

Glossary

Terms Related to Chugai's Business

Unmet medical need

Medical need that is not adequately met due to a lack of effective treatments.

First-in-class

An original drug that is highly novel and useful, and will significantly change the therapeutic system.

Best-in-class

A drug that offers clear advantages over other existing drugs in the same category, such as those with the same molecular target.

Development pipeline

At pharmaceutical companies, refers to drug candidates that are being developed.

Proof of Concept (PoC)/Early PoC

Proof of concept (PoC) is confirmation that the therapeutic effect conceived in the research stage is effective in humans. Early PoC means that in addition to safety, signs of efficacy or pharmacological effect have been confirmed in a limited number of cases.

Clinical trial

A study to verify the safety, efficacy and other characteristics of a drug in human subjects. Studies conducted for the purpose of filing an application for approval are called clinical trials.

Phase I: Performed on a small number of healthy volunteers (or, for certain disease areas and diseases, on patients) to assess the drug's safety and the process by which it is absorbed, distributed, metabolized and eliminated by the body.

Phase II: Performed on a small number of consenting patients to determine the safest and most effective dosage and the dosing regimen.

Phase III: Performed on a large number of consenting patients to verify the efficacy and safety of the new drug in comparison with existing drugs or placebo.

Phase IV: Post-marketing clinical surveillance. Performed on a larger number of consenting patients than in phase III studies to verify the drug's safety and efficacy for its approved indication(s).

Application for approval

An application submitted by a pharmaceutical company to a regulatory agency to obtain approval for manufacturing and marketing of a new drug after its efficacy and safety have been verified in clinical trials. In Japan, the Minister of Health, Labour and Welfare (MHLW) grants manufacturing and marketing approval to substances deemed appropriate as pharmaceuticals based on reviews by the Pharmaceutical Affairs and Medical Devices Agency as well as academic and other experts in the Pharmaceutical Affairs and Food Sanitation Council.

Additional indication

A new indication for a previously approved drug.

Lifecycle management

The various measures taken to maximize the potential value of a drug, including shortening development time, expanding sales, extending the product's life, and conducting appropriate cost control.

Personalized Healthcare

Even when a particular disease is treated with the same drug, there may be differences in the efficacy and side effects of that drug depending on the patient. One of the causes is thought to be that the genetic information related to the disease is different in each patient. Personalized healthcare (PHC) is an approach that focuses on these genetic-level differences to provide treatment tailored to the characteristics of each patient's disease. It therefore brings significant benefits in term of efficiency, safety and cost effectiveness.

Cancer Genomic Medicine

One example of PHC. Medical treatment that measures multiple cancer-related genes in a single test using gene panel examination and performs optimal treatment according to each patient's genomic profile.

Biopharmaceuticals

Drugs created by applying biotechnology such as genetic recombination. In the 1980s, when rapid advances were made in genetic engineering, Chugai decided to shift to research and development of biopharmaceuticals and made related large-scale capital investments.

Therapeutic antibody

A type of biopharmaceutical, it is an artificially created antibody used as a medicine to prevent or treat diseases. Therapeutic antibodies are designed to act only on the specific molecule (antigen) that causes the disease, and therefore can be expected to provide high therapeutic efficacy and reduce side effects. Chugai launched the first therapeutic antibody created in Japan in 2005, and is leading the world with its proprietary antibody engineering technologies.

Modality

In the pharmaceutical industry, refers to the material classification of a medicine. Until the 1990s, small molecule drugs were virtually the only modality, but the options are now increasing. New modalities enable new approaches to diseases that have no effective treatment methods. Chugai is focusing on establishing middle molecules as a third modality, in addition to its biologics and small molecules.

Open innovation

Generating innovative value by utilizing the technologies and development capabilities of external research networks such as with universities, research institutions and other organizations.

Translational Research

Research that builds a bridge between the findings of basic research by academia and the development of new medicines by pharmaceutical companies.

Terms Related to Human Resources

Work-life synergy (Work-life balance)

Chugai's work-life synergy aims to generate a synergistic effect that brings forth motivation, vitality and innovation by enhancing both work and the lives of individuals. Work-life synergy, an advancement of the concept of work-life balance, is necessary for a fulfilling personal life, as well as for becoming the top innovator in the healthcare industry.

Diversity and Inclusion

At Chugai, diversity refers to a diversity of attributes such as gender, age and nationality, as well as ways of thinking, values and experience. Inclusion refers to the state of respecting each other's differences and the ability of everyone to contribute and perform at his or her full potential. When people with various backgrounds work together, they become aware of diverse perspectives and ideas. Companies promote diversity to create new value, which leads to innovation. Using this awareness for business innovation, companies promote diversity to create better-quality products and services. Also called "diversity and inclusion (D&I)," which refers to receptivity to diversity and incorporating diverse opinions and ideas rather than the simple pursuit of variety, and also encompasses the concept of raising organizational value.

Talent management

Talent management is the human resource strategy by which we identify and develop leaders and highly skilled specialists at an early stage. It is also the means by which we improve the skills and enhance the motivation of employees throughout the Company, with the aim of realizing our corporate strategy and catalyzing the creation of innovation. Each organization at Chugai has formulated a long-term human resource development plan and is building a talent pool of leaders.

Terms Related to the Roche Group

Roche

A pharmaceutical company established in 1896 and headquartered in Basel, Switzerland. With business operations in more than 100 countries, the Roche Group contributes to medicine in a wide range of fields through its two business segments: pharmaceuticals and diagnostics. Central to the Roche Group's strategy is PHC, the approach of selecting the most appropriate treatment by using biomarkers and diagnostic/genetic tests including genomic profiling to identify patients most likely to show a significant response to a particular drug. The Roche Group's sales in 2019 were 61.5 billion Swiss francs.

Roche Diagnostics K.K.

The Japanese subsidiary of the Roche Group's diagnostics division. Established in 1998, Roche Diagnostics K.K. provides a wide range of innovative diagnostic solutions, including in-vitro diagnostics and diagnostic equipment and research reagents and related equipment.

Genentech Inc.

A leading biotechnology company headquartered in South San Francisco, California. Genentech has been a member of the Roche Group since 1990.

Foundation Medicine Inc. (FMI)

FMI was established in Massachusetts, U.S.A. in 2010. In 2015, Roche took a majority stake, and then acquired the remaining outstanding shares in 2018 to make FMI a wholly-owned subsidiary. Chugai established the FMI business as a specialized unit in October 2018 to promote uptake and product value maximization of FMI's "Comprehensive Genomic Profiling Service" in Japan.

Chugai Pharmaceutical

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Shareholder Information (As of December 31, 2019)

Major Shareholders

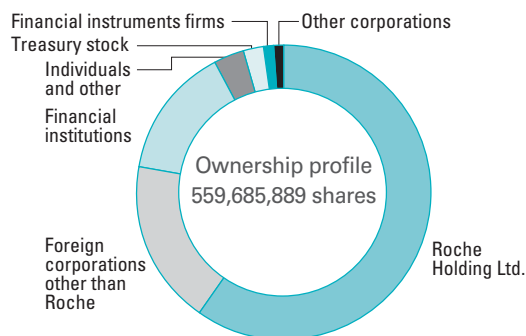
Name	Number of Shares Held (Thousands)	Percentage of Voting Rights (%)
Roche Holding Ltd	335,223	61.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,258	5.52
JP MORGAN CHASE BANK 380055	16,388	2.99
Japan Trustee Services Bank, Ltd. (Trust Account)	16,075	2.93
STATE STREET BANK AND TRUST COMPANY 505001	10,537	1.92
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,756	0.86
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,230	0.77
STATE STREET BANK WEST CLIENT - TREATY 505234	3,998	0.73
SSBTC CLIENT OMNIBUS ACCOUNT	3,795	0.69
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	3,528	0.64

Note: 12,162,354 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

Stock Price Information (From January 1, 2019 to December 31, 2019)

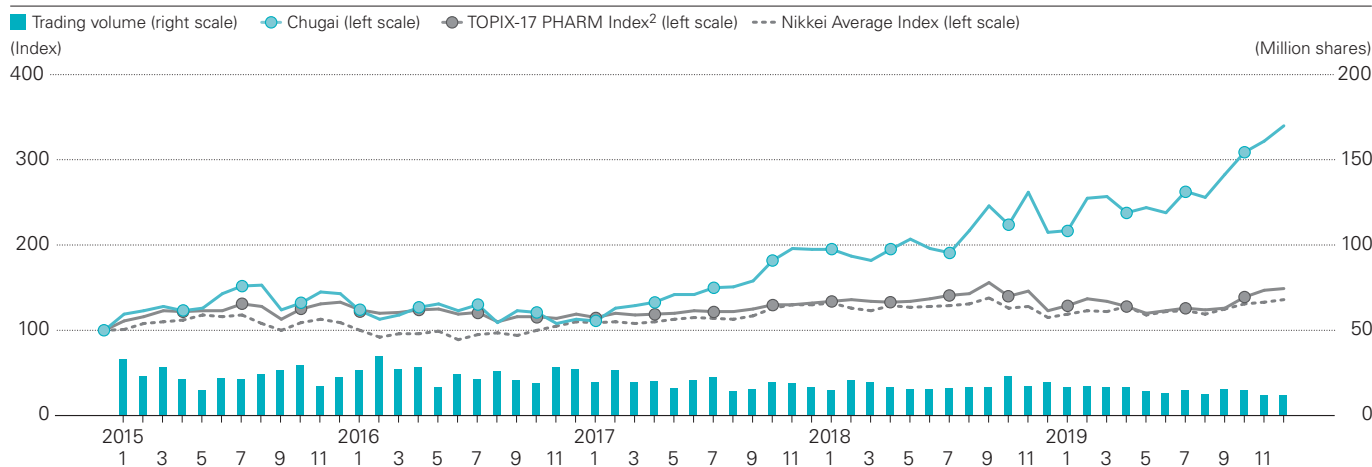
	Stock Price	
	Low	High
First Quarter	¥6,270	¥ 7,800
Second Quarter	6,750	7,640
Third Quarter	7,090	8,410
Fourth Quarter	8,090	10,160

Classification of Shareholders



Roche Holding Ltd.	Shares: 335,223,645	59.89%	(Shareholder: 1)
Foreign corporations other than Roche	Shares: 101,135,449	18.07%	(Shareholder: 792)
Financial institutions	Shares: 80,649,192	14.40%	(Shareholder: 68)
Individuals and other	Shares: 18,971,024	3.38%	(Shareholder: 18,704)
Treasury stock	Shares: 12,162,354	2.17%	(Shareholder: 1)
Financial instruments firms	Shares: 6,713,622	1.19%	(Shareholder: 36)
Other corporations	Shares: 4,830,603	0.86%	(Shareholder: 150)

Share Performance¹ with Stock Indices



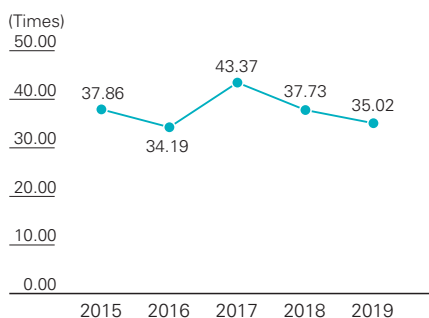
1. Closing price on December 30, 2014 = 100

2. A capitalization-weighted index that consists of pharmaceutical companies on the Tokyo Stock Exchange, First Section.

Share Price Indicators

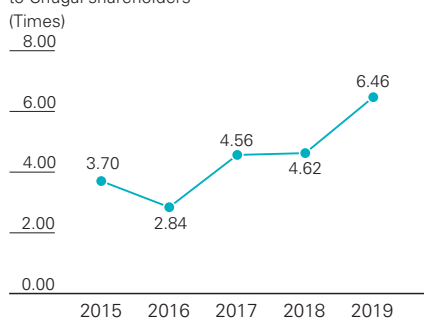
Price/Earnings Ratio

Year-end share price/Basic net income per share



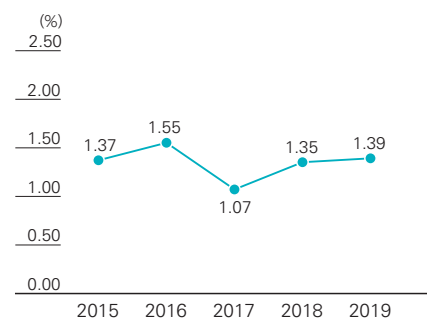
Price/Book Ratio

Year-end share price/Equity per share attributable to Chugai shareholders



Dividend Yield

Dividends per share/Year-end share price



Corporate Overview

(As of December 31, 2019)

Company Name	Chugai Pharmaceutical Co., Ltd.
Year of Foundation	1925
Year of Establishment	1943
Address	2-1-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-8324 Japan
Stated Capital	¥73,202 million
Number of Employees	7,394 (Consolidated)
Number of Shares Issued of Common Stock	559,685,889
Number of Shareholders	19,752
Stock Listing	Tokyo Stock Exchange, First Section
Fiscal Year-End	December 31
General Meeting of Shareholders	March
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
For further information, please contact:	Corporate Communications Dept. Tel: +81-(0) 3-3273-3313 Fax: +81-(0) 3-3281-6607 E-mail: ir@chugai-pharm.co.jp

Editorial Policy

This integrated report is structured to encourage dialogue with shareholders, investors and other stakeholders. We hope it will be useful in sharing value with you.

Scope of This Report

This report presents information on Chugai Pharmaceutical Co., Ltd. and its consolidated subsidiaries. In some places, however, it gives data specifically pertaining to Chugai Pharmaceutical Co., Ltd.

Timeframe

The basic timeframe for this report is the financial reporting period of January to December 2019. However, in view of the importance of providing the latest information available, some information relating to activities that occurred in 2020 is included, mainly in research and clinical development data.

Information in This Report

This report presents information that Chugai believes to be important given its significance in building Chugai's corporate value over the short, medium and long term, and its degree of impact on stakeholders.

Reference Guidelines

The content of this report is focused on value creation, using as reference The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation compiled by the Ministry of Economy, Trade and Industry of Japan. Sustainability information was prepared with reference to Environmental Reporting Guidelines 2018 issued by the Ministry of the Environment of Japan, the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI), and the Final Report on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

External Evaluation of Chugai's ESG Initiatives



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



2019 Constituent
MSCI ESG
Leaders Indexes

Listed for All Four ESG Indices used by
the Government Pension Investment Fund of Japan





MSCI Japan ESG
Select Leaders Index



MSCI Japan Empowering
Women Index (WIN)

As the result of a third-party audit, FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby attests that Chugai satisfies the conditions of listing on the FTSE Blossom Japan Index and has been made a constituent stock of such index. The FTSE Blossom Japan Index was created by FTSE Russell, a global index provider, and has been designed to measure the performance of Japanese companies demonstrating excellent environmental, social, and governance (ESG) practices. The FTSE Blossom Japan Index is widely used in the creation and evaluation of sustainable investment funds and other financial products.

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Preparation and Internal Use of This Report

Management Participation in Planning

We consider this report to be an important tool for dialogue on Chugai's value creation. In producing it, Representative Director and Deputy Chairman Moto Ueno (left photo) and Chief Financial Officer (CFO) Toshiaki Itagaki (right photo) engaged in discussions on its concept, structure, content and design at a number of meetings and took responsibility up to its completion. Interviews and confirmation of the content were conducted with Representative Director, Chairman & CEO Tatsuro Kosaka and Representative Director, President & Chief Operating Officer (COO) Osamu Okuda, in addition the two aforementioned officers.



Positioning of the Report within the Company

The level of awareness of this report is high within the Company, and in addition to discussions held among persons in charge in each division during its production process, it is used in a wide range of applications including introduction at strategy briefings for employees and use in new graduate recruiting.

Innovation all for the patients



CHUGAI PHARMACEUTICAL CO., LTD.

