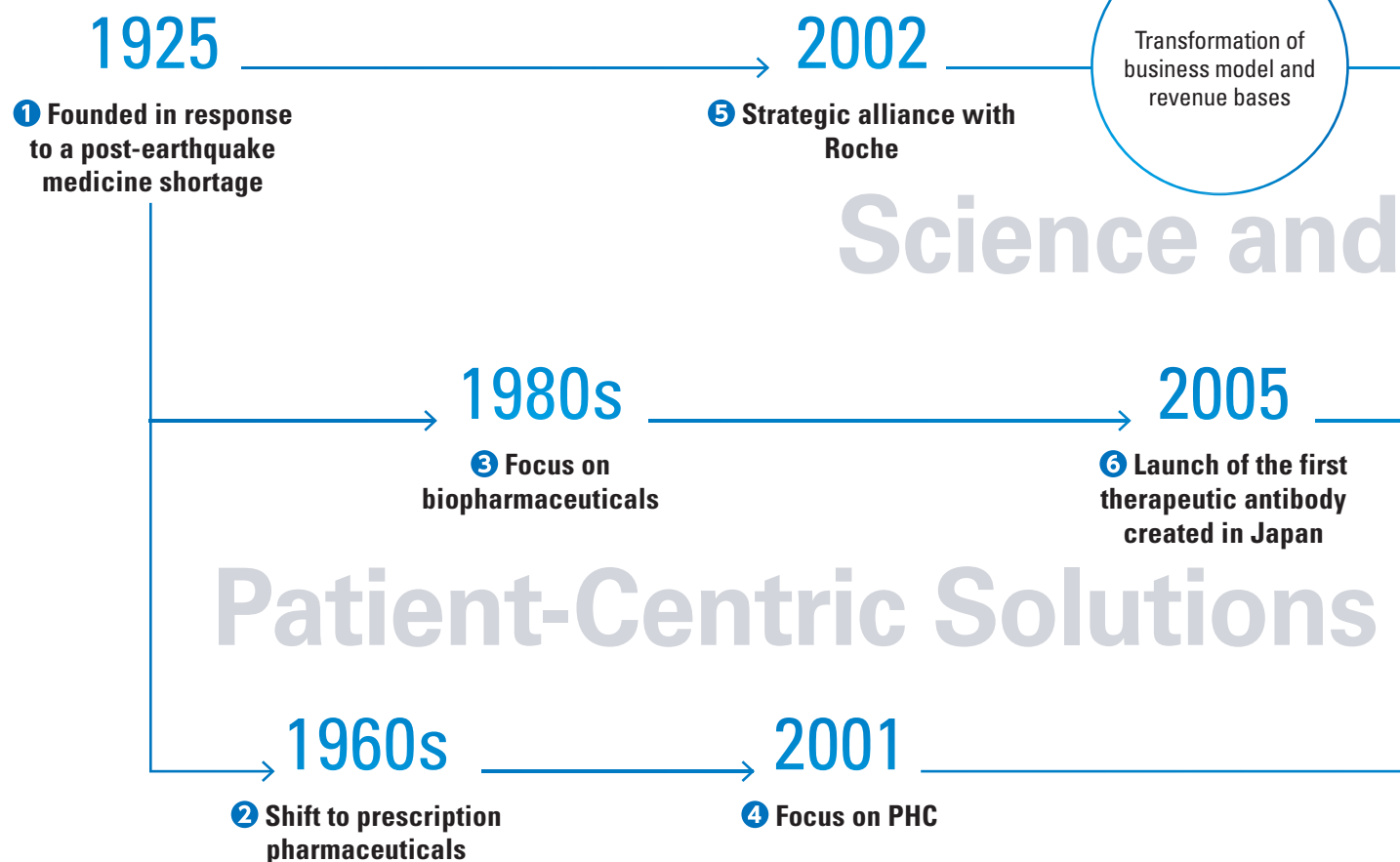
3. A system introduced in July 2012 by the U.S. Food and Drug Administration aimed at expediting the development and review of drugs for the treatment of severe or life-threatening diseases or symptoms

4. Copyright © 2019 anterior. Source: Rep-i 201808. Reprinted with permission. Based on a survey of overall assessments of companies by physicians, as defined by Chugai.

5. Based on an anterior market survey in 2018 for understanding safety information needs

## The History of Chugai

# Management



In 1925, concerned by the acute shortage of medicines following the Great Kanto Earthquake, Chugai's founder Juzo Ueno established Chugai Shinyaku Shokai, Chugai's predecessor. This founding spirit has been passed down through the years. Since its foundation, Chugai has continued to innovate its business structure based on the changing needs of patients, while repeatedly facing challenges including rebuilding in the aftermath of the Second World War.



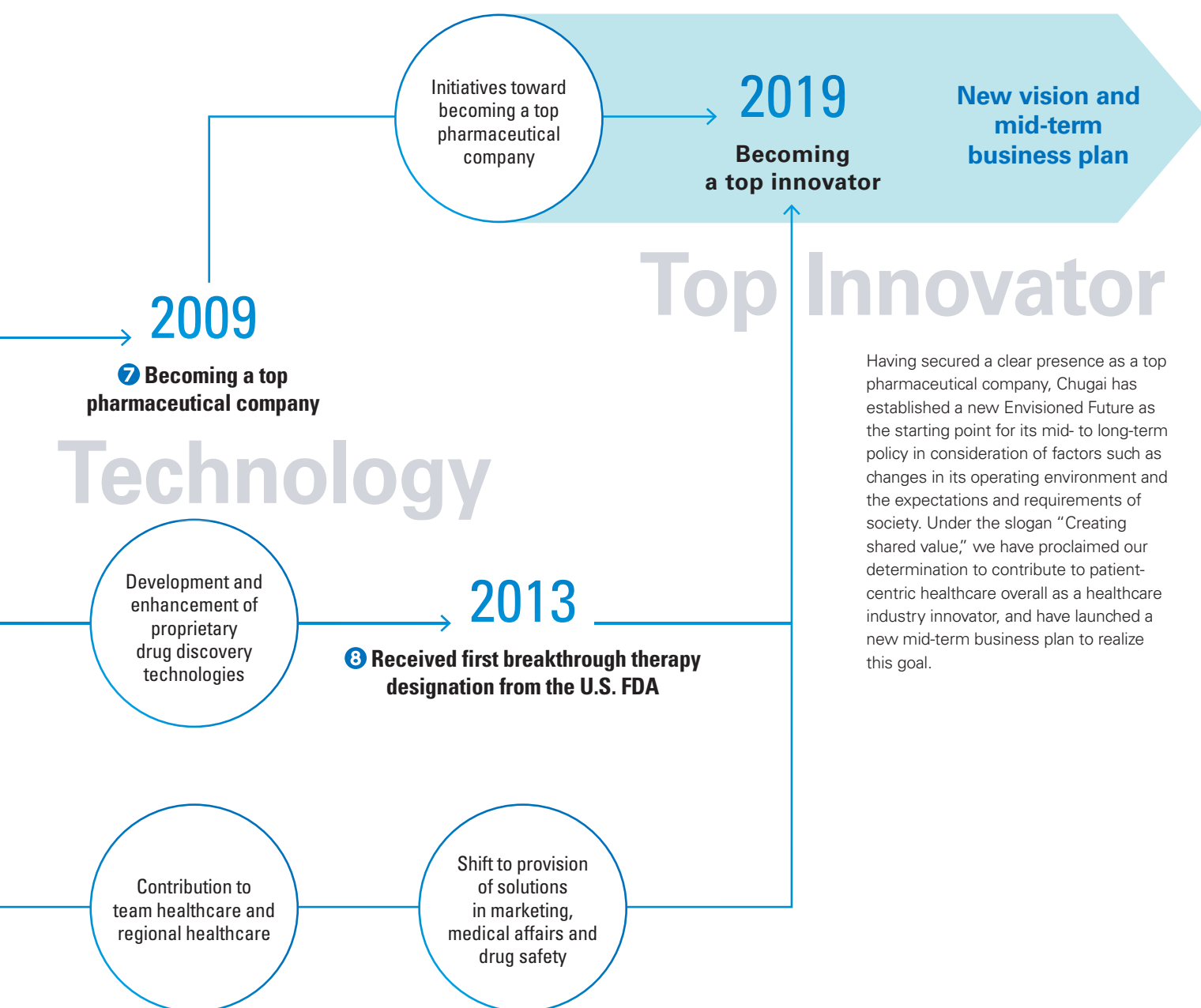
In the 1960s, rapid change in the over-the-counter (OTC) drug market weakened Chugai's performance. Subsequently, in light of changing healthcare conditions that required more advanced treatment, the Company restored its business by shifting its focus from OTC to prescription drugs. Meanwhile, Nippon Roche reinforced its research and production functions to generate outcomes including a major product in the oncology field.



Chugai decided that establishing biotechnology was essential to its future, and began investing resources in research and development of biopharmaceuticals in the 1980s. The Company also worked to establish technology for the mass production of biopharmaceuticals, and in the early 1990s it launched a biopharmaceutical product created through genetic engineering, laying the foundation for what would become one of its core strengths.



Factors including the launch in Japan of Herceptin, which Chugai in-licensed from Roche, led to a focus on the development of PHC. Recognizing that expanding the use of PHC was a priority issue in medical care, Chugai began providing support for relevant R&D as well as supplying healthcare providers with information and guidelines for its dissemination. In doing so, Chugai has made a substantial contribution as a pioneer of PHC.



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Chugai's strategic alliance with Roche, one of the world's leading pharmaceutical companies, started in 2002. With this alliance, Chugai made a fresh start and created a unique business model in which each company benefited from the other's strengths. Later, in anticipation of an increase in the number of projects in-licensed from Roche, Chugai reorganized its research centers and manufacturing plants and transformed its earnings structure.

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Building on its experience in manufacturing biopharmaceuticals since the 1980s, in 2005 Chugai launched Actemra, the first therapeutic antibody created in Japan. Chugai also captured the top domestic market share in the field of oncology with a powerful product lineup. Since then, Chugai has maintained the top share in oncology and in the therapeutic antibody market.\*

\* Copyright © 2019 IQVIA. Source: JPM 2018. Reprinted with permission. The scope of the market is defined by Chugai.

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In 2009, to achieve even greater innovation, Chugai set the goal of becoming a top pharmaceutical company by the late 2010s. We also set targets for our position and presence in Japan and overseas as a trusted company that satisfies its stakeholders and lives up to their expectations. To achieve our goal and these targets, we continued to conduct business with a commitment to innovation.

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Chugai has been committing management resources to the creation of innovative products in-house, backed in part by its strength in antibody engineering technologies and access to highly efficient research infrastructure through its strategic alliance with Roche. As a result, Chugai's products have received seven breakthrough therapy designations from the FDA, proof of the high level of the Company's drug discovery capabilities.