

## Messages from Directors



**Yoichiro Ichimaru**

Independent Outside Director  
Senior Advisor of Aioi Nissay Dowa Insurance Co., Ltd.

### A Virtuous Cycle That Drives Growth and Development

In 2018, Chugai was able to realize the goal it established in 2009 of becoming a top pharmaceutical company. Looking at each of the targets, Chugai's credibility and reputation in society have increased, including among healthcare providers and capital markets. Behind these successes is a business model based on the strategic alliance with Roche, and I believe that selection and concentration have been key to this alliance. Due to its collaboration with Roche, Chugai can select the regions and functions in which it concentrates management resources. This has led to a high level of results.

Another aspect where I feel Chugai excels is its use of diverse tools to effectively disseminate and share these results outside the Company. Chugai's special features and the orientation of its value creation are conveyed in a very understandable fashion not just in this report, but also on the Company website and via other media. Consequently, Chugai is able to attract capable people from outside the Company and improve motivation within the Company, leading to even better results. I believe that this virtuous circle drives Chugai's sustainable growth and development.

### A Business Plan Imbued with Our Mission

The new mid-term business plan IBI 21 began in 2019. This plan reflects Chugai's intention to provide true value for patients. In corporate management, it is extremely important to draw up long-term strategies without obscuring the company's Mission, which expresses the purpose of its existence and what it intends to accomplish. It is likewise important to ensure that those strategies are adopted and implemented by everyone in the company. I worked for Toyota Motor Corporation for many years. To take an example from the automobile industry, which is at a turning point that only comes once every 100 years, a clear vision of wanting to provide freedom of movement for all is giving rise to innovative measures such as self-driving cars that will achieve new mobility for society. It is also bringing together diverse human resources and partner companies.

Without a doubt, the new mid-term business plan IBI 21 is imbued with Chugai's long-term thinking, and I expect the Company to reach the even higher levels of innovation and ability that will be required to execute its strategies.

### Evolution of Governance

I feel that Chugai's governance system is a unique and effective framework from the viewpoint of fulfilling its Mission. Chugai has a large shareholder, Roche, whose long-term thinking is a perfect match. Consequently, Chugai can focus on sustainable growth without being limited by a short-term perspective. Moreover, by conducting independent management, Chugai can continue to produce results from its collaboration with Roche without losing its individuality. It is a win-win relationship that emphasizes diversity.

The Board of Directors consists of people from Chugai and Roche, as well as independent outside directors, such as me, with backgrounds in medicine, banking and manufacturing. I believe that lively discussions among directors with different experience and expertise are highly effective.

On the other hand, of course, there are also issues that still need to be addressed. I consider risk management particularly important. As society changes drastically and attention is focused on genomic medicine and other therapies, the risks Chugai faces will also change significantly. As it comes to grips with trends in other industries, the Company must envision and address new risks that affect the entire spectrum of the healthcare and pharmaceutical industries.

As an outside director, I still have much to learn about the pharmaceutical industry. In addition to gaining access to more substantive support so that I better understand the business, I will also study harder as I commit myself to Chugai's management. Thank you for your continued support.



### Christoph Franz

Non-Executive Director  
 Chairman of the Board of Directors of Roche Holding Ltd.  
 Member of the Board of Directors of Stadler Rail AG (Switzerland)  
 Member of the Board of Directors of Zurich Insurance Group Ltd. (Switzerland)

## Importance of Improving Corporate Value

The Chugai-Roche strategic alliance has been a tremendous success story over the past 16 years. Together we are making a significant difference to patients in Japan and all over the world. Since 2003, Chugai has launched 14 Roche Group-originated products into the Japanese market, becoming the market leader in oncology. During this time, Chugai has also licensed nine compounds to Roche. Two terrific recent examples are Alecensa (reducing the risk of disease worsening or death by almost 80 percent in Asian patients with a specific lung cancer), which in 2018 was one of the key global growth drivers of our Pharma business, and Hemlibra (transforming medical practice in the treatment of haemophilia A), which is already indicated for most people with haemophilia A in the U.S. Another testament to the innovation power of the alliance is the fact that over the last six years, the Roche Group has received 25 breakthrough therapy designations from the U.S. Food and Drug Administration (FDA), with seven of them originating from Chugai. This high number, amongst the most in the industry, demonstrates how we are capitalizing on cutting-edge science for difficult-to-treat diseases such as haemophilia A, lung and breast cancer, and achieving great medical advances for millions of patients.

## Management System of Chugai

Just as important as our joint success today, is how we foster the collaboration going forward. Our achievements are rooted in a mutually beneficial business model. Although Roche is the majority shareholder, Chugai maintains its Japanese culture and identity and is managed autonomously, yet closely coordinated with Roche. It is our deep conviction that strong and self-reliant local management fosters an entrepreneurial spirit and drives innovation. On this basis our partnership has created a win-win situation. On the one hand, the Japanese management better understands business practices and the national environment, bringing Roche's medicines more quickly to Japanese patients. On the other hand, Chugai is able to expand opportunities for innovative medicines through R&D synergies within the Group and gain access to the global market through Roche's network, while still autonomously directing strategy and resources in drug discovery research. Thus, we mutually foster and benefit from our innovations.

## Future Evolution of Chugai Management

Representing the interests of all shareholders, I and my colleagues of Chugai's Board of Directors will continue to focus on our responsibilities as required by Japanese law, including the approval of senior management appointments and budgets for operations, research, development and capital expenditure.

There is a huge medical need and a growing demand for specific diagnostics and effective, better-tolerated therapies not only in Japan, Europe and the U.S. (due to rising life expectancy), but also increasingly in Asia, Latin America and Africa. Consequently, for Roche and Chugai there is still much work to do.

The foundation of our success is and will remain a clear focus on scientific innovation. Importantly, we have made great strides in advancing personalised healthcare, increasingly supported by real-world data and advanced analytics. Our success depends not only on working together within the Roche Group, but also on our access to external innovation, or in other words, to good ideas from the outside to further complement our capabilities.

Thus, we need to further focus on our strengths. In particular, I encourage Chugai management to concentrate their efforts on what they can do better than Roche and foster the collaborative spirit where there are joint opportunities. I am convinced that the companies that will succeed in the future are those that can differentiate themselves through such a strategic approach to innovation.