

Interview with the CEO



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By 2030, we aim to have global first-class drug discovery capabilities and be a top innovator in the healthcare industry, an innovator that patients around the world can count on. To achieve this, we will create shared value with society and deliver advanced and sustainable patient-centric healthcare.

Q. As Chugai's new CEO, how will you approach the changing business environment?

Having performed environmental scenario analysis from the perspective of markets, science and technology, and customers, we have reaffirmed our determination to realize patient-centric healthcare by continuing to focus on value creation through innovative drugs from a medium- to long-term perspective through to 2030.

I was appointed President & CEO in March 2021. It is a great honor to be entrusted with Chugai's future, and I am firmly resolved to take on this tremendous responsibility.

Looking back over the past year, the COVID-19 pandemic has triggered rapid changes across economies and society in general. Chugai has implemented a range of measures to ensure a stable supply of medicines and to halt the spread of infection. Surveying the healthcare field, it seems that the changes we had expected to occur over a decade, such as progress in digitalization, have transpired in only a year. It is more important than ever to ensure that our medium- to long-term outlook reflects such sudden structural changes in markets, science and technology, and customers. This is why we have conducted environmental scenario analysis for our

medium- to long-term outlook in order to develop a roadmap for future value creation.

The first market change of note is that governments around the world have responded to the COVID-19 pandemic by implementing large-scale fiscal stimulus measures that may result in greater pressure to rein in healthcare expenditures and drug costs in the future. In particular, we need to keep a close eye on drug pricing policy in the United States, the largest pharmaceutical market in the world, including policies introduced by the new presidential administration.

Changes in science and technology present both risks and opportunities. With increasing diversity in new modalities such as gene therapies, cell therapies, and digital therapeutics, we

had assumed that these modalities might erode existing pharmaceutical markets such as small molecule drugs and antibodies. At this stage, however, the new modalities appear to complement or add to existing modalities. In the evolving field of digital technologies, we believe that making full use of these technologies will become key to determining our competitive edge in the future.

From the perspective of customers, such as patients and healthcare professionals, patients are becoming more informed about diseases and treatment methods, and have more opinions about their own treatment than ever before. We also anticipate a greater acceptance of digital technologies in the so-called “new normal” society.

As such, it appears that the future healthcare environment will converge on value-based healthcare (VBHC). This will

accelerate the trend to only select those pharmaceuticals or solutions that deliver true value, with low-value options falling by the wayside. Against this backdrop, Chugai remains committed to creating innovative pharmaceuticals as its core business from a medium- to long-term perspective until 2030. This means we will continue to create value with a focus on:

- Pursuing innovation for patient-centric healthcare
- Creating and delivering innovative pharmaceuticals as our core business
- Maximizing the use of the strategic alliance with Roche in our business model

- ▶ P22 Value Creation Model
- ▶ P24 Vision of Chugai as a Top Innovator in 2030: Outlook for Chugai’s Business Environment in 2030
- ▶ Activity Report, P4 Response to the COVID-19 Pandemic

Q. What is Chugai’s strategy aiming to achieve?

The goal is for all of our employees to work together toward the vision of making Chugai a top innovator in the healthcare industry by 2030.

Chugai was very successful under IBI 21, reaching the targets one year ahead of schedule (see Message from the Chairman for an overview of IBI 21). Based on these results and the outlook for the business environment, the first step in formulating our new growth strategy was to set a vision of what we want to achieve. Chugai’s Envisioned Future is to become a top innovator in the healthcare industry, as described in our Mission Statement. Once we knew the direction Chugai is headed in the next 10 years and how we can realize sustained growth, we set a specific picture of where we should be by 2030, and I would like to see all of our employees come together as a driving force for value creation.

We have also developed three perspectives on what it will mean to be a top innovator in 2030. The first is defined as “expectation from patients all over the world,” reflecting our desire to pursue innovation for patients. With world-class drug discovery capabilities, patients around the world will be able to count on Chugai to create new treatments.

At the same time, we aim to attract talent and players from around the world. In the healthcare field, where diverse players are engaged in friendly rivalry, we want to become an exciting company that passionate talent and players

Realizing the Vision of Chugai as a Top Innovator in 2030

Expectation from patients all over the world



With world-class drug discovery capabilities, patients around the world expect that “Chugai will surely create new treatments.”

Attracting talent and players from around the world



Attract passionate talent from all over the world and inspire players globally to think they can create something new by partnering with Chugai.

Role model for the world



Recognized for ESG initiatives through its business activities, Chugai will become a global role model as a leader in resolving social issues.

throughout the world want to participate and collaborate with to create something new.

Finally, we want to be a “role model for the world” by creating social value. As ESG initiatives increasingly come under the spotlight in the future, Chugai, which has declared its support for the United Nations Sustainable Development Goals (SDGs) in line with our basic policy of creating shared value with society, is determined to focus more on unique

initiatives and become a company that society can count on, and be recognized by companies around the world as a leader in resolving social issues.

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Q. Please tell us about the new growth strategy.

TOP I 2030 sets out three key drivers for achieving global first-class drug discovery and a futuristic business model.

We formulated TOP I 2030 as a 10-year value creation strategy in order to realize our vision of becoming a top innovator in the healthcare industry. The strategy, based on our basic management policy of creating shared value with society, is the approach that Chugai is taking to contribute to the sustainability of society.

TOP I 2030 is based on the two pillars of “global first-class drug discovery” and a “futuristic business model.” We have established three key drivers to achieve this: Research & Early Development (RED) Shift, digital transformation (DX), and Open Innovation.

New Growth Strategy TOP I 2030



To develop global first-class drug discovery capabilities, we have defined RED functions (which correspond to the initial development stages of research, early clinical development, and pharmaceutical technology functions) as our value creation engine. We aim to increase R&D output by focusing our investment of business resources in these RED functions. Although we have emphasized R&D investment in the past, we have not always been able to concentrate our resources on RED functions. In terms of clinical development costs, spending in late-stage development has tended to be higher than in the early stages. In addition, new opportunities are opening up in, for example, new mid-size molecule technologies and the development and adoption of new modalities, so we will strengthen our RED functions through an unprecedented shift in resource allocation. The resources for this investment will be freed up by building a futuristic business model that significantly improves productivity across all value chains. This will strengthen the cycle of investment and re-investment and further enhance Chugai's value creation engine.

In order to strengthen this drug discovery capability and build a futuristic business model, DX and Open Innovation are also

essential. We aim to transform the drug discovery process and take new approaches using artificial intelligence (AI) in drug discovery. At the same time, we will promote the transformation of our operating model through the use of digital technologies in all functions. In the rapidly advancing fields of drug discovery, science, and digital technology, it is becoming more difficult for innovation to be forged by one company alone. We need to be much more proactive in forming external partnerships; new value will be created through synergies with our strengths, rather than through independent efforts.

Based on TOP I 2030, we aim to double R&D output and be in a position to launch in-house global products every year.

- ▶ P26 Vision of Chugai as a Top Innovator in 2030: Value Shared by a Top Innovator
- ▶ P28 Vision of Chugai as a Top Innovator in 2030: Key Drivers to Becoming a Top Innovator
- ▶ P50 Targets and Progress in Material Issues
- ▶ P54 Main Risks and Countermeasures
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Q. Can you give more detail on each strategy under TOP I 2030?

We are pursuing five reforms, namely Drug Discovery, Development, Pharmaceutical Technology, Value Delivery, and Foundation for Growth.

Five reforms are being promoted under TOP I 2030.

For Drug Discovery, we will strengthen drug discovery technologies by leveraging digital technologies and enhancing collaboration with external players. Mid-size molecules will be developed as our third modality alongside small molecule drugs and antibodies. We will also develop other new modalities by leveraging our strengths in protein engineering technologies. Moreover, we will flexibly incorporate Roche technologies to evolve to a world-class level of multi-modality drug discovery. From among these, we will select the optimal modality to take forward each innovative drug discovery idea and generate lead candidates for clinical development. As for mid-size molecules, which are expected to drive future growth, we will prioritize the investment of business resources there because of their potential to provide new value to patients by reaching "tough" intracellular targets (proteins) that cannot be targeted by conventional drug discovery technologies, and because of their oral absorption properties.

For Development, we will pursue initiatives in both early-stage and late-stage clinical development. In the early stages, we will focus on improving predictability in humans

through an intricate understanding of biological responses and the utilization of innovative technologies such as modeling & simulation (M&S) and human organoid* construction. The aim is to achieve a dramatic improvement in development success rates. We will also promote accelerated development of additional indications from an earlier stage. In late-stage clinical development, we will achieve significant improvements in our operating model by using digital technologies to increase the efficiency of clinical trial operations and reform management processes.

For Pharmaceutical Technology, we will build pharmaceutical technology platforms suited to the mid-size molecules and new modalities in early-stage development, and focus on improving the speed of technology development and investigational drug manufacturing. In commercial production, we will pursue world-class cost competitiveness and stable supply by reducing costs and restructuring manufacturing systems as well as developing next-generation plants that use digital robotics.

For Value Delivery, we will develop a system for generating evidence that enables the delivery of personalized healthcare (PHC); establish a new customer engagement model that

combines in-person, remote, and digital technologies; and build platforms to deliver the optimal information to each customer. At the same time, we will concentrate resources in growth areas through the optimal allocation of human resources in line with our product portfolio and reforms to back-office functions. Our goal with these reforms is to achieve high-level value delivery for patient-centric healthcare.

For Foundation for Growth, which underlies these reforms, we have designated five areas where changes are particularly important, including areas relevant to Material Issues and key themes. In the area of People and Organization, we will thoroughly implement our new personnel system, acquire the highly specialized talent we require, promote new ways of working, and strengthen our corporate culture to encourage bold challenges. In the Digital area, we will strengthen our digital infrastructure and improve efficiencies across all value chains, as well as create innovative new drugs using digital technology in line with CHUGAI DIGITAL VISION 2030. In the area of Environment, we will focus on achieving our mid-term environmental goals for 2030, which include high targets such as zero CO₂ emissions by 2050. In the area of Quality, we aim to establish next-generation quality management systems suited to new modalities and new businesses. Finally, for Insight Business, where internal

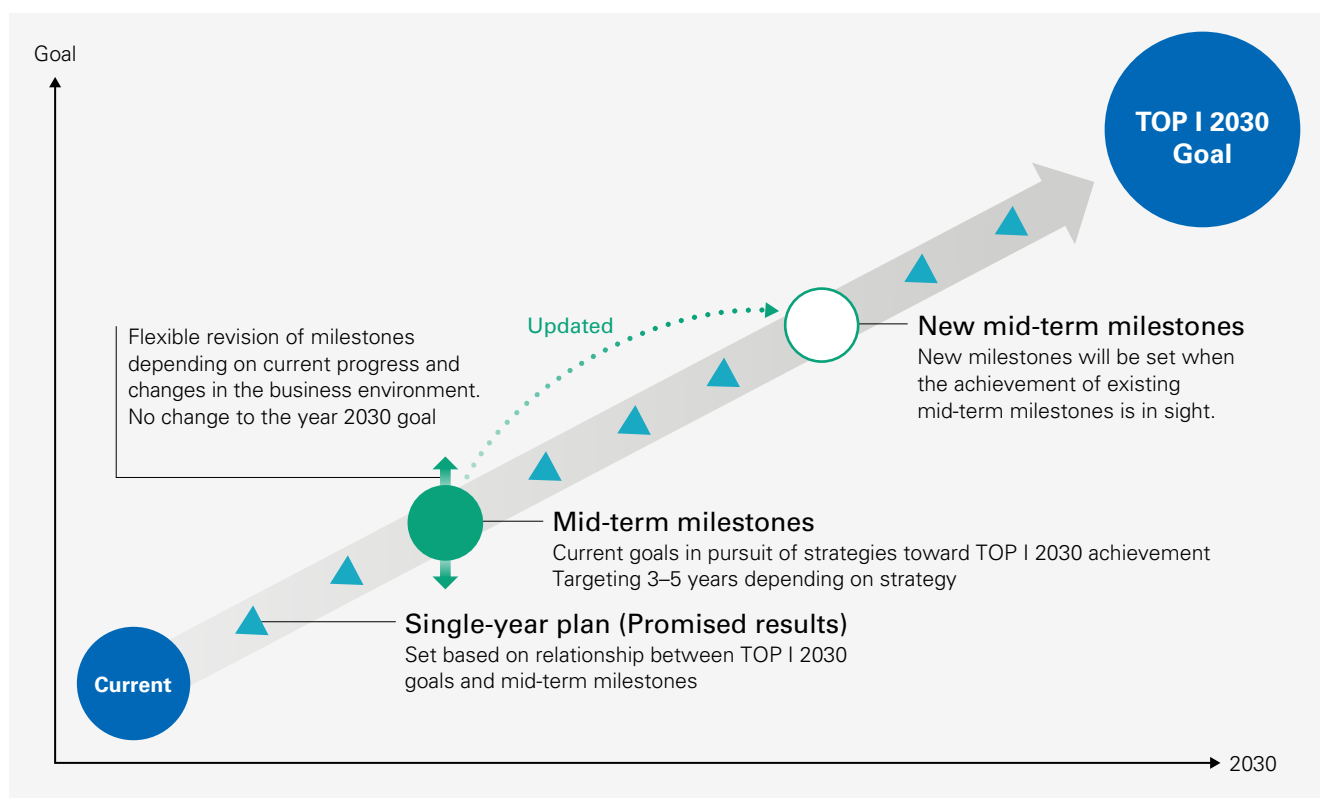
and external data are analyzed to extract valuable insights and deliver solutions, we will investigate technologies through our pharmaceutical business, build the necessary capabilities, and consider commercialization.

As for our method of formulating business plans, we have decided to discontinue issuing mid-term plans every three years, given the rapidly changing business environment at present. Instead, we will confirm the validity of the TOP I 2030 goals with mid-term milestones and single-year plans. We have made this change because we need to be more agile than ever before when reviewing and updating strategies and plans in response to changes in the business environment. Fixed three-year activity plans may limit the range of decision-making for resource allocation or hinder sound risk-taking, including investment for growth. We have also decided to stop releasing quantitative guidance on financial results in our business strategies. However, we will continue to disclose single-year plans as before and will share information with stakeholders in a conscientious and timely manner, including the progress of TOP I 2030 and updates on the R&D pipeline.

* Tissue structures designed to have similarities to organs in the human body

▶ P60 New Growth Strategy TOP I 2030 (Drug Discovery, Development, Pharmaceutical Technology, Value Delivery, and Foundation for Growth)

New Growth Strategy through 2030: Changes in the Planning Process





Q. What will be the most important issue for value creation in the future?

Pursuit of innovation remains the most important issue, but without question, the source of innovation is our people.

Under TOP I 2030, the realization of advanced and sustainable patient-centric healthcare is the goal of our value creation, and our top priority will remain the pursuit of innovation.

That said, where does this innovation come from? I firmly believe that our people are the source of innovation. Employee motivation is a critical factor here, and the management team is responsible for providing our employees with the opportunities, working environment, and colleagues that give them a sense of fulfillment. I want Chugai to be an organization that fosters a culture of innovation, a company where employees can grow and play an active role regardless of their background or attributes, a company where employees can design their own career paths and tackle new challenges of their own choosing. The results of the employee awareness survey conducted in 2020 were better than the previous survey in 2018, particularly for the key theme of “employee engagement,” where Chugai ranked highly compared with other global corporations with positive results. The challenges facing Chugai, however, have not changed. The survey highlighted issues with company-wide optimization of resources, divisional and departmental collaboration, and appropriate employment conditions for challenging roles. Under TOP I 2030, we will execute a plan for resource allocation and business process development to resolve these issues.

Another indispensable factor for creating innovation is diversity and inclusion (D&I). Chugai has regarded diversity as a key management issue since 2010, and has been working to design systems and create an environment to promote D&I. We are establishing a culture where female employees and non-Japanese employees can make the most of their skills. The number of female managers has been increasing, but I believe we need to accelerate such initiatives even more. We have two female executive officers and one foreign national executive officer, but I would like to increase the diversity of our executive team as well.

In 2021, the first year of TOP I 2030, it is essential that all Chugai employees fully understand and share this strategy, and that each and every employee across all value chains play a leading role in promoting the reforms. Execution is key. I am resolute in my determination to implement TOP I 2030 and realize our vision of Chugai as a top innovator.

Finally, I would like to engage in ongoing dialogues with our stakeholders in order to share this vision of value creation and our progress to achieve it. I look forward to your continued support.

▶ Activity Report, P17 Human Resources