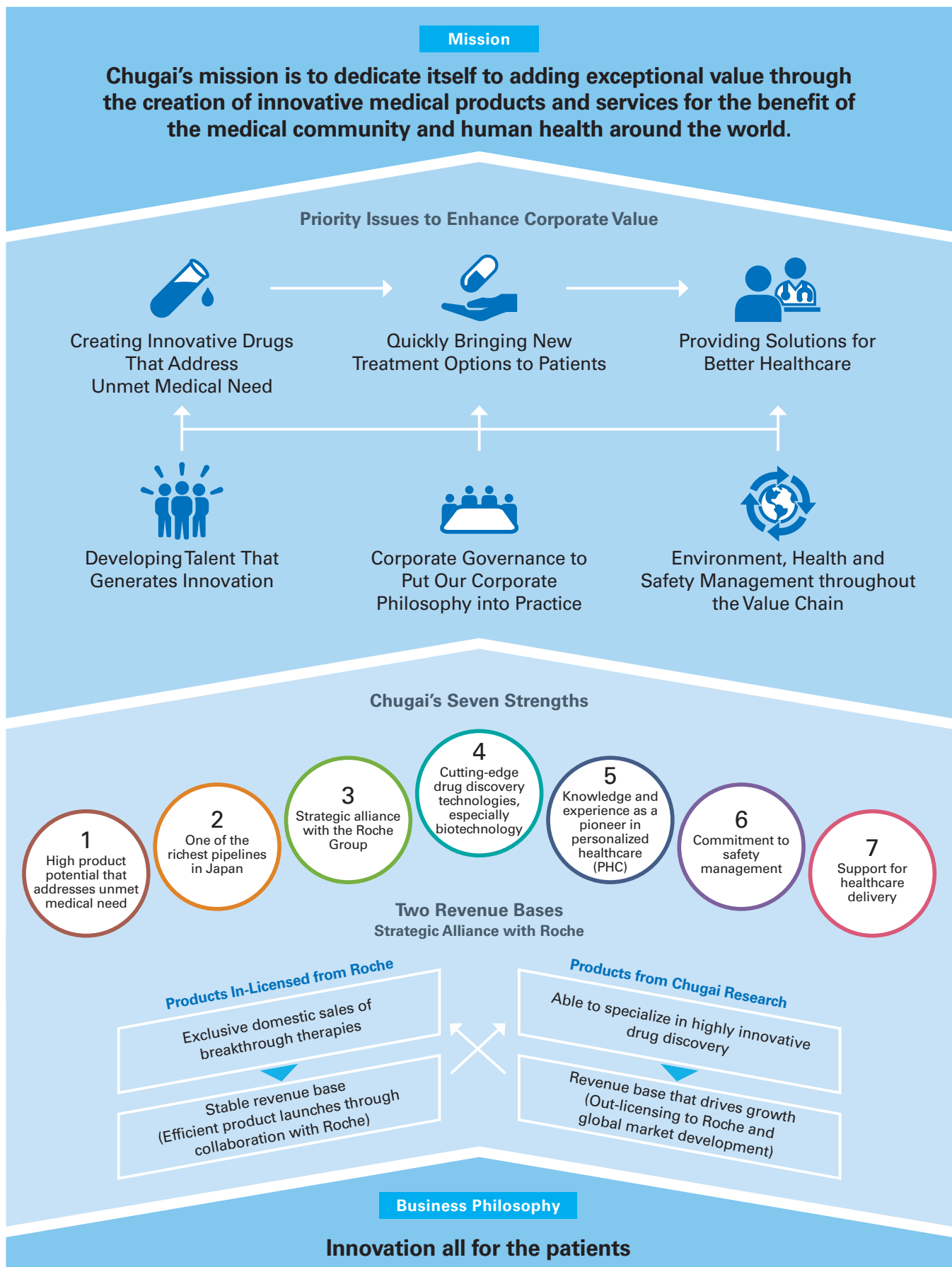


# Chugai's Value Creation Model



“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.

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## 2017 Performance (Capital)



R&D expenditures  
(Core Base)

**¥88.9 billion**



Market share in therapeutic  
antibodies (Japan)<sup>1</sup>

**27.3%**



Satisfaction ranking based on  
healthcare providers’ assessments<sup>2</sup>

**3rd**



Employees

**7,372**



Enhancement of governance

**Revision of  
remuneration  
system for directors**



Energy consumption  
per employee

**296 GJ**

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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