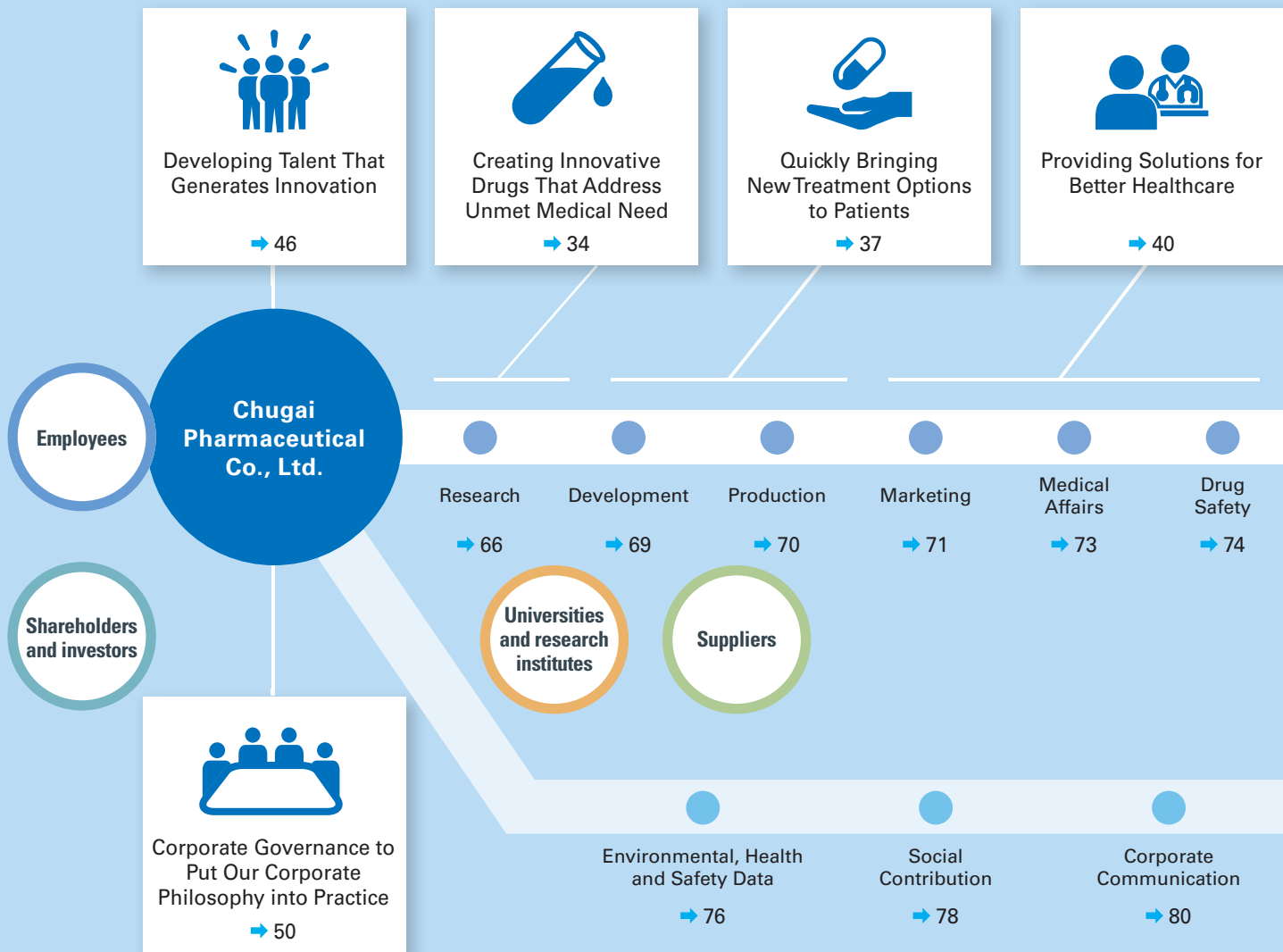


Value Creation Strategies

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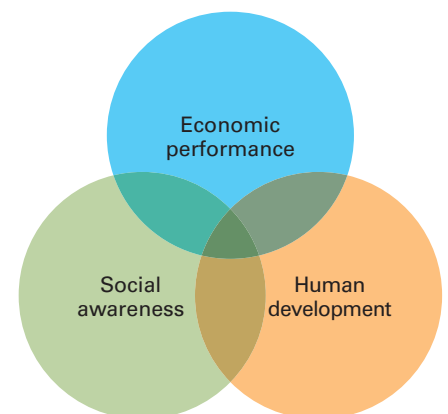
Creating Value with Stakeholders

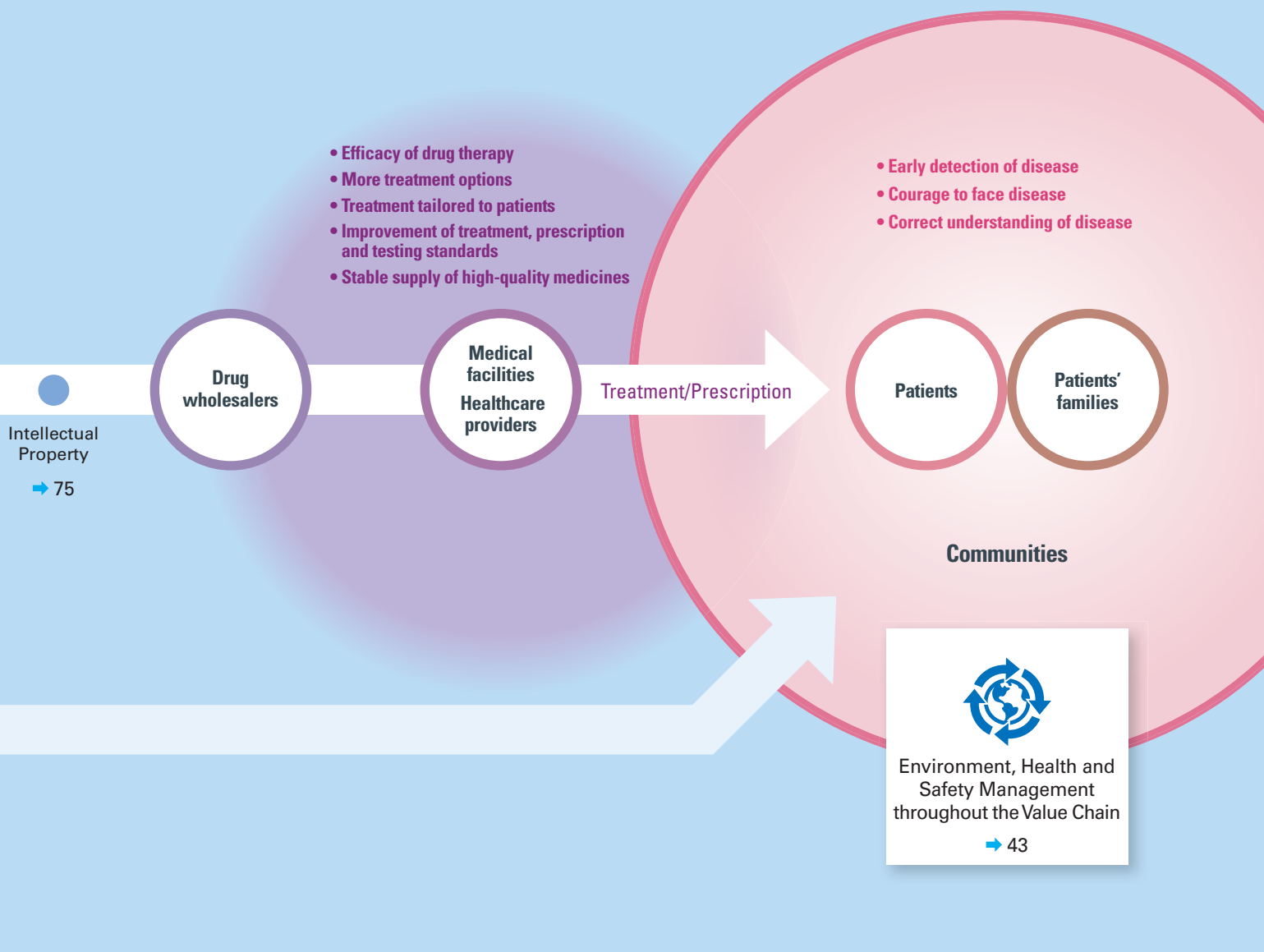


Chugai's business activities depend on the support of many stakeholders. Among them are patients, consumers, healthcare providers, shareholders and investors, business partners, society, non-profit and non-governmental organizations, and our employees. As changes in the business environment intensify, 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

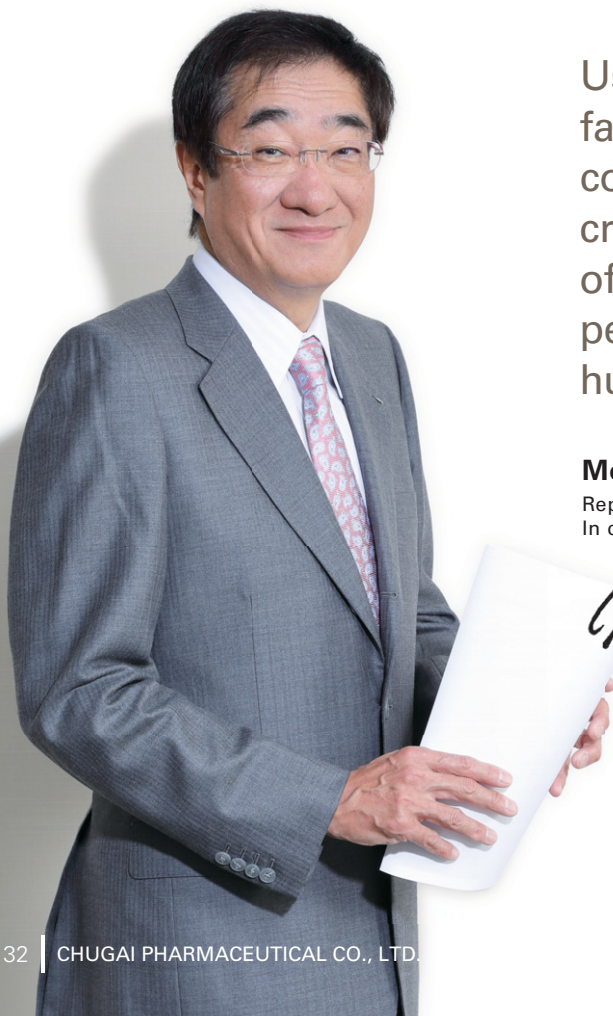
Chugai's mission is to benefit the medical community and human health around the world. As such, the role we play is continually changing. The pharmaceutical industry is facing an era of uncertainty marked by trends such as a declining birth rate and aging population, the growing need to contain healthcare 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.

A handwritten signature in black ink that reads "Motoo Ueno".

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,¹ healthcare compliance² and regulatory compliance,³ 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.