



Roche Roche Group

Annual Report 2020

Fiscal year ended December 31, 2020

A pair of hands, one above the other, cupping a glowing, translucent blue DNA double helix. The helix is surrounded by a network of white hexagonal molecular structures and numerous colorful bokeh lights in shades of red, orange, yellow, and blue. The background is a deep blue gradient.

INNOVATION
BEYOND IMAGINATION

CHUGAI PHARMACEUTICAL CO., LTD.

Contents

Annual Report

(This document)

Medium- to Long-Term Value Creation

| | | |
|---|----|---|
| About Chugai / Messages | 01 | Editorial Policy |
| | 02 | Mission Statement |
| | 04 | Chugai's Business Processes |
| | 08 | Themes over the Past Year |
| | 10 | Message from the Chairman |
| Value Creation by Chugai | 12 | Interview with the CEO |
| | 18 | Value Creation by Chugai |
| | 20 | Our History and Shared Value |
| | 22 | Value Creation Model |
| | 24 | Vision of Chugai as a Top Innovator in 2030 |
| | 30 | Capital Investment with a Focus on 2030 |
| Indicators and Performance | 32 | Collaboration with Roche |
| | 34 | Relationships of Indicators |
| | 36 | Financial and Pre-Financial Highlights (IFRS) |
| | 40 | Review by Disease Area |
| | 42 | Development Pipeline |
| Sustainability and Growth Strategies | 44 | Sustainability and Growth Strategies |
| | 46 | Message from the Deputy Chairman |
| | 48 | Executive Officers |
| | 50 | Targets and Progress in Material Issues |
| | 54 | Main Risks and Countermeasures |
| | 56 | Background to Growth Strategy Development |
| | 58 | New Growth Strategy TOP I 2030 |
| | 70 | Focus: CHUGAI DIGITAL VISION 2030 / Mid-Term Environmental Goals 2030 |
| | 72 | Message from the CFO |
| Corporate Governance | 76 | Enhancement of Corporate Governance |
| | 76 | Message from an Outside Director |
| | 90 | Directors / Audit & Supervisory Board Members |
| Corporate Data | 92 | Shareholder Information |
| | 93 | Corporate Profile |

Activity Report

(Separate document)

Detailed Short-Term Information

| | |
|------------------------------|---|
| Chugai in Action | Outline of Functions / Response to the COVID-19 Pandemic / Research / Development / Pharmaceutical Technology and Production / Marketing / Medical Affairs / Drug Safety / Quality and Regulatory Compliance / Intellectual Property / Human Resources / Human Rights / Environment, Health, and Safety (EHS) / Social Contribution / Global Health |
| Basic Information | Basic Information on the Pharmaceutical Industry / Oncology / Bone and Joint Diseases/ Autoimmune Diseases / Renal Diseases / Neurology / Other Diseases |
| Financial Information | Consolidated Financial Indicators / Management's Discussion and Analysis / Business Risks / Consolidated Financial Statements |

Forward-Looking Statements

This report may include forward-looking statements pertaining to the business and prospects of Chugai Pharmaceutical Co., Ltd. (the "Company"). These statements reflect the Company's current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's businesses.

Disclaimer

In this report, information on pharmaceutical products or drug candidates under development may be included, but such information is not intended for promotional or advertising purposes, or as medical advice, etc. The trademarks appearing in the report are protected by trademark rights, copyright, and other intellectual property (IP) rights.

About the Cover

The cover design represents innovation by Chugai—driven by various drug discovery technologies, science, and digital technologies—that brings new hope for better global healthcare and individual patient wellbeing.



Editorial Policy

This report is positioned to encourage dialogue.

This integrated report is structured to encourage dialogue with shareholders, investors, and other stakeholders. The 2020 report is being released in two parts: this annual report that provides a comprehensive outline of value creation over the medium-to-long term plus a separate activity report that provides more detailed information. The report structure is aimed at clarifying how information is organized and arranged into chapters, and at providing more detailed information for the reader that is easily accessible. 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 2020. However, in view of the importance of providing the latest information available, some information relating to activities that occurred in 2021 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 Dialogues for Collaborative Value Creation compiled by the Ministry of Economy, Trade and Industry (METI) 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).

Production Process and In-House Use

| August–September | October–November | December–January | February–March | April–May |
|--|---|---|---|--|
| Secretariat Planning and Design <ul style="list-style-type: none">Set up production systemsDesign conceptCreate outline of planned structure<u>Environmental, social, and governance (ESG) meeting, review interviews</u>Interview with investors | Draft Plan Review and Verification <ul style="list-style-type: none"><u>Review and verification by management team</u>Interview with relevant partiesVerify Material IssuesReview structure content, required messagingLiaison with internal divisions | Content Production <ul style="list-style-type: none"><u>Content confirmation, approval by main executives responsible (Ueno, Itagaki)</u>Verify risksProgress update on short-, medium-, and long-term plans | Specific Page Layout <ul style="list-style-type: none">Develop messaging, structure composition, data<u>Create messaging based on interviews with management team and external directors</u><u>Page layout verification by relevant executives</u> | Finalization <ul style="list-style-type: none"><u>Final sign off by main executives responsible (Ueno, Itagaki)</u>Overall checks, fine-tuning by production departmentThird-party review |

Management Participation in Planning

The underlined stages in the production processes listed above show the steps that involve the management team. In particular, Representative Director and Deputy Chairman Motoo 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 and Chairman Tatsuro Kosaka, and Representative Director, President & Chief Executive Officer (CEO) Dr. Osamu Okuda.



Departments Responsible within the Company

The Secretariat mostly comprises the Corporate Communications Department with the addition of the Sustainability Department. Additional members participated from the Corporate Planning Department, General Affairs Department, and Human Resources Management Department, and representatives were appointed from each division and department to build a company-wide production organization.

Positioning of This 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.

Mission Statement



Mission

Dedicate ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world

Core Values

1. Patient Centric
Make each patient's wellbeing our highest priority
2. Pioneering Spirit
Pursue innovation by improving ourselves and thinking differently
3. Integrity
Maintain the highest standards in all we do to create shared value with society

Envisioned Future

Become a top innovator for advanced and sustainable patient-centric healthcare, powered by our unique strengths in science and technology and the alliance with Roche

At Chugai, our Mission Statement is the basis of everything we do. It is Chugai's most enduring and important concept, and represents our adherence to the Company's founding spirit and our founder's vow to "create drugs that benefit the world" in response to a medicine shortage following a major natural disaster. Our Core Values are the values that employees share and embody. They represent our commitment to maintaining the highest standards in all we do to meet the expectations and requirements of society as we pursue innovation with a pioneering spirit for the benefit of patients. In our Envisioned Future, we have set the goal of becoming a top innovator in the healthcare industry by going beyond the conventional scope of the pharmaceutical business in anticipation of future changes in the healthcare landscape. Chugai's vision of value creation is to fulfill its Mission Statement by creating shared value.

Core Source of
Innovation

Our unique
science and
technologies

Strategic
alliance with
Roche

Medium- to Long-Term Perspective

Research



World-class drug discovery technologies

16

In-house projects in the
development pipeline
(As of February 4, 2021)

67¹

Publications in academic papers and
presentations at scientific conferences
regarding Chugai's research findings
(2020)

5,366

Patents held (including
pending applications)
(As of December 31, 2020)

Human resources



Our greatest asset to achieve our Mission

Environment, health, and safety (EHS), investments



Cohesive management from a medium- and long-term perspective

Zero

CO₂ emissions
target for 2050

2022

Scheduled completion of next-generation research facilities at
the Chugai Life Science Park Yokohama

Medium-Term Perspective

Clinical Development and Pharmaceutical Technology



Rich development pipeline

Total of **8**

Breakthrough therapy designations²
(Cumulative total as of February 4, 2021)

54

Pipeline projects
(As of February 4, 2021)

30

New products launched and new indications
(2016–2020)

14.6%

Ratio of female managers³
(Non-consolidated employee basis)⁴ (2020)

¥109,580

Education and training expenditures per employee (Non-consolidated employee basis)⁴ (2020)

194

Roche Human Resource Exchange Program
(2004–2020)

¥254.7 billion

Total capital investment over past five years (2016–2020)

17% lower⁵

Energy consumption per employee, compared with 2010 (2020)

1. Total of drug discovery and pharmaceutical technology

2. A system introduced in July 2012 by the U.S. Food and Drug Administration (FDA) aimed at expediting the development and review of drugs for the treatment of severe or life-threatening diseases or symptoms

3. Number of female managers as a percentage of the total number of managers

4. Calculated based on Chugai (non-consolidated) employees

5. Chugai Group domestic operations and overseas research and production sites

Short-Term Perspective

Solutions (Marketing, Medical Affairs, Drug Safety)



Defined presence

No.1 in Japan

Share of sales in the Japanese therapeutic antibody market (22.5%)⁶

No.1 in Japan

Satisfaction ranking based on healthcare professionals' assessments (Oncology; hospitals with 100 or more beds)⁷ (Hemophilia)⁸

No.1 in Japan

Share of sales in the Japanese oncology market (15.2%)⁶

No.1 in Japan

Adequacy ranking for provision of safety information (Hospitals with 100 or more beds)⁹

Products, information, etc.

We provide healthcare professionals and medical institutions with various kinds of information through our initiatives to deliver solutions. Products themselves are provided via pharmaceutical wholesalers.

Financial Performance

Recognized for growth potential and profitability

¥ **786.9** billion

Revenues (No. 5 in Japan)¹⁰ (2020)

38.3%

Ratio of operating profit to revenues (IFRS) (No. 2 in Japan)¹⁰ (2020)

¥ **7.5** trillion

Market capitalization (No. 1 among pharmaceutical companies in Japan)¹⁰ (As of the end of March 2021)

6. Copyright © 2021 IQVIA. Source: JPM 2020 (calendar year). Reprinted with permission. The scope of the market is defined by Chugai.

7. Source: INTAGE Healthcare Inc., CS Survey of Oncology, 2020. Based on a survey of overall assessments of companies by physicians, as defined by Chugai.

8. Source: INTAGE Healthcare Inc., CS Survey of Hemophilia, 2020. Based on a survey of overall assessments of companies by physicians, as defined by Chugai.

9. Source: INTAGE Healthcare Inc., 2020 questionnaire about safety information needs.

10. Financial results of pharmaceutical companies: (Chugai) Fiscal year ended December 31, 2020; (Other companies in the same industry) Fiscal year ended December 31, 2020 or March 31, 2020

Note: "Pharmaceutical companies" is defined as the top 10 Japanese domestic manufacturers of pharmaceuticals in terms of sales. (Takeda Pharmaceutical Company Limited, Otsuka Holdings Co., Ltd., Astellas Pharma Inc., Daiichi Sankyo Company, Limited, Chugai Pharmaceutical Co., Ltd., Eisai Co., Ltd., Sumitomo Dainippon Pharma Co., Ltd., Shionogi & Co., Ltd., Kyowa Kirin Co., Ltd., and ONO PHARMACEUTICAL CO., LTD.)

Value Provided

Healthcare professionals and medical institutions

- Better disease control
- More treatment options

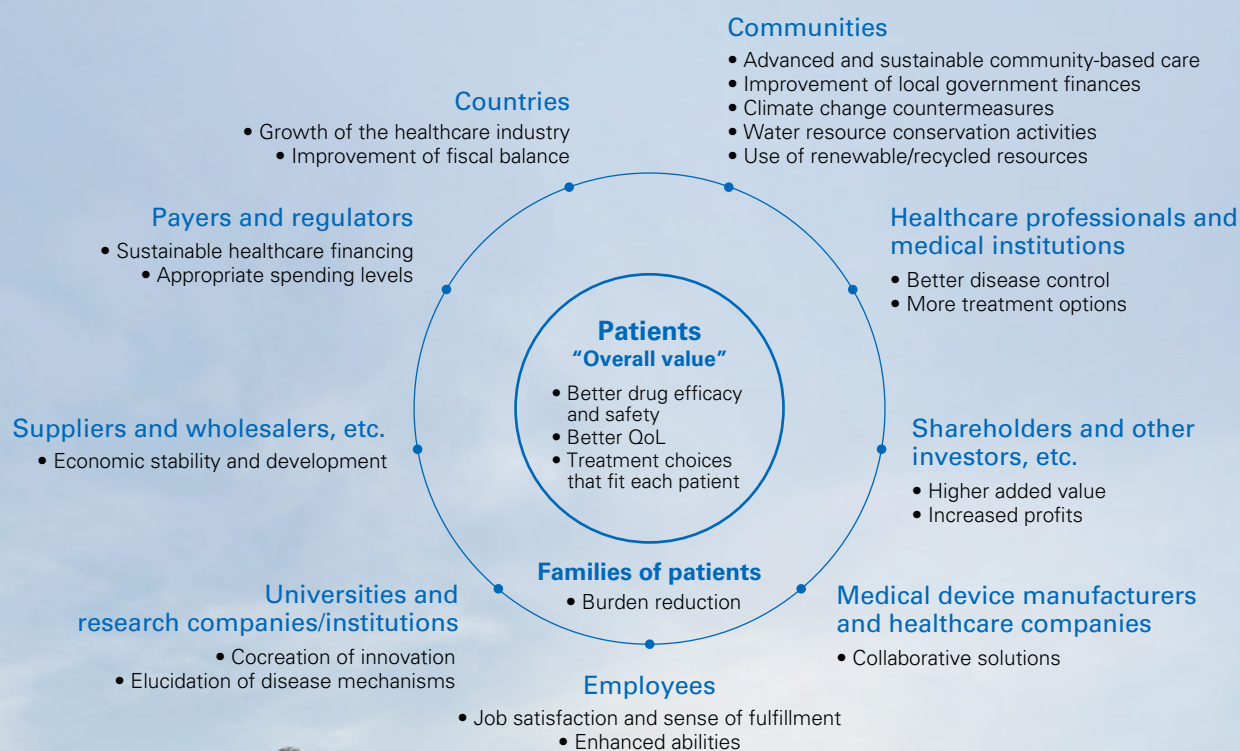
Chugai provides better disease control and more treatment options through its innovative pharmaceuticals and advanced solutions. Patients in territories other than those managed by Chugai (Japan, South Korea, and Taiwan) have access to Chugai products through Roche and other global companies.

Patients

- Better drug efficacy and safety
- Better QoL
- Treatment choices that fit each patient

As well as direct improvements in drug efficacy and safety, Chugai also helps to improve QoL through early diagnosis and improved prognoses, and delivers the best treatment through personalized healthcare (PHC).

Chugai aims to deliver advanced and sustainable patient-centric healthcare, while also sharing value with all of its various stakeholders.



Themes over the Past Year



Six projects added to the pipeline, including the world's first switch antibody

In 2020, six projects were added to the pipeline, including STA551 that uses Chugai's proprietary switch antibody technology designed to bind to a target antigen only in the presence of a molecule (switch molecule) that becomes highly concentrated at the disease site.



Japanese approval filing for nemolizumab for atopic dermatitis and development of additional indications

An approval filing was submitted in Japan by domestic licensing partner Maruho Co., Ltd. (in Q3 of fiscal 2020). Overseas licensing partner Galderma S.A. started phase III clinical studies on prurigo nodularis. The U.S. FDA granted breakthrough therapy designation for nemolizumab for the treatment of pruritus associated with prurigo nodularis.



Launch of Enspryng that uses recycling antibody technology

Enspryng was launched in Japan and the United States in August 2020 as a drug with a new mechanism of action to treat neuromyelitis optica spectrum disorder (NMOSD). Chugai's proprietary technology means Enspryng can be administered subcutaneously once every four weeks, providing improved patient convenience.



Approval granted for blood-based test for cancer genomic profiling

In March 2021, Chugai obtained approval for FoundationOne Liquid CDx Cancer Genomic Profile as the liquid biopsy test that provides comprehensive genomic profiling (CGP), making it useful in cancers where tissue-based biopsy is difficult. The goal is to support the evolution of genomic cancer medicine.



FOUNDATIONONE® LIQUID CDx



Research and development for COVID-19

As well as conducting clinical studies on the use of Actemra to treat COVID-19, Chugai has been involved in other COVID-19 initiatives including joint research between Chugai Pharmabody Research Pte. Ltd. and A*STAR¹ and out-licensing of antibody engineering technologies to Eli Lilly and Company for drug development purposes. Chugai has also in-licensed development and exclusive marketing rights in Japan from Roche for an antibody cocktail development program from Regeneron Pharmaceuticals, Inc. and an orally administered antiviral developmental agent from Atea Pharmaceuticals, Inc.

1. Agency for Science, Technology and Research in Singapore



Announces CHUGAI DIGITAL VISION 2030 to accelerate DX

Chugai is moving ahead with a range of DX initiatives and also stepping up collaborations with external partners. Chugai was the only company selected as a Digital Transformation Stock (DX Stock) 2020 in the pharmaceutical sector by the METI and the Tokyo Stock Exchange (TSE).



Progressing global health initiatives with NGO² partners

Chugai organized a workshop to promote multidisciplinary team healthcare in Cambodia in February 2020 and began a project focused on improving the quality of patient-centric cancer treatment in Yangon, Myanmar in July.

2. Chugai is collaborating with the NPO Japan Heart on the Cambodia program and the NGO City Cancer Challenge Foundation (C/Can) on the Myanmar program.



Selected for the first time in DJSI World, a global ESG investment Index

In November 2020, Chugai was recognized as a highly sustainable company when it was selected for the first time in the DJSI World³ comprised of the top eight pharmaceutical companies in the world.

3. The World Index of the Dow Jones Sustainability Indices (DJSI) that includes top global companies in terms of ESG investment.

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA



New personnel systems designed and introduced

Chugai introduced new personnel systems in April 2020 to allow personnel treatment to be matched with the role and performance outcomes of the right person in the right place. The new systems will promote and support employees for self-directed career development and taking on challenges for further growth.



New management system of business administration

Chugai announced a new management system effective March 23, 2021, comprising Dr. Osamu Okuda as President & CEO, Tatsuro Kosaka as Chairman, and Motoo Ueno as Deputy Chairman, with the goal of pursuing new growth strategies under a new system of business administration.



Formulation of new value creation strategy toward 2030

In February 2021, Chugai announced a new 10-year growth strategy aimed at becoming a top innovator in the healthcare industry in 2030.

