Sustainability and Growth Strategies

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Valuable Suggestions from Dialogues in 2019 That Should Be Reflected in Management

**Investor Suggestions ↔ Chugai’s Response**

**Export Scheme for Chugai Products**
The export scheme for products out-licensed to Roche, and the sales amounts and trends of exports, are difficult to understand because they are complex. In particular, Hemlibra is a blockbuster product, so I would like to know the details that go into determining the forecast. (Sell-side analyst)

Present a diagram of the export scheme in the presentation materials for financial results, and disclose royalty and profit-sharing income and other operating income separately. Also disclose projected royalty income related to Hemlibra.

**ESG Meeting**
At the first ESG meeting Chugai Pharmaceutical plans to hold, it would be useful if it covered topics aligned with investor needs. It's also important to make this an ongoing event and to regularly report on progress. (Buy-side analyst and fund manager)

Will cover topics of particular interest based on preliminary interviews with the commenting analysts, who are deeply knowledgeable of ESG issues, and on preliminary online questionnaires sent to people who register for the meeting. Also, planning themes for future ESG meetings, assuming that this event will continue.

**Explanation of R&D**
Chugai is an R&D-driven pharmaceutical company, so to get detailed explanations, I would like you to hold R&D presentations separately from regular financial results presentations. (Buy-side analyst)

Held an information meeting on antibody technologies in December 2019. In addition to explaining Chugai’s research strategy, the meeting introduced innovative antibody technologies established using our antibody engineering capabilities, one of Chugai’s strengths.

**Supply Chain Management**
- Human rights themes in Japan have typically focused on discrimination and human rights awareness, but it is important to consider the human rights of workers more broadly. Besides the in-house training you already conduct, you should also conduct due diligence at suppliers. (NPO and Advisory Committee)

Reaffirmed the effectiveness of plans formulated internally. Created a comprehensive supplier evaluation system that includes human rights, environmental and occupational health and safety perspectives. Drew up targets for 2030 and three-year milestones, and began due diligence.

**Climate Change Risk**
- Climate change and other environmental risks are increasingly important worldwide, but the pharmaceutical industry has yet to place a high priority on such risks, and there are still no collaborative activities. These efforts, however, will likely accelerate overall. (Chugai International Council, other external reviews, etc.)

Moved up our initiatives regarding endorsement of the TCFD recommendations and implementation of scenario analysis, plans for which had been included in IBI 21. Also analyzed trends in other industries. Plan to announce results of TCFD scenario analysis in 2020.

**Employee Suggestions ↔ Chugai’s Response**

**From Workshop on “Patient-Centric”**
I realized that what I had thought of as “patient-centric” is really “treatment-centric,” and that for patients, the treatment of their disease is only one aspect of their lives. (Employee/Manager)

Listening to what patients say is extremely important. We are unable to contact patients directly, but collecting their views through key opinion leaders alone is insufficient. I would like to think about what we can do as a top innovator, based on the rules and regulations. (Employee/Manager)

Recognized that this workshop brought substantial changes to employees. Will engage in discussions with patient groups, and reconsider how we approach business activities that incorporate feedback from patients.

**IBI 21 – From a Site Visit by Top Executives**
I was able to understand and appreciate the Company’s vision for the future, its approach to human resources, and so on. The scope of direct dialogue with executives is expanding, and the ripple effect is growing. (Employee)

The implications of strategies and so on made sense, but I could not fully understand the specifics of such points as the envisioned personnel system and the ideal MR profile. (Employee)

Top executives will continue to conduct regular site visits and dialogue with employees. Plan to provide detailed explanations on personnel-related matters at information meetings and other forums.
Message from the Deputy Chairman

We will further accelerate our initiatives for creating shared value based on the needs and expectations of shareholders.

Motoo Ueno
Representative Director & Deputy Chairman
In charge of Sustainability Dept., Audit Dept.

Chugai’s Sustainability and Growth Strategies

Realizing better human health around the world – the goal expressed in Chugai’s Mission – is a universal desire. Since it was founded, Chugai has consistently pursued solutions to this challenge in cooperation with various stakeholders. However, in order to accomplish our Mission in an increasingly uncertain and complex operating environment, it will be important to demonstrate our path to value creation more clearly. Therefore, in 2019, we set out a basic management policy of creating shared value with our stakeholders to realize advanced and sustainable patient-centric healthcare.

Our stakeholders – healthcare professionals, research institutions, partners, the governments and regulatory agencies that support healthcare systems, communities, countries, and employees – all place importance on contributing to patients. Committing to patient-centric value (outcomes) will enable Chugai to carry out value expansion initiatives together with stakeholders.

Corporate sustainability is vital to the creation of sustainable healthcare and a sustainable society. In order to solve social issues, corporations such as Chugai must grow over the medium and long term, allocating various resources to new investments. This is precisely the idea behind the Sustainable Development Goals (SDGs) that Chugai has committed to supporting. The time horizons for goals and targets are different, but sustainability and growth strategies should be looked at from the same viewpoint.

Chugai established its material issues and formulated mid-term business plan IBI 21 based on this approach. IBI 21 is a three-year roadmap for the sustainable growth and development of society and the Company, and incorporates Strengthen Sustainable Platforms as Strategy 5 for achieving that objective. It is highly significant that initiatives that had been carried out at the departmental level are now being reflected in our Company-wide management strategy.

Dialogue with Stakeholders

One aspect that we are giving more emphasis to in IBI 21 is dialogue with stakeholders. Since we are committed to the idea of shared value, we must understand the needs and expectations of stakeholders in order to create such value. The speed, degree of achievement, and other aspects of strategy execution will be determined by the needs and expectations of society, and the level of those needs and expectations will vary according to our presence and influence on society.

In establishing our material issues and formulating our strategies, we placed importance not just on internal discussions but on dialogue with external stakeholders, and held extensive discussions with the Chugai Sustainability Advisory Committee and outside experts. We will maintain an ongoing dialogue with them to confirm our progress.
In 2019, we engaged in dialogue with internal and external stakeholders as planned. Our first ESG meeting was held in June 2019. This meeting and the interview with investors that preceded it were very worthwhile, as they gave us an opportunity to sound out the hopes and expectations of investors and the media directly. We plan to continue holding ESG meetings, introducing themes that go a step further and include reports on our progress. As a new initiative, we also conducted training and workshops on the SDGs for interested employees. Feedback was positive, with employees saying the programs helped them to think about the significance of working to achieve the SDGs. Afterward, we held an SDG contest in which all employees were invited to submit ideas for contributing to the achievement of the SDGs. The number of ideas exceeded expectations.

Establishment of Material Issues and Progress of Establishing Sustainable Platforms

In 2020, we established and announced targets and indicators for measuring material issues (see “Chugai’s Material Issues” on page 37). Of course, there are some items that can’t be verified sufficiently at this stage, such as those that are not suited to quantitative measurement. But in all of our corporate activities, setting targets is essential. We will continue to consider setting and disclosing appropriate targets as we conduct examinations and verification in order to share our priorities in corporate activities both internally and externally.

Our strategy of strengthening sustainable platforms is also moving forward. In quality management, for example, we have upgraded Company-wide quality requirements and taken other measures such as holding meetings on quality to further instill a quality mindset in response to more stringent demands for data integrity from authorities in recent years. In supply chain management, we are conducting due diligence based on the comprehensive evaluation system for suppliers that we established in 2019. In healthcare access, our efforts include joining the World Federation of Hemophilia Humanitarian Aid Program together with Roche and a program to support diagnosis and treatment of non-communicable diseases in Myanmar.

We are making progress as planned in each category, as these examples illustrate. At the same time, our presence in the industry and market capitalization changed in 2019. I sense that stakeholders’ needs and expectations are rising, so we need to further accelerate the execution of each of our strategies. One area we are focusing on is the global environment, particularly climate change. Based on the TCFD recommendations, we are currently strengthening governance regarding our response to climate change, analyzing risks and opportunities, and conducting scenario analysis that considers aspects such as the financial impact of these risks and opportunities. Going forward, we will step up our efforts in analysis, countermeasure design, and information disclosure. We plan to set our next medium-term targets in 2020, and are preparing to set ambitious goals for climate change countermeasures that match those in the Paris Agreement. Implementing such measures over the long term will also be important, so we are considering proactively setting longer-range goals such as for 2050.

I believe that one of the outcomes of our efforts to create shared value is that we will gain a precious asset – relationships of trust at a high level with each group of stakeholders. Based on this trust, we should be able to create further shared value. I will conduct management that helps Chugai evolve into a company where each and every employee works toward fulfilling its Mission with awareness of relationships with stakeholders and the Company’s value creation path.

### Relationship between Stakeholders and Material Issues

<table>
<thead>
<tr>
<th>Patients and families of patients</th>
<th>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</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers and wholesalers, etc.</td>
<td>Supply chain management/Fair transactions</td>
</tr>
<tr>
<td>Countries</td>
<td>Creation of innovative drugs and services/ Fair pricing/Improve access to healthcare</td>
</tr>
<tr>
<td>Communities</td>
<td>Provision of solutions for patients/Fair pricing/ Adverse event management/Quality assurance and stable supply of products</td>
</tr>
<tr>
<td>Universities and research companies/ institutions</td>
<td>Creation of innovative drugs and services/ Provision of solutions for patients</td>
</tr>
<tr>
<td>Shareholders and other investors, etc.</td>
<td>Corporate governance/Risk management/Compliance/Code of conduct/Disclosure and engagement</td>
</tr>
<tr>
<td>Employees</td>
<td>Human rights/Employee job satisfaction/Development of employee potential/Diversity and inclusion/ Improvement of occupational health and safety</td>
</tr>
<tr>
<td>Payers and regulators</td>
<td>Fair pricing/Creation of innovative drugs and services</td>
</tr>
<tr>
<td>Medical device manufacturers and healthcare companies</td>
<td>Creation of innovative drugs and services/ Provision of solutions for patients</td>
</tr>
</tbody>
</table>

Sustainability and Growth Strategies
# The Risks behind Our Strategies

## Principal Risks Associated with Strategies

<table>
<thead>
<tr>
<th>Product Environment</th>
<th>Specific Risk Scenarios</th>
<th>Impact on Enhancement of Corporate Value</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Changes in treatment paradigms due to new life science technologies such as cell and gene therapy and therapeutic nucleic acids</td>
<td>• Decline in competitiveness of products</td>
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<td></td>
<td></td>
<td>• Launch of innovative products by competitors and increasing speed of market penetration of biosimilars and generics</td>
<td>• Decline in market position</td>
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<td></td>
<td></td>
<td>• Changes in the competitive environment due to factors such as capital alliances between competitors</td>
<td>• Drug price reductions</td>
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<td></td>
<td></td>
<td>• Emergence of a digital oligopoly due to the entry of IT platform companies into the healthcare industry</td>
<td>• Cost of measures to respond to new modalities</td>
</tr>
<tr>
<td>Research and Development of New Products</td>
<td>• Increasing difficulty of identifying new drug targets due to intensifying R&amp;D competition</td>
<td>• Delays in creating in-house products</td>
<td>• Increase in costs associated with introduction of new technologies, enhancement of competitiveness and data utilization</td>
</tr>
<tr>
<td></td>
<td>• Further increase in R&amp;D expenditures for creating new drugs</td>
<td>• Rising R&amp;D expenditures and pressure on earnings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Decline in success rate of new drug candidate projects due to higher level of innovation required</td>
<td>• Additional costs for new supplemental technology</td>
<td></td>
</tr>
<tr>
<td>Healthcare System</td>
<td>• Stronger measures to reduce drug prices in response to rising healthcare costs and strain on finances in each country</td>
<td>• Decrease in sales volume</td>
<td>• Upgrade and Diversify Value Provided: Identify and accelerate development of new drugs that have a competitive advantage (1, 2)</td>
</tr>
<tr>
<td></td>
<td>• Fundamental changes in health insurance coverage for drugs</td>
<td>• Increase in marketing costs to expand sales volume</td>
<td>• Flexibly adopt new life science technologies, modalities and digital technologies (1, 2)</td>
</tr>
<tr>
<td></td>
<td>• Advance of Value-Based Healthcare (a model in which only solutions that offer true value are pursued)</td>
<td>• Decrease in profitability</td>
<td>• Pursue and provide proof of “true value” for patients (1, 2, 3)</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>• Risk of supply delays or disruptions due to natural disasters or other causes</td>
<td>• Loss of public trust</td>
<td>• Realize personalized healthcare (PHC) that is more advanced and offers high value to both patients and society (1, 2, 3, 4)</td>
</tr>
<tr>
<td></td>
<td>• Compliance, environmental, human rights or other ESG-related risks of suppliers throughout the supply chain</td>
<td>• Additional costs to restore and maintain the supply system</td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td>• Slowness in taking action to address human rights issues, including workplace environment, health and safety</td>
<td>• Decrease in sales volume</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Risks related to human rights violations, harassment and other issues throughout the supply chain</td>
<td>• Shift in market share</td>
<td></td>
</tr>
<tr>
<td>Global Environment</td>
<td>• Occurrence of unexpected contamination or its collateral damage by harmful substances</td>
<td>• Loss of public trust</td>
<td>• Enhance Competitiveness: Change to a profit structure that creates sufficient resources for innovation (1, 2, 3)</td>
</tr>
<tr>
<td></td>
<td>• More stringent environmental regulations in the future</td>
<td>• Deterioration of employees’ physical and mental health and decline in human resource capabilities</td>
<td>• Develop human resources by enhancing their responsiveness to environmental change (1, 2)</td>
</tr>
<tr>
<td></td>
<td>• Delay in autonomously and proactively engaging in climate change measures</td>
<td>• Decrease in sales volume</td>
<td>• Enhance Sustainability: Conduct initiatives in priority areas that take into account SSGs and issues in healthcare overall (1, 2, 3, 4)</td>
</tr>
<tr>
<td></td>
<td>• Insufficient response to expectations and requirements of society concerning environmental protection activities</td>
<td>• Shift in market share</td>
<td>• Promote evolution of ESG activities throughout the value chain (1, 2, 3)</td>
</tr>
<tr>
<td></td>
<td>• Greater difficulty of temperature and quality control in product manufacturing, storage and logistics due to rising outdoor temperature</td>
<td>• Expenditures for remedial measures and compensation for damages related to environmental pollution or for other reasons</td>
<td>• Contribute through cooperation with other companies and organizations (1, 2, 3, 4, 5)</td>
</tr>
<tr>
<td></td>
<td>• Malfunction of production equipment due to technical problems related to temperature control</td>
<td>• Restrictions on business activities due to regulations, increase in energy costs associated with production, and rise in prices of procured products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Disruption of business activities due to damage to the logistics network and production facilities caused by abnormal weather or meteorological disasters</td>
<td>• Unplanned spending to comply with regulations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Relocation of factories or other sites due to the rising sea level</td>
<td>• Increase in capital investment costs related to the introduction of new technologies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Water shortages and deterioration of water quality due to drought</td>
<td>• Increase in investment due to decline in reputation among customers and capital markets, and impact of lower brand image on stock price and acquisition of human resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increase in expenditures related to temperature control</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Impact on management from suspension or considerable delay in product supply</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expenses incurred to handle lawsuits arising from lower quality</td>
<td></td>
</tr>
</tbody>
</table>
Chugai’s Material Issues

Specification of Material Issues

<table>
<thead>
<tr>
<th>High Stakeholder Interest</th>
<th>High Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance</td>
<td>• Creation of innovative drugs and services</td>
</tr>
<tr>
<td>Risk management</td>
<td>• Provision of solutions for patients</td>
</tr>
<tr>
<td>Compliance</td>
<td>• Fair marketing</td>
</tr>
<tr>
<td>Disclosure and engagement</td>
<td>• Adverse event management</td>
</tr>
<tr>
<td>Code of conduct</td>
<td>• Safety of clinical trial subjects</td>
</tr>
<tr>
<td>Employee job satisfaction</td>
<td>• Quality assurance and stable supply of products</td>
</tr>
<tr>
<td>Human rights</td>
<td>• Improvement of access to healthcare</td>
</tr>
<tr>
<td>Climate change countermeasures</td>
<td>• Use of renewable/recycled resources</td>
</tr>
<tr>
<td>Use of renewable/recycled resources</td>
<td>• Development of employee potential</td>
</tr>
<tr>
<td>Fair transactions</td>
<td>• Diversity and inclusion</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>• Fair pricing</td>
</tr>
<tr>
<td>Improvement of occupational health and safety</td>
<td>• Social contribution activities</td>
</tr>
<tr>
<td>Social contribution activities</td>
<td>• Protection of biodiversity</td>
</tr>
<tr>
<td>Protection of biodiversity</td>
<td>• Environmental management system</td>
</tr>
<tr>
<td>Environmental management system</td>
<td>• Fair transactions</td>
</tr>
</tbody>
</table>

Chugai has adopted creating shared value with stakeholders as its basic policy. We identified 25 material issues that should be given priority.

These issues were identified through a multifaceted analysis that incorporated objective views from outside experts. Together with these issues, we formulated relevant targets (see following page for details). 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. Sustainability is part of our business strategy, and we consider it important to carry out our activities with an integrated and strategic view.

In establishing material issues, we analyzed the future market environment, referred to the SDGs and other external initiatives and guidelines, 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.

Process for Establishing Material Issues

1. Analysis of medium- to long-term conditions and identification of risks and opportunities
2. Discussion of management policies (Executive Committee)
3. Interviews of outside experts
4. Gap analysis (requests from outside stakeholders, comparison with other companies)
5. Analysis of social issues we want to solve (value and material issues)
6. Consultation with internal divisions
7. Specification of material issues (Outside directors, Executive Committee, Board of Directors)
Chugai has established material issues together with the targets it wants to achieve over the medium to long term for creating shared value. At the same time, because the promotion of these targets will require measures spanning all departments of the Company, we have also designated departments in charge of supervision and core execution. In addition, in 2019 we decided to reorganize and disclose our evaluation items as indices for measuring progress and degree of achievement of each target (only some are actual numerical values). By communicating to society the evaluation items we have set and the specific matters we will focus on, we aim to generate dialogue going forward. We will review the evaluation indices as necessary in line with the promotion of our strategies, and continue to consider disclosing actual numerical values.

### Targets and Indices for Material Issues

#### Economy

<table>
<thead>
<tr>
<th>Category</th>
<th>Material Issue</th>
<th>Target</th>
<th>Indicators</th>
<th>Department/Unit in Charge</th>
</tr>
</thead>
</table>
|                                 | Creation of innovative drugs and services          | Create innovative drugs                   | • Number of projects and products based on PHC  
• Number of new product launches and additional indications                                                                                                                                          | Project & Lifecycle Management Unit  
Research Div.  
Translational Research Div.  
Clinical Development Div. |
|                                 | Provision of solutions for patients                | Realize patient-centric healthcare        | • Market share in therapeutic area  
• Customer satisfaction                                                                                                           | Marketing & Sales Div.  
Medical Affairs Div.  
Drug Safety Div. |
| Sustainable healthcare          | Fair marketing                                     | Marketing in compliance with national guidelines | —                                                                                                                                                                                                                     | External Affairs Dept.  
Project & Lifecycle Management Unit |
|                                 | Fair pricing                                       | Pricing that reflects drug and service value | —                                                                                                                                                                                                                     | Drug Safety Div. |
|                                 | Adverse event management                           | Perform appropriate pharmacovigilance activities and promote proper drug use | • Customer satisfaction                                                                                                                            | Quality & Regulatory Compliance Unit  
Pharmaceutical Technology Div. |
|                                 | Quality assurance and stable supply of products    | Ensure quality and stable supply of products and services | —                                                                                                                                                                                                                     |                                                              |

#### Governance

<table>
<thead>
<tr>
<th>Category</th>
<th>Material Issue</th>
<th>Target</th>
<th>Indicators</th>
<th>Department/Unit in Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance</td>
<td>Corporate governance</td>
<td>Realize sustained growth and corporate value</td>
<td>• Review of Board of Directors effectiveness</td>
<td>General Affairs Dept.</td>
</tr>
<tr>
<td></td>
<td>Risk management</td>
<td>Perform risk assessment and evaluate responses</td>
<td>—</td>
<td>General Affairs Dept.</td>
</tr>
</tbody>
</table>
|                                 | Disclosure and engagement                          | Earn market trust through appropriate information disclosure | • Annual ESG meeting for institutional investors and media                                                                                           | Corporate Communications Dept.  
Sustainability Dept.  
Quality & Regulatory Compliance Unit |
| Ethics and compliance          | Compliance                                         | Appropriately manage compliance risks     | • Compliance monitoring                                                                                                                             | Sustainability Dept.  
Sustainability Dept.  
Purchasing Dept.  
Purchasing Dept. |
| Supply chain management        | Code of conduct                                    | Promote understanding and awareness of Chugai Group Code of Conduct (CCC) | • CCC and human rights training in Japan: twice a year                                                                                          | Sustainability Dept.  
Purchasing Dept.  
Purchasing Dept. |
|                                 | Fair transactions                                  | Ensure compliance with trading laws and regulations and build fair and transparent business relationships | —                                                                                                                                                                                                                     |                                                              |
|                                 | Supply chain management                            | Perform comprehensive supplier evaluations | • Risk assessment of major CMOs                                                                                                                      |                                                              |
### Environment

<table>
<thead>
<tr>
<th>Category</th>
<th>Material Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global environment</td>
<td>Climate change countermeasures (energy, etc.)</td>
</tr>
<tr>
<td></td>
<td>Use of renewable/ recycled resources (water, waste, etc.)</td>
</tr>
<tr>
<td></td>
<td>Protection of biodiversity (environmental burden mitigation)</td>
</tr>
<tr>
<td></td>
<td>Environmental management system</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Target</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimize impact on global environment</td>
<td>• Reduce energy consumption per employee by 20% vs 2010</td>
</tr>
<tr>
<td></td>
<td>• Eliminate use of specific fluorocarbons</td>
</tr>
<tr>
<td></td>
<td>• Fuel economy of sales vehicles: ≥16 km/L</td>
</tr>
<tr>
<td></td>
<td>• Zero waste emissions (≥99% recycling of waste): 3 sites</td>
</tr>
<tr>
<td></td>
<td>• Wastewater measurement using whole effluent toxicity testing: 5 sites</td>
</tr>
<tr>
<td></td>
<td>• Expand verification items and scope (Overseas sales companies)</td>
</tr>
</tbody>
</table>

#### Department/Unit in Charge

| Sustainability Dept. |

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### Social

<table>
<thead>
<tr>
<th>Category</th>
<th>Material Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources</td>
<td>Employee job satisfaction</td>
</tr>
<tr>
<td></td>
<td>Development of employee potential</td>
</tr>
<tr>
<td></td>
<td>Diversity and inclusion</td>
</tr>
<tr>
<td></td>
<td>Improvement of occupational health and safety</td>
</tr>
<tr>
<td>Human rights</td>
<td>Human rights</td>
</tr>
<tr>
<td></td>
<td>Safety of clinical trial subjects</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>Social contribution activities</td>
</tr>
<tr>
<td></td>
<td>Improvement of access to healthcare</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Rate of paid leave taken: ≥80%</td>
</tr>
<tr>
<td></td>
<td>• Telecommuting participation rate: 35%</td>
</tr>
<tr>
<td></td>
<td>• Employee awareness survey</td>
</tr>
<tr>
<td></td>
<td>• Number of next-generation leader candidates</td>
</tr>
<tr>
<td></td>
<td>• Ratio of female managers: 16%</td>
</tr>
<tr>
<td></td>
<td>• Ratio of female managers (With subordinates): 15%</td>
</tr>
<tr>
<td></td>
<td>• Prohibit smoking during work by December 31, 2021</td>
</tr>
<tr>
<td></td>
<td>• Human rights due diligence on contractors</td>
</tr>
<tr>
<td></td>
<td>• Set for each program</td>
</tr>
</tbody>
</table>

#### Department/Unit in Charge

| Human Resources Management Dept. |

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1. Target for December 31, 2020
2. Target for December 31, 2021
3. Non-consolidated basis
4. Non-consolidated employee basis
### Previous Mid-Term Business Plans

#### Sunrise 2012 (2008-2012)

- **Business environment**
  - Emphasis on unmet medical need
  - Stronger pressure to contain healthcare costs

- **Formulation and launch of the “top pharmaceutical company” goal**

- **Strategies**
  - Strengthen portfolio management
  - Exhibit strategic marketing functions
  - Maximize Company-wide productivity

- **Results and issues**
  - Established high profitability
  - Continuous stream of in-house candidates into clinical development
  - Developed and established recycling antibody engineering technology and other proprietary antibody engineering technologies
  - Promoted PHC

- **Quantitative guidance**
  - **2012 targets**
    - Revenues: ¥460 bn → ¥391.2 bn
    - Operating profit: ¥80 bn → ¥76.4 bn
    - Operating profit margin: 17.4% → 19.5%
  - **Result**


- **Business environment**
  - Evolution of discovery technology
  - Stricter drug approval requirements
  - More severe impact from drug price revisions

- **Prepare the foundation for achieving the “top pharmaceutical company” goal**

- **Strategies**
  - Increase marketing productivity
  - Accelerate global development
  - Continuously generate innovative projects
  - Further strengthen management infrastructure

- **Results and issues**
  - Product growth exceeding market average
  - Advances in global development of in-house products including Alecensa
  - Strengthened R&D structure with expansion of CPR, establishment of TCR Division, etc.
  - Enhanced functions for providing solutions

- **Quantitative guidance**
  - **3-year target**
    - Core EPS CAGR
    - (2012-2015):
      - Mid to high single digit → 18.3%
  - **Result**

#### IBI 18 (2016-2018)

- **Business environment**
  - Advances in life science
  - Increasing difficulty of creating new drugs
  - Fierce global competition

- **Realization of the “top pharmaceutical company” goal**

- **Strategies**
  - Acquisition and implementation of competitiveness at a top global level
  - Selection and concentration strategy for acceleration of growth (Set 13 priority issues in 5 areas: Drug discovery, development, pharmaceutical technology, marketing & sales/medical affairs/drug safety, and Company-wide)

- **Results and issues**
  - Achieved record-high results
  - Continuously created therapeutic antibody projects and enhanced the middle molecule drug creation technology platform
  - Prepared for approval and accelerated growth of Hemlibra and Tecentriq
  - Created a structure for providing solutions by region

- **Quantitative guidance**
  - **3-year target**
    - Core EPS CAGR
    - (2015-2018):
      - Low single digit → 17.1%
  - **Result**

---

1. A vision for Chugai to be realized in the second half of the 2010s. It sets numerical targets including ranking within the top three major Japanese pharmaceutical companies, the number-one domestic presence in our strategic disease areas, and expansion of global presence, and qualitative targets including becoming a company that receives the support and trust of all stakeholders and conducts independent activities.
4. Diluted earnings per share attributable to Chugai shareholders on a Core basis
5. Compound annual growth rate
6. Based on average exchange rates for 2015
7. Based on average exchange rates for 2012

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CHUGAI PHARMACEUTICAL CO., LTD.
Overview of Mid-Term Business Plan IBI 21

Core EPS CAGR (2018-2021)

Around 30%*

- We will make essential investment for future growth, while maintaining the momentum of growth achieved during IBI 18, and realize sustainable profit growth and expansion of corporate value.
- We will target a Core EPS payout ratio of 45 percent on average.
* Three years, based on constant exchange rate.
Note: Core EPS CAGR is calculated based on the assumption of no stock split with a scheduled effective date of July 1, 2020.

Quantitative Outlook

Mid-Term Business Plan: 5 Strategies

We aim to accelerate the development of society and Chugai by generating innovation centered on innovative new drugs with the following five strategies under the themes “create global growth and maximize value” and “strengthen HR and infrastructure that support Chugai’s business.”

Create Global Growth Drivers and Maximize Value

Strategy 1: Value Creation
Realize innovative drug discovery to cure and manage diseases

Strategy 2: Value Delivery
Deliver patient-centric solutions and maximize value of growth drivers

Strategy 3: Promote Advances in Personalized Healthcare (PHC)
Realize the further advancement of PHC and innovate R&D process by utilizing digital technology and data

Strengthen HR and Infrastructure That Support Chugai’s Business

Strategy 4: Strengthen Human Capital and Conduct Fundamental Structural Reform
Develop high-caliber HR talent that supports innovation, and thoroughly reform costs, systems and processes

Strategy 5: Strengthen Sustainable Platforms
Simultaneously realize company growth and sustainable social development
Based on its five strategies, IBI 21 aims to accelerate the advancement of society and Chugai by generating innovation focused on novel drugs. In quantitative terms, we are targeting a Core EPS CAGR of around 30 percent (assuming constant exchange rates) for the three years of the plan, and will allocate resources and make management decisions with emphasis on profitability and capital productivity, including evaluation based on capital costs. Our policy on shareholder returns is to aim for a dividend payout ratio of 45 percent of Core EPS on average to provide stable dividends, taking into account the balance between shareholder returns and the internal reserves necessary for increasing corporate value. In January 2020, we raised the quantitative outlook from the previous high single digits in anticipation of future business expansion, and changed from the previous target Core payout ratio of 50 percent on average to 45 percent to maintain our policy of stable dividends.

**Basic Principles of Increasing Corporate Value and Shareholder Returns**

<table>
<thead>
<tr>
<th>Basic strategy</th>
<th>Achievement</th>
<th>Increase in corporate value</th>
<th>Reinvestment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realization of advanced and sustainable patient-centric healthcare</td>
<td>Increase in value through profit generation</td>
<td>Realization of high capital productivity with growth being the driver</td>
<td></td>
</tr>
<tr>
<td>Mid-term profit growth</td>
<td>Increase in value by expanding future growth opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhance R&amp;D portfolio</td>
<td>Increase in value by enlarging future growth opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthen management infrastructure</td>
<td></td>
<td></td>
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</tbody>
</table>

**Shareholder returns**

- Dividend (Core EPS payout ratio: Avg. 45%)
- Highly regarded in the market

**IBI 21 Growth Outlook**

In addition to market penetration of growth drivers in Japan and overseas, the approval and launch of satralizumab will support further growth.

**Market penetration**
- Tecentriq/Hemlibra market penetration in Japan
- Alecensa/Hemlibra global expansion
- Promote FMI business
- Satralizumab launch (Japan/U.S./E.U.)

**Revenue maximization**
- Nemolizumab, SKY59 global expansion
- Entry into new disease areas

**New drug approvals**
- Satralizumab (Japan/U.S./E.U.)
- Key development products
- Additional indications for Tecentriq

**Additional indications**
- Nemolizumab (overseas)

**Investment for future growth**
- Advances in middle molecule research and evolution of antibody engineering technologies
- Strengthen new capabilities (digital technologies, etc.) for future growth
- Construction of new research facility and expansion of production equipment

**Market penetration**
- Tecentriq
- Hemlibra (Japan/U.S./E.U.)
### Progress of IBI 21

#### Strategy 1: Value Creation
- Hemlibra: Obtained approval in Europe for hemophilia A without inhibitors
- Rozlytrek: Obtained approval in Japan for NTRK fusion gene-positive solid tumors, filed for ROS1 fusion gene-positive NSCLC
- Nemolizumab: Received breakthrough therapy designation from the U.S. FDA for the treatment of pruritus associated with prurigo nodularis
- Telomelysin: Concluded exclusive licensing and capital tie-up agreements with Oncolys BioPharma Inc.
- Satralizumab (SA237): Filed applications in Japan, the U.S. and Europe for treatment of neuromyelitis optica spectrum disorder
- OWL833: Out-licensed to Eli Lilly and Company and began phase I clinical trial

#### Strategy 2: Value Delivery
- Steady market uptake of Hemlibra, Tecentriq and other new products
- Global sales of Hemlibra reached about ¥150.0 billion

#### Strategy 3: Promote Advances in PHC
- Launch of FoundationOne CDx Cancer Genomic Profile in Japan
- Approval for expanded use of FoundationOne CDx Cancer Genomic Profile as a companion diagnostic for Rozlytrek
- Established Digital & IT Supervisory Division (Strategies 1, 2 and 3)

#### Strategy 4: Strengthen Human Capital and Conduct Fundamental Structural Reform
- Transferred the businesses of two long-term listed products
- Outsourced pharmaceutical distribution and packaging operations
- Implemented early retirement incentive program
- Completed design of new personnel system (Started operation on April 1, 2020)

#### Strategy 5: Strengthen Sustainable Platforms
- Strengthened initiatives for each ESG theme and set targets for each material issue
- Held ESG meeting
- Selected as a component of the Dow Jones Sustainability Asia Pacific Index

### EPS/Core EPS

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (Yen)</th>
<th>Core EPS (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>72.07</td>
<td>104.00</td>
</tr>
<tr>
<td>2009</td>
<td>104.00</td>
<td>116.42</td>
</tr>
<tr>
<td>2010</td>
<td>76.14</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>83.27</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>85.64</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>94.69</td>
<td></td>
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<td>2014</td>
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<td>2015</td>
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<tr>
<td>2018</td>
<td>176.42</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>305.80</td>
<td></td>
</tr>
</tbody>
</table>
Realize innovative drug discovery to cure and manage diseases by fusing our core drug discovery technologies and biology, and by achieving rapid proof of concept (PoC).

**Strategic Points**
- Strengthen core drug discovery technologies
- Deepen understanding of pathology/Identify original targets
- Achieve rapid early PoC/PoC
- Demonstrate value
- Bolster intellectual property (IP) strategy

**Creation of Innovative Drugs**

As part of IBI 21, we are attempting drug discovery at a whole new level under the theme, “Realize innovative drug discovery to cure and manage diseases.”

Continuous creation of innovative drugs drives Chugai’s growth, and our prioritized investment of management resources has established a cutting-edge technology platform. Under IBI 21, we are exploring the potential for cure or full recovery at an earlier stage resulting from the synergy between advances in drug discovery technology and a deeper understanding of the biology underlying pathologies, which will lead to the identification of original targets.

For drug discovery modalities, we have technologies to create therapeutic antibodies, small molecule drugs and middle molecule drugs. Therapeutic antibody projects made smooth progress in 2019, including the start of clinical development of NXT007, the next generation of Hemlibra. We are also developing a series of proprietary new antibody engineering technologies including Switch antibody engineering technology. We will start clinical trials of a project that applies Switch antibody engineering technology during 2020 and will accelerate the utilization of new antibody engineering technologies as we work to create a new mode of action.

For middle molecule drugs, an area where we have been working to establish a modality platform as a core technology for next-generation drug discovery, we at last expect to see projects entering the pipeline. Measures will include developing non-clinical data, clinical protocols and upgrading our supply system with the aim of commencing a phase I clinical trial during IBI 21.

**Deepening Our Understanding of Biology and Open Innovation**

As we deepen our understanding of biology, we will cultivate targets and modes of action by establishing an integrated disease database and conducting research using fresh human tissue among other measures. Concurrently, we will conduct joint research with IFReC, the University of Tokyo Center of Innovation (COI) and the National Cancer Center at on-site laboratories. We will also collaborate with other research institutions in Japan and overseas.

Moreover, in fusing technology and biology to enable a higher level of drug discovery, generating insights is key. We will continue to innovate by making full use of the TACTICS system we launched in 2019, which allocates at least 20 percent of approximately half of our researchers’ workloads to idea creation.

**Maximizing Value**

For new drug candidates, we will promote development with world-class quality and speed by evolving the development process through ongoing enhancement of our organizations for translational research and investigational drug production. At the same time, we will work to further evolve manufacturing technologies for middle molecule drugs, step up quality control, quality assurance and regulatory functions in accordance with global standards, and strengthen our strategies for intellectual property, including technology patents.

Progress was steady at each stage of the development pipeline in 2019, and we intend to continue working to accelerate development of each project, including nemolizumab (CIM331) and SKY59.

To prove the value of our products, we are working to establish a system that can collect, analyze and manage various data from the development stage, including in areas such as quality of life and healthcare economics. We have already designed new outcome technologies and indicators using wearable devices and image analysis to demonstrate value for patients, and are verifying the results for the purpose of implementation in clinical trials.
Maximize value of growth drivers (innovative drugs and services) through patient-centric consulting and enhanced digital solutions.

Strategic Points
• Maximize value of growth drivers
• Work to realize patient-centric healthcare
• Provide effective and efficient solutions

Maximizing the Value of Growth Drivers for Patients

In a changing healthcare landscape characterized by demographic shifts and advances in life science and digital technology, the industry as a whole is expected to be seen as an ecosystem in which various stakeholders converge as one community that shares the goal of maximizing value for patients. To an increasing extent, making a contribution to patients requires a healthcare company to go beyond simply providing pharmaceuticals to offer comprehensive solutions that coordinate the functions of marketing, medical affairs and drug safety.

Under IBI 21, we will maximize the value of our growth drivers by providing solutions that include enhancing safety information and further incorporating digital technology to accurately meet increasingly sophisticated and diverse needs. Specifically, we will focus our efforts and resources on new products and growth drivers including Tecentriq, Hemlibra and satralizumab (SA237). We will achieve further growth and take every opportunity such as the smooth market introduction of Hemlibra and Edirol in China in cooperation with Roche.

In 2019, we conducted a wide-ranging rollout for Hemlibra, which obtained approval for the additional indication of hemophilia A without inhibitors. This included consulting activities for healthcare professionals and the provision of safety information to minimize the risk of adverse events. As a result, we made headway in both evaluations from and uptake by healthcare providers. We also made steady progress in expanding use of Tecentriq for non-small cell lung cancer and other indications.

Going forward, we intend to accelerate uptake of and obtain approval for Hemlibra in more countries as we promote further market penetration. We will also file for additional indications for Tecentriq, which is expected to be used in combination with existing therapies and to be effective for a wide range of cancers. For satralizumab (SA237), we filed applications in Japan, the United States and Europe in 2019, and will now focus on obtaining approval, a smooth launch and market penetration.

Advancing the Delivery of Effective and Efficient Solutions

Chugai is working on both functional and systemic enhancements in order to provide more sophisticated solutions and higher added value, which it considers essential for maximizing the value of its growth drivers. Accordingly, in our value delivery strategy we are enhancing organic collaboration with various specialists and incorporating digital technology for more advanced provision of information. We are promoting a more collaborative framework among the marketing, medical affairs and drug safety divisions, and we plan to utilize this framework to propose solutions that incorporate digital technology through cooperation between these three divisions and the Digital & IT Supervisory Division that we inaugurated in 2019.

In medical affairs, we will generate high-quality evidence, including evidence derived from real-world data (RWD), in addition to continuing post-marketing clinical studies. In drug safety, we will combine RWD with our existing post-marketing surveillance and safety information database tools to visualize safety evidence in real time. In marketing, on the basis of these various forms of data, we have developed a database tool that is adaptable to local healthcare delivery systems, and we will use it to propose treatment plans optimized for each patient.

Additional value to realize personalization and differentiation

- High-quality evidence including real-world evidence
- Real-time safety information

1. Marketing, Drug Safety and Medical Affairs

Promote FMI business in Japan

- Marketing, Drug Safety and Medical Affairs
Strategy 3
Promote Advances in PHC

Strategy Points
• Enable patient-centric PHC
• Establish a digital intelligence platform

Enabling Patient-Centric PHC

Chugai is a pioneer in PHC in Japan and a member of the Roche Group, a global leader in personalized medicine. Under IBI 21, we are focusing on promoting the next stage of PHC to provide the best treatment for each patient.

PHC, which administers treatments only to selected patients who are expected to benefit from them, is the main approach for realizing advanced and sustainable patient-centric healthcare, offering value for patients, healthcare finances and society. Backed by the recent dramatic progress in genomic medicine and data analysis technology, comprehensive genomic profiling has become possible. A representative example is our FMI business, which uses the technology of Roche Group member Foundation Medicine Inc. (FMI) to promote PHC through cancer genomic profiling. In 2019, we launched FoundationOne CDx Cancer Genomic Profile (F1CDx), a system for comprehensive cancer-related genomic profiling using next-generation sequencing, and also obtained approval for its use as a companion diagnostic for tumor-agnostic therapy Rozlytrek, which was also launched in 2019.

We will encourage and cooperate with regulatory authorities, scientific conferences, participating facilities and other parties to improve access to cancer genomic profiling and pursue synergies with Rozlytrek and other PHC-based products to accelerate uptake of cancer genomic diagnostics.

As an addition to the conventional biopsy method, we are also preparing to submit an application for a liquid biopsy test that reduces the burden on patients and raises the efficiency of medical facilities. We consider liquid biopsy to be a key factor for accelerating uptake of cancer genomic diagnostics, and are conducting focused efforts with the aim of filing an application during 2020.

Moreover, the evolution of digital devices and other developments have made it possible to obtain an immense amount of patient information in a timely manner, and to rapidly quantify a wide range of benefits for patients, including aspects such as quality of life as well as drug efficacy and safety. In close cooperation with government and academia, and in collaboration with the Roche Group, including Flatiron Health Inc., Chugai will help to collect real-world data (RWD), including cancer-related genomic information, and to establish a comprehensive database for regulatory compliance.

Establishing an Intelligence Platform Based on Digital Technology

For Chugai, innovation requires the use and upgrade of digital technologies, including the introduction of AI technology in drug discovery and all other functions, sophisticated data analysis, and RWD-based research and development. Our aim of building and reinforcing a Company-wide platform for utilization of digital technologies under IBI 21 is a theme that runs through Strategies 1, 2 and 3. In 2019, we formulated our vision for achieving digital transformation by 2030. As part of this vision, during 2020 we are laying out and getting to work on the priority areas for innovation in the drug discovery and development process and the value chain. We will concurrently invest management resources in acquiring and developing specialists, strengthening technologies and reforming our corporate culture to build and reinforce our platform for utilization of digital technologies.

Further advance PHC and innovate R&D processes

1. A company that provides oncology-specific electronic health record systems and has a comprehensive database developed in collaboration with medical institutions. It became a member of the Roche Group in 2018.
2. Unlike a conventional biopsy, which uses an endoscope and needle to take a tissue sample, liquid biopsy is a technology that uses blood or other fluid samples to make a diagnosis and a prediction of therapeutic response.

Bonus Video
Saving Lives! Medic-boy’s Big Adventure

Strategy 4
Strengthen Human Capital and Conduct Fundamental Structural Reform

Recruit and develop diverse and high-caliber talent that supports innovation, and conduct fundamental structural reforms.

Strategic Points
• Develop and recruit talent from a medium- to long-term perspective
• Shift to a robust profit and cost structure

Developing and Recruiting Talent from a Medium- to Long-Term Perspective

Our people are an invaluable asset that drives Chugai’s growth and progress. As we implement IBI 21 Strategies 1, 2 and 3, we will further strengthen human resource management from a medium- to long-term perspective, aiming to recruit, develop and assign diverse, high-caliber human resources who will drive innovation. In particular, to meet stakeholder expectations and create value in a rapidly changing business environment, it is important for employees to be able to think on their own in carrying out strategies with high quality and speed, in an organization that encourages taking on new challenges.

For a human resource strategy based on this stance, we have revised human resource requirements, and promote talent management and position management to assign the right people to the right positions. We also quickly identify and develop leaders and high-level specialists who can play a key role in implementing strategies. In addition, by further promoting diversity and inclusion, we will foster an organizational culture that is conducive to innovation, and encourages the active participation of diverse employees.

Based on these priority issues, we designed a new personnel system in 2019 (operation started in April 2020) that assigns the right people to the right positions with the aim of building a corporate culture that encourages taking on new challenges.

This personnel system defines and communicates the duties, performance responsibilities and human resource requirements for all positions in the Company, and determines compensation based on the value of each position, thus facilitating independent career development and promotion. We will also abolish the age limit for management personnel to enable assignments regardless of age.

In formulating IBI 21, we conducted a survey to identify human resource issues. It indicated that our management system and our level of employee engagement were at a high level compared with other global companies, but also that our work environments and organizational culture, though comparing favorably to our domestic competitors, still showed room for improvement at the global level. We will therefore set detailed organizational reform tasks for each division and implement the PDCA cycle, in addition to making our survey results a key performance indicator for the final year of IBI 21.

Transforming Our Profit Structure by Conducting Fundamental Structural Reform

Chugai has established a profit structure comparable to that of major global pharmaceutical companies by conducting measures such as improving productivity to optimize costs, reducing its expense ratio and transferring the business rights of long-term listed products. However, given the increasingly severe business environment for pharmaceutical companies, including measures to curb drug prices, transforming our profit and business structure to allow a greater concentration of resources on innovation is a major issue in achieving sustainable growth.

Therefore, in order to raise funds and concentrate management resources for innovation, we will reorganize systems, fundamentally reform our business processes and cost structures, and take firm steps to streamline operations, including the introduction of digital technology and robotic process automation. We will also flexibly and proactively invest to upgrade core functions and capture growth opportunities.

In 2019, we worked to reform our cost structure by outsourcing operations that will not be part of future core businesses and functions. This enables us to increase automation and raise efficiency. We also made capital investments, including in our new research site Chugai Life Science Park Yokohama, and conducted new function and solution design measures. We will continue to conduct timely structural reform.

See “Message from the CFO” on page 54.
- Concentration and Selection Are the Key to Structural Reform
- Main Fundamental Structural Reforms in 2019
- Balancing Investment for Value Creation and Shareholder Returns
See “Human Resources” on page 80.
Strategy 5
Strengthen Sustainable Platforms

With the aim of improving corporate value continuously, we have specified six priority categories that support our drive for innovation, based on expectations and requests from society, Chugai’s impact on the economy, society and environment, and stakeholder interest.

Strengthening Sustainable Platforms for Creating Shared Value

Chugai identified material issues for creating shared value with its stakeholders, in light of growing expectations and demands for the sustainability of the global environment and social systems, in addition to its contribution to patients and healthcare. In formulating Strategy 5 of IBI 21, “Strengthen Sustainable Platforms,” we specified six areas from among the medium- to long-term material issues for the sustainable platforms that should be prioritized during the plan.

Progress was steady in 2019 as relevant divisions worked together in each area. We have set targets for each category of the material issues, but we will continue to examine the appropriateness and adequacy of the targets as we enhance external disclosure to be able to accurately share our progress toward the targets both inside and outside the Company.

Material Issues in Six Categories

Quality Management
We will work to maintain and enhance our world-class level of quality, a key factor in the value of our products and services. In light of recent demands for data integrity, we are working in particular on organizing quality requirements for cross-divisional management of good practice guidelines and regulations (GxP) for pharmaceuticals.

At the same time, going beyond GxP in the belief that each employee’s awareness of quality in their daily duties has a profound impact on quality in the four areas of products, information, processes, and human resources, we will hold quality meetings in each division and overseas subsidiary to foster a quality mindset in our workplaces.

Supply Chain Management
It is essential to work with suppliers to help resolve social issues such as poverty, growing inequality, environmental problems and worsening working conditions. Chugai has therefore established guidelines and a comprehensive evaluation system for conducting supplier management in the areas of human rights and the environment, in addition to its existing efforts for stable supply and quality control. In 2019, we used this evaluation system in conducting due diligence based on the principles of the Pharmaceutical Supply Chain Initiative (PSCI). Specifically, we are setting priorities in the event that human rights and environmental risks materialize, based on factors such as the impact on the Company and society and the difficulty of selecting alternatives, and conducting risk assessments.

Healthcare Access
Up to now, Chugai has contributed to global health through the GHIT Fund and Access Accelerated, and we will expand our activities as a core theme of IBI 21. In 2019, we joined the World Federation of Hemophilia Humanitarian Aid Program together with the Roche Group. In addition, employees visited Myanmar to collect feedback and better understand the needs for our local projects, which include the promotion of safer hospital childbirth and maternity healthcare, and measures for people living with noncommunicable diseases. Since the nature of specific issues varies by country and region, we will continue to conduct activities that closely match actual circumstances in each location.

Social Contribution
At the start of IBI 21, we formulated Chugai’s basic stance on social contribution and set five priority themes for Chugai’s engagement: medical care, welfare, social inclusion, support for the next generation, and local communities. In 2019, we designed measures for each theme and worked to enhance the substance of our activities. In the area of social inclusion, based on our experience in promoting para-sports, we sponsored art exhibitions, concerts, workshops and other events where everyone could express themselves freely, whether disabled or not, to realize an inclusive society looking ahead. In the area of communities, our activities included working with a non-profit organization to support the early operation of emergency shelters in areas damaged by a series of typhoons in 2019, and we intend to further enhance these activities going forward.
Global Environment

In addition to actively contributing to measures to combat climate change, increase the use of renewable and recycled resources and protect biodiversity, we also work to mitigate water risk and preserve water resources, which are especially critical to the pharmaceutical industry. We set and have been advancing toward mid-term environmental goals for 2020, when we will set the next mid-term environmental goals.

An area of particular focus among global environmental issues is combating climate change, and to improve environmental performance we are employing state-of-the-art design in the construction of Chugai Life Science Park Yokohama, with the intention of enhancing our management system and measures. In response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we conducted a scenario analysis in 2019 based on the TCFD framework, which considered topics including strengthening governance for climate change countermeasures as well as an analysis of risks and opportunities and their financial impact. We announced our support for the TCFD recommendations in February 2020, and will continue working to further address climate change risks and opportunities and enhance information disclosure. In addition, our progress in combating climate change has been positively evaluated, receiving a Carbon Disclosure Project (CDP) score of “B” in 2019, up two ranks from the previous year. We are not satisfied with this score, and will continue to step up our efforts.

Stakeholder Engagement

More proactive dialogue and engagement with individual stakeholders is a central part of our drive to create shared value. Other priorities will include strengthening disclosure and information dissemination, two-way communication, and creating new dialogue opportunities.

As a new initiative in 2019, we held an ESG meeting for shareholders, investors and the media in June. Representative Director & Deputy Chairman Motoo Ueno, who is in charge of the Sustainability Department, received a great deal of valuable feedback from dialogue with attendees. We plan to continue holding presentations in the future.

Gap Analysis of ESG Surveys and Progress

When identifying the material issues that it must address in order to create shared value, Chugai conducted a gap analysis between its ESG initiatives and the evaluation items in global ESG surveys used for the Dow Jones Sustainable Indices, MSCI indexes, and FTSE Russell indices, among others. These external surveys reflect at a high level the advanced ESG initiatives that investors demand. We have decided to continuously conduct gap analyses against these surveys, using the items in them as benchmarks to quantitatively and objectively gauge the changing expectations and demands of society and to identify issues. In this way, we are enhancing our foundation for sustainable growth.

In 2019, our ESG evaluation showed improvement in multiple categories, as illustrated in the chart on the left, and our overall score also rose. However, in comparison with highly-rated companies globally, we still have more to do. In 2020 and beyond, we will continue to set priorities to strengthen sustainable platforms, and carry out new initiatives in the areas of climate change risk mitigation and healthcare access.

Main Categories in Which Chugai Improved in 2019 External Evaluations

<table>
<thead>
<tr>
<th>Category</th>
<th>Assumed Reasons for Improved Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain management</td>
<td>Formulated Supplier Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>Formulated guidelines for assessment of EHS compliance risk</td>
</tr>
<tr>
<td>Human rights</td>
<td>Formulated Human Rights Statement</td>
</tr>
<tr>
<td>Global environment</td>
<td>Received external assurance audit of water consumption</td>
</tr>
<tr>
<td>Healthcare access</td>
<td>Formulated Basic Approach to Global Health</td>
</tr>
<tr>
<td>Material issues</td>
<td>Identified material issues and disclosed the process for doing so</td>
</tr>
<tr>
<td>Social contribution</td>
<td>Formulated Basic Concept of Social Contribution Activities</td>
</tr>
</tbody>
</table>

Policies for Initiatives during IBI 21 (Planned)

<table>
<thead>
<tr>
<th>Policy</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further enhancement of initiatives</td>
<td>Supply chain management, human rights, global environment, material issues</td>
</tr>
<tr>
<td>Promotion of new initiatives</td>
<td>Analysis of climate change risks and opportunities, healthcare access, corporate governance, tax strategy, talent development</td>
</tr>
</tbody>
</table>