

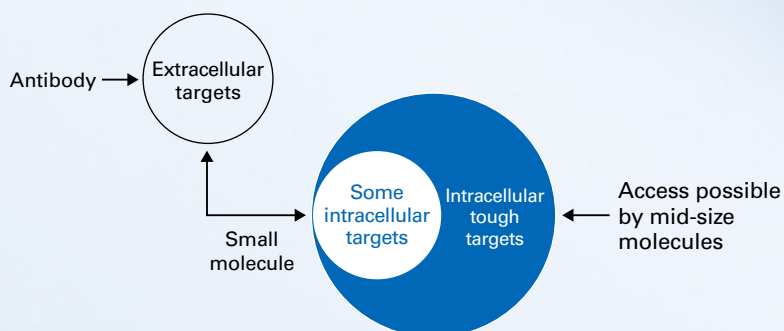
Sustainability and Growth Strategies

In 2021, Chugai embarked on the new growth strategy, TOP I 2030 as part of its goal to become a top innovator in the healthcare industry in 2030. The Company will implement reforms in (1) Drug Discovery, (2) Development, (3) Pharmaceutical Technology, (4) Value Delivery, and (5) Foundation for Growth. By broadening the potential scope for value creation, Chugai aims to achieve global first-class drug discovery and a futuristic business model.

Case Study

Potential of Mid-Size Molecule Drugs

In addition to the Company's portfolio of therapeutic antibodies and small molecule drugs, Chugai is also working to establish new technologies for drug discovery in the modality (therapeutic approach) of mid-size molecule drugs. Our objective is to develop drugs that can be given orally and treat targets that have been difficult to reach with conventional technologies like small molecule drugs. Multiple technological issues have made it difficult to create metabolically stable mid-size molecule drugs that can penetrate within the cells. After focusing business resources in this field for over 10 years, we have now established unique mid-size molecule technologies that provide the Company with a competitive advantage, including the creation of a huge and diverse library of mid-size molecule compounds with structures that are relatively easy to formulate as drugs. We expect our first mid-size molecule drug project to move into clinical studies soon and are working to progress clinical development and pharmaceutical technology aspects as well. We believe mid-size molecule drugs have enormous potential as a solution to medical needs that cannot be solved with conventional modalities and hope to make this new approach available to patients as soon as possible.





Message from the Deputy Chairman



A handwritten signature in black ink that reads "Motoo Ueno".

Motoo Ueno

Representative Director,
Deputy Chairman

In charge of Sustainability Department,
Audit Department.

We are evolving our efforts to create shared value by stepping up dialogue with stakeholders and factoring their hopes, expectations, and suggestions into the management of our business.

Progress toward Creating Shared Value

Chugai's goal is to achieve advanced and sustainable patient-centric healthcare based on the creation of shared value with stakeholders. This is precisely the philosophy of the Sustainable Development Goals (SDGs), which Chugai has committed to supporting. Focusing on patient-centric value, namely outcomes, will enable Chugai to further promote collaboration with stakeholders who share our goals.

Under this policy, our mid-term business plan IBI 21 considered sustainability and growth strategies from the same perspective, and sustainability initiatives previously implemented by each department were incorporated into the management strategy. We also set targets for every Material Issue and implemented initiatives while clarifying our priorities.

As a result, we were able to exceed both the quantitative and qualitative targets in IBI 21 and made steady progress in Strategy 5, "Strengthen Sustainable Platforms." In quality management, for example, we established quality requirements for cross-divisional management of good practice guidelines and regulations (GxP) for pharmaceuticals, while for supply chain management, we are applying our evaluation system for comprehensive due diligence including environmental and human rights issues. In the area of environment, we conducted scenario analysis based on the

recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and published the results. I believe that Chugai's sustainability initiatives have evolved further thanks to the plan-do-check-act (PDCA) cycle, in which Chugai actively engages in dialogue both inside and outside the Company and uses the feedback to improve our activities. We have been recognized as a highly sustainable business by external audiences and selected for the first time as a constituent of DJSI World, an index of top global companies for environmental, social, and governance (ESG) investment.

Formulating Sustainability and Growth Strategies through to 2030

In the new growth strategy TOP I 2030, we have placed an even greater emphasis on shared value with stakeholders as part of our goal of becoming a top innovator in 2030. With the time span now set at 10 years, the growth strategy represents an evolution of our business strategy, moving away from thinking about sustainability and growth from the same perspective to developing an integrated approach.

Of particular note, in my view, is the fact that this strategy incorporates what we have learned from our experience in dealing with the unprecedented COVID-19 pandemic. In terms of the healthcare market and customers, the convergence on value-based healthcare (VBHC), which we have assumed

would occur over the medium to long term, has accelerated rapidly. Looking at the economy as a whole, this type of discontinuous change has reminded us of the importance of adapting flexibly to change as we move toward our Envisioned Future. We are rethinking all of our business activities and ways of working in this “new normal.” Sustainability initiatives will become even more important from the perspective of risk management and from a broader, long-term perspective. We are determined not to slow down the progress with ESG.

Based on this thinking, we reexamined our Material Issues again at the time of formulating the growth strategy. This process confirmed that there was no need to change our management policy of creating shared value, and that there would be no changes in our Material Issues, even in the face of the social transformation caused by the pandemic. The careful scrutiny of risk factors has also been prioritized. To manage strategic and operational risks in an integrated manner, we have formulated a Risk Appetite Statement and restructured our enterprise risk management (ERM) system to enhance management and operations.

Future Sustainability Initiatives

To develop the ESG aspects of TOP I 2030, we consider it particularly important not only to design and promote priority initiatives in each Material Issue, but also to innovate in the environmental area, which is taken up as a reform in “Foundation for Growth.”

Engaging more proactively with global issues will be key for Chugai, starting with measures to combat climate change, which is increasingly important, as well as progress in protecting biodiversity and promoting the use of renewable and recyclable resources. These are precisely our Material Issues. In our mid-term environmental goals for 2030 (2021–2030), we have increased the number of target items from four under the previous plan to 10 in order to meet the expectations and demands of society. To reduce CO₂ emissions, which requires long-term and large-scale

measures to decarbonize society, we have set a goal of zero emissions by 2050. This will not be easy to achieve, but goals that are simply an extension of the past will not lead to innovation. Particularly in the area of climate change, we will incorporate the evolution of technology, design strategies in conjunction with our sites and facility plans, and promote the investment of resources with a sense of urgency.

Collaboration and Dialogue with Stakeholders

In TOP I 2030, Open Innovation, meaning collaboration with stakeholders, is essential for the promotion of the Research & Early Development (RED) Shift and digital transformation (DX). But above all, we need to have a sense of shared values and ideas with our collaborators. The reality of these companies and organizations will be reflected in their sustainability initiatives. At Chugai, we will actively communicate our own ESG activities and work to promote understanding, and we will also emphasize sustainability when choosing partners. For the SDGs as well, we have identified 11 development goals where we are focusing our efforts, and we will share this policy with our partners.

Engagement with employees and dialogue with stakeholders will be even more important in the rapidly changing business environment. We aim to remain alert to changes in society, enhance information disclosure, and reflect the hopes, expectations, and suggestions of stakeholders into the management of the Company. To give one example of this, at an ESG briefing in 2020, we were able to understand the information needs of investors through interviews and questionnaires prior to the actual event. This provided a wide range of suggestions that led us to discuss our governance system for sustainability and our management methods for non-financial targets, which we had not previously disclosed.

As part of our vision of becoming a top innovator by 2030, we aim to be a global role model through our ESG activities, and we plan to step up our communication and dialogue on these issues even further. Thank you for your ongoing support.

Chugai Contributions to 11 SDGs



The top priority goal directly linked to our Mission (3)



Four goals required to achieve the top priority goal (8, 9, 12, and 17)



Six goals that form the basis of our business activities (5, 6, 10, 13, 15, and 16)

Executive Officers (As of April 1, 2021)

Top Executives and Executive Officers in Their Area of Responsibility



Tatsuro Kosaka
Representative Director, Chairman
Outside Director of Asahi Group Holdings, Ltd.



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



Dr. Osamu Okuda
Representative Director,
President & CEO



Shinya Unno
Deputy President
Supervisory responsibility for Human
Resources Management, Legal, Intellectual
Property, General Affairs
In charge of General Affairs Dept.



Dr. Hisafumi Okabe
Executive Vice President
Supervisory responsibility for
Project & Lifecycle Management
(R&D), Research and Translational
Research



Toshiaki Itagaki
Executive Vice President & CFO
Supervisory responsibility for
Finance & Accounting, Corporate
Communications, Purchasing,
Digital Strategy, and IT Solution



Tetsuya Yamaguchi
Executive Vice President
Supervisory responsibility for
Project & Lifecycle Management
Unit (Marketing), Corporate
Planning, and Quality and
Regulatory Compliance



Junichi Ebihara
Executive Vice President
In charge of Intellectual Property
Dept.



Mark Noguchi
Executive Vice President
General Manager of Business
Development Dept.

Membership of Committees

Name	Committees (● Chair ■ Participating member)								
	Executive Committee	Enlarged Executive Committee	Corporate Management Committees				RDPM Committees		
			Corporate Communications Committee ¹	Risk Management Committee ²	Compliance Committee ³	EHS Committee ⁴	Portfolio Management Committee ⁵	Strategic Marketing Committee ⁶	Digital Strategy Committee ⁷
Tatsuro Kosaka									
Motoo Ueno				●	●	●			
Dr. Osamu Okuda	●	●						●	
Shinya Unno									
Dr. Hisafumi Okabe							●		
Toshiaki Itagaki			●						●
Tetsuya Yamaguchi									
Junichi Ebihara									
Mark Noguchi									
Dr. Minoru Watanabe									
Shinji Hidaka									
Yoshiyuki Yano									
Satoko Shisai									
Tsukasa Kusano									
Dr. Kaori Ouchi									
Shinya Takuma									
Dr. Hitoshi Iikura									
Dr. Tomoyuki Igawa									
Masayoshi Higuchi									

1. Committee members also include the general managers of the following departments: Corporate Communications, Corporate Planning, Finance & Accounting, Sustainability, and General Affairs. 2. Committee members also include the general managers of the following departments: Corporate Planning, Corporate Communications, General Affairs, Legal, and Sustainability. 3. Committee members also include the general managers of the following departments: Corporate Planning, Legal, General Affairs, Finance & Accounting, Corporate Communications, IT Solution, Sustainability, and the heads of other relevant department managers. 4. Committee members also include the general managers of the following departments: Corporate Planning, General Affairs, Finance & Accounting, Corporate Communications, and Sustainability. 5. Committee members also include the general managers of the following departments: R&D Portfolio Management, Business Development, Regulatory Affairs, Corporate Planning, and External Affairs.



Dr. Minoru Watanabe
Vice President
Head of Drug Safety Div. and
Head of Foundation Medicine Unit



Shinji Hidaka
Vice President
Head of Marketing & Sales Div.



Yoshiyuki Yano
Vice President
Head of Human Resources
Management Dept.



Satoko Shisai
Vice President
Head of Digital & IT Supervisory Div.



Tsukasa Kusano
Vice President
Head of Clinical Development Div.



Dr. Kaori Ouchi
Vice President
Head of Medical Affairs Div.



Shinya Takuma
Vice President
Head of Pharmaceutical
Technology Div.
Chugai Pharma Manufacturing
Co., Ltd.
Representative Director, President



Dr. Hitoshi Iikura
Head of Research Div.



Dr. Tomoyuki Igawa
Head of Translational Research Div.



Masayoshi Higuchi
Head of Quality & Regulatory
Compliance Unit

Areas of Supervisory Responsibility and Areas in Charge of

Name	Areas of supervisory responsibility (●) and areas in charge of (■)											
	Research	Develop- ment / TR	Pharma- ceutical Technology	Marketing & Sales / MA / Safety	Cross-divisional functions							
					Human Resources	Digital / IT	EHS	Quality & Regulatory Compliance	PLCM ⁸	Business Development	Other Corporate Functions ⁹	
Tatsuro Kosaka											●	●
Motoo Ueno								● ¹⁵				●
Dr. Osamu Okuda		● ¹⁰	●	● ^{12,13,14}								●
Shinya Unno					●							●
Dr. Hisafumi Okabe	●	● ¹¹								●		
Toshiaki Itagaki						●						●
Tetsuya Yamaguchi									●	●		●
Junichi Ebihara												
Mark Noguchi												
Dr. Minoru Watanabe				■ ¹⁴								
Shinji Hidaka				■ ¹²								
Yoshiyuki Yano					■							
Satoko Shisai						■						
Tsukasa Kusano		■ ¹⁰										
Dr. Kaori Ouchi				■ ¹³								
Shinya Takuma			■									
Dr. Hitoshi Iikura	■											
Dr. Tomoyuki Igawa		■ ¹¹										
Masayoshi Higuchi									■			

6. Committee members also include the general managers of the following departments: Business Development, Regulatory Affairs, Corporate Planning, External Affairs, and Marketing & Sales Planning. 7. Committee members also include the general managers of the following departments: Corporate Planning, Digital Strategy, Science & Technology Intelligence, and IT Solution. 8. PLCM: Project & Lifecycle Management 9. Corporate Planning, General Affairs, Risk Management, Compliance, Audit, Intellectual Property, External Affairs, Finance & Accounting, Corporate Communications, Purchasing, Foundation Medicine 10. Development 11. Translational Research 12. Marketing & Sales 13. MA (Medical Affairs) 14. Safety 15. Also in charge of Sustainability Dept., which is responsible for EHS

Targets and Progress in Material Issues

Specification of Material Issues



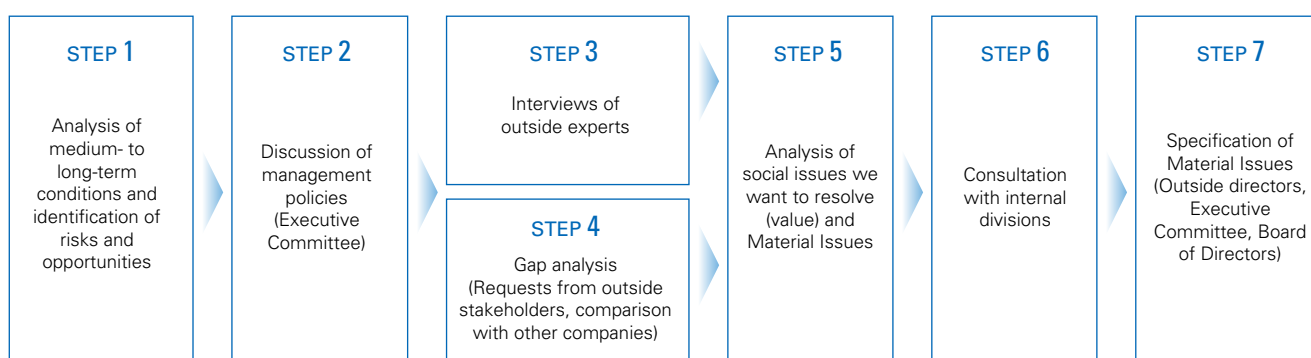
Chugai has adopted creating shared value with stakeholders as its basic policy. We identified 25 Material Issues that should be given priority.

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.

For each of the Material Issues, we have set a target to attain in the medium to long term and indicators to measure progress and the degree of achievement. The aim is to communicate to society Chugai's areas of focus as a starting point for dialogue going forward.

We will review the selected Material Issues regularly and adjust them in response to changing business environments and the evolution of Chugai's business activities. In 2020, we reexamined the Material Issues in light of the impact of the COVID-19 pandemic and the upcoming formulation of a new growth strategy, and confirmed that no changes were required.

Process for Establishing Material Issues



Targets and Progress up to 2020

5 strategies (IBI 21) **1** Value Creation **2** Value Delivery **3** Promote Advances in Personalized Healthcare (PHC)
4 Strengthen Human Capital and Conduct Fundamental Structural Reform **5** Strengthen Sustainable Platforms

Material Issue	Target	5 strategies	Indicators (2020 results)	Results during the period of IBI 21 (2019–20 performance)
Sustainable Healthcare				
Creation of innovative drugs and services	Creation of innovative drugs	1 3	<ul style="list-style-type: none"> Number of new products launched and additional indications (9) Number of projects and products based on PHC Number of projects added to portfolio Number of in-house projects achieving PoC Number of in-licensed projects progressing to LCM stage 	<ul style="list-style-type: none"> Mid-size molecule project: Progressed as planned toward phase I launch in 2021 Antibody project: Phase I started for next-generation switch antibody STA551 Launch of global phase III for crovalimab/SKY59 Approval of Enspryng and start of sales Total 5 progressing to pre-clinical stage Nemolizumab: Filing in Japan for approval for atopic dermatitis (Maruho Co., Ltd.), acquisition of breakthrough therapy designation for prurigo nodularis (Galderma S.A.)
Provision of solutions for patients	Realize patient-centric healthcare	2	<ul style="list-style-type: none"> Market share in therapeutic area (Oncology No. 1¹, hemophilia No. 1¹) Customer satisfaction (Oncology No. 1², hemophilia No. 1³) Domestic sales per MR (No. 1⁴) Contribution to cancer genomic profiling (No. 1⁵) 	<ul style="list-style-type: none"> Hemlibra: Market penetration in Japan and overseas, expansion of number of overseas approvals Tecentriq: Additional indications including three first-in-class designations Formulation of CHUGAI DIGITAL VISION 2030 Progress of company-wide digital strategy and acceleration of AI drug discovery, etc. Steady market introduction of F1CDx, additional indications Filing for approval of F1L Filing for ROS1 indication of Rozlytrek using real-world data (RWD) as reference data Joint development of digital solution for objective evaluation of pain in endometriosis
Fair marketing	Marketing in compliance with national guidelines	2	<ul style="list-style-type: none"> No infringements of promotional code of conduct in overseas sales-related information provision activity (achieved) Formulation of information provision guidelines for prescription pharmaceuticals, etc., and conduct of employee education (achieved) 	<ul style="list-style-type: none"> Enhancement of governance of overseas subsidiaries: Dissemination of understanding of Chugai Group management guidelines, enhancement of independent compliance system Establishment and strengthening of Chinese business structure: Strengthening of cooperation between affiliates, enhancement of Head Office support system Adaptation to change in Chinese Drug Administration Law Formulation of guidelines on sales-related information provision activity and upgrading of internal monitoring system Formulation of guidelines on information provision in response to requests from patients and their families, etc.
Fair pricing	Pricing that reflects drug and service value	2	—	<ul style="list-style-type: none"> Establishment of drug price reflecting value of new drugs (Rozlytrek, Enspryng, etc.)
Adverse event management	Perform appropriate pharmacovigilance activities and promote proper drug use	2	<ul style="list-style-type: none"> Customer satisfaction (Oncology No. 1², hemophilia No. 1³) 	<ul style="list-style-type: none"> Progress with digitalization of customer interface coordinated between three divisions Launch of adverse event database tool for healthcare professionals
Quality assurance and stable supply of products	Ensure quality and stable supply of products and services	5	—	<ul style="list-style-type: none"> Maintenance of stable supply system for products including Actemra during the COVID-19 pandemic Maintenance and enhancement of world-class quality including in handling of FMI and other new businesses
Corporate Governance				
Corporate governance	Realize sustained growth and corporate value	5	<ul style="list-style-type: none"> Review of Board of Directors effectiveness 	<ul style="list-style-type: none"> Conduct of analysis and evaluation of effectiveness of Board of Directors by external third-party (law firm)
Risk management	Perform risk assessment and evaluate responses	5	—	<ul style="list-style-type: none"> Introduction of enterprise risk management (ERM) framework including strategic risk management Centralized company-wide management of risk information relating to IT systems Formulation of business continuity management (BCM) guidelines

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

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

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

4. Calculated by Chugai based on 2020 Pharmaceutical Marketing Strategy by Fuji Keizai Management Co., Ltd.

5. Copyright© 2021 IQVIA. Source: Survey of Degree of Customer Satisfaction with Cancer Genome Therapy. Overall Assessments of Companies by Physicians. Based on a survey of overall assessments of companies by physicians, as defined by Chugai. Survey target: "Internet survey of members of m3.com, a website specializing in medical information"

5 strategies (IBI 21) **1** Value Creation **2** Value Delivery **3** Promote Advances in Personalized Healthcare
4 Strengthen Human Capital and Conduct Fundamental Structural Reform **5** Strengthen Sustainable Platforms

Material Issue Target 5 strategies Indicators (2020 results) Results during the period of IBI 21 (2019–20 performance)

Corporate Governance

Disclosure and engagement	Earn market trust through appropriate information disclosure	5	<ul style="list-style-type: none"> Selection as component of DJSI World (achieved) 	<ul style="list-style-type: none"> Promotion of dialogue with stakeholders by holding annual ESG meeting Improvement of external evaluation of investor relations (IR)
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Ethics and Compliance

Compliance	Appropriately manage compliance risks	5	<ul style="list-style-type: none"> Compliance monitoring 	<ul style="list-style-type: none"> Confirmation of state of progress of compliance action plans of organizations in Japan and overseas Conduct of monitoring survey to identify compliance status Company-wide including at affiliates in Japan and overseas Conduct of compliance awareness survey of all Group employees in Japan and overseas
Code of conduct	Promote understanding and awareness of the Chugai Group Code of Conduct (CCC)	5	<ul style="list-style-type: none"> CCC and human rights training in Japan: twice a year 2019 participation rate: 100%¹ 2020 participation rate: 100%¹ 	<ul style="list-style-type: none"> Revision of the Code of Conduct in line with the formulation of new management policies (Revisions to CCC) Provision of training to all Chugai Group employees
Fair transactions	Ensure compliance with trading laws and regulations and build fair and transparent business relationships	5	<ul style="list-style-type: none"> Formulation of related policies and regulations and conduct of employee education (achieved) 	<ul style="list-style-type: none"> Formulation of purchasing policy and purchasing-related regulations and rollout to subsidiaries Completion of incorporation in purchasing policy and purchasing-related systems and conduct of employee education Formulation of regulations relating to fair competition policy and conduct of employee education

Supply Chain Management

Supply chain management	Perform comprehensive supplier evaluations	5	<ul style="list-style-type: none"> Risk assessment of major contract manufacturing organizations (CMOs) 	<ul style="list-style-type: none"> Participation in Pharmaceutical Supply Chain Initiatives (PSCI) Formulation of supplier code of conduct, start of confirmation of consent from suppliers (31 confirmed in 2020) Formulation of supplier EHS compliance risk assessment guidelines, start of supplier risk assessment (86 assessed in 2020) Conduct of employee education on supplier EHS compliance risk assessment guidelines Holding of information exchange meetings with CMOs
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Global Environment

Climate change countermeasures ² (energy, etc.)	Minimize impact on global environment	5	<ul style="list-style-type: none"> Reduce energy consumption per employee by 20% vs 2010 (17% reduction³) Eliminate use of specific fluorocarbons (achieved) Fuel economy of sales vehicles: ≥16 km/L (27 km/L) 	<ul style="list-style-type: none"> Introduction of highly energy-efficient facilities and promotion of energy-saving measures through energy visualization system Ending of use by 2020 of all 4 tons of specific fluorocarbons held as of 2018 Progress with introduction into sales fleet of hybrid vehicles and highly fuel-efficient vehicles
Use of renewable/recycled resources ² (water, waste, etc.)		5	<ul style="list-style-type: none"> Zero waste emissions (≥99% recycling of waste): 3 sites (achieved at 2 sites) 	<ul style="list-style-type: none"> Preferential selection of waste treatment operators for recyclable industrial waste and improvement of recycling rate
Biodiversity protection (environmental burden mitigation)		5	<ul style="list-style-type: none"> Wastewater measurement using whole effluent toxicity (WET) testing: 5 sites (implemented at 5 sites) 	<ul style="list-style-type: none"> WET test conducted annually at all plants and research laboratories since 2013, with no issues identified
Environmental management system		5	<ul style="list-style-type: none"> Expand verification items and scope 	<ul style="list-style-type: none"> Environmental performance data (emissions of atmospheric pollutants, Scope 3 all categories, Scope 1) and inclusion of overseas plants in collection of statistics Social performance data (incidence and severity of occupational accidents) and inclusion of contractor employees in collection of statistics

Material Issue	Target	5 strategies	Indicators (2020 results)	Results during the period of IBI 21 (2019–20 performance)
Human Resources				
Employee job satisfaction ⁴	Develop work environment where employees can continue their careers	4	<ul style="list-style-type: none"> Rate of paid leave taken ≥ 80% (65.6%)⁵ Work-from-home (WFH) participation rate: 35%⁶ Employee awareness survey (Improvement in positive response rate in Employee Engagement and Environment for Utilizing Employees surveys) 	<ul style="list-style-type: none"> Employee awareness survey—Improvement on 2018 results Design of new workstyles (smart working) to realize productivity improvement and work-life synergy (introduction in 2021)
Development of employee potential	HR recruitment and training to realize strategic targets and accelerate innovation	4	<ul style="list-style-type: none"> Increase in next-generation leader candidates, implementation of development programs 	<ul style="list-style-type: none"> Selection and development of candidates for key positions (department manager level) Appointment of highly competent talent Review of plans for individual development of next-generation leader candidates and implementation of strategic allocation
Diversity and inclusion (D&I) ⁴	Create new value through diverse talents	4	<ul style="list-style-type: none"> Ratio of female managers: 16% (14.6%)⁷ Ratio of female managers (With subordinates): 15% (13.0%)⁸ 	<ul style="list-style-type: none"> Appointment of female executive officers Establishment of female manager (with subordinates) appointment promotion committee consisting of department managers including executive management Conduct of e-learning program on unconscious bias for managers (approx. 800 participants), who are key players in promoting D&I
Human Rights				
Human rights	Respect human rights of all persons involved in business	5	<ul style="list-style-type: none"> Human rights due diligence on contractors 	<ul style="list-style-type: none"> Formulation of policy on respect for human rights Conduct of employee education on policy relating to business and human rights and respect for human rights Identification of human rights issues Formulation of guidelines for evaluation of supplier human rights, start of supplier risk assessment (86 assessments in 2020) Holding of individual dialogue with overseas experts on human rights initiatives
Safety of clinical trial subjects	Conduct clinical trials under high ethical and scientific standards with safety	5	<ul style="list-style-type: none"> Introduction of adverse event evaluation tool for direct use by patients Securing of safety of trial subjects using home-based devices 	<ul style="list-style-type: none"> Completion of preparations for three phase I pilot studies in solid tumors and start of one study Measurement of safety indicators using home-based devices implemented in one study, issues identified, and other data collected
Social Contribution				
Social contribution activities	Develop networks in key areas	5	<ul style="list-style-type: none"> Cumulative number of para-transit vehicles donated to welfare services (263) 	<ul style="list-style-type: none"> Support to healthcare professionals in Japan during the COVID-19 pandemic: Donation of total of ¥55 million to Japanese foundations, the Tokyo metropolitan government, and Kanagawa Prefecture Support for recovery: Donation of ¥10 million to areas affected by typhoon damage in 2019, and ¥10 million to areas affected by torrential rainfall in July 2020
Improvement of access to healthcare	Improve access to healthcare including drug development	5	<ul style="list-style-type: none"> Number of participants in team care workshop for health professionals at Children's Medical Center of Cambodia-based NPO Japan Heart (21) Number of locations and number of patients examined in treatment and support program for non-communicable diseases (NCDs) in rural areas of Myanmar (28 locations, approx. 2,500 patients) 	<ul style="list-style-type: none"> Promotion of early treatment and follow-up of NCDs in Myanmar Establishment of medical transport fund and provision of ultrasound diagnostic equipment for nursing and expectant mothers in Myanmar Provision of Hemlibra to developing countries through World Federation of Hemophilia (WFH) Start of partnership with City Cancer Challenge Foundation

1. Excluding employees on secondment or leave 2. Target for December 31, 2020

3. We aim to reach a 20 percent reduction in non-renewable energy consumption by using renewable energy certificates. 4. Target for December 31, 2021

5. April 2019–March 2020 results 6. WFH adopted as norm during state of emergency

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

8. Calculated based on Chugai (non-consolidated) employees and its affiliates in Japan.

Main Risks and Countermeasures (Strategic Risk and Operational Risk)

Main risks ¹	Specific risk scenarios	Impact on corporate value	
Strategic Risk	Technology and Innovation	<ul style="list-style-type: none"> • Delay or failure in in-house drug discovery or technology development • Underperformance in development of mid-size molecule drugs • Development of innovative products and solutions by competition • Emergence of disruptive new technologies and solutions • Infringement of IP rights (by Chugai or competitor) 	<ul style="list-style-type: none"> • Delays in creating in-house products, rise in R&D expenditures • Revision of development and investment plans • Decline in value of in-house technologies and projects • Weakening of in-house technology and product value, decrease in revenues, lawsuits by other parties, suspension of manufacturing and sales or of technology utilization, incurring of utilization fees
	Healthcare System / Pharmaceutical Laws and Regulations	<ul style="list-style-type: none"> • Further strengthening of policy of National Health Insurance (NHI) drug price reduction • Expansion of policy of promoting generics • Sudden regulatory change or delay in awareness thereof (especially overseas) 	<ul style="list-style-type: none"> • Decrease in revenues • Decline in product volume or worsening of cost to sales ratio • Amendment or delay of development or regulatory plans
	Markets and Customers	<ul style="list-style-type: none"> • Accelerated emergence of innovative products from competitors and generics • Sudden change in customer contact points • Relative decline in value of medical treatments 	<ul style="list-style-type: none"> • Decline in market position or product competitiveness, decrease in revenues • Underperformance in information provision activities, excessive number of staff • Decline in number of target patients
	Business Platforms	<ul style="list-style-type: none"> • Change in content of alliance with Roche • Underperformance of Roche's drug discovery and global networks • Underperformance in HR development or securing of strategic human resources • Stagnation of organizational culture • Delay or underperformance in implementation of digital transformation (DX) • Impact on earnings structure of surging R&D expenditures and other cost increases 	<ul style="list-style-type: none"> • Revision of management strategy or business model • Decline in products in-licensed from Roche as a stable revenue source, decrease in value of products out-licensed to Roche • Stagnation in innovation • Failure to meet strategic goals, revision of business plans • Staff mismatch, shortage, or surplus due to change in operations or quality levels required
Operational Risk	Quality and Side Effects (→)	<ul style="list-style-type: none"> • Emergence of product quality issue, emergence of side effects of unexpected seriousness 	<ul style="list-style-type: none"> • Decrease in revenues due to product recall, sales suspension, etc., product liability litigation, compensation for damages, loss of public trust
	IT Security and Information Control (↗)	<ul style="list-style-type: none"> • Operational impairment, suspension of external service delivery, interference with the content of information provided, the leakage of trade secrets relating to research and development or other areas, or of personal or other information, as a result of cyberattack or incident in-house or in supply chain 	<ul style="list-style-type: none"> • Suspension or delay of business activities, revision of business plans, loss of competitive advantage, loss of public trust, compensation for damages, incurring of expenses for urgent response and related measures
	Large-Scale Disasters (→)	<ul style="list-style-type: none"> • Damage to business site or supplier from earthquake, typhoon, fire, or other large-scale disaster, COVID-19 and other infectious diseases 	<ul style="list-style-type: none"> • Suspension of drug supply, incurring of costs for facility repair, etc., restriction of business activities, decrease in revenues
	Human Rights (→)	<ul style="list-style-type: none"> • Delay in taking action on occupational health and safety, or other human rights issues 	<ul style="list-style-type: none"> • Deterioration in employee physical or mental health or HR capabilities, loss of public trust due to harassment, or other human rights issues
	Supply Chain (↗)	<ul style="list-style-type: none"> • Delay or slowing of delivery from suppliers, environment, health, and safety (EHS)-related risk at suppliers 	<ul style="list-style-type: none"> • Decrease in revenues or market share, loss of public trust
Global Environmental Issues (→)	<ul style="list-style-type: none"> • Delay in technology- and facility-related response to climate change • Unexpected environmental contamination or damage by harmful substances • Insufficient response to social expectations and requirements relating to environmental protection • Further strengthening of environment-related regulations 	<ul style="list-style-type: none"> • Revision of capital investment plans, incurring of additional expenses • Incurring of expenditures for remedial measures or compensation for damage, loss of public trust • Reputational decline among customers and capital markets • Increase in expenditures for environmental measures, limitation of business activities 	

1. Operational risks are classified into the two following types:

(↗) Risks whose probability of materializing and degree of impact have increased rapidly (→) Important long-standing risk

2. This table presents only the principal risks whose degree of impact on corporate value would be relatively great in the case of the risk materializing. Risks whose degree of impact is extremely great are marked ★★★; those whose degree of impact is great are marked ★★.

Degree of impact at time of occurrence ²	Related material issues ³	Risk appetite framework	Main countermeasures
★★★	1, 2, 8, 19, 20	<ul style="list-style-type: none"> Accept risk and aggressively seek opportunities to generate innovation Reduce risk that hinders innovation 	<ul style="list-style-type: none"> Seek access to latest science and technologies Diversify by strengthening external collaborations Strengthen alliances for drug discovery, development, and pharmaceutical technology Pursue a multi-modality strategy Further strengthen IP strategy, respond actively to generics with IP measures
★★★	1, 2, 4, 8, 25	<ul style="list-style-type: none"> Continuously demonstrate new value by pursuing innovation 	<ul style="list-style-type: none"> Visualize and demonstrate patient value Enhance revenue structure, develop next-generation products, put in place IP measures Strengthen advocacy activities Enhance overseas intelligence functions
★★★	1, 2, 3, 5, 6, 8, 25	<ul style="list-style-type: none"> Continuously deliver new value by pursuing innovation 	<ul style="list-style-type: none"> Strengthen customer engagement Diversify product range Build organizational structure able to respond flexibly to fluctuations in demand Promote advanced development of personalized healthcare (PHC)
★★★	1, 2, 7, 8, 18, 19, 20, 21	<ul style="list-style-type: none"> Accept risk and implement reform for continuous evolution of business model Reduce all risks that are factors hindering innovation 	<ul style="list-style-type: none"> Ongoing contribution to value creation of the entire Roche Group Clear definition of strategic human resources and plan-based securing and development Increase investment in organization and human resources Build organizational structure and recruitment plans based on careful monitoring of trends in the business environment Strengthen DX strategy and capabilities, deploy external competent human resources Minimize operational costs through business model reform
★★★	5, 6, 8, 9, 13, 23	<ul style="list-style-type: none"> Avoid or reduce risk that hinders efficacy, safety, and quality assurance 	<ul style="list-style-type: none"> Strengthen quality assurance activities and ensure comprehensive rollout Strengthen safety information provision activities to strengthen and ensure comprehensive rollout of pharmacovigilance activities and to promote proper use
★★★	6, 8, 10	<ul style="list-style-type: none"> Reduce information security risk by implementing comprehensive countermeasures 	<ul style="list-style-type: none"> Strengthen security management system and system robustness and availability, strengthen functions to detect cyberattacks and viruses and upgrade monitoring systems, strengthen system for responding to information security incidents, enhance employee security training, monitor status of countermeasures
★★★	6, 8, 13	<ul style="list-style-type: none"> Reduce risk that hinders stable supply 	<ul style="list-style-type: none"> Maintain operation of business continuity plan (BCP) and earthquake resilience strategy, strengthen safety stock and related systems
★★	8, 10, 11, 12, 13, 22, 23	<ul style="list-style-type: none"> Reduce risk by working to eliminate discrimination in society and human rights infringements 	<ul style="list-style-type: none"> Continue implementation of in-house training, promote health and productivity management, provide internal reporting hotlines, conduct enhanced human rights due diligence on suppliers
★★	6, 8, 13, 22	<ul style="list-style-type: none"> Reduce risk that hinders stable supply 	<ul style="list-style-type: none"> Establish stable drug supply system for whole supply chain, strengthen EHS activities
★★	8, 9, 14, 15, 16, 17, 24	<ul style="list-style-type: none"> Reduce risk by taking positive action on global environmental issues 	<ul style="list-style-type: none"> Planned medium- to long-term environmental investment Strengthen access to latest environmental technology Enhance dialogue with external experts and evaluation organizations Ongoing monitoring and analysis of latest trends

3. Chugai's material issues are listed below (see page 50 for details)

1: Creation of innovative drugs and services 2: Provision of solutions for patients 3: Fair marketing 4: Fair pricing 5: Adverse event management 6: Quality assurance and stable supply of products 7: Corporate governance 8: Risk management 9: Disclosure and engagement 10: Compliance 11: Code of conduct 12: Fair transactions 13: Supply chain management 14: Climate change countermeasures 15: Use of renewable/recycled resources 16: Protection of biodiversity 17: Environmental management system 18: Employee job satisfaction 19: Development of employee potential 20: Diversity and inclusion 21: Improvement of occupational health and safety 22: Human rights 23: Safety of clinical trial subjects 24: Social contribution activities 25: Improvement of access to healthcare