

## Corporate Social Responsibility Report



## Editorial Policy

This report presents Chugai Pharmaceutical's views on corporate social responsibility (CSR) and details the company's CSR initiatives. It describes Group-wide policies such as Chugai's Mission Statement and its corporate governance practices, and is intended to provide various stakeholders with a useful update on the CSR initiatives and environmental protection activities the company is undertaking. The section on patients and consumers highlights the ways that Chugai is contributing to people's health. Feedback and opinions are cordially invited.

A complementary report, entitled Environment and Safety Supplement, which covers Chugai's activities related to the environment and safety, is available on the company's social and environmental activities website at: <http://www.chugai-pharm.co.jp/english/corporate/csr/index.html> (available only in Japanese).

### Scope of this report

This report primarily presents data about Chugai Pharmaceutical Co., Ltd. In places, it also gives data for Chugai Pharmaceutical Co., Ltd. and its subsidiaries in Japan, or for Chugai Pharmaceutical Co., Ltd., and its subsidiaries in and outside Japan (on a consolidated basis).

Timeframe: January 1, 2006 to December 31, 2006

### Guidelines for reference

The contents of this report conform to the *Environmental Reporting Guidelines (FY 2003 Edition)* of Japan's Ministry of the Environment, and *2006 sustainability Reporting Guidelines* of the Global Reporting Initiative (GRI)

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# Sharing Our Story

## Chugai's CSR

### Part 1

Devoted to medicine and human health worldwide

**POINT**  
Introduces CSR commitment and initiatives

**POINT**  
Shows measures to respond to Japan's new Acts

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Research laboratory in Ukima  
Research laboratory in Kamakura  
Utsunomiya Plant  
Head Office



We are taking on the challenge of meeting aggressive new goals for 2010, while remaining committed to fulfilling our corporate social responsibility.

### New goals, new social presence

In 2006, Chugai Pharmaceutical set new, more challenging goals in its mid-term business plan, entitled "Sunrise 2010". The plan calls for 450 billion yen in net sales and 100 billion yen in operating profit by the year 2010. In an auspicious start on this new journey, the company completed eight applications for approval of new pharmaceuticals in 2006, an exceptionally rare single-year achievement for a Japanese pharmaceutical company. We are strategically positioned for continued growth.

Let me list just a few of the most promising recent developments. In the last year, we introduced Japan's first antibody drug, Actemra® (a treatment for rheumatoid arthritis and systemic juvenile idiopathic arthritis\*<sup>1</sup>); expanded the indications for Herceptin, a postoperative adjuvant treatment for breast cancer\*<sup>2</sup> that has obtained excellent results in clinical trials; and submitted applications for bevacizumab (planned name: Avastin), a treatment for colon cancer\*<sup>3</sup> that already has a strong international reputation, and erlotinib hydrochloride (planned name: Tarceva), a treatment for non-small-cell lung cancer\*<sup>4</sup>. These bold new steps have significantly increased Chugai's visibility in the market, and we welcome the sense of challenge that comes with the greater expectations society has of us now.

Chugai's mission is to contribute to human health through the creation of innovative pharmaceuticals. It is my sincere desire that the drugs we provide will contribute to better healthcare for as many people as possible. Needless to say, our commitment to better health includes a fundamental dedication to patient safety. Chugai has recently introduced new systems and structures designed to reinforce drug safety measures while making the most of the outstanding treatment potential of Chugai's innovative new drugs.

Our resolve to ensure total safety has, in fact, been steeled by two regrettable events. In 2006, Chugai Pharmaceutical chose to conduct voluntary recalls of Epogin (a renal anemia treatment) and Neutrogin (a treatment for neutropenia). We deeply regret that this step became necessary, and are grateful that there have been no reports of health damage of any kind related to the recalls. The entire company is working to ensure that this type of situation never occurs again. I would like to take this opportunity to apologize once again to all those who were concerned by the incident, the particulars of which are presented later in this report.

\* 1 ~ 4. These are the planned indications at the time applications are filed with the Japanese health authorities.

## Making a difference in the world

As a manufacturer of pharmaceutical products, Chugai respects the dignity of human life first and foremost. In all of our business activities, we strive to demonstrate an earnest commitment to science, transparency, fairness, and high ethical standards. In addition to the social contributions made by our main business in 2006, we undertook the following specific initiatives to fulfill Chugai's various responsibilities to society.

In the field of healthcare and welfare, Chugai held civic symposiums and open lectures to provide education about disease prevention and treatment, and sponsored charity events together with cancer patient associations.

In the field of education and culture, Chugai opened a permanent exhibit on cancer and biotechnology, entitled Dr. Kitanomaru's Bio Pharmaceutical Laboratory, at the Japan Science Foundation's Science Museum in Tokyo, as part of a new plan to encourage greater interest in the life sciences among children. Further, Chugai has been donating vans equipped with lifts to provide transportation to home welfare services since 1985. Including the five vans donated in fiscal 2006, the company has donated a total of 163 vans through this program.

In the area of corporate ethics, the 75 members of our Corporate Ethics Promotion Committee, who represent all the organizations within the Chugai Group, played a central role in Group-wide training in corporate ethics, human rights, and compliance. Chugai's sales and other departments also developed compliance initiatives that suit each department's unique characteristics. The company also worked to increase employee satisfaction. It conducted an employee attitude survey, revised its human resources system, implemented a childcare support program, and took other steps intended to create an environment where every employee can work with vigor and enthusiasm. In addition, Chugai reorganized the structure of its internal and external help lines to fully comply with Japan's new Whistleblower Protection Act.

In recognition of CSR initiatives such as those mentioned above, the Business Ethics Research Center (BERC) of Japan awarded Chugai with the Business Ethics Effort Prize (Symbiotic Special Prize) in November 2006. This recognition has been a great encouragement for the entire Chugai team as we continue to move forward with progressive CSR initiatives.

## Reducing environmental impact

Meanwhile, turning to the environment, global warming has become a pressing global issue. With the commitment period for reducing greenhouse gases established under the Kyoto Protocol about to begin in January 2008, the year 2007 is going to be crucial in efforts to combat global warming. Chugai has set a goal of reducing its Group-wide CO<sub>2</sub> emissions back to the fiscal 2003 level by the end of fiscal 2012, and is striving to achieve the goal. Specific measures underway include installing cogeneration systems that utilize exhaust heat from in-house power generation at the plants, and increasing the percentage of hybrid vehicles in Chugai's sales fleet. We are determined to do our part in taking proper care of the Earth's environment.

It is my belief that all of these efforts can be summed up in a simple truth: as the Chugai Group conducts itself with integrity in every way, we will undoubtedly be on track to meeting the expectations of all stakeholders and contributing to a more sustainable world.

Finally, I would like to repeat here the Chugai pledge to do our best to create innovative pharmaceuticals that help to overcome today's untreatable diseases, as well as our resolve to continue to do business in a manner congruent with all of our corporate social responsibilities. As always, I ask for your continued understanding and support for Chugai's efforts.



**Osamu Nagayama**  
Chairman, President and CEO  
Chugai Pharmaceutical Co., Ltd.



# Chugai's Mission Statement is the guide for all of its business conduct.

Chugai Pharmaceutical has created a Mission Statement-consisting of a Mission, Core Values, and an Envisioned Future-in order to ensure that it will continue to fulfill its corporate social responsibility and meet the expectations of all its stakeholders. This Mission Statement is the basis upon which Chugai develops its corporate operations.

### Mission

Chugai's mission is to dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world.

### Core Values

1. The primary focus of all our activities is patients and consumers.
2. In all our activities we are committed to the highest ethical and moral standards.
3. We value employees who develop profound expertise and broad perspectives and pursue innovation and challenges without fear of failure.

4. Wherever we operate around the world we seek to understand and respect people and cultures and to behave as good corporate citizens.
5. We promote an open and active corporate culture that respects individuality, ability and teamwork.
6. We care about the global environment.
7. We aim to achieve a fair return for our shareholders and to disclose information appropriately and in a timely manner.

### Envisioned Future

As a most important member of the Roche group, we aim to become a top Japanese pharmaceutical company by providing a continuous flow of innovative new medicines domestically and internationally.

Core Values	Chugai BCG *1	Chugai's CSR Commitment	Main Initiatives	Main Performance Indicators in Fiscal 2006
The primary focus of all our activities is patients and consumers.	<div><div>Responsibility to Patients and Consumers</div><div>We will always put the patient and the consumer first, and provide high-quality products and services of superior safety and efficacy.</div><div>Strict Adherence to the Law</div><div>In all our business activities, we will strictly adhere to all laws and their underlying principles.</div></div>	Chugai will continuously produce and provide a stable supply of innovative and reliable pharmaceuticals. The company is committed to doing its utmost to realize a world of patient-centered healthcare.	<div>Pursuing the development and provision of innovative pharmaceuticals</div> <div>Activities to build awareness of disease in three priority fields</div> <div>Support for developing countries</div> <div>Welfare initiatives for the elderly and people with disabilities</div> <div>Responding to inquiries and disclosing information</div>	<div>Launched Femara (a postmenopausal breast cancer treatment) and Invirase (an HIV protease inhibitor)</div> <div>Pharmaceutical approval applications submitted in a single year: 8</div> <div>R&amp;D expenses/sales: 16.7% (Chugai Group)</div> <div>Cumulative number of countries receiving donated Picibanil for treating children with lymphangiomas: 66 (program in its 16th year)</div> <div>Disease awareness activities and cosponsored events held: 6</div> <div>AIDS Walk fundraising: 3,025 employees raised ¥1.675 million</div> <div>Recipients of vans equipped with lifts to provide transportation for home welfare services: 5 (total of 163 vans over 21 years)</div> <div>Customer inquiries answered by Chugai's Drug Information Center: 52,781 (includes telephone, e-mail, and fax inquiries)</div>
In all our activities we are committed to the highest ethical and moral standards.	<div><div>Respect for Humanity</div><div>We will respect human rights in every aspect of our business activities.</div><div>Fair Trade</div><div>We will engage in fair and transparent transactions with medical institutions and organizations, suppliers and customers.</div></div>	Chugai will strive to ensure that all employees, in their various workplaces, are prepared to make decisions out of an ethical commitment that goes far deeper than that of mere legal compliance. The company is dedicated to creating a workplace environment that is free of discrimination and human rights infringements-an environment in which people truly value one another.	<div>Inculcating high ethical standards through Training on the Business Conduct Guidelines</div> <div>Continuous efforts to build human rights awareness</div> <div>Maintaining high animal welfare standards in accordance with international guidelines</div> <div>Fair trade with suppliers and customers</div> <div>Promoting compliance with the Pharmaceutical Affairs Law, fair competition codes, promotion codes, and other laws and regulations</div>	<div>BCG training attendees: 9,729 (includes repeat attendees; Chugai Group in Japan)</div> <div>Company human rights training attendees: 6,567 (includes repeat attendees; Chugai Group in Japan)</div> <div>Education and training for people who perform animal experiments: 50 sessions attended by 699 people</div> <div>Corporate ethics training provided during manager training: 14 sessions attended by 585 people</div> <div>State of ethical and legal compliance survey within the Sales Division: Given to all 231 branches of the Sales Division</div>
We aim to achieve a fair return for our shareholders and to disclose information appropriately and in a timely manner.	<div><div>Management of Corporate Assets</div><div>We will achieve our management objectives through the optimal and appropriate management and use of corporate assets.</div><div>Disclosure of Information</div><div>We will actively and fairly disclose corporate information in accordance with both legal requirements and the principles of social justice.</div></div>	Chugai will continue to proactively disclose information about its corporate activities. The company is determined to enhance the trust of its stakeholders, including shareholders and investors, and is committed to maintaining an ongoing dialogue with them.	<div>Unbiased and highly transparent disclosure of information</div> <div>Holding frequent dialogues with investors in and outside Japan</div> <div>Holding ordinary general meetings of shareholders and shareholder receptions</div> <div>Realizing steady dividend payments</div>	<div>Briefings for the media and investors: 18</div> <div>Responses made to individual requests for information, such as by securities analysts: 200</div> <div>Institutional investors outside Japan visited in person by top management: 66</div> <div>Ordinary general meeting of shareholders and shareholder reception: Held March 23, 2007 at the Palace Hotel Tokyo</div> <div>Return on equity (ROE): 10.1% (Chugai Group)</div> <div>Dividend per share: ¥30 (annual)</div>
Wherever we operate around the world we seek to understand and respect people and cultures and to behave as good corporate citizens.	<div><div>Social Contribution</div><div>We will remain aware of our responsibility as a good corporate citizen and actively continue with our social action program.</div></div>	In the areas of healthcare, welfare, education, and contribution to local communities, Chugai is working to develop social contribution initiatives that reflect the company's distinctive features. The company is committed to contributing to the development of society and to growing together with society.	<div>Holding charity events to contribute to local communities</div> <div>Nurturing the next-generation human assets who will carry science and technology forward</div> <div>Supporting the Training Program for Educators at Private Companies</div> <div>Supporting employee volunteer activities</div>	<div>Community event: "Harmony of Mind and Body" (July 13, 2006 in Utsunomiya, Japan)</div> <div>Video presentations given at Dr. Kitanomaru's Bio Pharmaceutical Laboratory exhibit: 21,207 (July-December, 2006)</div> <div>Educators accepted from the Training Program for Educators at Private Companies: 7</div> <div>Employees taking volunteer leave: 2</div>
<div>We value employees who develop profound expertise and broad perspectives and pursue innovation and challenges without fear of failure.</div> <div>We promote an open and active corporate culture that respects individuality, ability and teamwork.</div>	<div><div>Protection of the Global Environment</div><div>We will do our best to protect the environment by conducting all our business activities in accordance with the Chugai Environmental Charter.</div><div>Relations with Governmental and Administrative Bodies</div><div>We will maintain fair and transparent relations with policymakers and administrative bodies.</div></div>	Chugai will strive to build a corporate structure in which the organization and the individual can coexist in harmony, a structure in which the demonstration of abilities and the self-actualization of the human assets*2 needed by the company produce a synergistic effect.	<div>Fostering human assets who are competent in the global arena</div> <div>Building a work environment that is motivating and fulfilling for every employee</div> <div>Building sound labor-management relations</div> <div>Creating safe, comfortable workplaces</div>	<div>Program to nurture global management human assets; corporate program; division program; and self-development support program</div> <div>Number of employees taking childcare leave: 28 (including 1 man) Users of wiwiw (an online tool that supports employees who return to work after taking childcare leave): 37</div> <div>Rate of employees with disabilities: 1.95% (as of the end of June 2006)</div> <div>Rate of occupational accidents: 0.75%</div> <div>Accidents resulting in absence from work: 2 (Chugai Group in Japan)</div> <div>Lost workdays resulting from occupational accidents: 146 (Chugai Group in Japan)</div> <div>Introduced an Employee Assistance Program (EAP)</div>
We care about the global environment.	<div><div>Relations with External Bodies</div><div>We will maintain fair and transparent relations, within reason, with external bodies.</div></div>	Chugai will continue to work steadily to reduce the effect its business activities have on the global environment, as well as to help restore the environment. The company will earnestly address environmental issues, including countermeasures to global warming.	<div>Furthering global warming countermeasures</div> <div>Pursuing resource conservation and waste reduction</div> <div>Thoroughly managing chemical substances</div> <div>Improving environmental awareness</div> <div>Making environment-related contributions to local communities</div> <div>Disclosing environmental information</div>	<div>CO<sub>2</sub> emissions compared with fiscal 1990: Up 43% (total for plants and research laboratories)</div> <div>Fossil fuel usage: 6.4% (total for plants and research laboratories)</div> <div>Number of hybrid sales vehicles: 48</div> <div>Volume of waste generated compared with fiscal 1990: Down 74% (Chugai Group in Japan)</div> <div>Final volume of landfilled waste compared with fiscal 1990: Down 97.5% (Chugai Group in Japan)</div> <div>Participants in environmental e-learning course: 449 (Chugai Group in Japan)</div>

\* 1. Guidelines established as standards of business activities and social behavior. Based on the Core Values expressed in Chugai's Mission Statement, they are intended as a guide to ensure Chugai Pharmaceutical and its Group companies fulfill their corporate social responsibilities, continue to be companies that are trusted and selected by society, and go on to perpetually contribute to society.

\* 2. Viewing each and every employee as an asset to the company, Chugai prefers the term "human capital" to "human resources."

Dialogue:  
The Future of CSR at Chugai

The year 2007 marks five years since Chugai Pharmaceutical was reborn through a strategic alliance with F. Hoffmann-La Roche Ltd. It also marks the 20th anniversary of the Brundtland Report,\*1 the halfway point (July 2007) for achievement of the UN Millennium Development Goals,\*2 and the year before the start of the first commitment period (2008 to 2012) of the Kyoto Protocol.\*3 For all these reasons, in 2007, companies can expect to face higher expectations—and rightly so—for their efforts to address sustainability issues. To find out more, two Chugai leaders held an in-depth dialogue with Associate Professor Mitsuhiro Umezu of the Faculty of Business and Commerce at Keio University about Chugai's CSR initiatives. The conversation is presented below.

Interviewee:  
**Mitsuhiro Umezu**  
Associate Professor

Interviewers:  
**Motoo Ueno**  
Deputy President, Representative Director  
Executive Responsible for Corporate Social Responsibility  
**Hiroshi Tanaka**  
General Manager, Corporate Social Responsibility Department  
Note: Job titles shown are as of the time of the interview.



Associate Professor **Mitsuhiro Umezu**

**Motoo Ueno**

Evaluation of CSR initiatives is necessary	Opportunities for human resources development
<p><b>Ueno:</b> As we evaluate Chugai's CSR initiatives over the four years since the merger with Nippon Roche K.K., we feel that the time has come to set more aggressive targets, rather than merely continuing on the current trajectory. Please share with us your evaluation of Chugai's efforts.</p> <p><b>Umezu:</b> At the time of the merger in 2002, I know that a CSR department was established, and over the last four years, Chugai has come to be recognized as an example for other companies in the area of CSR. I think this is due to the strong leadership of the management team and the sense of urgency that came with the merger.</p> <p>You mentioned "evaluation," which is certainly a key concept. Going forward, it will be vital for you to ensure proper evaluation of Chugai's CSR initiatives. It is crucial to evaluate how the company's CSR initiatives are being received by society, and to use a variety of channels to gain assessments of your performance. Of course, it is also effective to obtain feedback directly from all your diverse stakeholders.</p>	<p><b>Tanaka:</b> In the four years since 2002, the company's business activities have been focused on realizing our Mission Statement. Likewise, the Corporate Social Responsibility Department has focused its CSR initiatives in the areas of corporate ethics, human rights, social contributions, and the environment. I'm curious which CSR initiatives you think will have the most impact—and be most closely watched—in the coming years.</p> <p><b>Umezu:</b> I see that the performance and number of employees at Chugai have been on the rise over the last four years. Although there are certainly plenty of management challenges to address during a growth period like this, it is important to take time to build a strong foundation in CSR, even when you are making rapid progress. In addition to the initiatives you are already taking, what about applying CSR more fully to the field of human resources development? I have first-hand experience that your managers, thanks to your training program, have been deeply discussing CSR and have come to share the same set of values about it.</p> <p>Going forward, I think it will be important to extend experiences like this to the</p>

<p>younger employees and make the linkage to the long-term development of core human resources. When people are introduced to CSR concepts as young adults, they develop a strong sense of ethics along with a proper understanding of the company's traditions, enabling them to make sound, independent decisions in their particular fields of expertise. Moreover, by giving them opportunities to interact with people both in and outside the company in their formative years, you can help them to develop interpersonal networks and grow to become very valuable assets.</p> <p>I would also say that making sure job-hunters have good information on the company's CSR initiatives is a useful way to attract the sort of outstanding people you are looking for.</p>	<p>both worlds is to use our website. Specific stakeholders can access detailed information on any of our particular activities, while the printed report remains accessible and easy to read for any and all readers. This is what we are aiming for in our CSR reporting.</p> <p><b>Umezu:</b> Certainly in Japan today, people have less interest in reading an exhaustively comprehensive CSR report. If every single initiative is covered, the report will not be attractive to readers, and it will lack impact.</p> <p>What you want to do is incorporate the opinions of external stakeholders in order to create a balance, and include content from actual dialogues. Publishing a detailed version of the CSR report online is another method, using IT effectively to get your message out to stakeholders.</p>
<p><b>CSR reports: Non-financial reports are extremely important</b></p>	<p><b>Tanaka:</b> What is the key to making the CSR report an effective public relations tool in the future?</p>
<p><b>Ueno:</b> When preparing a CSR report for the public, we really need to consider how best to hold the interest of our particular stakeholders. At the same time, if we narrow the content of the report to suit specific readers' interests, new readers may feel the report is lacking in comparison to the reports of other companies that cover all of their activities. We feel that a good way to get the best of</p>	<p><b>Umezu:</b> Whether or not it is a printed publication, I believe that the CSR report as such will continue to exist, since it is important that companies inform people of more than just their financial performance. At one time, a good company was recognized just for making a profit and demonstrating growth. Since</p>

profitability and growth can be easily illustrated with numbers, this approach was easy to understand and persuasive.

However, the basic qualities of social responsibility and ethical conduct cannot be expressed with mere numbers. Improvement in awareness and attitudes about social responsibility cannot be definitively evaluated on a year-to-year basis. One good approach is to provide a balanced report that traces, to some degree, medium- to long-term growth as a company. It would also be a good idea to create special feature articles on such topics as the results of collaboration with research institutions on pharmaceutical development, Chugai's decade-long human rights awareness program, and feedback from the users of lift-equipped vans donated by the company to welfare organizations.

**Ueno:** The need to ensure balanced content in the CSR report also means we need to report some current-year initiatives, for example the feature article entitled, "Striving to Reduce CO<sub>2</sub> Emissions," which covers fiscal 2007.

Chugai has built biopharmaceutical factories, launched numerous products and is experiencing growth. Consequently, it has grown significantly in scale compared to 1990. We need to work harder to reduce CO<sub>2</sub> emissions. As you know, we have set a new goal to reduce CO<sub>2</sub> emissions compared to the reference merger year of fiscal 2003. For example, we have challenged ourselves to build new plants with the latest energy conservation technology, and cut gasoline usage in half by switching 50% of the

sales-staff vehicles to hybrid cars. If we convey these proactive initiatives and their results in a straightforward way, I think more people will gain a better understanding of our commitment to CSR.

Defining CSR from Chugai's perspective

**Ueno:** Ultimately, we are aiming to achieve competitive superiority through CSR, and thereby to increase corporate value. What are the key points for achieving this?

**Umezu:** How about defining specific CSR targets for use in your evaluation of CSR initiatives? Select some important CSR issues facing the company, and decide on targets that are easy to understand. Implement a PDCA\*4 cycle where each department reports progress against the goals—that is a very effective way to increase corporate value.



Chugai received the Business Ethics Effort Prize (Symbiotic Special Prize) from the Business Ethics Research Center (BERC). The prize is given to a BERC member company for outstanding effort in business ethics and CSR initiatives. (Table 3)

\* 1. In 1987, the UN World Commission on Environment and Development (WCED) (otherwise known as the Brundtland Commission) produced a report entitled, *Our Common Future*, setting out the concepts of "sustainability" and "sustainable development."  
\* 2. Adopted by the UN Millennium Summit attended by 189 world leaders and held in September 2000. It established specific goals for the entire international community, to address the most pressing issues confronting human development.  
\* 3. Protocol from the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Kyoto in 1997. This protocol mandates actions to reduce greenhouse gas emissions, which are the primary cause of global warming.  
\* 4. Plan, Do, Check, Act.

## Clarifying responsibility for execution and accelerating the decision-making process are the keys to continuous growth in corporate value.

### Chugai's Basic View of Corporate Governance

Chugai Pharmaceutical sees corporate governance as a vital management issue. In particular, the company recognizes that continued growth in corporate value depends on clear lines of authority, and quick decision-making.

Based on this conviction, Chugai has been improving its governance system by appointing outside directors and introducing an executive officer system.

Although Chugai is affiliated with Roche Pharmholding B.V. on a consolidated basis, it is an independently listed company, and all of its decision-making is based on the principle of self-governance.

As of the end of December 2006, the Board of Directors is comprised of 13 members including seven outside directors. It makes decisions on the most important management issues, as well as overseeing business execution. The Board of Auditors is made up of four corporate auditors, two of whom are outside auditors, and it carries out careful audits of management decision-making and the status of business execution.

All major decisions concerning business operations themselves are delegated by the Board of Directors to the Executive Committee, which is comprised of the president and the main executive officers. Chugai has

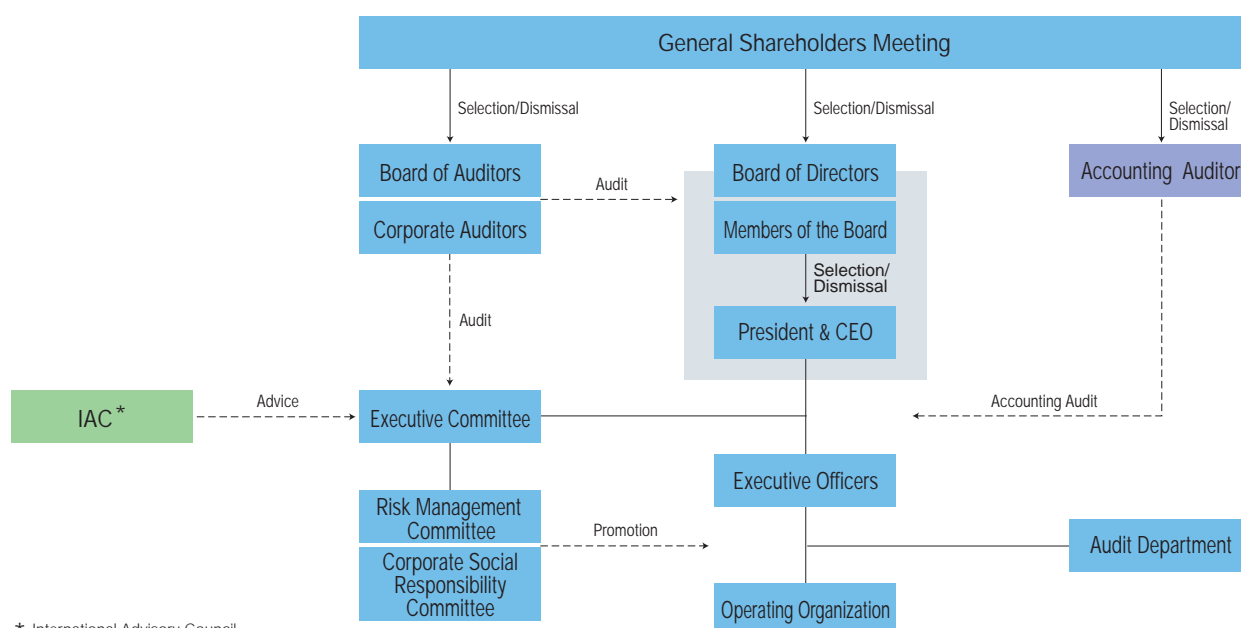
also established an International Advisory Council (IAC) composed of specialists from both in and outside Japan. Chugai uses the IAC to bring a broader perspective and greater acuity to its decision-making, thus ensuring that the company will continue to respond effectively to the rapidly changing global business environment.

### Building an Internal Control Evaluation System for Financial Reporting

In July 2006, Chugai established a Group-wide project that includes members of the Internal Control Group of the Finance and Accounting Department as core participants. The project's goal is to build an internal control evaluation system, as required by Japan's new Financial Product Transaction Law, which took effect in June 2006. The project is documenting and evaluating the preparation necessary for establishing stricter internal controls, in order to ensure the reliability of the company's reports.

In the future, improvements will be carried out to eliminate internal control inadequacies that are discovered through the documentation and evaluation process. The system is being steadily advanced, and the aim is to obtain a satisfactory evaluation in the external audit by December 2009, when the law will come into full effect.

### Corporate Governance System





## Audit System

The auditing of management and operational decision-making is performed by the corporate auditors. As of December 2006, there are four corporate auditors, including two outside auditors.

Along with the enforcement of Japan's revised Company Law in May 2006, Chugai Pharmaceutical established the Corporate Auditor's Office, and began gathering various internal and external information to assist the corporate auditors in the smooth performance of their duties. In order to maintain the independence and objectivity of the internal audit department, the *Audit Department* was set up with corporate staff in an independent organizational structure.

Currently, the Audit Department has 11 staff members, including Certified Internal Auditors (CIA) and Certified Fraud Examiners (CFE). From the perspective of compliance and effective, efficient operations in each department, audits are performed on all operations throughout the Chugai Group, including subsidiaries outside Japan. The audit results along with suggestions are reported to the Executive Committee, which approves the annual audit plans.

The Audit Department works with and reports the internal audit results to the Corporate Auditors. In addition, the Audit Department conducts an internal control self-audit for all departments once a year. It also gives feedback to each of these departments and strives to maintain and improve internal controls.

## Risk Management System

Chugai has implemented risk management rules. Based on these rules, it has established a Risk Management Committee, headed by the officer in charge of general affairs and human resources, as well as a section dedicated to risk management (Compliance Group, Legal & Compliance Department). The company is systematically and continuously promoting Group-wide risk management activities.

Every year, a Group-wide risk management survey is carried out to identify potential risk factors that may significantly affect corporate activities. A decision on how to proceed then follows, after which Chugai implements countermeasures in an effort to avoid or mitigate such risks. The risk management progress is reported each quarter to the Executive Committee.

The company also has a disaster response mechanism in place for events such as major earthquakes, under which an emergency headquarters will be established

with a managing director as the head, to ensure a quick, appropriate response to any emergency.

## Complying with Japan's Personal Information Protection Law

Building on its existing framework for the protection of personal information, Chugai has recently implemented internal rules, strengthened information security, and carried out further education and training for better data protection. As part of internal awareness programs in 2006, the company prepared and distributed a Personal Information Protection Handbook (Q&A on proper handling of personal information) in order to further deepen the understanding of all employees of this issue.

The handbook covers the following topics in a simple, accessible format:

1. Privacy policy
2. Usage of personal information by the company
3. Company system for protection of personal information
4. Case studies

Employees' thorough understanding of the Personal Information Protection Law is the key to the company's management of personal information. In the future, Chugai will continue to undertake various activities to ensure the security of personal information, including education and training, as well as strengthening its safety management systems.



Personal Information Protection Handbook

### Framework for Promoting Social Responsibility

The Chugai Group has established Business Conduct Guidelines (BCG) for all employees to use as reference in making proper business decisions. By asking every employee to follow the guidelines, Chugai is promoting fair corporate conduct while fulfilling its corporate social responsibilities.

To promote social responsibility, Chugai has established a Corporate Social Responsibility Committee, which meets twice a year. It is chaired by a Chugai deputy president who is also the director with responsibility for CSR, and provides direction on social responsibility targets from a broad-based perspective. The deputy president with responsibility for CSR receives advice from CSR specialists through the Corporate Social Responsibility Advisory Committee. The Corporate Social Responsibility Department implements initiatives in the following four priority areas: corporate ethics, human rights, environmental conservation, and social contributions. To ensure these four priorities become firmly rooted throughout the company, a Corporate Ethics Promotion Committee has been established in each department in order to share information and convey values, and ethics training sessions are held regularly for all employees in each workplace.

A BCG Hotline has been set up to provide opportunities

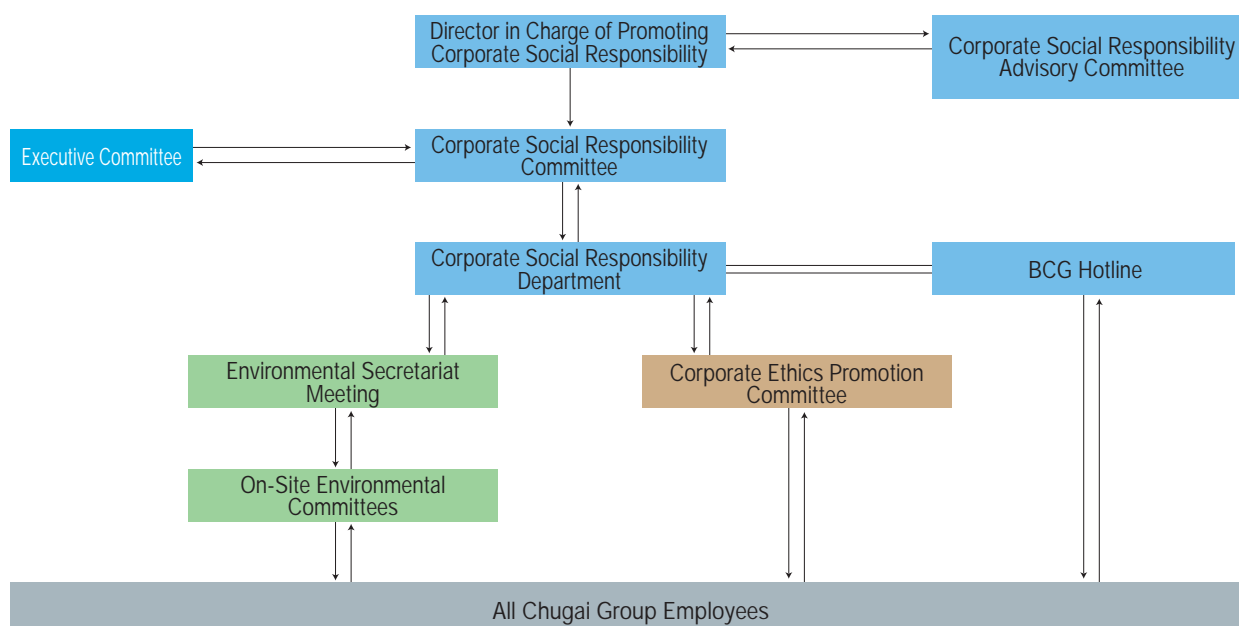
for consultation and to gather information on issues related to social responsibility and incidents that violate the law, company rules, and/or the BCG. The hotline offers problem resolution and serves to prevent recurrence, while seeking to prevent incidents through prior consultation. The aim of the hotline is to create an environment where employees can work with confidence, and to build a company of integrity and trust.

### Complying with Japan's Whistleblower Protection Act

The Whistleblower Protection Act came into force in Japan on April 1, 2006. The Chugai Group will receive whistleblower reports through the BCG Hotline, as a way to obtain internal compliance violation reports and provide consultation. Along with the enforcement of this act, Chugai also established BCG Hotline Rules in order to align hotline consultation procedures with the requirements of the new law.

The BCG Hotline protects the privacy and confidentiality of any employee who uses the service, and ensures that no employee is treated unfavorably as a result of using the hotline. Chugai has created an environment in which employees can freely consult and report any problems without concern.

### Corporate Social Responsibility Promotion Structure



## Chugai's View of Clinical Trials

Clinical trials are essential for ascertaining the safety and efficacy of pharmaceuticals under development. The clinical trial process requires respect for the rights of trial subjects, close monitoring of subject safety, and adherence to a stringent scientific methodology, based on high ethical standards. To ensure that these requirements are met, multiple departments within Chugai Pharmaceutical review proposed trials for legality, human rights, and safety, to ensure that all clinical trial plans are ethical and scientifically sound. The plans are then carefully examined by the Protocol Review Committee, which is composed of physicians and trial coordinators (personnel who provide on-site support for trials at medical institutions). This committee makes the final internal decision on whether or not to proceed with a given trial.

Clinical trials are undertaken in compliance with specific Standard Operating Procedures (SOPs) prepared in-house based on Japan's Pharmaceutical Affairs Law. These SOPs are revised as needed, based on amendments to the relevant laws and regulations. The results of clinical trials conducted in this manner provide sound objective evidence regarding the safety and efficacy of the pharmaceuticals tested.

Chugai gives due consideration to safety both during clinical trials and after, when a pharmaceutical has been approved and introduced for treatment. Whenever it obtains information on pharmaceutical safety, Chugai promptly analyzes and deliberates on it in a Safety Evaluation Committee composed of physicians and members representing the relevant departments. This meticulous process enables prompt, accurate decision-making, and ensures that patient welfare always remains the highest priority.

Chugai is committed to evaluating the real merit of drugs using these rigorous ethical and scientific processes.

## Chugai's View of Animal Welfare

Research using animals to confirm the safety and efficacy of drugs is essential to the development of the pharmaceuticals that contribute dramatic improvements to people's health. At the same time, this research must thoroughly comply with the 3R\* principles.

In 1988, Chugai established the *General Considerations for Animal Experiments, Research Division*, and has adhered to these ever since, conducting all animal testing in an ethical, scientifically sound manner. Although these guidelines have been partially revised from time to time, the company has consistently sought to apply practical ethical consideration to all animal testing in line with this basic philosophy: "We

must consider both ethical and scientific issues when undertaking animal experiments... Ethical issues include aspects of animal physiology, ecology, and behavior as they affect animal welfare, as well as rearing animals with affection, respect for animal life, and measures to minimize pain."

In 2005, Chugai reformed its long-established Ethics Committee for the Treatment of Laboratory Animals. In addition to further clarifying the lines of responsibility within the company, it added outside committee members to ensure the objectivity of animal testing monitoring. At the same time, it adopted a qualification system for researchers and animal handlers involved in animal testing. The company also provides appropriate education and training designed to cultivate deep ethical consideration regarding animal testing.

Chugai's specific practices in the treatment of animals fully meet the requirements set forth in Japan's revised Law for the Humane Treatment and Management of Animals and the Japanese Ministry of Health, Labour and Welfare's Notification regarding Animal Testing, which was issued in 2006.

## Building an Organizational Culture That Respects Human Rights

A culture that respects human rights is essential to organizational vitality and to a reputation as a leading company. Respect for human rights within the Chugai Group represents another key point in the Chugai BCG.

Chugai's efforts to advance human rights education are intended to build a healthy organizational culture in which people value themselves and others. Chugai recognizes the need for a corporate culture that values diversity, a culture in which individuals value themselves and can demonstrate their individuality, and in which people carefully consider other people's points of view. A workplace in which employees share mutual esteem in an environment free from discrimination and infringement of human rights makes it possible for each person to work with enthusiasm and creativity. An organizational culture that respects human rights elicits people's drive and ultimately raises corporate productivity. Chugai firmly believes that when each person develops a better awareness of human rights, it will help eliminate social discrimination and infringements of human rights in corporate activities and in the individual's interaction with the broader society.

In addition, as globalization progresses in the society of the 21st century, an international movement toward respect for the rights of the individual is gathering force, highlighting the significance of Chugai's long-standing human rights education programs.

\* 3Rs: Reduction, refinement, and replacement.



# Responsible to People

Approaches to  
Our Stakeholders

## Part 2

Chugai is pursuing innovative activities  
in various fields related to health  
and welfare.

**POINT**  
Shows eight pharmaceutical  
applications filed for approval

**POINT**  
Reports on donated van  
usage

**POINT**  
Introduces safety and  
quality initiatives

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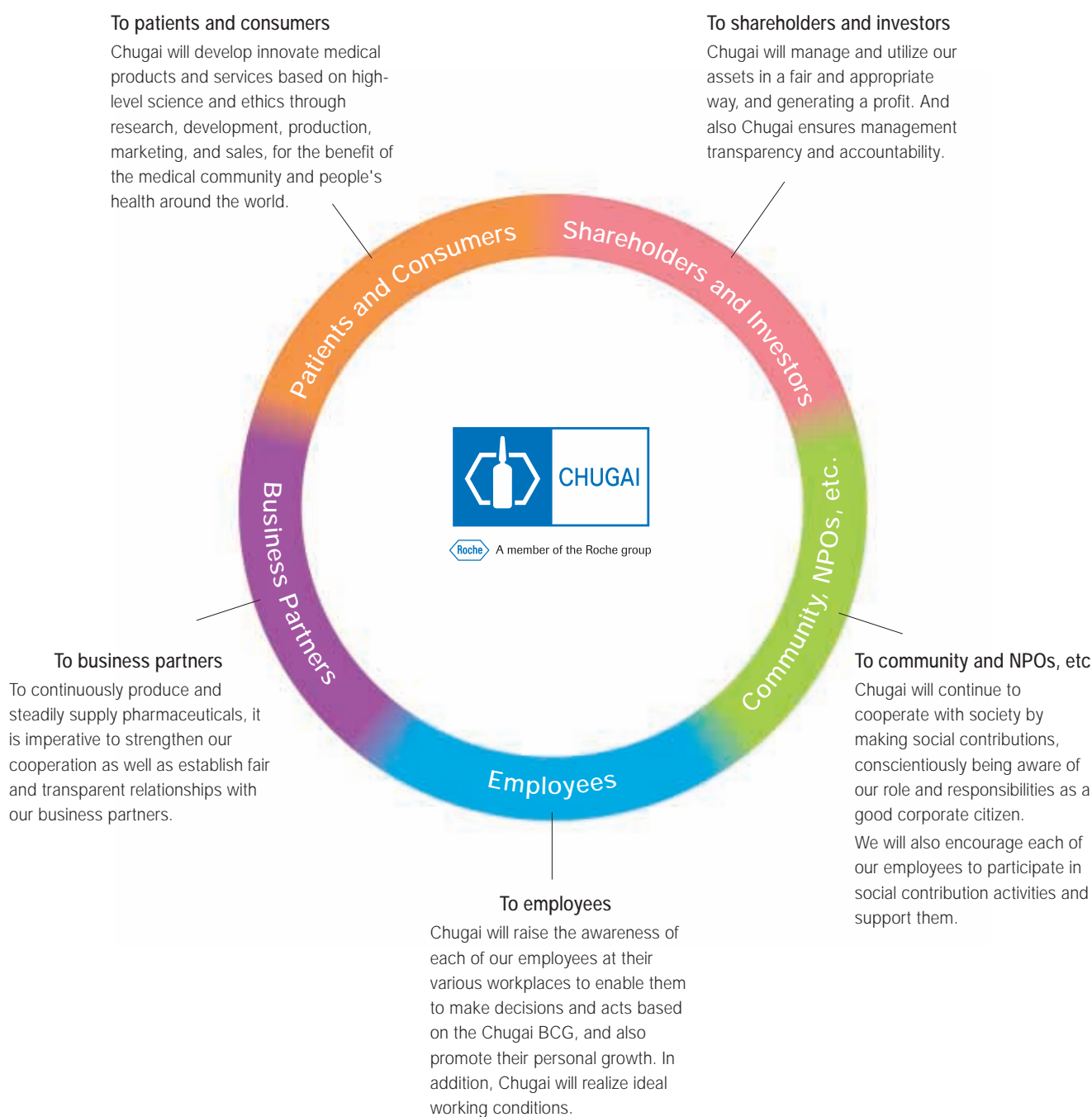
Van with lifts  
Dr. Kitanomaru's Bio Pharmaceutical  
Laboratory  
Chugai employee visiting Malawi



## We will fulfill our social responsibility faithfully and positively by meeting the expectations of our stakeholders.

We conduct business with support of various stakeholders, patients and consumers, shareholders and investors, business partners, community and NPOs, employees, and so on.

Hereafter we introduce our principle of our activities and how we fulfill our social responsibilities to these stakeholders.



## Providing innovative pharmaceuticals and services that contribute to real well-being

### Initiatives for Patients and Consumers in Three Areas

#### 1 Development of Pharmaceuticals

- Supplying Innovative Pharmaceuticals
- Providing Free Therapeutic Drugs for Incurable Illnesses

#### 2 Provision of Services

- Contributing to Patient-centered Healthcare in Priority Fields
  - > Oncology
  - > Renal Diseases
  - > Bone and Joint Diseases
- Supporting Developing Countries
  - > Asia
  - > Africa
- Helping to Meet the Needs of Aging Societies

#### 3 Customer Service and Quality Assurance

- Customer Service
- Safety and Quality Assurance
- Product Recalls

### 1 Development of Pharmaceuticals

#### Supplying Innovative Pharmaceuticals

**Submitted eight drug applications in a single year**

Along with the expansion of development pipelines, the scope of clinical development continues to grow.

Chugai Pharmaceutical provides innovative pharmaceuticals through the development of novel drugs and new drug applications, and its mission is to contribute to healthcare and real well-being for people everywhere. In recent years, the scope of the company's clinical trials has been continuing to expand. When Chugai was reborn through a strategic alliance with one of the world's leading healthcare companies, F. Hoffmann-La Roche Ltd., in October 2002, the company's clinical trials involved about 2,000 cases annually. In 2006, there were 4,000 cases, and in 2007, the company expects to reach 5,000 cases.

Chugai is striving to fulfill its social responsibilities by continuing to expand the scope of its clinical development. Currently, Chugai's main clinical development items include R744, which is a promising treatment for anemia, as well as ED-71 and R484, which are medications for osteoporosis. The company is developing new applications and additional indications for drugs already launched or that are awaiting approval.

It is also working on preliminary development topics for creating original new products, while expanding the development pipeline inherited from Roche.

**Approval applications were submitted for eight items, including cancer drugs that have received international recognition.**

In Japan in 2006, Chugai filed applications for eight drugs in one year, including four cancer drugs (Xeloda, bevacizumab (planned name: Avastin), erlotinib hydrochloride (planned name: Tarceva), and Herceptin), which have received international recognition. Through the approval of these new drugs and applications, together with their widespread availability on the medical market, Chugai will be able to contribute to the well-being of more people.

In order to ensure future market development, a stable, timely product supply, and the proper use of drugs, Chugai has established the Actemra Medical Business & Science Department and has reformed its management system, including the establishment of an oncology unit. The company has also completely reformed its drug monitoring system as a means for strengthening safety, aiming to maximize the outstanding effects of innovative new drugs.

## Providing Free Therapeutic Drugs for Incurable Diseases

### Working with nonprofit organizations to provide medicines that help children around the world who suffer from serious illnesses

For 16 years, Chugai Pharmaceutical has pursued efforts that help children around the world who suffer from a rare, sometimes inoperable disease known as lymphangioma.

In 2006, Chugai continued to work with the nonprofit Shuhei Ogita Fund (<http://www.fundogita.org/>).

The goal of this organization is to enable children worldwide suffering from lymphangioma to have equal access to treatment, regardless of the healthcare and economic problems in the places where they live. Picibanil, an antitumor and lymphangioma treatment agent, has been sent free of charge to physicians treating children suffering from this disease in over 60 countries across the globe. This is helping to reduce the suffering of many children with this incurable disease.

## 2 Providing Services

### Contributing to Patient-centered Healthcare in Priority Fields

#### Oncology

#### Charity event to support cancer patient associations "Laughter Is Good Medicine"

On October 29, 2006, Chugai cosponsored a charity event entitled, "Laughter Is Good Medicine," in cooperation with the Cancer Patients' Network, in order to help raise the profile of these associations and promote patient-centered healthcare. The aims were to support the activities of patient associations and contribute to the improvement of quality of life for cancer patients, including their mental health, through the provision of treatment information and mental-health care.

This unique event, which alternated medical lectures with traditional Japanese comic storytelling, was well received by participants, who said it was both informative and heart warming.



Dr. Taketo Mukaiyama, Head of Palliative Care Department, Cancer Institute Hospital (Ariake), Japanese Foundation for Cancer Research (JFCR), gives a lecture on palliative care.

#### Supporting the pink-ribbon movement for breast cancer awareness

Chugai has participated in the pink-ribbon movement for early detection and treatment of breast cancer since 2005. The goal is to become a trusted partner for all

people battling against cancer. In 2006, Chugai supported pink-ribbon events held throughout Japan, including Tokyo, Kobe, and Shiga. In October 2006, an awareness campaign was carried out inside the company, with all employees wearing pink ribbons.

#### Renal Diseases

#### Civic symposium held in cooperation with the Japan Association of Kidney Disease Patients

In October 2006, a civic symposium entitled, "Think about Kidney Diseases," was held in the Japanese cities of Fukuoka and Koriyama in a joint effort by Chugai Pharmaceutical, the Japan Association of Kidney Disease Patients, and regional kidney patient associations. The symposiums provided a venue for specialists in the fields of renal disease and diabetes to offer useful information to patients and their families on healthcare in the home.

#### Bone and Joint Diseases

#### "College of Health: Medicine in Daily Life" Civic forum continues Providing information on joint rheumatism

The College of Health: Medicine in Daily Life forum began in 1993, and is a public event that provides medical information to patients and the general public. In 2006, it was held in Shizuoka with the theme of "Get to know the current treatment for rheumatoid arthritis." In the future, it will be held in other places across Japan; in 2007 it is scheduled to take place in Sendai and Hiroshima.

## Supporting Developing Countries

### Asia

#### Assisting the Tokyo Biochemical Research Foundation

Since 1960, working through the Tokyo Biochemical Research Foundation (TBRF), Chugai Pharmaceutical has funded research and trained researchers in the fields of medicine and pharmacology. The TBRF has operated an international joint research subsidy program inviting post-doctoral researchers from throughout Asia since 1995. This program brings young Asian researchers to participate in joint research for one to two years at Japanese universities and academic research institutions. To date, 37 researchers from ten countries have taken part in this program.

### Africa

#### Participating in fundraising for AIDS orphans

Chugai took part in the AIDS Walk 2006, sponsored by Roche, for AIDS orphans living in the African country of Malawi. A total of 3,025 employees donated 1.675 million yen. Together with donations from the community, a total of 3.35 million yen was raised for this very worthy cause.



Fundraising

#### My Experience

I visited Malawi as a Roche Friendship Ambassador in June 2006. The most amazing thing about my experience was being able to appreciate the gratitude of the local people for the donations that were raised.

The money collected by the AIDS Walk not only goes towards food assistance, but also acquisition of skills such as well drilling and dressmaking. I think it is very important that the funds are being used to help give these children a future.



Visit to Malawi

**Tomoko Kanai**  
Utsunomiya Plant

## Helping to Meet the Needs of Aging Societies

#### Donating vans with lifts to provide transportation for home welfare services

As part of its social contribution initiatives, every year since 1985 Chugai Pharmaceutical has been donating vans equipped with lifts to meet the transportation needs of home welfare service organizations. In September 2006, the 21st year of these annual donations, five vehicles were given to welfare facilities and organizations across Japan, bringing the total number of vehicles donated so far to 163.

In August 2006, past vehicle donation recipients were surveyed on their van usage. Since many respondents indicated a need for stretchers, they were included in the vans donated in fiscal 2006.

#### Van usage survey

Performed: August 2006

Sample: Recipients of 47 vehicles donated in December 2005 to commemorate Chugai Pharmaceutical's 80th anniversary

Respondents: 41 organizations (87.2% response rate)

#### Usage (response averages)

Frequency of use: 36 times per month

Distance traveled: 16.0 km per trip

Number of users: 5.9 (1.8) people per trip  
(number of wheelchair users within this figure)

#### Equipment in donated vehicles

Good features (39 respondents)	Number of responses	Percentage of total
(1) Handrails make getting on and off safe	15	38.5%
(2) Easy to secure wheelchairs	13	33.3%
(3) Lift function	10	25.6%

Areas for improvement (33 respondents)	Number of responses	Percentage of total
(1) Need stretcher loading function	7	21.2%
(2) Need a step or similar feature on the front passenger door for easier access	4	12.1%
(3) Need roomier wheelchair loading space	3	9.1%



### 3 Customer service and quality assurance

#### Customer Service

##### Providing useful online health information

Chugai Pharmaceutical provides patients and consumers with information on health and disease on its website, including the latest news about treatment methods, and explanations of how the body functions.

Chugai's Drug Information Center cooperates with the company's drug safety departments to provide online information on the safety of Chugai products, including Actemra, Mercazole, and bevacizumab.



Safety information

Latest information for patients and consumers, including influenza news and health kiosks  
<http://www.chugai-pharm.co.jp/ourbody/> (Available only in Japanese)

##### Responding to inquiries at the Drug Information Center

##### Three-group system delivers expert customer service

Chugai's Drug Information Center provides information on pharmaceuticals to medical professionals and patients. The center responds to telephone inquiries and provides information on its website and via email.

Currently, inquiries on products in the field of oncology are handled by the Oncology Product Consultation Group, while inquiries on products related to renal diseases, bone diseases, cardio/cerebro-vascular diseases, and infectious diseases are fielded by the Product Consultation Group. The e-Promotion Group responds to customers over the internet.

The Drug Information Center receives an average of 4,000 telephone inquiries from medical professionals and patients each month, or about 50,000 per year. The center responds not only during regular business hours, but also late at night and on holidays, providing timely, accurate explanations that make even very specialized topics easy to understand.

##### Initiatives for improving customer satisfaction

##### Committed to outstanding customer service

The Drug Information Center is the only organization at Chugai that communicates directly with customers outside the company. Staff at the center strive to extend kindness and empathy to callers, while also maintaining the professionalism and objectivity needed to provide the right information quickly and accurately. The center is staffed with people who demonstrate these qualities, and they are given further training in call handling to sharpen their skills.

Standardized FAQ sheets are prepared with the help of the medical business and science departments in each priority field as well as the drug safety departments. These contain information based on medical expertise, and are also used to support the activities of medical representatives (MRs are staff members who visit hospitals to provide pharmaceutical information).

Providing drug information and responding to inquiries are important aspects of improving customer satisfaction. The communication goes both ways, though. The center compiles and analyzes comments obtained from customers, and uses these to provide suggestions for improvement to specific departments.

##### Releasing clinical trials information

Chugai publishes clinical trial information on its own website



Clinical trial information released on the Chugai Pharmaceutical website

Chugai Pharmaceutical clinical trial information  
[http://www.chugai-pharm.co.jp/hc/trials/rs\\_en/](http://www.chugai-pharm.co.jp/hc/trials/rs_en/)

and on the sites of the Japan Pharmaceutical Information Center (JAPIC), and the US National Library of Medicine (NLM). This not only demonstrates Chugai's dedication to transparency in clinical trial, but also enables as many patients and medical professionals as possible to benefit from Chugai's findings.

## Safety and Quality Assurance

### Initiatives for safety and quality

Chugai Pharmaceutical will introduce several new drug to the market in 2007. These new pharmaceuticals are based on new mechanisms or are backed by a wealth of data gathered outside Japan. As the number of its products continues to increase, Chugai will also need to increase its capacity for information gathering, processing and reporting. Going forward, the company has plans for a major upgrade to its information processing systems, and will also restructure the related organizations and management functions. Chugai is committed to meeting global standards for safety, improving its information gathering system, and guaranteeing consistently high product quality. An overview of Chugai's current quality initiatives is provided here.

#### Safety initiatives

Chugai is taking all possible safety measures for new drugs that are ready for release, including bevacizumab (planned name: Avastin), erlotinib hydrochloride (planned name: Tarceva), and Actemra. Chugai's extremely thorough approach includes a variety of post-approval investigation with registration of all the patients to be administered the drugs. In addition, the company is now reorganizing its risk management and response system to enable faster decision-making, so it will be fully prepared in the unlikely event that an urgent safety issue arises.

In order to promote proper drug usage, specialized safety staff are being stationed at the company's branches across Japan. A strong system of cooperation between the head office and the branches ensures timely information provision and exchange with patients and medical professionals.

Chugai has dramatically improved the efficiency of information gathering and processing in a total upgrade of IT tools related to safety information management, including adverse reactions to be put on the company Web. The company is ready for a rapid response in the event that a side effect incident occurs in or outside Japan.

Along with the strengthening and reorganization of the drug safety departments, Chugai is carefully considering the opinions of its own in-house physicians as well as outside specialists. This is all part of its effort to enhance safety measures to a global standard so that events can be medically evaluated from various perspectives.

#### Quality initiatives

In order to respond with speed and accuracy to inquiries from patients and medical professionals, Chugai is strengthening its quality assurance organization by adding new staff. This team drives the company's quality improvement initiatives and executes the research and provision of quality information.

In the event of a product recall, Chugai is committed to putting patient safety first. The company is currently upgrading its management system and procedures for product recall in order to minimize any potential damage to patients' health.

Chugai is working to build a process that can reply to inquiries more accurately and in a shorter period of time, by improving the efficiency of operations and thoroughly upgrading the IT system for inquiry response.

Chugai has defined the standards that its outsource manufacturers in and outside Japan must meet, and has signed agreements relating to inspection and quality. Moreover, the company has a process in place to verify that these steps are properly executed and to facilitate rapid product improvement through good communication.

#### Product Recalls

In fiscal 2006, Chugai carried out voluntary recalls for the products listed on the next page. Chugai offered a sincere apology to all patients and medical professionals affected by these recalls, and has been investigating the underlying causes. After careful review of the incidents, the company is now working to strengthen its quality assurance system.

Information on these voluntary recalls is available on the website of Japan's Ministry of Health, Labour and Welfare.

### 1. Kytril fine granule (Granisetron hydrochloride)

#### Fact behind recall

On the ingredient list on individual packets of Kytril fine granule, the correct notation should have been, "Granisetron hydrochloride 2.23 mg," but instead, due to a printing error, it read, "Granisetron hydrochloride 2.33 mg." These products were delivered from December 13, 2005 to April 12, 2006.

#### Specific health hazards

The quality and quantity of the individually wrapped contents were correct, and the ingredients, quantity, and dosage/administration on the package insert were properly indicated. Consequently, there was no issue with product safety or efficacy, and no health risk existed. To date, there have been no reports of health problems resulting from this product.

### 2. Neutrogen

50 µg, 100 µg, 250 µg

(a recombinant human granulocyte-colony stimulating factor (G-CSF))

Epogin

Syringe 750, 1500, 3000, 12000,

Ampoule 750, 1500, 3000, 6000, 9000, 12000

(a recombinant human erythropoietin)

#### Fact behind recall

Fetal calf serum (FCS) of United States origin was used in part of the manufacturing processes for Neutrogen produced between June and September 2002, and for Epogin produced between May and August 2003. When government standards for biological raw materials were partially revised, Chugai Pharmaceutical was required to change the country of origin for products that used the drug ingredients concerned, by the end of an interim period. However, the products were delivered even after the interim period had passed.

#### Specific health hazards

The US-origin FCS used in the lots concerned has a certificate of suitability from the European Directorate for the Quality of Medicines (EDQM). Also, a risk evaluation was carried out for the FCS used in the Neutrogen and

Epogin using methods indicated in the notification from the Ministry of Health, Labour and Wealth (Drug and Food Investigation No. 0801001; August 1, 2003).

The products concerned were shipped after the interim period stipulated by the standards for biological raw materials. However, since the products contained the same FCS approved for use that was shipped during the respective interim periods, they are considered to pose an extremely low health risk. No related health problems have been reported to date.

### 3. Blutal (Chondroitin sulfate / iron colloid injection solution) (Manufacturer / vendor: Dainippon Sumitomo Pharma Co., Ltd.; Vendor: Chugai Pharmaceutical Co., Ltd.)

#### Fact behind recall

Chondroitin sulfate sodium is an ingredient in Blutal. The raw material for this ingredient was changed from cattle to sharks, and products with the revised ingredient were shipped starting in November 2005. Beginning at this time, however, there was an increased incidence of side effects (hypersensitivity including rashes, etc.). An examination of the backgrounds of patients who experienced side effects and a quality investigation of the cause using various types of instrumental analyses were carried out by Dainippon Sumitomo Pharma Co., Ltd., the manufacturer of the product.

Currently, however, it has been determined that it would be difficult to take immediate countermeasures based on the as-yet preliminary findings of the investigation. From the perspective of preventing health risks, Dainippon Sumitomo Pharma decided to order a voluntary recall, and Chugai followed their decision.

#### Specific health hazards

For products made with the shark-derived raw material, there may be the risk of increased incidence of hypersensitivity including rashes. This side effect is listed in the product insert under "side effects" as "hypersensitivity: rash, itch."

## Chugai Pharmaceutical is committed to ensuring full understanding of its business activities through proper information disclosure and frequent dialogue.

### Promoting Understanding among Individual Investors

Chugai works hard to make its corporate activities, including business strategies and management philosophies, easy to understand for shareholders and investors. As part of this effort, Chugai participated for the first time this year in a briefing for individual investors sponsored by several securities companies. Chugai strives to provide proper information disclosure and to maintain an ongoing dialogue with investors, and makes the most of its website for this purpose. The company also sends an IR email newsletter to individual investors who sign up for it, informing them of news releases and website updates.

### Receptions Held to Give Shareholders and Management a Chance to Talk

Chugai holds a shareholders' reception following its ordinary general meeting of shareholders. At the reception, top management talks with shareholders about the company's management plans, business strategies and other corporate information. This candid dialogue helps Chugai to deepen understanding and build trust among shareholders.

The shareholders' reception held following the close of the 95th ordinary general meeting of shareholders on March 23, 2006 included a talk by president Osamu Nagayama about Chugai Pharmaceutical's new mid-term business plan, Sunrise 2010. The reception featured a good deal of stimulating conversation and a lively Q&A session. As usual, it was an excellent opportunity to deepen the ongoing dialogue between Chugai and its shareholders.

### Disclosing Information to Shareholders and Investors in and outside Japan with the Utmost Transparency and Fairness

Chugai strives to disclose proper information in a timely manner.

When financial results have been prepared, Chugai Pharmaceutical reports them to the Tokyo Stock Exchange, and then holds a press conference. When announcing first-half and year-end results, Chugai also

holds briefings for investors and for the media. In 2006, the company started holding quarterly conference calls for institutional investors and analysts, as well as offering online videos of the first-half and year-end briefings. The company also posts responses to questions from investors and the media on its website.

Chugai's investor relations include a number of special efforts to keep investors outside Japan informed as well. The company issues press releases for overseas investors, provides video from year-end results briefings, and sends out information by email, all in English.

Chugai also sends top management overseas to meet directly with investors. These visits not only ensure a good understanding of Chugai's management strategies and future outlook, but also enables the company to hear the opinions of overseas investors directly. In 2006, Chugai executives visited Europe, the US, and several countries in Asia.

In addition to these regular IR events, Chugai holds briefings on its research and development, and actively participates in conferences sponsored by external organizations such as securities companies, both in and outside Japan.



Annual Report 2006 (Japanese edition)



## Respecting business partners as equals in fair, transparent relationships

### Enterprise Spend Management (ESM<sup>\*1</sup>) Meetings Analyze Actual Purchasing Conditions to Enhance Accountability

The Chugai Group recognizes that strong relationships with business partners are essential to ensuring a stable supply of pharmaceuticals for consumers.

In order to continue making superior products and ensure a stable supply of pharmaceuticals to the people who need them, Chugai is seeking to strengthen its cooperation with business partners. The company is pursuing fair, transparent relationships between business partners and the departments in charge of purchasing raw materials for production, office supplies, and other services.

In order to ensure that all transactions are fair and transparent, Chugai has laid down a seven-point Purchasing Policy which serves as the basic philosophy for purchasing activities in the Chugai Group.

#### **Ethics, compliance with laws and regulations**

Comply with laws and regulations, social norms, Chugai Business Conduct Guidelines (BCG), and Chugai ethical purchasing standards to conduct fair purchasing activities and healthy business transactions.

#### **Impartial, fair, open policy**

Provide the opportunity for Japanese and overseas business partners to conduct business with Chugai openly, impartially, and fairly regardless of management size or trading performance.

#### **Environment**

Promote procurement activities that take into account the global environment by conducting green procurement with our business partners.

#### **Quality**

Respect the spirit of GMP<sup>\*2</sup> and pursue high quality and safe material alongside our business partners.

#### **Cost**

Set appropriate prices and promote lower costs by considering volume discounts realized through the consolidation of business partners as well as the change of business partners.

#### **Mutual trust and growth, protect intellectual property**

Fulfill our obligations faithfully under the contracts with our business partners, establish equally cooperative relationships, and aim for mutual growth. Do not disclose confidential information related to business transactions to third parties without the relevant supplier's permission.

### **Select and evaluate business partners**

Select business partners based on an overall objective evaluation of their quality, price, timing, information, stable supply of material and products, and consideration towards social responsibility.

Under the Purchasing Policy, Chugai has established Ethical Purchasing Standards and Green Procurement Guidelines. Chugai's behavior is guided by these standards, and the result of this ethical conduct is sound relationships with business partners. The standards specifically define actions required of purchasing personnel to ensure that they avoid collusion with business partners, addressing matters such as meals with partners, the giving and receiving of cash or gifts, attendance at weddings, funerals, and other events, business entertaining, responses to unanticipated circumstances, and approval of gifts.

The Chugai Green Procurement Guidelines require the regular evaluation of environmental protection measures at business partners who supply raw materials for production, and call for business partners to use these evaluations to improve their operations. Chugai is working with its business partners in a cooperative effort to ensure that purchasing and other practices are environmentally friendly.

Chugai has also introduced an electronic purchasing system for the acquisition of direct and indirect materials, integrating the purchasing function for the entire Chugai Group. This system facilitates the analysis by the biannual ESM Meetings, which are headed by an executive officer, and is bringing more transparency and accountability to the company's purchasing.

### **Ensuring a Steady Supply of Pharmaceuticals via Cooperation with Wholesalers**

Pharmaceuticals are distributed by pharmaceutical wholesalers to insurance pharmacies, hospitals, clinics and other medical institutions.

Chugai treats wholesalers with respect as equal business partners, recognizing that they perform the vital tasks of ensuring a safe, reliable supply of pharmaceuticals, as well as gathering and providing needed market information. Going forward, Chugai will continue to improve its relations with wholesalers.

\* 1. ESM (Enterprise Spend Management): Purchasing expenditure management (indirect materials) for the entire Chugai Group.

\* 2. GMP (Good Manufacturing Practice): A standard established to prevent human error, enabling the stable production of high-quality pharmaceutical products to per approved manufacturing standards. GMP covers management of the total production process from the acquisition of raw materials to the shipment of products, as well as the layout of factory buildings and use of machinery and equipment.

## Chugai holds a variety of events to enrich local communities and contribute to society

### "Harmony of Mind and Body" Community Event Promotes Better Health, Raises Funds for Local Social Work

On July 13, 2006, Chugai Pharmaceutical held a community event entitled, "Harmony of Mind and Body," in the city of Utsunomiya, where Chugai's Utsunomiya Office and the Utsunomiya Plant of Chugai Pharma Manufacturing Co., Ltd., are located. The event, held as an expression of gratitude from Chugai to local residents for their daily support, featured a concert of classical music and a presentation on music therapy.

The event started with a presentation by Dr. Kiyohiko Kondo, Director of the Department of Neurology at Yoka Public Hospital in Hyogo Prefecture. Entitled, "Inspirational Medicine and Music," Dr. Kondo's talk covered the usefulness of music in clinical settings, using anecdotes from people who say they have great reasons for living despite suffering from Amyotrophic Lateral Sclerosis (ALS) or having a physical disability. As future practitioners of healthcare and welfare in the community, students from five schools (in the fields of nursing, welfare and medical services, and music) were also invited, with the hope of raising interest in the use of music in social welfare and clinical settings.

The second part of the event featured a concert by the New York Symphonic Ensemble conducted by Mamoru Takahara. It was an inspirational evening of music, including familiar pieces such as Mozart's Symphony No. 40 in G minor, and Beethoven's Symphony No. 5 in C minor ("Fate"). In an encore, the ensemble played the crowd-pleasing Radetzky March, while the audience clapped along.

The entire proceeds from the concert were donated to the Utsunomiya-shi Council of Social Welfare, the Japan Rheumatism Friendship Association, and the Liaison Council for the Parties of Intractable Diseases in Tochigi Prefecture.



The New York Symphonic Ensemble

### Talks for Children Held to Commemorate New Permanent Exhibit at Science Museum

In July 2006, Chugai Pharmaceutical opened a permanent exhibit entitled, "Dr. Kitanomaru's Bio Pharmaceutical Laboratory," at the Japan Science Foundation's Science Museum in Tokyo, Japan.

The aim of the exhibit is to encourage greater interest in science among children by promoting awareness of medicine, biotechnology, and cancer. The presentations are made easy to understand in an effort to show children how exciting science can be. This exhibit is the first of its kind to be sponsored by a pharmaceutical company at the Science Museum. Dr. Kitanomaru's Bio Pharmaceutical Laboratory is actually shaped like a single human cell occupying the entire 10-meter wide, 2.5-meter deep booth. Visitors are able to learn in detail about medicine, biotechnology, and cancer while watching videos taken through a microscope of living cells and other parts of the body.

To mark the opening of the exhibit, Chugai hosted a lecture event entitled, "Get Together! Child Researchers of Biotechnology and Medicine," at the museum's Science Hall on July 23, 2006. The event featured Professor Hiroshi Suzuki of the University of Tokyo's Faculty of Medicine and Professor Tsutomu Tsuji of Hoshi University, who gave personable talks interspersed with videos on the topics, "The Science of New Medicines", and "Using Biotechnology to Make Medicines." About 550 participants, mostly children, listened to the talks with great interest.

Chugai hopes that Dr. Kitanomaru's Bio Pharmaceutical Laboratory will encourage even more children to take an active interest in science, both as a subject in school and in their daily lives.



Dr. Kitanomaru's Bio Pharmaceutical Laboratory

## Partnering with Academia to Hold Public Seminars in the Fields of Physical, Pharmaceutical, and Dietary Education

Chugai Pharmaceutical sponsored a total of four seminars for the public from October 6 to 27, 2006, aiming to share knowledge on health and healthcare, and to contribute to the local community around its Kamakura Site. Continuing from the previous year, the seminars are based on Chugai's industry-academia partnership with Kanto Gakuin University.

Under the themes of physical, pharmaceutical and dietary education, professors from the Faculty of Economics of Kanto Gakuin University were asked to give lectures on healthcare economics and physical education, while Chugai was responsible for speaking on pharmaceutical education. The lecture on dietary education was given with the cooperation of the Saikoh Group of Yokohama's Chinatown. A representative of this company with international chef qualifications in Yakuzen cooking (Chinese dishes specially prepared for medical purposes) gave a lecture entitled, "Understanding the Seasonal Flavors of Yakuzen."

## Continuing the Training Program for Educators at Private Companies

As part of its social contributions in the field of education, Chugai participated for a second consecutive year in efforts by the Keizai Koho Center (Japan Institute for Social and Economic Affairs) to train educators in private-sector companies, welcoming seven teachers from public schools in Tokyo from August 1 to 3, 2006. The aim of the center's

Training Program for Educators at Private Companies is to allow teachers from elementary, junior high, and senior high schools to experience the work environment of a private company. This equips them to apply the understanding and information they obtain to educate children and initiate reform in the schools.

For the 2006 training program, presentations were given on trends in the pharmaceutical industry, and the company's pharmaceutical R&D, sales and marketing activities. In addition, the teachers provided their opinions on Dr. Kitanomaru's Bio Pharmaceutical Laboratory exhibit at the Science Museum, and looked at case studies demonstrating the company's social contributions and other CSR initiatives.

On the second day of the training, the teachers took a tour of Chugai Pharma Manufacturing's Ukima Plant, and were able to witness the bio refining process and soft capsule packaging. In the afternoon, the participants attended a workshop by the Human Capital Development Department, where they were enthusiastic participants.

The teachers seemed to be very engaged by the program. During the exchange of views at the end, they expressed their appreciation of Chugai's emphasis on human resources development that treats employees as real assets, while noting that the speakers conveyed real pride and enthusiasm in their fields of specialty.



Teachers participating in the Training Program for Educators at Private Companies

## Interview with Seminar Guests

Participants: Sayo Takada, Yukiko Kawachi, Kazuko Ogihara, and Yasuko Ninomiya

### Why did you decide to take part?

**Ninomiya:** In the course I took last year, they talked about how society will soon experience heavy burdens and low levels of social welfare, and this caught my interest and compelled me to participate again this year.

**Ogihara:** I took part again this year, as it is near the hospital where I volunteer.

**Kawachi:** I participated for the second year in a row, as I'd like to know more about my future as a senior citizen.

**Takada:** This was my first time to take part, after being invited to come along by Ms. Ogihara and Ms. Kawachi. I heard that food was going to be discussed, so that got me interested.

### How did you feel about the content of the seminar?

**Ninomiya:** With the topic limited to health, the content seemed to be quite focused.

**Kawachi:** There should be more flexibility in the time and place.

**Ogihara:** A microphone was used during the factory tour this year, making it easier to hear and more enjoyable. The Chugai Pharmaceutical staff joined us at the participants' table, and we had fun talking with them about various things. It was informative to hear about how influenza is spread, and the need for flu shots.

### What was your impression of Chugai Pharmaceutical?

**Ninomiya:** I think that more companies should start contributing to the community, and get to know the local residents.



Dialog with seminar participants

## Chugai Group Sites Take the Initiative to Make Their Own Social Contributions

At sites across Japan, people from the Chugai Group are working hard to make a difference in their local communities.

Site location	Activity
Kanagawa: Kamakura Site	Kugenuma shoreline cleanup 
Shizuoka: Chugai Pharma Manufacturing's Fujieda Plant	Opening a soccer field to the public 
Shizuoka: Chugai Pharma Manufacturing's Fujieda Plant	Participating in the unlawful dumping eradication campaign run by the Department of Environment and Forestry, Shizuoka Prefecture
Shizuoka: Chugai Pharma Manufacturing's Fujieda Plant	Participating in the Seto River cleanup
Tokyo: Chugai Pharma Manufacturing's Ukima Plant	Opening multi-purpose grounds and tennis courts to the public
Miyagi: Sendai Branch	Participating in the Nanakita River cleanup campaign
Miyagi: Sendai Branch	Participating in the Sendai Chuo district anti-drunk-driving campaign
Saitama: Tokyo Branch 2	Traffic control and guidance for the autumn Traffic Safety Week campaign
Saitama: Chugai Distribution, Co., Ltd.	Offering junior high school students opportunities for first-hand learning
Other: Blood donation drives, Red Feather Community Chest and Yellow Feather	Community Chest charity campaigns, etc.

## Internship Program Helps Students, Supports Recruiting

With the ratio of job offers to applicants having reached 1.89 to 1 due to the favorable economy in Japan recently, university graduates, rather than companies, are now in the position to choose. Nevertheless, the number of students who later feel that they joined the wrong company remains high, and many new hires are changing jobs early on. With its One-Day Chugai Internships held from July to October 2006, Chugai Pharmaceutical welcomed approximately 1,500 students who were ready to begin their career searches.

The theme for this year's internships was "Job hunting is self-sales." In order to help students properly understand the sales profession, which is sometimes viewed

negatively, they were given a chance to get some hands-on sales experience by participating in business games. Also, since it is important for job hunters to undertake proper self-analysis before trying to "sell" themselves to companies, the students were given a chance to pair up for self-reflection. They discussed their personal values, and told each other about important turning points in their lives.

Although there is a different theme each year, Chugai always implements its internships with a view to fulfilling its corporate social responsibility (CSR). Chugai's support for job-hunting university students will continue in the years to come.



One-Day Chugai Internship

## Chugai's CSR Initiatives Presented at ECOA

Founded in 1992 in the US, the Ethics & Compliance Officer Association (ECOA) aims to facilitate information exchange and raise awareness of corporate ethics and compliance. Today, the association has over 1,000 members, and many of them represent outstanding companies from the *Fortune 100*.

ECOA held a general meeting in Salt Lake City from October 4 to 6, 2006. The participants included a diverse range of companies and universities, mostly from across the US, and various new CSR initiatives were announced and opinions exchanged. Introduced by Associate Professor Mitsuhiro Umezu of Keio University, Chugai was given an opportunity to present at the conference. The company described its strategic alliance with the Swiss company, F. Hoffmann-La Roche Ltd., in October 2002 and its Mission Statement, as well as its ongoing training programs on corporate ethics and human rights, and social contribution initiatives.

The ECOA meeting served to remind all the participants that companies worldwide need to maintain a strong ethical commitment in addition to superior financial performance.



At the ECOA general meeting



At Chugai, employees are the key to ongoing transformation. Chugai strives to offer a work environment that is motivating and fulfilling for every employee.

### **Taking the Initiative to Improve Employee Satisfaction**

After the two-year integration period that followed the strategic alliance with F. Hoffmann-La Roche Ltd. in October 2002, Chugai Pharmaceutical set itself a six-year period for transformation, beginning in 2005. Now, the company has entered a new phase as it works to achieve the goals of its new Sunrise 2010 mid-term business plan. Employees are the main drivers of the company's continuing transformation. That is why Chugai is working so hard to improve employee satisfaction—which clearly influences employee conduct—and to build an environment that allows everyone to work enthusiastically and contribute to the company's success.

In line with this approach, Chugai emphasizes daily dialogue in the workplace. The company is continuing its efforts to raise employee approval of workplace management by using a process that sets work goals for individuals via dialogue between superiors and subordinates, with progress checked in quarterly reviews. This process, as well as other workplace discussions between employees and management, is improving employee acceptance of work assignments and evaluations.

In 2007, labor-management taskforces are looking into a partial reform of the personnel system. The aim is not only to retain employees by ensuring they are satisfied with their evaluations and remuneration, but also to enable them to experience personal growth and achievement. In order to improve the balance of employees' work and family lives, labor and management are actively promoting measures such as childcare leave systems. At the same time, each workplace is taking the lead in reducing overtime work for its employees, and adopting progressive thinking about work styles and hours.

Chugai has for years worked to improve the physical and mental health of employees. In 2006, the company introduced an Employee Assistance Program (EAP) to promote mental health on an organizational level, as well as on an individual level.

All of these initiatives demonstrate Chugai's commitment to improving employee satisfaction, which the company sees as a prerequisite to raising the satisfaction of customers.

These employee satisfaction initiatives are not just the

key to Chugai's growth; they are at the heart of the company's mission to create innovative pharmaceuticals for the benefit of human health around the world.

### **Surveying Employees**

A survey of all employees in the Chugai Group was carried out in January 2006 with the aims of improving both companies and individual workplaces, and helping to realize the objectives of the Sunrise 2010 mid-term business plan. The survey sought to ascertain how each employee usually feels about his or her job, workplace, and company. The survey response rate was an outstanding 96.9%.

The survey questions fulfilled the twin objectives of assessing the success of the strategic in-house promotion of Sunrise 2010, which began in 2005, and the actual level of employee satisfaction that had resulted from the abovementioned efforts in this area. It also fulfilled five objectives for analyzing the factors underlying these results. The survey showed a high level of understanding among employees of the necessity of realizing transformation, but also revealed several issues with their actual practices to improve.

The results of the survey were provided to employees as feedback, accompanied by a message from president Nagayama that described new initiatives for resolving the issues that came to light. Discussions were held in each division between the president and employee representatives, and a lively debate ensued on the issues for each division. Sunrise 2010 promotion meeting were held in each workplace, to identify tasks for each workplace and confirm the initiatives that must be taken to achieve the Sunrise 2010 objectives.

Chugai will continue to take Group-wide initiatives to ensure that the Sunrise 2010 objectives are met. Going forward, the company will continue to foster an innovative corporate culture that embraces challenge and is conducive to realizing Chugai's management philosophy.

### **Helping Employees to Meet Their Childcare Responsibilities**

Chugai's labor-management taskforces are working together to create a supportive work environment for all employees, and to build a workplace atmosphere that helps employees meet both their career and childcare responsibilities.

## Supporting employees that need to balance career and childcare responsibilities

### 1. Intranet site unveiled to help employees raising children

Chugai Pharmaceutical has created an intranet site named *Suku Suku Square* which informs employees of company programs and the necessary procedures related to the entire childcare process from pregnancy and childbirth, up to the time that a child enters elementary school. Necessary application forms may also be downloaded from the site. *Suku Suku Square* provides a range of information to support the raising of children, including an introduction to *wiwiw* (outlined below), and information on childcare support in and outside the company, as well as the company's initiatives to support employees raising children.

### 2. Online support tool *wiwiw* alleviates concerns during childcare leave

As a rule, an employee is entitled to take childcare leave up until her/his newborn is one year old, or one year and six months old in special circumstances. In order to improve the childcare experience, to maintain communication with coworkers during this leave, and to support smooth re-entry into the workplace, Chugai has introduced an online support tool for employees who are on childcare leave, called *wiwiw*.

### 3. Childcare working-hours system made easier to use

An employee that is raising preschool-age children may take advantage of the company's working-hours system and shorten her/his daily working hours by one or two hours. Now the system has been made more flexible

according to the employee's career or lifestyle plans. Furthermore, it is now possible to combine the system with flextime, making it easier to deal with unexpected circumstances such as a child's sudden fever.

### 4. Employees allowed to arrive late or leave early for childcare reasons

In order to lighten the psychological burden of being unexpectedly late or having to leave early for childcare reasons, eligible employees can arrive late or leave early for childcare reasons, even in branches where flextime is not available.

### 5. New initiative taken to improve paid leave usage rate

As part of efforts to create an environment that is supportive of all employees, an "anniversary leave system" has been implemented. Under this system, an employee can take a day or more from his or her annual paid leave on any date of his or her choice. In each workplace, leave request calendars or notification posters are being used to further promote the system.

### 6. Training raises awareness among managers

At special training sessions held for managers once a year, topics relating to supporting employees who are raising children are discussed to ensure managers fully understand the company's commitment to these employees.

### 7. Childcare leave taken by male employees

In the past, male employees did not apply for childcare leave, but starting in 2005, several of them have taken this leave, thanks to these initiatives.

## Mental Health Initiatives

### Introduction of the Employee Assistance Program (EAP)

Chugai has long been cooperating with the health insurance association to promote mental health awareness. Health talks are given at each site, manager awareness is enhanced through training, and once every three years Japan Mental Health Inventory (JMI) surveys are carried out by the Mental Health Research Institute of the Japan Productivity Center for Socio-Economic Development.

In addition to the initiatives above, Chugai Pharmaceutical and its Group companies in Japan have now introduced a new employee support program

#### My Experience

I use both the shortened working hours and flextime systems. This has given me the flexibility to respond to urgent calls from the nursery school, or to visit the doctor in the morning when I have to. Having the flexibility to adjust my hours—for instance coming in early on mornings when I have meetings—has helped me to make effective use of my limited time. Naturally, this would not be possible without the cooperation of my coworkers, who cover for me when I have a sudden childcare need, or the members of my family who sometimes drop off or pick up my child at nursery school.



**Yuka Yamamoto**  
Product Consultation Group  
Drug Information Center

provided by Peacemind, Inc., which is available to employees and their family members (up to second degree of kinship). In addition to the telephone and interview counseling that has been provided thus far, online and on-site counseling are now available. Moreover, on a special website provided for the Chugai Group, a range of information is provided relating to health and monthly stress checkups, as well as information for managers on important points and preparedness when it comes to promoting mental healthcare in the workplace.

### Holding Safety and Health Seminars to Raise Awareness

The Chugai Group's facilities each promote a variety of safety and health activities, and many regularly host safety and health seminars in order to raise awareness of good safety practices among employees.

In July 2006, a safety and health seminar for persons in charge of safety was held at the Kamakura Site. Its objectives were to share the latest information on safety, such as key points from Japan's recently revised Occupational Safety and Health Act, and to raise the awareness of persons with responsibility in this area. The instructor was the environment and safety representative from the company's Corporate Social Responsibility Department. The Head Office and various facilities are working together closely to ensure that environmental and safety activities like these steadily penetrate throughout the Group.



Safety and health seminar held at the Kamakura Site

### Raising Awareness of Human Rights

Chugai sees human rights as the basic dignities that all people deserve to experience as they strive to lead fulfilling lives. As part of its human rights education program, Chugai each year invites employees from throughout the Group to submit human rights education slogans. This encourages employees to think more deeply about human rights, and to express their sentiments in their own words. Over 1,400 different entries were received in 2006. From the entries received, outstanding slogans were selected in a vote at each site and affiliate in two categories: employees, and family members. The best slogan for the entire Chugai Group was then chosen in another vote by the members of the Corporate Ethics Promotion Committee.

The outstanding entries were published in the company's in-house magazine, helping employees Group-wide to share their thoughts and feelings on respect for human rights in everyday life. In addition, human rights awareness posters were prepared based on the winning slogans, and put on display in each workplace for a year.

Chugai's program is designed to foster an understanding that respect for human rights is something that each person must develop for themselves, not something that can be imposed from above. As the program succeeds, each employee becomes part of the effort to create a bright, energetic, healthy corporate culture.



Poster featuring the best human rights awareness slogan for 2006. The slogan can be translated into English as, "Walk a mile in your neighbor's shoes, and consider carefully whether what you say is appropriate."

### Help Lines for Human Rights Issues

Along with changes in society, the workplace, and the nature of work itself, many people working at modern companies are experiencing increased uncertainty and stress. Due to the complex nature of interpersonal relationships in the workplace, it sometimes becomes difficult to maintain a sense of calm and comfort. The resulting uncertainty and stress often emerge in the form of deteriorating physical or mental health, or in some cases, even manifest themselves as sexual and power harassment.

The Chugai Group is committed to protecting its employees from all these forms of harm. Toward this end, it has established two help lines—the BCG Hotline and sexual-harassment consultation centers both inside and outside the company. These confidential channels allow employees to talk freely about their concerns, without fear of negative reprisals of any kind. They are also designed to secure swift and appropriate resolutions of all issues, and to build a shared commitment to human rights in the workplace while fully respecting the wishes of callers.

### Regular Training to Increase CSR Awareness

Training on the Business Conduct Guidelines (BCG) has been regularly carried out for all employees since 2002 in order to raise awareness of CSR throughout the Chugai Group. In the first half of 2006, the fifth year of this effort, the training covered the in-house consultation and reporting system built to comply with Japan's new Whistleblower Protection Law. In the second half of 2006, the training dealt with proper compliance, which forms the basis of CSR.

At the BCG training for the first half of the year, employees learned how to use the help lines in times of need, as well as how they are managed. The training also emphasized the importance of not ignoring concerns or doubts about in-house operations, but instead, striving to resolve them.

At the BCG training for the second half of the year, employees had an opportunity to review their own moral standards and manners as members of society, in addition to going over relevant laws and regulations. After studying case studies based on common compliance issues, they considered their own actual practices on the job and planned for any changes needed.

Like the BCG training, corporate ethics training for managers has also been carried out since 2002. In 2006, the training was conducted in 14 sessions using a group discussion format. The goals of the training were: (1) to create opportunities to reconsider standards and regulations that may have received less attention, in order to prevent any scandals for the company; (2) to promote awareness of the scope of impact that each manager's job has; and (3) to enable managers to hear about problems that have come up in other departments and at affiliates, and realize that these are not just other people's problems. While also reviewing incidents and scandals that have occurred at other companies, the managers were reminded of the impact of the company's voluntary recall of Epogin and Neutrogin in 2006.

The managers that took part in the training provided a range of feedback. One manager saw it as a good opportunity to refocus his own priorities, citing the significance of the company's own product recall. Another said the training was very useful in preparing for a potential incident, while yet another stated that it reminded him of the constant need to consider for whom work is being done.

CSR awareness is not something that can be achieved once and for all, but instead requires continual efforts to improve one's understanding. Chugai will continue to provide educational activities like these in the future.



Manager training





# Caring for Our Earth

Environmental Protection Initiatives

## Part 3

The Chugai Group is committed to protecting the global environment.

### POINT

Shows an overview of environmental and safety targets and performance

### POINT

Introduces initiatives to address global warming

- 30 Basic Position on Environmental Protection and Safety
- 31 Environmental Protection and Safety Management System
- 32 Action Plans and Performance
- 34 Material Flow / Environmental Accounting
- 35 Carbon Dioxide (CO<sub>2</sub>) Emissions and Measures for Reduction
- 36 Reduction of Waste / Third-Party Award
- 37 Appropriate Management of Chemical Substances / Green Purchasing
- 38 Environmental Protection Measures for Soil, Air, and Water
- 40 Environmental Education, Awareness Building, and Environmental Communication

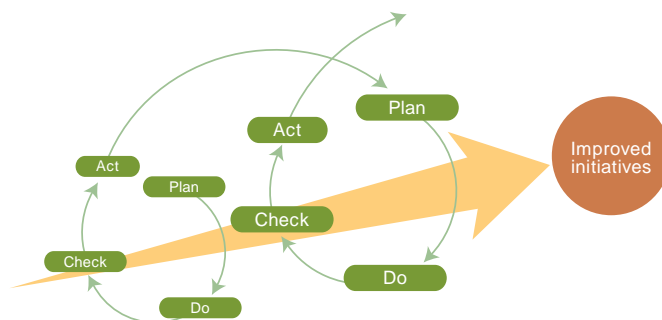
These photographs were selected from those submitted by employees for Global Environment Month in June 2006. See page 40 for details.

## Operating an efficient, effective Group-wide system for conducting both environmental protection and occupational safety and health initiatives

Since fiscal 2005, Chugai's regular internal environmental and safety audits have included checks covering occupational safety and health, adding these to the previous audits of environmental protection and disaster prevention activities. This step is based on the concept of better integrating environmental protection and occupational safety and health activities because both types of initiatives, apart from the differences between on-site and off-site locations, are intended to avoid risk and minimize damage.

In fiscal 2006, Chugai reviewed its system for unified Group-wide management of environmental protection and occupational safety and health activities. In January 2007, the company adopted a new system for that purpose and revised the Chugai Environmental Charter and the Environmental Policy applied Group-wide by adding items relating to occupational safety and health. The company has also drawn up guidelines for the conduct of environmental protection and safety activities. Following the guidelines, Chugai will continue to strengthen its efforts to avoid environmental and safety risks and ensure the safety of its employees.

### Conceptual Scheme of the PDCA Cycle



### Chugai Environmental and Safety Charter

The Chugai Group aims to add exceptional value for the benefit of the medical community and human health around the world by creating innovative medical products and services. The Group strives to conduct its business activities with full attention to harmony with the natural environment, based on the principle of preserving our precious planet, and to occupational safety.

Revised in January 2007

### Chugai Environmental and Safety Policy

#### 1. System to Facilitate Action

In accordance with its guidelines for the assurance of environmental protection and safety, the Chugai Group maintains a system to facilitate action regarding specific environmental and safety matters, and strives to ensure that it is applied thoroughly Group-wide. The heads of all basic organizations and the presidents of subsidiaries within the Group are responsible for all environmental and safety matters at the organizations they manage.

#### 2. Regulatory Compliance

The Chugai Group complies with all legislation and regulations relating to environmental protection and safety, all other requests that the Group has agreed to, and management standards voluntarily set as needed.

#### 3. Environmental Protection Initiatives

The Chugai Group actively addresses the issue of global warming, conservation of resources and reduction of waste, and prevention of environmental pollution at every stage—research and development, manufacturing, transportation, marketing, and disposal of its products—while cooperating in the environmental protection activities of local communities.

#### 4. Occupational Safety Initiatives

The Chugai Group makes every effort on precautionary measures to prevent occupational accidents in all of its business activities, recognizing that safety and health are the basis of employee welfare.

#### 5. Promotion of Continual Improvement

Each facility and subsidiary in the Chugai Group voluntarily sets environmental and safety policies and targets for continual improvement. The Group promotes these initiatives in accordance with the guidelines for the assurance of environmental protection and safety in order to effectively achieve continual improvement.

#### 6. Enhancement of Environmental and Safety Awareness

The Chugai Group encourages its employees to deepen their understanding and appreciation of environmental and safety issues by regularly and systematically conducting education and training sessions.

#### 7. Disclosure of Information

The Chugai Group appropriately discloses, both internally and externally, information about its policies, targets, and activities relating to environmental protection and occupational safety and health.

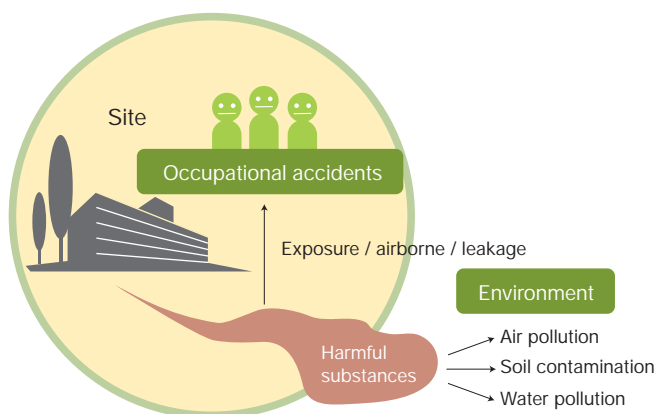
Revised in January 2007

## Pursuing unified Group-wide management of environmental and safety initiatives, and promoting enhanced internal audits in which occupational safety and health is taken into consideration

### Unified Group-wide Environmental and Safety Management

Environmental and safety issues are two sides of the same coin when it comes to chemical substances. Take, for example, an accident in which harmful chemical substances become airborne or leak. This is called an occupational accident if people working at the site are exposed. The same situation, if the chemicals are emitted into the atmosphere, is called air pollution; or if the chemicals seep into the ground or water, soil contamination or water pollution. All of these accidents lead to environmental damage. Only the location affected determines whether the accident is categorized as an environmental issue or safety issue.

Since the actual causes of such accidents—the emission or leakage of harmful chemical substances—are the same, common approaches can be used for risk avoidance measures and the minimization of damage. This is why Chugai has established and applied Group-wide guidelines for the assurance of environmental protection and safety, which specify a course of action based on precautionary principles, continual improvement, and legal compliance. The guidelines took effect in January 2007.



Links between Environmental and Safety Issues

### Internal Environmental and Safety Audits

In fiscal 2006, internal environmental and safety audits were carried out at all plants and research laboratories, six branches in Japan, and the Suwa Branch of Chugai Research Institute for Medical Science, Inc., in the Chugai Group. This fiscal year, the audits were performed with increased accountability on both environmental and safety initiatives by adding further checks covering occupational safety and health to the previous environmental and safety items.

The audits identified items requiring improvement in industrial waste treatment practices and compliance with Japan's Fire Services Act at the plants, research laboratories, and branches. While the items requiring improvement were all minor, improvement plans were immediately formulated and executed.

In addition, beginning with the internal environmental and safety audits in fiscal 2005, a numerical scaling system has been used to allow audit results to be compared by item among Group facilities. This has also made it easier for each facility to understand its performance when compared with other Group facilities as well as the degree of its own improvement over the previous fiscal year.



Internal environmental and safety audit underway at a research laboratory

### ISO 14001 and OHSAS 18001 Assessment Status

Facility	Certification	Date of initial certification	FY 2006 assessments	Certifying agency
Fujieda Plant of CPMC*	ISO 14001	June 1998	Retention assessment: April	Japan Chemical Quality Assurance Ltd. (JCQA)
Utsunomiya Plant of CPMC	ISO 14001	July 1999	Retention assessment: July	
Ukima Plant of CPMC	ISO 14001	February 2000	Retention assessment: September	
Kamakura Plant of CPMC	ISO 14001	October 2005	Retention assessment: September	
Kamakura Site of Chugai Pharmaceutical Co., Ltd.	OHSAS 18001	October 2005	Retention assessment: September	

\*: CPMC: It is an abbreviation for Chugai Pharma Manufacturing Co., Ltd.

# Continuously implementing systematic initiatives for environmental protection and occupational safety and health, based on well-formulated action plans

The business activities of companies, which consume energy and resources, have a significant impact on the global environment by emitting greenhouse gases and generating waste. In the Chugai Group, we have been putting a great deal of effort into initiatives to protect the global environment, as countermeasures to environmental impact.

In fiscal 2006, our energy conservation measures resulted in a 0.4% decrease in CO<sub>2</sub> emissions from the fiscal 2005 level, despite increased production, strengthened R&D activities, and other factors. In addition, the volume of waste generated in fiscal 2006 decreased dramatically to 43% of the fiscal 2005 level for the Chugai Group, in part because some products were not manufactured in the fiscal year. Furthermore, the final volume of landfilled waste in fiscal 2006 decreased by 34 tons to 67% of the fiscal 2005 level, thanks to our efforts in resource recycling.

In fiscal 2006, we enhanced our internal environmental and safety audits by increasing the number of audit items related to safety, in the belief that environmental and safety issues are two sides of the same coin.

As we continue to develop our business activities, environmental protection and safety and health initiatives are two of our highest priorities. We intend to further strengthen our initiatives in these areas by actively developing Group-wide environmental and safety measures and by continuously implementing related education and training for raising employee awareness.

General Manager  
Corporate Social Responsibility Department

Fiscal 2006 Action Plans and Performance		Scope of operations covered: the Chugai Group in Japan    Period covered: January 1, 2006 to December 31, 2006		Evaluation of target achievement:	Achievement	Achievement ratio of 75% or more	× Achievement ratio of less than 75%
Item	Objective	FY 2006 target	FY 2006 performance	Evaluation	FY 2007 target or mid-term target	Reference page	
Promotion of global warming countermeasures	Promotion and implementation of energy-saving measures	Control of carbon dioxide emissions for fiscal 2006 to a 25% increase or less compared with fiscal 1990	Controlled carbon dioxide emissions in fiscal 2006 to a 43% increase compared with fiscal 1990	×	Control of carbon dioxide emissions by the end of fiscal 2012 to the fiscal 2003 level that existed immediately after the merger	P.35	
	Promotion of energy-saving projects	Collection of data on carbon dioxide emissions reduction compared with the fiscal 2010 target and implementation of measures to reduce carbon dioxide emissions	Reviewed carbon dioxide emission forecast for fiscal 2010 Planned implementation of carbon dioxide emissions reduction measures and confirmation of additional action plans		Collection of data on carbon dioxide emissions reduction compared with the fiscal 2012 goal and implementation of measures to achieve the goal		
	Introduction of more hybrid vehicles in MR fleet	Achievement of a hybrid vehicle ratio of 3% or more in MR fleet	Achieved a hybrid vehicle ratio of 3.1% in MR fleet in fiscal 2006		Introduction of 100 hybrid vehicles in MR fleet in fiscal 2007 and achievement of a hybrid vehicle ratio of 50% or more by the end of fiscal 2012	P.35,39	
					Ongoing review for introduction of photovoltaic power generation	P.35	
Reduction of waste	Reduction in the volume of waste generation	Reduction in the volume of industrial waste generation for fiscal 2006 to 35% or less of the fiscal 1990 level	The volume of industrial waste generated in fiscal 2006 was 26% of the fiscal 1990 level.		Reduction in the volume of waste generation for fiscal 2007 to 20% or less of the fiscal 1990 level	P.36	
	Reduction in the final volume of landfilled waste	Reduction in the final volume of landfilled waste for fiscal 2006 to 4% of the fiscal 1990 level	The final volume of landfilled waste in fiscal 2006 was 2.5% of the fiscal 1990 level.		Reduction in the final volume of landfilled waste for fiscal 2010 to 2% of the fiscal 1990 level Reduction in the final volume of landfilled waste for fiscal 2007 to 3% or less of the fiscal 1990 level		
Conservation of resources	Reduction in the volume of PPC paper purchased	Reduction in the volume of PPC paper purchased for fiscal 2006 by 10% from the fiscal 2005 level	The volume of PPC paper purchased in fiscal 2006 increased by 15% over the fiscal 2005 level.	×	Reduction in the volume of PPC paper purchased for fiscal 2010 by 20% from the fiscal 2003 level	P.37	
	Improvement in the green purchasing ratio of stationery	Achievement of a ratio of 80% or more of green products purchased to the total cost of stationery purchased for fiscal 2006	Achieved a green purchasing ratio of 78% of the total cost of stationery purchased in fiscal 2006		Achievement of a ratio of 80% or more of green products purchased to the total cost of stationery purchased for fiscal 2007		
	Improvement in the recycling ratio of PPC paper	Achievement of a recycling ratio of 80% or more for PPC paper	The recycling ratio of PPC paper in fiscal 2006 was 53%.	×	Achievement of a recycling ratio of 80% or more for PPC paper for mid-term		
Enhancement of environmental awareness	Qualitative improvement in CEMS	Implementation of internal audits for environmental protection and occupational safety and health at Group facilities in Japan	Performed internal audits for environmental protection and occupational safety and health at plants, research laboratories, subsidiaries, and six branches		Implementation of internal audits for environmental protection and occupational safety and health at Group facilities in Japan and establishment of audit results evaluation systems	P.31	
		Promotion of environmental education and training	Implemented training by e-learning, industrial waste seminars, etc.		Implementation of planned, periodic environmental education and training, and activities to enhance environmental awareness	P.40	
		Holding of On-Site Environmental Committee meetings at all Group facilities with improved agendas	On-Site Environmental Committee meetings were held at all Group facilities.		Smooth implementation of PDCA cycle for environmental protection at all Group facilities	P.30	
	Acquisition of ISO 14001 certification	Successful retention of ISO 14001 certification at all accredited plants	Retention assessments of ISO 14001 certification were successfully completed at all the accredited plants.		Successful retention and renewal of ISO 14001 certification at all the accredited plants	P.31	
Contribution to local communities	Participation in the environmental volunteer activities of local communities	Participation in the environmental volunteer activities of local communities nearby all Group facilities	Participated in the environmental volunteer activities of local communities, including cleanup activities		Participation in the environmental volunteer activities of local communities nearby all Group facilities	P.31	
Disclosure of environmental information	Disclosure of environmental performance data	Issue of <i>Corporate Social Responsibility Report CSR'05</i> (Japanese ver.: March 2006; English ver.: June 2006)	Issued <i>Corporate Social Responsibility Report CSR'05</i> (Japanese ver.: March 2006; English ver.: June 2006)		Issue of <i>Corporate Social Responsibility Report CSR'06</i> (Japanese ver.: March 2007; English ver.: June 2007)	P.40	
		With SAP (Group-wide corporate database management system) and Ariba (electronic purchasing system) tied to environmental accounting, improvement in the accuracy of environmental accounting data	Established a system tying SAP and Ariba to environmental accounting		Disclosure of environmental accounting information (Group-wide data compilation)	P.34	
		Uploading of environmental information on websites	Updated the websites by uploading the latest environmental information		Disclosure of environmental information on websites	P.40	
					Issue of environmental site reports (Ukima Site and Fujieda Plant)		
Management of chemical substances	Thorough management of toxic and harmful chemical substances	Establishment of Group-wide management systems	Thoroughly managed at each facility by utilizing the IASO system and other systems		Promotion of measures to reduce the amounts of chemical substances handled that are covered by the PRTR Law	P.37	
	Compliance with the PRTR Law	Promotion of measures for reducing the amounts of chemical substances handled that are covered by the PRTR Law	The amounts of chemical substances handled that are covered by the PRTR Law increased.	×	Reduction of emissions of VOCs (volatile organic compounds) into the air for fiscal 2007 by 20% from the fiscal 2003 level		
Safety and disaster prevention	Thorough implementation of safety and disaster-prevention measures	Zero accidents and zero disasters	Two accidents resulting in absence from work were reported.		Implementation of internal audits for occupational safety and health	P.31	
					Promotion of occupational safety and health education	P.27	
					Review for further introduction of management systems, including OHSAS, for occupational safety and health	P.30	
					Promotion of the guidelines for the assurance of environmental protection and safety to increase its prevalence	P.31	



## Seeking to improve environmental efficiency by assessing environmental impact and environmental protection costs

### Material Flow

#### Input

##### Energy

Crude oil equivalent\*  
47,816 kL

##### Water

1,909,187 tons

##### Materials

Raw materials 2,313 tons  
(Including 893 tons of chemical substances covered by PRTR Law)

##### Containers and wrappings

Glass bottles  
Plastics

\*Regarding energy consumption, see page 44 for details.

#### Flow of business activities



#### Output

##### Air

CO<sub>2</sub> 83,946 tons  
NO<sub>x</sub> 17 tons  
SO<sub>x</sub> 2 tons

##### Waste

Generation 8,757 tons  
Final disposal at landfills 69 tons  
Wastewater  
Wastewater 1,606,055 tons  
BOD 5 tons

##### Recycled containers and wrappings

Glass bottles 2 tons  
Plastics 134 tons

The above data are totals for the Chugai Group, including the Head Office and branches.

### Environmental Accounting

In fiscal 2006, environmental accounting was carried out at all facilities in Japan in the Chugai Group. The data compiled are shown in the table below.

The main investments in fiscal 2006 were made as follows: as a measure to prevent water pollution, to expand wastewater treatment facilities in conjunction with increased production capacity at the biopharmaceutical

manufacturing building; and as an energy-saving initiative, to replace air conditioners and lighting fixtures with more environmentally friendly ones. On the other hand, the decreased volume of waste generated in fiscal 2006 was responsible for a decrease in waste treatment costs from the fiscal 2005 level. In fiscal 2006, economic benefits obtained through these environmental protection measures amounted to ¥179 million.

### Trends in annual investments and costs for environmental protection

(Unit: Millions of Yen)

Breakdown of costs		FY 2003*1		FY 2004		FY 2005		FY 2006	
		Investments	Costs	Investments	Costs	Investments	Costs	Investments	Costs
(1) Business area costs	(1)-1 Pollution prevention costs	395	617	538	1,514	342	557	461	627
	(1)-2 Global environmental protection costs	239	75	100	168	39	177	239	139
	(1)-3 Resource recycling costs	100	353	0	405	11	485	1	289
	Subtotal	734	1,045	638	2,087	392	1,219	701	1,055
(2) Upstream and downstream costs		0	0	0	3	0	41	0	15
(3) Administration costs		27	201	41	324	22	359	8	294
(4) R & D costs		0	142	0	129	0	325	0	198
(5) Social activity costs		0	121	1	117	22	186	1	125
(6) Environmental remediation costs		0	0	0	0	0	4	0	0
Total		761	1,509	680	2,660	436	2,134	710	1,687

\*1: Data for fiscal 2003 cover a nine-month period from April 2003 to December 2003, due to a change in the settlement term for fiscal 2003.

## Fighting global warming by setting a new goal for the reduction of CO<sub>2</sub> emissions, and focusing on energy-saving practices

The situation of Japan's greenhouse gas emissions continues to be challenging. Its greenhouse gas emissions for fiscal 2005, announced by the Ministry of the Environment, were 8.1% higher than the fiscal 1990 level, and were well above the 6% reduction target set under the Kyoto Protocol. The Chugai Group's CO<sub>2</sub> emissions for fiscal 2005 were 84,000 tons, or 0.02% of the 466 million tons emitted by Japan's manufacturing sector. Determined nonetheless to do its part, Chugai has been conducting a Group-wide project since 2003 to find ways to reduce CO<sub>2</sub> emissions, in an effort to fulfill its corporate social responsibility.

The following is a summary of the main items discussed by the project team during fiscal 2006 (excluding individual energy-saving measures).

### (1) Launch of a new project team

New members from the Finance & Accounting Department, General Affairs Department, Corporate Communications Department, and Purchasing Department, as well as other organizations located in the Head Office, were added to the project team whose members, until the previous fiscal year, were mainly from the plants and research laboratories. These new members were added in order to study feasible measures and mid-term plans.

### (2) New goal setting

The target of reducing the Chugai Group's CO<sub>2</sub> emissions for fiscal 2010 to the fiscal 1990 level, in line with the Kyoto Protocol, will be extremely difficult to achieve, since growth in energy consumption is far outstripping the effects of implemented energy-saving measures, due to more products, greater production, and stepped-up R&D activities. At the same time, it is important to have a goal for total CO<sub>2</sub> emissions for the entire Chugai Group, including the Head Office and branches, not just for energy conservation initiatives at

the plants and research laboratories. Accordingly, Chugai has established a goal that takes into account its merger with Nippon Roche K.K. in October 2002, namely to reduce Group-wide CO<sub>2</sub> emissions by the end of fiscal 2012 to the fiscal 2003 level that existed immediately after the merger.

### (3) Systematic adoption of hybrid vehicles

The Chugai Group's fleet of nearly 1,600 sales vehicles consumes a large amount of gasoline — 2.7 million liters or more per year. Switching to fuel-efficient hybrid vehicles reduces CO<sub>2</sub> emissions tremendously. Chugai will work aggressively to switch its sales fleet over to hybrid vehicles. It plans to significantly increase the ratio of hybrid vehicles in its entire sales fleet from the current 48 vehicles (3.1%) to 50% or more by the end of fiscal 2012.

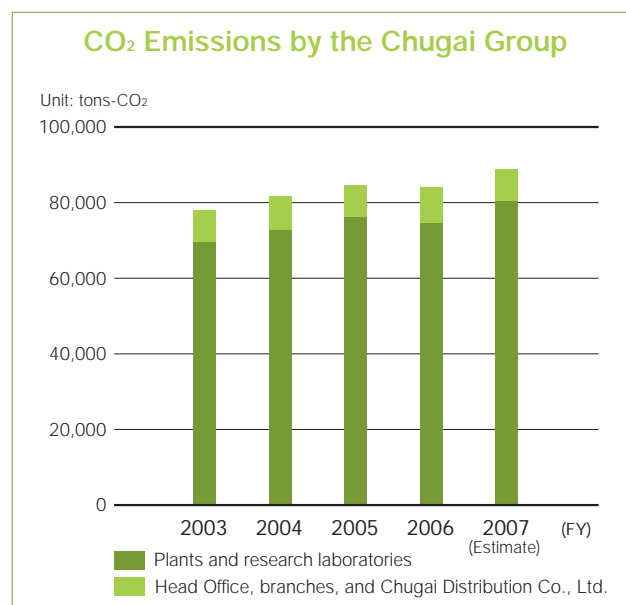
### (4) Adoption of photovoltaic power generation

Photovoltaic power generation (a total of 100 kW or greater), a typical clean energy, will be adopted at the plants and research laboratories by the end of fiscal 2012.

The graph below shows Chugai's CO<sub>2</sub> emissions over time. The CO<sub>2</sub> emissions are on an upward trajectory, due to the increased production and R&D work as well as the expanded sales fleet for a significantly increased staff of medical representatives. The entire Chugai Group is prepared to work hard to implement energy-saving measures in an effort to reduce its total CO<sub>2</sub> emissions.



Energy conservation project meeting



## Aiming to achieve zero emissions by promoting the recycling of waste

### Waste Generation

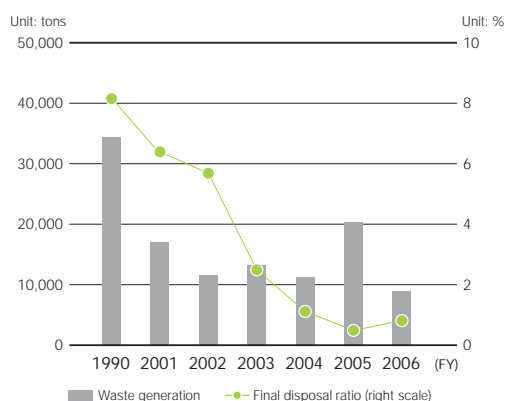
The volume of waste generated in fiscal 2006 decreased by 57% compared with the fiscal 2005 level for the Chugai Group. The main factor behind this decrease was a significant reduction in the volume of sludge generated, because no synthetic pharmaceuticals were manufactured in fiscal 2006. In addition, the final volume of landfilled waste in fiscal 2006 decreased by 33% compared with the fiscal 2005 level to 69 tons. This improvement was primarily due to the decrease in sludge generated, and also to the promotion of the recycling of waste plastics. The Chugai Group will review its waste treatment methods in order to identify ways to recycle waste that is currently being incinerated for disposal.

### Reduction of Waste Treatment Risks

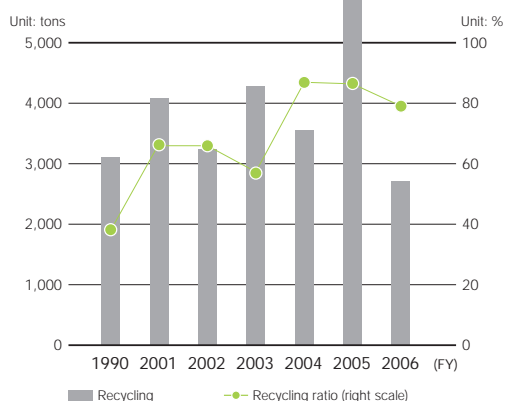
In fiscal 2005, the Chugai Group articulated a definition of zero emissions, and each facility in the Group has been working on this challenge.

In fiscal 2006, a checklist was drawn up for selecting waste treatment contractors to reduce risks associated with waste treatment. This checklist will be used to ensure more appropriate management of waste treatment.

#### Waste Generation and Final Disposal Ratio



#### Recycling and Recycling Ratio



### Utsunomiya Plant of Chugai Pharma Manufacturing Co., Ltd., Awarded 3R Promotion Committee Chairperson's Prize

In September 2006, the Utsunomiya Plant of Chugai Pharma Manufacturing Co., Ltd., was awarded the 3R Promotion Committee Chairperson's Prize for its efforts to convert sludge to usable fertilizer.

The Utsunomiya Plant, which manufactures biopharmaceutical injections, is one of the Chugai Group's main plants. Formerly, the sludge contained in wastewater was separated out and incinerated for disposal after being dried. However, after studying recycling methods, with the help of a waste treatment company, the plant succeeded in composting the organic sludge by using bacteria-based fermentation

technology. This organic sludge is rich in phosphorous and so makes excellent organic fertilizer, which is very useful for raising crops. This fertilizer is sold to agricultural cooperatives in addition to local farmers. User questionnaires indicate that it has helped increase harvest yields and improved taste.



Fermenting sludge

## Dedicated to the appropriate management of chemical substances and green purchasing

### Appropriate Management of Chemical Substances

Among the harmful chemical substances covered by Japan's PRTR Law,\*<sup>1</sup> the following six were handled in annual amounts of one or more tons in fiscal 2006 by the Chugai Group: acetonitrile, 2-aminoethanol, dichloromethane, N,N-dimethylformamide, toluene, and pyridine. The graph below shows the amounts of these six chemical substances plus chloroform handled over time. Expanded research and production led to increases in the use of some of these substances.

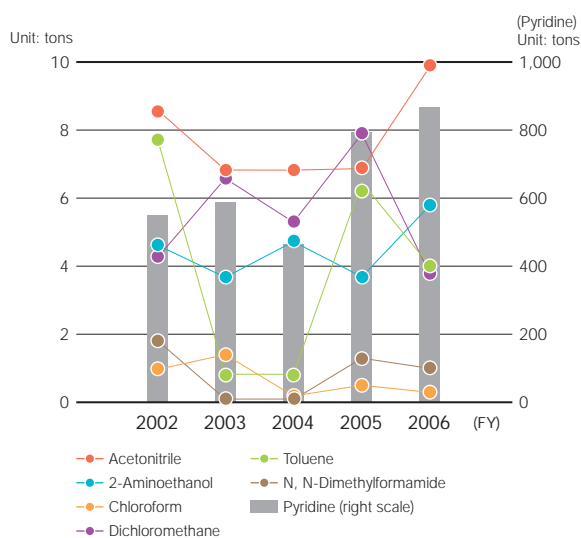
In fiscal 2006, Chugai started reviewing its Group-wide guidelines in order to further the appropriate management of chemical substances in terms of both environmental protection and safety. It is now revising them to create a new standard, the guidelines for the handling of chemical substances, based on the assurance of occupational safety and the prevention of health damage and environmental pollution.

Chugai is working to reduce the amounts of the harmful chemical substances it handles. It is also taking appropriate steps, such as GHS\*<sup>2</sup>-compliant labeling and the use of material safety data sheets (MSDS).

\* 1. PRTR Law: Pollutant Release and Transfer Register Law. A law related to the monitoring of amounts emitted to the environment of specified chemical substances and the encouragement of their improved management.

\* 2. GHS: Globally Harmonized System of Classification and Labeling of Chemicals.

#### Trends in Handled Amounts of Chemical Substances covered by the PRTR Law



### Promotion of Green Purchasing

Chugai follows the basic policy of Japan's Law on Promoting Green Purchasing, the guidelines of the Green Purchasing Network (GPN), and other guidelines in its Group-wide pursuit of green purchasing in many areas. In fiscal 2006, the Group achieved a green purchasing ratio of 78% of the total cost of stationery purchased. Excluding raw materials for manufacturing (direct materials), the current scope of Chugai's green purchasing of goods and services (indirect materials) includes: purchases of OA paper, PPC paper, and stationery products; purchases and leases of PCs and office equipment; leases of hybrid and low-emission vehicles; purchases of electrical appliances and office furniture; preparation of publications; contracting of cleaning and building maintenance; and other items.

In fiscal 2006, FSC-certified papers\*<sup>1</sup>, inks that contain less than 1% volatile organic compounds (VOCs), and waterless printing were adopted for the *Corporate Social Responsibility Report CSR'06*, the Ukima Site's site report, and Chugai's *Letter to Shareholders on Interim Financial Results*. Furthermore, an Experiment Notebook was prepared by the Research Division, with due consideration to the environment.

Chugai promotes the production of more environmentally friendly publications by selecting printing papers, inks, printing methods, and processes that help reduce environmental impact and contribute to environmental protection.

\* 1. FSC-certified papers: Papers from FSC Mixed Sources which contain 10% or more of fiber from well-managed forests independently certified by the Forest Stewardship Council (FSC).

#### The Research Division's Experiment Notebook

The Experiment Notebook which describes our research activities is our most important asset. We thoroughly reviewed everything in terms of environmental considerations, including paper, ink, printing method, and binding process, and have adopted a more environmentally friendly Experiment Notebook.



**Tatsuya Miyai**  
Group Manager  
Business Support Department



## Formulating and promptly implementing appropriate action plans to prevent environmental pollution

### Soil Contamination Countermeasures

#### Soil contamination countermeasures at the Kyushu Plant site of Eiko Kasei Co., Ltd.

Although Japan's Soil Contamination Countermeasures Law (SCCL) was enforced in February 2003, SCCL-compliant soil surveys have been voluntarily conducted at the site of the Kyushu Plant since September 2002. The surveys found that 11 chemical substances, including benzene, arsenic, and fluorine, which are subject to the SCCL, and BHC (a residue-prone agricultural chemical), which is not subject to the SCCL, were present at levels exceeding environmental standards. Accordingly, in mid-2004, construction of shielding walls around the premises began, to prevent the diffusion of harmful substances to groundwater, and a groundwater purification plant also went into operation. The excavation, removal, and treatment of the contaminated soil and the groundwater purification work were completed in December 2006. Since January 2007, regular on-site groundwater surveys have been conducted at the premises, and the groundwater will continue to be monitored for two years.



Excavation and removal of contaminated soil

More than four years passed from the beginning of the surveys to the completion of the countermeasures. During that time, neighboring residents were

kept informed of the results of soil surveys and the plans for and progress of the countermeasures, and their understanding was obtained by holding three meetings with them and publishing ten issues of the *Newsletter for Neighbors*. In the end, the soil was treated appropriately with direction from Fukuoka Prefecture and the cooperation of Fukutsu City (formerly Fukuma Town) and neighboring residents.

#### Environmental soil surveys and countermeasures at the Fujieda Plant in conjunction with the construction of a new galenical building

From July to November 2005, SCCL-compliant environmental surveys were voluntarily conducted by the Fujieda Plant on soil that was to be removed to an off-site location, due to the construction of a new galenical building.

The environmental surveys found that the soil in part of the premises contained lead, arsenic, and fluorine at levels exceeding environmental standards. Thus, in January 2006, a meeting for the neighboring residents was held after the survey results and plans for

countermeasures had been explained to Shizuoka Prefecture, Fujieda City, and Yaizu City.

The contaminated soil was excavated from February to



Excavation and removal of contaminated soil

### Discontinued Incinerator at Kamakura Site Dismantled

The Kamakura Site installed an incinerator in 1995, and discontinued its use in April 2003 due to environmental considerations. The dismantling of the incinerator began in September 2006. Measures to prevent dioxin exposure were carefully taken, and the dismantling work was completed uneventfully in December 2006. The building where the incinerator was located is now used as a waste storage facility.



Before the dismantling of the incinerator



After the dismantling of the incinerator

March 2006. About 1,500 tons of contaminated soil were treated at soil purification facilities and used as a raw material for cement. At the end of March 2006, a report on the completion of the countermeasures was submitted to Shizuoka Prefecture.

## Measures for Prevention of Water Pollution

### Internal inspection of drainpipes using a robot camera at the Kamakura Site

The Kamakura Site used a 55 cm long robot camera to inspect the inside of important drainpipes at its plant and research laboratory. The inspection identified a few minor cracks, spots with mortar adhesion, and pipe sags in the upper part of the drainpipes. Sections of piping with cracks needing repairs were dug up and wrapped in a polyvinyl chloride covering to fix the cracks and prevent leakage. In addition, the mortar that had adhered to the inside of the drainpipes was physically removed through high water pressure cleaning. Finally, the areas where the pipes were sagging did not need to be repaired, since no leakage was identified and the degree of sag was not interfering with the flow of wastewater in those areas.



Robot camera



Status of a survey with a robot camera

### New caustic soda tank installed at the Kamakura Site

To date, the Kamakura Site has not produced acidic drainage from its business activities. However, considering the possibility that acidic drainage may be

produced in the future due to increased and/or different business activities, the Kamakura Site installed a new caustic soda tank for neutralizing acidic drainage. At the same time, it built a new dike and installed a new fence that surrounds the new dike and the existing sulfur tank.



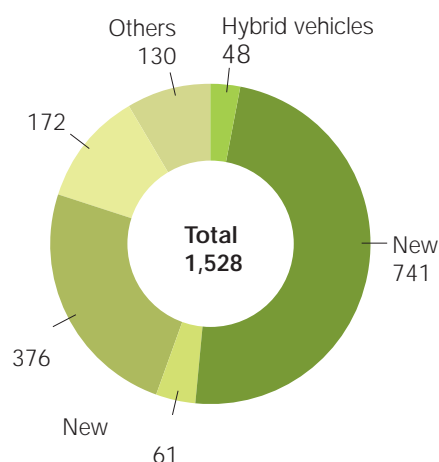
Caustic soda tank

## Introduction of More Hybrid Vehicles

With the addition of 12 new hybrid vehicles to its fleet of sales vehicles used by medical representatives (MRs), Chugai now has a total of 48 hybrid vehicles, or 3.1% of its entire fleet of sales vehicles. The addition of these hybrid vehicles also brought Chugai's current use of low emission vehicles (two or more stars\*) to 91%. Moreover, it plans to add another 100 hybrid vehicles during fiscal 2007 and will continue to add more thereafter with the aim of having a sales vehicle fleet that consists of 50% or more hybrid vehicles by the end of fiscal 2012.

## Number of Low Emission Vehicles

(as of the end of December 2006)



\* See the following webpage for information about star rating standards for low emission vehicles.  
<http://www2.kankyo.metro.tokyo.jp/kouhou/env/eng/environment02.html>

## Conducting environmental training for employees, and recognizing the importance of environmental education

### New Employee Training

In April 2006, all 480 new employees were provided with environmental education with the aim of giving them basic environmental knowledge and an understanding of Chugai's environmental initiatives.

MRs were also given training regarding medical waste and safe driving.

### ISO 14001 Internal Environmental Auditor Training

On April 13 and 14, 2006, Chugai conducted internal environmental auditor training for 29 people. Since the first training in fiscal 1997, the training has been held nine times, and a total of 263 internal environmental auditors have graduated. The attendees of these internal environmental auditor training sessions play an important role in promoting environmental protection activities at facilities throughout the Group.



Internal environmental auditor training

### Environmental e-Learning

From June to August 2006, all 449 employees at the Drug Engineering Division were provided with environmental education via e-learning.\* A questionnaire survey given after implementing the e-learning indicated that the educational program was effective. People who took the course generally provided positive feedback, such as, "I gained a systematic and comprehensive understanding of environmental issues," and "I came to see the importance of environmental issues."

\* e-learning: Education and training using computers and computer networks.

### Social and Environmental Activities Websites

Chugai issues corporate social responsibility reports in Japanese and English. Interested parties can learn about the Chugai Group's environmental protection and safety initiatives from these reports. In addition, the Fujieda

Plant has been issuing its own site reports since 2001 and the Ukima Site has been doing the same since 2004. PDF versions of previously issued environmental reports are available at Chugai's social and environmental activities websites.

Japanese version:

<http://www.chugai-pharm.co.jp/profile/csr/>

English version:

<http://www.chugai-pharm.co.jp/english/corporate/csr/>

(Note: Excludes site reports.)

### Building Environmental Awareness

In June 2006, in conjunction with Global Environment Month, employees submitted photographs on the topic of harmonious coexistence with nature. Some of the many entered works are shown on page 29. The thoughts of the entrants on each of those photographs are presented below.

#### [ Earthquake Clouds? ]

Are these earthquake clouds?  
Nature may be sending us all sorts of messages.



#### [ Butterfly ]

Humans are not the only living beings on the Earth. I want to preserve nature for the plants, animals, and insects as well as humans.



#### [ Oze ]

This is the view of Mt. Hiuchi-ga-take from Ohe Bog in Oze when the nikko-kisuge flowers are in bloom. This area is the symbol of Oze and also an area for promoting environmental protection activities, and so I thought it was appropriate for Global Environment Month.



#### [ Drift Ice ]

I want to stop global warming so that the drift ice will keep coming forever.



# Our Performance

Performance data on CSR

## Part 4

Including Chugai corporate overview, we report our various performance data on CSR

42	Chugai Corporate Overview
43	Social and Economic Areas
44	Environmental Area

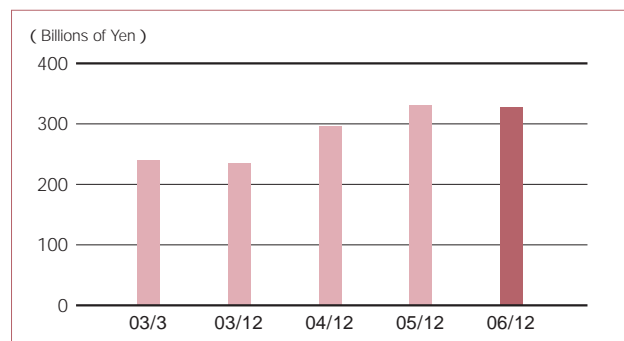


## Corporate Overview (As of December 31, 2006)

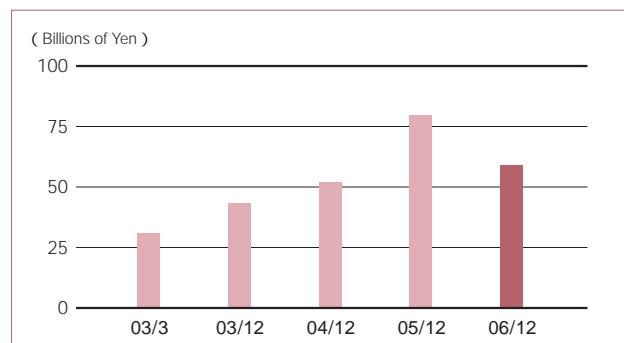
<b>Company name</b>	Chugai Pharmaceutical Co., Ltd.
<b>Representative</b>	Osamu Nagayama
<b>Founded</b>	1925
<b>Established</b>	1943
<b>Stated Capital</b>	¥72,893,185,291
<b>Number of Employees</b>	5,156 (Consolidated: 5,962)
<b>Business Category</b>	Manufacturing, marketing and exporting/importing of pharmaceuticals
<b>Head Office</b>	1-1 Nihonbashi-Muromachi 2-chome, Chuo-ku Tokyo 103-8324, Japan Tel: +81-(0)3-3281-6611 (Reception) URL: <a href="http://www.chugai-pharm.co.jp/">http://www.chugai-pharm.co.jp/</a>
<b>Branches</b>	Sapporo, Sendai, Tokyo 1, Tokyo 2, Yokohama, Kanshinetsu, Nagoya, Osaka, Kyoto, Kobe, Hiroshima, Takamatsu, Fukuoka
<b>Plants</b>	Ukima (Tokyo), Fujieda (Shizuoka), Utsunomiya (Tochigi), Kamakura (Kanagawa)
<b>Research Laboratories</b>	Fuji Gotemba (Shizuoka), Kamakura (Kanagawa), Ukima (Tokyo)

## Consolidated Net Sales/Operating Income

Net Sales for Fiscal 2006 ended December 31, 2006: 326.1 Billion Yen



Operating income for Fiscal 2006 ended December 31, 2006: 58.3 Billion Yen



Figures in fiscal year 2003 are 9 months settlement of accounts.

## Subsidiaries in Japan

Company Name	Location	Summary of Business
Chugai Research Institute for Medical Science inc	Gotemba-City, Shizuoka Prefecture	Research and development of pharmaceuticals
Chugai Business Support Co., Ltd.	Kita-ku, Tokyo	Administrative support service
Medical Culture Inc.	Tyuo-ku, Tokyo	Literature documentation
Chugai Distribution Co., Ltd.	Kazo-City, Saitama Prefecture	Storage and transportation
Chugai Pharma Manufacturing Co., Ltd.	Kita-ku, Tokyo	Contracted manufacturing of pharmaceuticals
Chugai Clinical Research Center Co., Ltd.	Chuo-ku, Tokyo	Clinical development of pharmaceuticals
Forerunner Pharma Research Co., Ltd.	Meguro-ku, Tokyo	Research and development of pharmaceuticals and diagnostic products

## Overseas Subsidiaries

Company Name	Location	Summary of Business
Chugai Pharma Europe Ltd.	London, U.K	Clinical development and submission of applications for new drugs in Europe
Chugai Pharma Marketing Ltd.	London, U.K	Sales administration / Sales of pharmaceuticals in Europe
Chugai Pharma U.K. Ltd.	London, U.K.	Sales of pharmaceuticals in the UK
Chugai Pharma Marketing Ltd. Germany Branch	Frankfurt, Germany	Sales and sales promotion of pharmaceuticals in Germany
Chugai Pharma France S. A. S.	Paris, France	Sales of pharmaceuticals in France
CHUGAI sanofi-aventis S.N.C..	Antony, France	Import and sales of pharmaceuticals, clinical development and submission of applications for new drugs in Europe
Chugai U.S.A., Inc.	Bedminster, U.S.A.	Holding company / Business administration in the US
Chugai U.S.A. Inc. New York Office	New York, U.S.A.	Holding company / Business administration in the US
Chugai Pharma U.S.A., LLC	Bedminster, U.S.A.	Clinical development and submission of application for new drugs in the US
Chugai Pharma (Shanghai) Consulting Co., Ltd.	Shanghai, Beijing, Guangzhou, China	Provision of medical information on drugs in China
Chugai Pharma Taiwan Ltd.	Taipei, Taiwan	Sales of pharmaceuticals in Taiwan

## Our Performance Data

			2004	2005	2006
Social area	Full-time employees (consolidated) <sup>1)</sup>	Chugai Group	5,327	5,357	5,962
	Full-time employees (non-consolidated) <sup>1)</sup>	Chugai	4,713	4,821	5,156
	Number of persons employed (new graduates + mid-carrer personnel) <sup>1)</sup>	Chugai	155	341	499
	Number of the board members: Directors <sup>1) 2)</sup>	Chugai	11(5)	12(6)	13(7)
	Auditors <sup>1) 2)</sup>	Chugai	4(2)	4(2)	4(2)
	Average age <sup>1)</sup>	Chugai	38years10months	39years	38years6months
	Average service years <sup>1)</sup>	Chugai	14years11months	14years9months	14years1month
	Rate of employees with disabilities <sup>3)</sup>	Chugai	1.93%	1.74%	1.95%
	Number of employees who participated in training (cumulative)	Chugai	11,117	24,644	26,333
	Number of hours spent on training (cumulative)	Chugai	336,297	472,894	1,135,586
	Total cost of training	Chugai	9.00million yen	12.00million yen	17.00million yen
	Number of employees who take a maternity leave	Chugai	24	26	28
	Number of employees who take a family-care leave	Chugai	1	1	2
	Number of employees who use a volunteer leave system	Chugai	2	1	0
	Number of employees who take a volunteer holiday	Chugai	1	6	2
	Number of mental health lecture meetings by the industrial physician	Chugai	11	4	2
	Number of inquiry to the drug information center	Chugai	36,084	44,571	52,781
	Number of investors' meetings	Chugai	9	9	8
	Number of overseas investors which were visited on a road show	Chugai	40	54	66
	Number of study sessions for media	Chugai	8	7	12
	Number of Shareholders <sup>1)</sup>	Chugai	23,278	50,356	45,464
	Number of outstanding shares <sup>1)</sup>	Chugai	555,004,964	558,655,824	559,493,113
	Rate of the number of shares which non-Japanese own <sup>1)</sup>	Chugai	75.57%	73.60%	70.28%
	Rate of "individual /other" shareholders <sup>1)</sup>	Chugai	7.05%	8.44%	6.97%
	Occupational injury frequency rate	Chugai	2.72%	1.40%	0.75%
	Occupational injury strength rate	Chugai	0.004%	0.0005%	0.004%

Occupational injury frequency rate=casualty by the industrial accident × 1,000,000 / total working hours

Occupational injury strength rate= ( lost working days / total working hours ) × 1,000

1 ) Indicates figures as of the end of December.

2 ) Number in parentheses refer to non-executive members.

3 ) Indicates figures as of the end of June

Unit:Million of yen

			2004	2005	2006
Economic area	Net sales	Chugai Group	294,670	327,155	326,109
	Research and development expences <sup>4)</sup>	Chugai Group	48,165	50,058	54,609
	Operating income	Chugai Group	51,497	79,168	58,347
	Net income	Chugai Group	34,117	53,632	38,417
	Income taxes (including deferred income taxes) <sup>5)</sup>	Chugai Group	22,339	31,214	22,874
	Annual dividends <sup>6)</sup>	Chugai	12,021	11,558	18,821
	Total net asset <sup>7)</sup>	Chugai Group	320,846	368,306	391,604
	Donations (non-consolidated) <sup>8)</sup>	Chugai	1,785	2,293	1,977

4 ) Chugai maintains its R&D expenditure at a high level to supply and develop innovative and reliable pharmaceutical products continuously.

5 ) Chugai recorded the corporation tax of 22,874 million yen in 2006.

6 ) Chugai paid 18,821 million yen in dividends to stock holders in 2006.

7 ) Shareholder's equity was indicated in 2004 and 2005.

8 ) The donation figures are extracted in the viewpoint of CSR.

## Environmental Performance Data

### 1. Annual Energy Consumption and Carbon Dioxide Emissions

	FY 1990	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Electricity (10,000 kwh)	6,371	8,809	9,560	10,509	10,588	10,717	10,931
Heavy oil (kL)	6,081	3,633	3,554	2,956	3,263	3,438	2,605
Kerosene (kL)	1,962	883	830	789	753	533	115
Gasoline (kL)	10	27	25	2,319	2,447	2,344	2,772
City gas (km <sup>3</sup> )	3,224	7,074	7,047	7,023	7,329	10,503	12,614
LNG (tons)	-	-	-	-	265	755	807
LPG (tons)	8	710	1,660	2,688	2,952	1,162	27
CO <sub>2</sub> Emissions (tons)* <sup>1</sup>	52,295	62,450	67,733	77,960	81,449	84,259	83,946

From fiscal 2003 onward, the data include energy consumption by the Head Office, offices in the Head Office area, and branches.

Electric power is converted into carbon dioxide emissions based on the guidelines for calculating business greenhouse-gas emissions (draft version 1.6, July 2003) issued by the Ministry of the Environment's Global Environment Bureau.

\* 1: The entire energy consumption is converted into carbon dioxide emissions.

### 2. Fiscal 2006 Energy Consumption by Site or Facility

	Ukima Site	Fujieda Plant of CPMC* <sup>2</sup>	Utsunomiya Plant of CPMC	Kamakura Site	Fuji Gotemba Research Laboratory	CMS Suwa* <sup>3</sup>	Chugai Distribution	Head Office & branches
Electricity (10,000 kwh)	3,164	820	2,408	2,011	1,583	100	139	706
Heavy oil (kL)	-	10	224	-	2,364	7	-	-
Kerosene (kL)	-	-	-	-	-	91	24	-
Gasoline (kL)	-	2	-	-	5	6	0	2,759
City gas (km <sup>3</sup> )	4,484	-	4,781	3,332	-	-	-	17
LNG (tons)	-	807	-	-	-	-	-	-
LPG (tons)	0	-	8	-	18	0	-	-

\* 2: CPMC: It is an abbreviation for Chugai Pharma Manufacturing Co., Ltd.

\* 3: CMS Suwa is an abbreviation for the Suwa Branch of Chugai Research Institute for Medical Science, Inc.

### 3. Annual Waste Generation

	FY 1990	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Generation (tons)	34,325	16,914	11,585	13,050	11,224	20,220	8,757
Disposal (tons)	4,953	2,029	1,623	3,130	527	895	709
Final disposal at landfills (tons)	2,811	1,083	657	330	129	103	69
Recycling (tons)	3,112	4,075	3,237	4,280	3,553	5,916	2,726
Recycling ratio* <sup>4</sup> (%)	38.6	66.7	66.6	57.8	87.1	86.9	79.4
Final disposal ratio* <sup>5</sup> (%)	8.2	6.4	5.7	2.5	1.1	0.5	0.8

\* 4: Recycling ratio = the volume of recycled waste/(the volume of disposed waste + the volume of recycled waste)

\* 5: Final disposal ratio = the final volume of landfilled waste/the volume of generated waste

### 4. Fiscal 2006 Waste Generation by Waste Type

Unit: tons

	Ash	Sludge	Waste oils	Waste acids	Waste alkalis	Waste plastics	Waste metals	Waste glass& ceramics	Others	General waste
Generation	699	5,869	1,195	6	2	318	222	27	268	151
Disposal	-	129	359	4	1	26	1	12	105	71
Final disposal at landfills	-	26	-	-	-	3	1	12	13	14
Recycling	699	802	453	2	1	292	221	15	163	80

### 5. Handled Amounts of Chemical Substances covered by the PRTR Law

Unit: tons

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Pyridine	782.5	550.8	589.2	466.0	795.1	867.5
Formaldehyde	0.2	0.3	0.2	0.0	0.9	0.5
Acetonitrile	7.8	8.5	6.8	6.8	6.9	9.9
2-Aminoethanol	4.2	4.6	3.7	4.7	3.7	5.8
Chloroform	1.2	1.0	1.4	0.2	0.5	0.3
Dichloromethane	2.3	4.3	6.6	5.3	7.9	3.8
Toluene	3.8	7.7	0.8	0.8	6.2	4.0
N, N-Dimethylformamide	0.9	1.8	0.1	0.1	1.3	1.0
Dioxin (mg-TEQ/year)	3.0	4.4	5.4	4.1	6.2	2.0

### 6. Fiscal 2006 Water Consumption and Wastewater by Site or Facility

Unit: tons

	Ukima Site	Fujieda Plant of CPMC	Utsunomiya Plant of CPMC	Kamakura Site	Fuji Gotemba Research Laboratory	CMS Suwa	Total
City water	66,618	18,668	66,088	109,263	27,829	19,998	308,464
Well water	-	974,760	-	-	-	-	974,760
Industrial water	137,117	-	300,436	-	188,410	-	625,963
Total water consumption	203,735	993,428	366,524	109,263	216,239	19,998	1,909,187
Wastewater	187,338	931,309	275,123	59,806	140,269	12,210	1,606,055
Total BOD (kg/year)	502	2,668	345	1,955	24	-	5,494

## Chugai Pharmaceutical Awarded Business Ethics Effort Prize

In fiscal 2006, Japan's Business Ethics Research Center (BERC) awarded Chugai Pharmaceutical the Business Ethics Effort Prize (Symbiotic Special Prize). Established under the auspices of top companies such as Toyota Motor Corporation, Matsushita Electric Industrial Co., Ltd., and Tokyo Electric Power Company, BERC is a group composed of 99 member companies that all support the establishment and practice of business ethics.

The Business Ethics Effort Prize is a unique award system focused on the evaluation of business ethics and CSR initiatives among BERC member companies. Fiscal 2006 was the third time the prize was awarded. The examination process—which takes more than two months—is very rigorous, including self-assessments, assessments by other companies, advisor assessments, top management interviews, and an overall evaluation by a board of judges.

Chugai Pharmaceutical addressed business ethics, held internal training sessions on its Mission Statement, and established and put into practice the Chugai Business Conduct Guidelines. Chugai also launched a unique community contribution program in the form of academic-industrial cooperation with Kanto Gakuin University. All of these points were very favorably assessed, helping Chugai to win the award.

Chugai is the first pharmaceutical company to receive this award. The company recognizes that continuous effort is required to develop a solid track record in business ethics and CSR, and is firmly resolved to pursue further progress in these areas. Only by doing so will Chugai always remain worthy of its Business Ethics Effort Prize.



Award ceremony at the International House of Japan,  
November 15, 2006






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