

Message from the Chairman



A handwritten signature in black ink that reads "T. Kosaka". The signature is stylized with a large, sweeping underline.

Tatsuro Kosaka
Representative Director, Chairman

The pursuit of innovation remains the key concept underpinning value creation at Chugai. We aim to support patients and society by genuinely addressing their hopes and expectations and delivering solutions to specific unmet medical needs.

Renewed Determination to Pursue Innovation in Line with Our Mission Statement

The COVID-19 pandemic has had a serious and unprecedented impact around the world. Chugai's operations have been affected to some degree, but as a healthcare-related company, our first priority has been to ensure a stable supply of medicines to patients.

This pandemic is transforming economic and social structures, and has focused attention on a range of social issues, including such environmental risks as population growth, demographic aging, and climate change. Issues such as workstyles, digitalization, and risk management are becoming increasingly important from a business perspective.

Looking at the business environment for healthcare, our assumptions for the future seem to be transpiring right now. All around the world, we are seeing new measures to curb drug costs, and the trend toward value-based healthcare (VBHC), in which only medicines and solutions that offer true value are chosen due to limited resources, is becoming even more pronounced. As the competitive landscape heats up, it will be important to flexibly incorporate advances in life sciences and digital technology.

Against this backdrop, Chugai has renewed determination to

pursue innovation for becoming a top innovator in the healthcare industry, in line with our unwavering mission to dedicate ourselves to the medical community and human health around the world. Our duty is to solve unmet medical needs one by one through pharmaceuticals and solutions with true value. This also provides our Company with opportunities for growth. Through innovation only possible at Chugai, we will contribute to patients and society by creating shared value with stakeholders.

Mid-Term Business Plan IBI 21 Achieved and Completed One Year Ahead of Schedule

Having realized the "top pharmaceutical company" target set for ourselves in 2009, we updated our Mission Statement in 2019 and formulated mid-term business plan IBI 21 toward achieving this goal.

Against the target of an average annual growth rate of around 30 percent* for Core EPS over the three-year period to 2021, we achieved an average growth rate of 49.5 percent over the years of 2019 and 2020, far exceeding our expectations. Even in the severe business environment, the Company demonstrated its strong growth trajectory by posting record high profits for four consecutive years.

We also made steady progress in all five of our priority strategies. In the pipeline, four new in-house projects moved

IBI 21: General Overview of Five Priority Strategies (2019–2020)

1. Value Creation	Steady progress in drug discovery, including progress of in-house projects	<ul style="list-style-type: none"> • Mid-size molecule project: Progressed as planned toward P1 start in 2021 • Antibody project: Phase I started for next-generation switch antibody STA551 • Start of global phase III for crovalimab/SKY59, approval of Enspryng and start of sales
2. Value Delivery	Expanded market penetration of growth drivers and accelerated value maximization	<ul style="list-style-type: none"> • Hemlibra: Significant increase in overseas revenues, expansion in the number of countries with approval • Tecentriq: Progress in expanding indications including first-in-class
Promote Advances in 3. Personalized Healthcare (PHC)	Formulation of CHUGAI DIGITAL VISION 2030 and promotion of cancer genomic medicine	<ul style="list-style-type: none"> • Digital: Progress of company-wide digital strategy and acceleration of AI drug discovery, etc. • Successful expansion of FoundationOne CDx indications, FoundationOne Liquid CDx filed for approval • Filed for ROS1 indication of Rozlytrek using real-world data (RWD) as reference data
Strengthen Human Capital 4. and Conduct Fundamental Structural Reform	Progress in transforming systems to support innovation	<ul style="list-style-type: none"> • Started operation of a new HR system • Progress with structural reforms in corporate and prioritized divisions
5. Strengthen Sustainable Platforms	Enhancing platforms to support efforts for innovation	<ul style="list-style-type: none"> • Selected for first time as a constituent of DJSI World • Enhanced stakeholder communication

into clinical development during the past two years, including the next-generation antibody STA551 that uses our switch antibody engineering technology. We have achieved strong growth in the global market with Hemlibra, Actemra, and Alecensa, all of which were discovered at Chugai, and in 2020 another in-house product, Enspryng, was approved in many countries around the world. In the Japanese market, Tecentriq was approved as a first-in-class (FIC) treatment for various types of cancer and is now penetrating the market. Development of mid-size molecule drugs, which we are focusing on as our third modality, has proceeded steadily, and we plan to start clinical studies during 2021. In terms of human capital, we are accelerating our diversity and inclusion (D&I) programs, and in April 2020 we introduced a new HR system centered on the promotion of talent management and role-based performance. In addition, we formulated CHUGAI DIGITAL VISION 2030, strongly promoted the Company's digital transformation (DX), and made significant progress with a range of initiatives to strengthen our platforms for sustainability. Through these measures, we achieved both our initial qualitative and quantitative targets and made significant strides forward in developing a foundation for innovation. For these reasons, we completed IBI 21 one year ahead of schedule.

* Increased in January 2020 from the initial outlook of high single digits (7–9%)

Pursuit of Innovation Remains Key for Future Value Creation

Chugai is now implementing a new growth strategy, TOP I 2030, in order to become a top innovator in 2030. The pursuit of innovation remains the key concept underpinning this strategy.

I have long said that to create innovation, it is important to carefully refine and continuously evolve: science, which is the source of value and the basis for decision-making; technologies, which are indispensable for Chugai's business; and human capital and corporate culture, which are the main drivers of innovation.

The results of employee awareness surveys show that Chugai's human capital and corporate culture now reflect an in-depth understanding of the patient-centric concept described in our Core Values. We have run a number of programs, including manager workshops and dialogues with the management team, as well as dialogues between our employees and representatives from patient organizations. As a result, we are starting to see the patient-centric concept used in decision-making for our business activities and in initiatives to measure true value for patients. I myself have received many valuable suggestions from discussions with six cancer patient groups in 2020.

Creating Shared Value under the New Management Structure

Dr. Osamu Okuda was appointed President & CEO in March 2021. Although I have stepped down as CEO, I will continue to serve as Chairman of the Board of Directors. This change of CEO was based on succession planning by the Appointment Committee and a report on CEO succession by the same committee. A smooth transition to the new leadership team has been a key theme in corporate management, and I believe we have made the right decisions in terms of succession planning. The TOP I 2030 strategy also reflects the ambitions of the new management team, with Dr. Okuda playing a core role in its development.

Looking ahead, it will become increasingly important for corporate management to genuinely address the needs and expectations of society and apply them to managing the business in a rapidly changing environment. Sustainability is becoming even more important, and we will work to incorporate the perspective of strengthening platforms for sustainability into the evaluation criteria for executive remuneration, with the aim of sharing this perspective among the management team toward the creation of shared value.

Look forward to even more value creation from us.