

Our Approach to Value Creation

Mission Statement

—Innovation all for the patients—

Mission

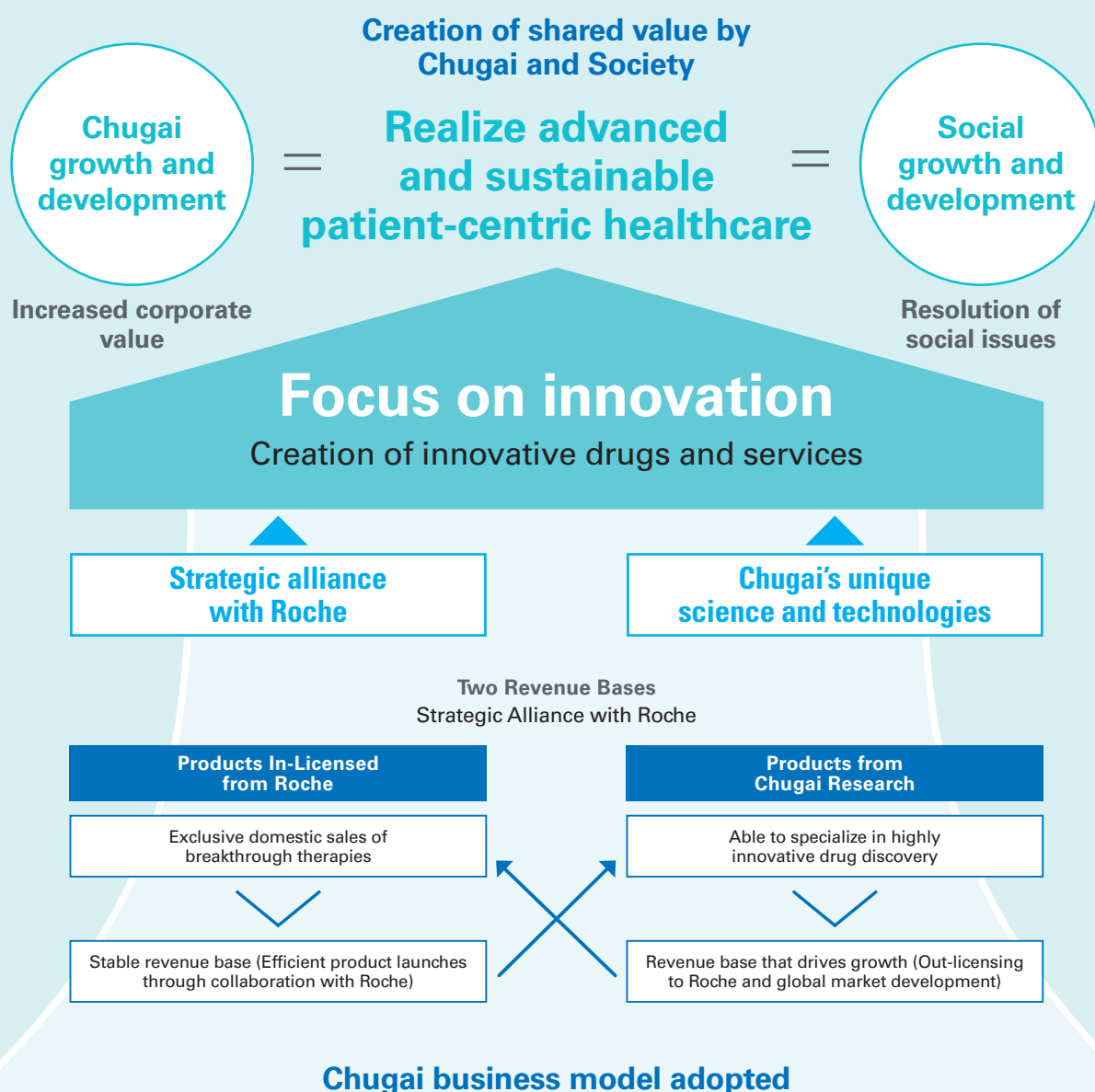
Dedicate ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world

Core Values

Patient Centric/Pioneering Spirit/Integrity

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



Chugai has adopted creating shared value with stakeholders as its basic policy.

The goal of this shared value is to bring about the realization of advanced and sustainable patient-centric healthcare. This goal is set forth in our Envisioned Future. While sharing value with our various stakeholders, we will also increase our corporate value by contributing to patients and to the creation of a framework for the next generation of healthcare. That is our approach for value creation.

In the emerging healthcare landscape, rapid advances in life science and digital technology will drive dramatic changes in social structures. Likewise, the healthcare issues that require solutions

are expected to become more sophisticated, diverse and complex. Measures to curb drug costs will be tightened further due to financial strains on healthcare systems caused by the growth and aging of populations worldwide, and only solutions that offer true value will be pursued. This situation will make it increasingly difficult for pharmaceutical companies to maintain a sound earnings structure. Rather than being content with its growth thus far, Chugai is shifting to a business structure for concentrating its resources on value creation while making the resolution of social issues the linchpin of its operations.

The key to creating shared value is to focus on innovation. We will continuously generate innovation by

fully leveraging our unique business model, which is based on the strategic alliance with Roche and our unique strength in science and technology.

In working to create shared value, Chugai recently specified 25 material issues in eight categories that should be given priority. They were identified through a multifaceted analysis of material issues that incorporated objective views from outside experts. We also set in-house performance indicators to measure our progress in addressing each issue. These material issues may be adjusted in response to changes in the external environment or the evolution of Chugai’s business activities, and we plan to update them periodically.

25 Material Issues in 8 Categories

Categories	Material Issues	
Sustainable healthcare	<ul style="list-style-type: none">• Creation of innovative drugs and services• Provision of solutions for patients• Fair marketing• Fair pricing	<ul style="list-style-type: none">• Adverse event management• Quality assurance and stable supply of products
Corporate governance	<ul style="list-style-type: none">• Corporate governance• Risk management	<ul style="list-style-type: none">• Disclosure and engagement
Ethics and compliance	<ul style="list-style-type: none">• Compliance• Code of conduct	<ul style="list-style-type: none">• Fair transactions
Supply chain management	<ul style="list-style-type: none">• Supply chain management	
Human resources	<ul style="list-style-type: none">• Employee job satisfaction• Development of employee potential	<ul style="list-style-type: none">• Diversity and inclusion• Improvement of occupational health and safety
Human rights	<ul style="list-style-type: none">• Human rights	<ul style="list-style-type: none">• Safety of clinical trial subjects
Social contribution	<ul style="list-style-type: none">• Social contribution activities	<ul style="list-style-type: none">• Improvement of access to healthcare
Global environment	<ul style="list-style-type: none">• Climate change countermeasures• Use of renewable/recycled resources	<ul style="list-style-type: none">• Protection of biodiversity• Environmental management system

Value Shared with Stakeholders

In the context of patient-centric healthcare, we believe that Chugai should contribute to the actual structures and systems needed for realizing advanced, sustainable healthcare, while sharing value with its various stakeholder groups.

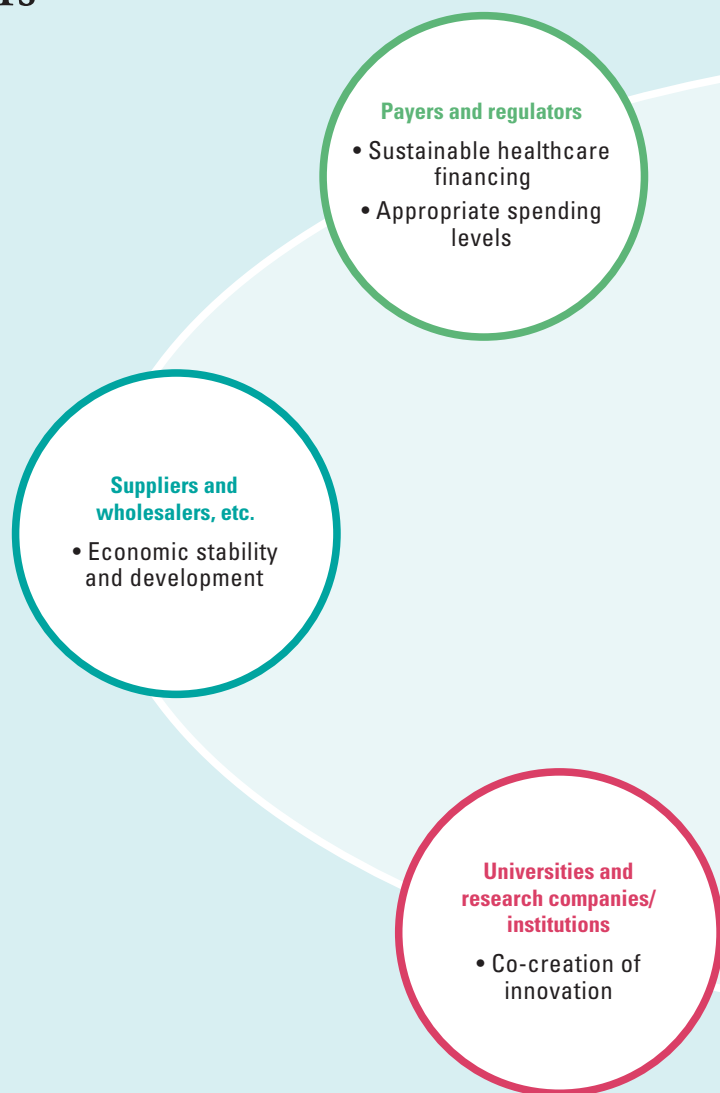
For patients, in addition to ensuring high drug efficacy and safety, we must enable them to receive care that matches their values and allows them to maintain their quality of life – in other words, to enable each individual patient to obtain true value. We also need to reduce the various burdens borne by patients' families in connection with treatment and caregiving. For healthcare providers, value includes enabling proper disease control and expanding treatment options. As for insurers and regulators that build the medical insurance and authorization systems, they need to achieve appropriate levels of spending and sustainable healthcare financing so that patients and society can enjoy true value.

For government, enhancing regional healthcare in accordance with the delivery systems in each community where patients live is important. For countries, in addition to improving healthcare finances, development of healthcare as a growth industry is sure to have significant value. For the universities and research companies and institutions that collaborate with Chugai, as well as its partner companies, suppliers, pharmaceutical wholesalers and others, significant value will result from jointly promoting innovation and increasing added value toward the establishment of a framework for the next generation of healthcare. This will lead to sustainable growth for all, and shareholders who invest in the healthcare industry will also be able to share in the benefits of that added value.

Moreover, employees whose work is directly tied to the issue that society expects us to address – realization of advanced and sustainable patient-centric healthcare – will gain job satisfaction, a sense of fulfillment and opportunities to enhance their own abilities.

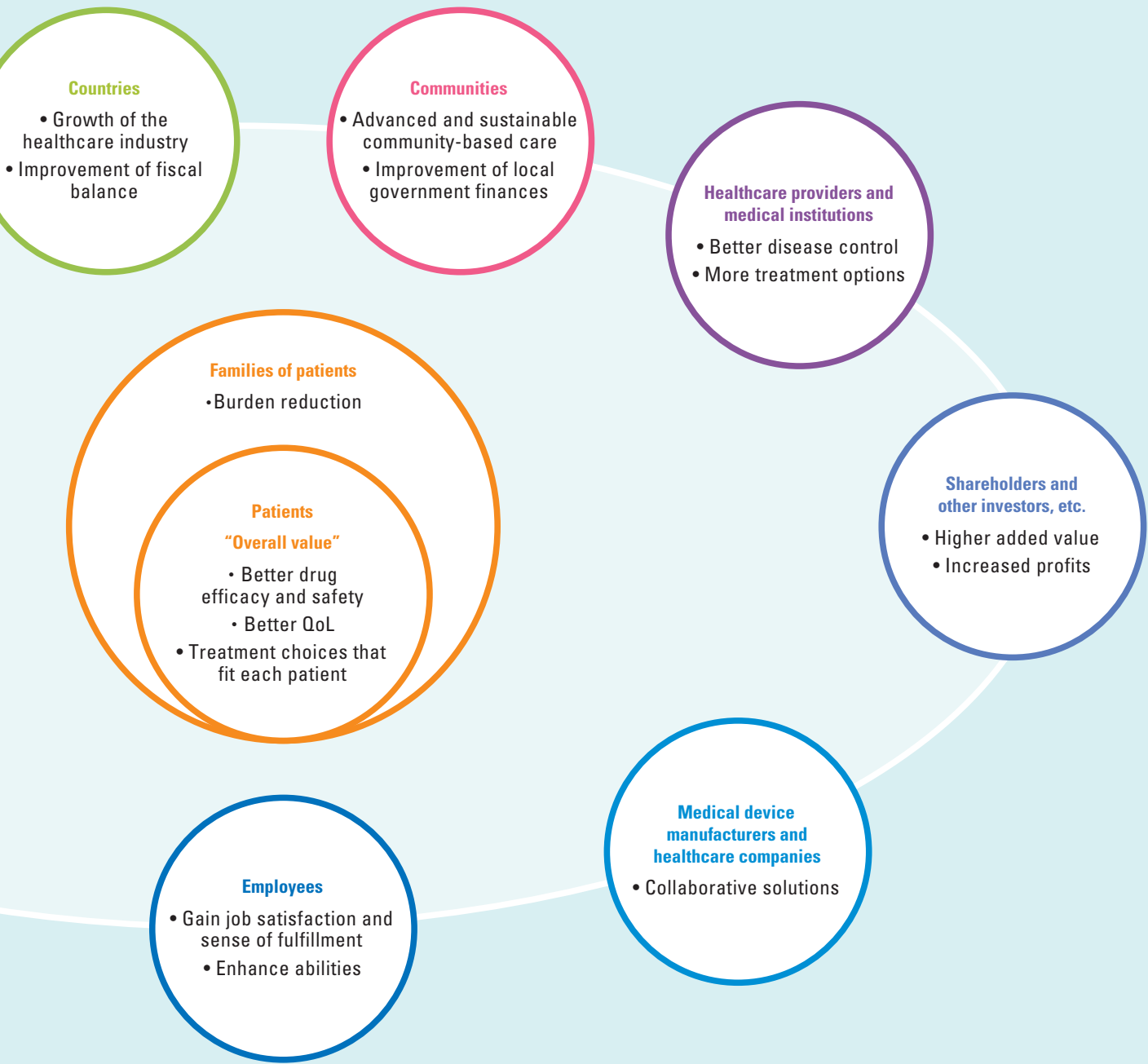
Chugai believes that sharing value with these various stakeholders beyond mere cooperation is the shortest path to realizing advanced, sustainable healthcare.

The chart to the right shows the material issues that we have identified as having particular importance in our creation of shared value with the stakeholders above.



Relationship between Stakeholders and Material Issues

- **Patients and families of patients**
 - Creation of innovative drugs and services
 - Provision of solutions for patients
 - Adverse event management
 - Quality assurance and stable supply of products
 - Safety of clinical trial subjects
 - Improvement of access to healthcare
- **Healthcare providers and medical institutions**
 - Creation of innovative drugs and services
 - Provision of solutions for patients
 - Fair marketing
 - Adverse event management
 - Quality assurance and stable supply of products



● Shareholders and other investors, etc.

- Corporate governance
- Risk management
- Compliance
- Code of conduct
- Disclosure and dialogue

● Employees

- Human rights
- Employee job satisfaction
- Development of employee potential
- Diversity and inclusion
- Improvement of occupational health and safety

● Payers and regulators

- Fair pricing
- Creation of innovative drugs and services

● Suppliers and wholesalers, etc.

- Supply chain management
- Fair transactions

● Countries

- Creation of innovative drugs and services
- Fair pricing
- Improvement of access to health services

● Communities

- Provision of solutions for patients
- Fair pricing
- Social contribution activities
- Climate change countermeasures
- Use of renewable/recycled resources
- Protection of biodiversity
- Environmental management system

● Universities and research companies/institutions

- Creation of innovative drugs and services
- Provision of solutions for patients

● Medical device manufacturers and healthcare companies

- Creation of innovative drugs and services
- Provision of solutions for patients

Will

What We Will Do

Bring true value to patients

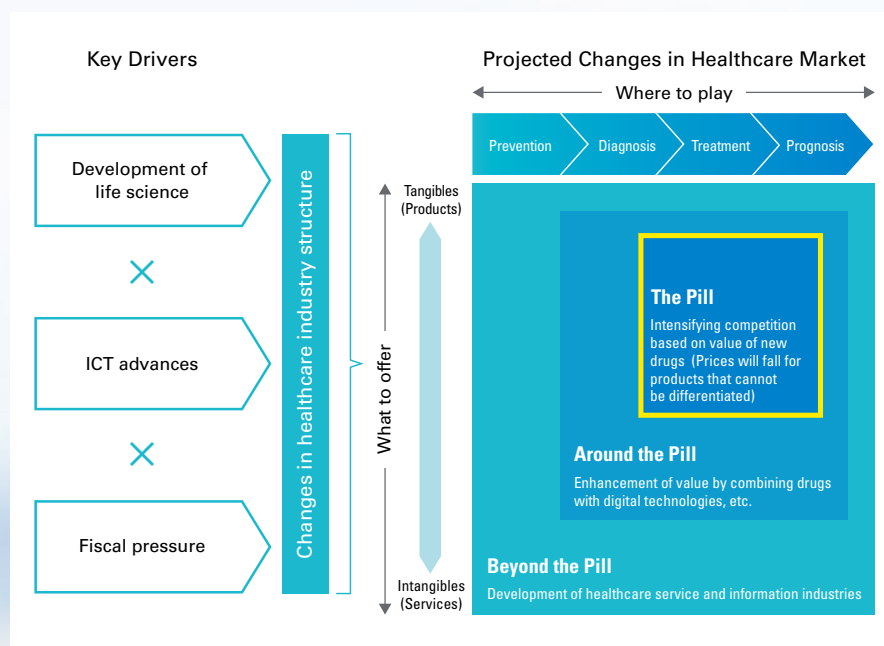
- Work toward treatment and disease control
- Contribute to the next generation of healthcare that delivers overall value to patients

Chugai has continuously created innovative drugs and delivered them to patients around the world. As creation and development of new drugs becomes increasingly challenging, we intend to create value and deliver it more broadly.

Our value creation has two aspects. One is disease control. We believe that with scientific excellence and the potential of medicines, it is possible to realize medical care in which healthcare providers can control diseases and minimize the suffering of patients, even if they cannot eliminate the disease entirely. This will require the creation of pharmaceuticals that offer both greater efficacy and a high level of safety, and giving healthcare providers the tools to accurately grasp medical conditions.

The other aspect is going beyond treatment with existing pharmaceuticals to provide solutions that offer true value to patients. We believe that the next generation of healthcare will involve delivering overall value to patients by providing treatments that fit their situation and values, and which consider factors such as quality of life after administration of drugs and the psychological, physical and financial burdens. The key here will be proof of value. If we can scientifically measure and assess value for patients, and provide solutions that enhance that value, we can make a significant contribution to improving patients' lives.

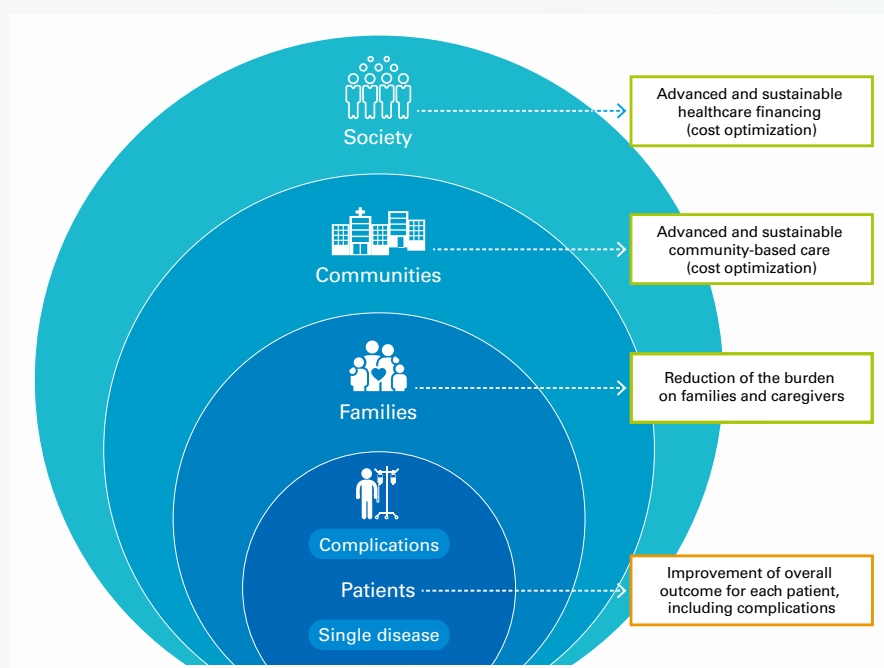
Expanding Our Field of View from the Pill to around and beyond the Pill



In the next generation of healthcare that Chugai envisions, value creation entails providing solutions beyond the scope of products, and encompasses not just treatment, but the entire process from prevention and diagnosis to post-treatment.

Solutions to increase the value of drug therapy ("around the pill") include diagnosis and post-treatment. Even now, diagnosis and treatment are seen as part of an integrated process in personalized healthcare, but with advances in genomic profiling and digital technology, preventive medicine will also play an important role. Furthermore, "beyond the pill" services may include providing solutions using different devices, and even information itself.

Enhancing Overall Value for a Broad Range of Stakeholders



When considering cost effectiveness in terms of healthcare financing, it is necessary to take into account not just the price of the medicine itself, but also the therapeutic effect and impact on the patient's lifestyle. The cost of a drug varies depending on the dosing frequency and dosing period, and other costs arise from managing adverse events after administration, traveling to and from the hospital, and so on. For instance, some drugs may cost less than others but require significant spending on adverse event management or limit the patient's ability to work after treatment commences. In such cases, a more expensive drug often provides better overall value because the post-treatment financial burden is smaller. Going forward, it will be important to measure and prove the overall value of a drug, including patients' ability to maintain employment and a normal lifestyle as well as quality of life.

Must

What We Must Do

Fulfill our obligations as a top pharmaceutical company

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

The problem of financing healthcare systems is becoming increasingly serious in many countries. Given the ongoing growth of populations and a rising proportion of seniors, who have relatively greater need for healthcare, providing healthcare sustainably is a critical issue going forward. Moreover, drug discovery is becoming more difficult, and the cost of creating new drugs is enormous. To ensure sustainable healthcare given limited resources, investment will be focused only on solutions that are truly valuable for patients. A framework for such healthcare must be built.

At the same time, on a global scale and from the perspective of social systems as a whole, companies are expected to contribute more broadly and at a more sophisticated level, both in terms of the issues they address and the roles they play. The SDGs adopted by the U.N. are an example of one such international initiative. Chugai supports the aims and philosophy of the SDGs in their entirety, and is working proactively toward their realization.

As a company that has established a solid presence in the industry through its growth and development, Chugai recognizes that it has an obligation to take greater initiative in resolving social issues. While playing a part in realizing sustainable healthcare, we will continue to raise the quality of our activities across all functions by pursuing innovation from the standpoint of increasing shared value with stakeholders. In this way, we will fulfill the role expected of us by society at a higher level.



The Accelerating Increase in Time Requirements and Cost of New Drug Creations

In the drug approval process in various countries, judgment of the novelty of new drugs is becoming increasingly strict. Moreover, while advances in areas such as genomic research and data analysis will contribute substantially to new drug

development, the costs associated with these technological breakthroughs are soaring, and global development competition is fierce. According to one study, successfully developing and launching a new drug requires investment

of as much as U.S.\$2.5 billion, including the cost of projects that quietly fail. Pharmaceutical companies cannot deliver value to patients and grow without the financial strength to shoulder this cost.

Stepping Up Activities Based on SDGs to Create Shared Value

In defining material issues, Chugai verified each issue against the SDGs, and also examined such matters as what role Chugai should play and which goals should be given lower priority considering Chugai's business. The development goal we are

focusing on the most is "3. Good health and well-being." However, there are also a number of other issues we should work on in partnership with stakeholders. Currently, our main efforts include those listed below. Going forward, we intend to

define these development goals in more detail and concentrate on high-priority and high-profile initiatives.



We adopt a patient-centric approach to creating innovative drugs and providing solutions to cure and manage diseases. Through joint research and other initiatives, we are also working on treatments for neglected tropical diseases, including development of a new therapeutic antibody targeting the dengue virus.

Provision of innovative drugs and services/Provision of solutions for patients/Contribution to global health



In addition to recruiting talented and diverse people to support innovation, we provide rewarding environments where employees are able to develop their skills. We strive to optimize work environments and provide systems and conditions that promote job satisfaction and a sense of security among employees. We also expect our suppliers to consider EHS* issues in their business activities.

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



We support and promote innovation in the field of healthcare by investing aggressively in research and development and by building open innovation networks through collaborative research with academia.

Provision of innovative drugs and services/Initiatives for personalized healthcare/Establishment of open innovation networks with academia and other parties



In the healthcare industry, we are working to ensure a stable supply and quality at a high level, including the accuracy of product quality and information. We are also promoting the reuse and sustainability of natural resources through efforts including environmental management and targeting water use throughout the value chain.

Ensuring stable supply and stable inventories/Strengthening of quality assurance and stable supply/Use of renewable and recyclable resources/Environmental management



To help solve social issues, we are working in collaboration with research organizations, governments, non-governmental organizations and other specialized bodies. We also disclose information to our stakeholders and promote appropriate understanding of our corporate activities through dialogue.

Establishment of open innovation networks/Stakeholder engagement strategy/Participation in GHIT Fund and Access Accelerated

* Environment, health and safety

Can

What We Can Do

Focus on science-based innovation

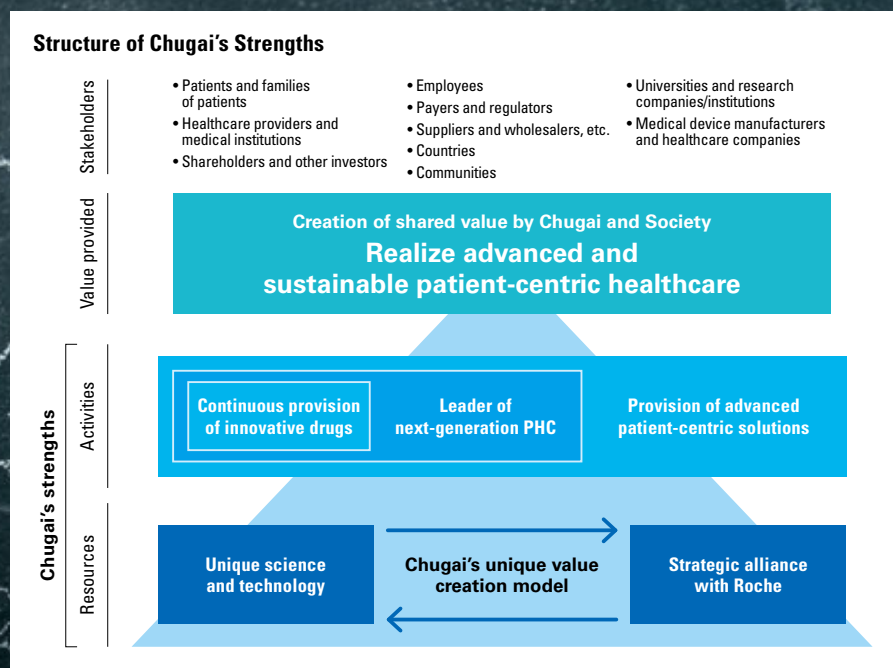
- Further innovate our unique strengths and technologies
- Take full advantage of cooperation with Roche

We have determined that the key to Chugai's creation of shared value is to concentrate on innovation. Innovation is an important theme at any company, but we are proud that Chugai has maintained a commitment to science-based innovation ever since it was founded. Innovation is essential to creating breakthrough medicines, but drug discovery is not the only area where we innovate. We have been focusing our efforts on innovation with a scientific approach in all aspects of our business, including development, production, marketing, medical affairs, safety and quality assurance. One example is our use of precise area marketing based on a diverse range of information including real-world data. This approach helps us understand the characteristics of regional healthcare delivery systems and promote cooperation among healthcare providers. Innovating in various fields has allowed Chugai to establish its unique strengths, which are the source of its growth and development. By refining and reinforcing these strengths, we aim to bring about the realization of advanced and sustainable patient-centric healthcare.

Chugai's concentration on innovation is enabled by its business model, which is based on partnership with Roche, and the efficient, resilient revenue bases that have been built through this model. We intend to make this business structure even stronger so that we can continue to steadily generate innovation.

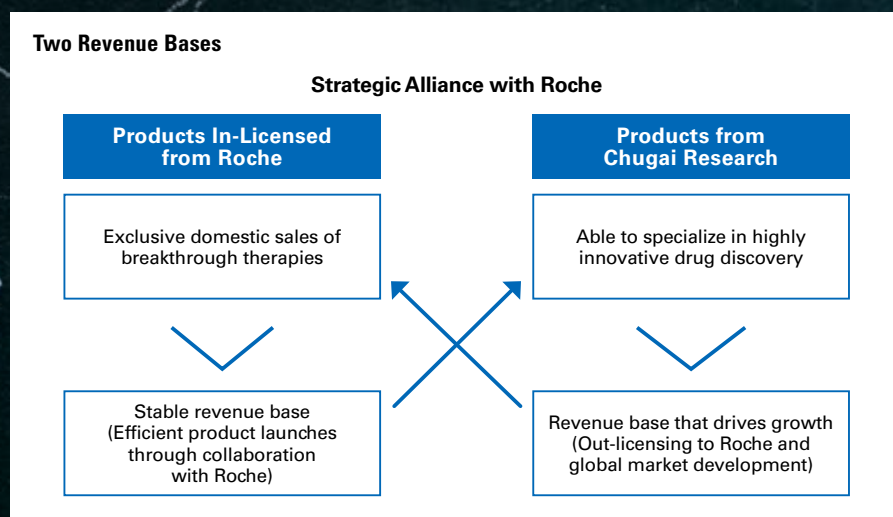


Use of Chugai's Unique Strengths and Further Progress



Chugai has unique strengths that give it a competitive advantage and have a considerable impact on the value it provides for patients. The diagram to the left shows how Chugai has redefined those strengths based on the direction of its value creation strategy, changes in the operating environment and other factors. Our business model, which combines scientific excellence with the strategic alliance with Roche, is the source of our value creation. Continuously providing innovative drugs that lead to further advancement of personalized healthcare, and providing healthcare services that maximize their value – these value creation activities are Chugai's core strengths. We will continue to evolve these strengths by putting our strategies into action.

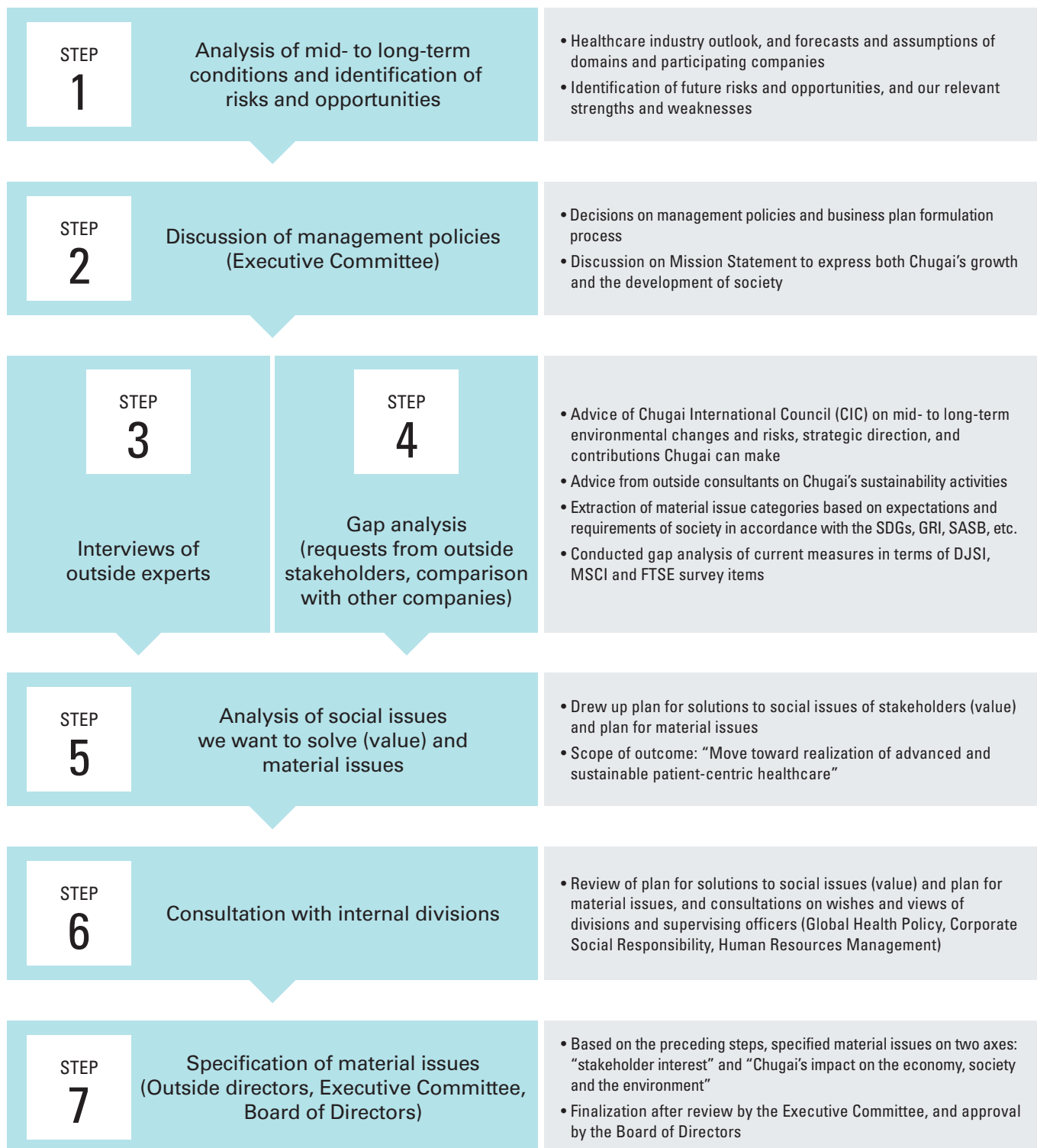
Optimal Use of Two Revenue Bases Allows Us to Concentrate on Innovation



Under the strategic alliance with Roche, Chugai efficiently in-licenses Roche's innovative products and markets them on an exclusive basis in Japan. This stable revenue base allows us to concentrate investment on highly innovative proprietary technologies and drug discovery. In addition, out-licensing our in-house products to Roche gives us access to global markets, providing a revenue base that drives growth and generates profits that can be reinvested.

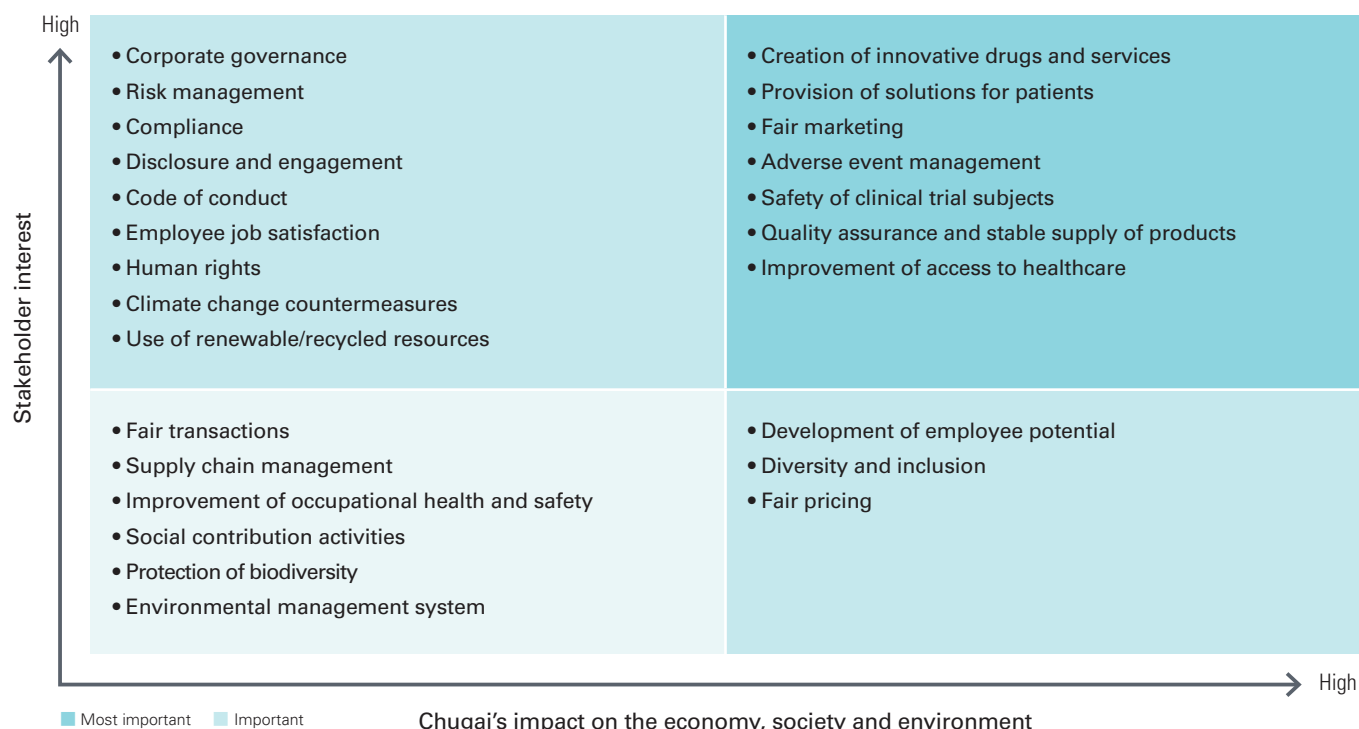
This business model also enables Roche to sell Chugai products – which have been created through highly innovative, specialized in-house research – in global markets. It is truly a win-win relationship. Based on this business model, we will further deepen our cooperation with Roche to drive continued innovation.

Process for Establishing Material Issues



In 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. We conducted an objective analysis that incorporated outside views, and 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. (See table on page 17.)

Specification of Material Issues



Kuniko Muramatsu

Member, Chugai Sustainability
Advisory Committee*
Representative Director, Wellness
Systems Institute

* Name changed from CSR Advisory
Committee as of April 1, 2019

Process for Establishing Material Issues

I think that Chugai's process for establishing material issues was accurate because in the interest of thoroughness it incorporated gap analyses against an array of indices and objective third-party opinions. Above all, however, my evaluation of the process is positive because decisions are based on historical review and analysis of the medium-to-long-term environment, beginning with the Mission Statement renewal, and took into account consultations with each division and discussions among Chugai's committees. As a result, the idea of sustainability has been embedded in the new mid-term business plan. As a member of the CSR Advisory Committee, I had the opportunity to offer opinions during the process. I believe that the interrelationships among issues have since been further clarified and made easier to understand.

I am confident in the effectiveness of Chugai's material issues because in determining them Chugai has eschewed standard formulae and had the will to define issues, risks and opportunities in its own terms.

In the future, Chugai will of course have to take on issues based on its strategies, but dialogue with stakeholders remains important. By using annual reports based upon material issues as a common language in internal and external communications, these issues will become known throughout the Group. I have high expectations that Chugai will be able to craft its own unique approach to sustainability as a result.