

## Corporate Social Responsibility Report



CHUGAI PHARMACEUTICAL CO., LTD.



# Contents

## PART 1 Sharing Our Story

- 2 Message from the President
- 4 Highlight 1 The Safety of Tamiflu, and Future Initiatives
- 6 Highlight 2 Global Warming Countermeasures
- 8 Mission Statement, Chugai Business Conduct Guidelines and CSR Initiatives
- 10 System for Promoting Social Responsibility

## PART 2 Responsible to People

- 15 Approaches to Our Stakeholders
- 16 Initiatives for Patients and Consumers
- 21 Working with Shareholders and Investors
- 22 Working with Business Partners
- 23 Working with Communities
- 24 Working with Employees

## PART 3 Caring for the Earth

- 28 Basic Position on Environmental Protection and Safety
- 29 Environmental and Safety Management
- 30 Action Plans and Performance
- 32 Material Flow / Environmental Accounting
- 33 CO<sub>2</sub> Emissions and Measures for Reduction
- 34 Waste Reduction
- 35 Chemical Substance Management / Soil Contamination Countermeasures
- 36 Environmental Education, Awareness Building, and Communication

## PART 4 Our Performance

- 38 Chugai Corporate Overview
- 39 Social and Economic Areas
- 40 Environmental Area

## Editorial Policy

This report presents the Chugai Group's approach to corporate social responsibility (CSR) and details the Group's initiatives to meet or exceed social expectations. It describes Group-wide commitments such as Chugai's Mission Statement and its corporate governance practices, and provides information about what the Group did to benefit its various stakeholders and protect the environment in 2007. Readers are cordially invited to provide feedback and opinions.

### Scope of this report

This report primarily presents data on the Chugai Group (Chugai Pharmaceutical Co., Ltd., and its consolidated subsidiaries in and outside Japan). In places, it also gives data specifically on Chugai Pharmaceutical Co., Ltd.

### Timeframe covered

January 1, 2007 to December 31, 2007

### Reference guidelines

The contents of this report refer to the *Environmental Reporting Guidelines* (Fiscal Year 2007 Edition) of Japan's Ministry of the Environment, and the 2006 *Sustainability Reporting Guidelines* of the Global Reporting Initiative (GRI).

### Issue dates (English version)

CSR '07: June 2008

CSR '06 (previous issue): June 2007

CSR '08 (next issue): June 2009 (scheduled)

### Previous reports

Visit us online at: <http://www.chugai-pharm.co.jp/english/corporate/csr/index.html>

### Inquiries:

Corporate Social Responsibility Department

Chugai Pharmaceutical Co., Ltd.

E-mail: [csr@chugai-pharm.co.jp](mailto:csr@chugai-pharm.co.jp)

Fax: +81-3-3273-4909

## Dedicated to better medicine for human health worldwide



Utsunomiya Plant



Fujieda Plant



Fuji Gotemba Research Laboratory



Head Office

### 2 Message from the President

### 4 Highlight 1 The Safety of Tamiflu, and Future Initiatives

Understanding influenza  
About Tamiflu  
2007 initiatives  
Future initiatives

### 6 Highlight 2 Global Warming Countermeasures

Measures to reduce CO<sub>2</sub> emissions  
Encouraging individual employees to participate in the Chugai Eco-challenge

### 8 Mission Statement, Chugai Business Conduct Guidelines and CSR Initiatives

Taking a principled approach to CSR initiatives  
CSR Initiatives and performance in 2007

### 10 System for Promoting Social Responsibility

Chugai's Basic View of Corporate Governance  
Audit System  
Internal Control over Financial Reporting  
Committed to Compliance  
Risk Management System  
System for Promoting Social Responsibility  
Conduct of Clinical Trials  
Chugai's View of Animal Welfare  
Respecting Human Rights



## Determined to help realize a sustainable world

The Chugai Group'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. We are determined to contribute to the sustainable development of societies worldwide by conducting ourselves with integrity and meeting the diverse demands and expectations of stakeholders. This determination informs everything we do.

### Benefiting the medical community and human health around the world

The year 2007 was the final year of the first half of our mid-term business plan, "Sunrise 2010."\* It was a critical year for our transition into a period of high growth. Of particular note, applications were prepared by Chugai and F. Hoffmann-La Roche Ltd. and submitted for Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) as a rheumatoid arthritis treatment in Europe and the United States. We expect Actemra, created by Chugai in collaboration with Osaka University to become a major global product. We also launched three new products in Japan: Copegus, an antiviral drug for chronic hepatitis C; Avastin, an anti-cancer agent for colorectal cancer; and Tarceva, an anti-cancer agent for non-small-cell lung cancer. I am certain that these innovative products, all of which expand the options for new treatments in healthcare, can effectively meet medical needs that have yet to be adequately satisfied. We are looking forward to seeing these pharmaceuticals, coupled with advances in medical treatment, make significant contributions to the health of people and the development of societies around the globe. While pursuing these contributions, we understand how important it is to ensure that our safety information management system meets global standards to ensure the safe use of these products. Chugai will continue to carefully promote the proper use of these pharmaceuticals by conducting post-marketing surveillance.

Also in 2007, the media took up the question of whether or not there was a causal relationship between the anti-influenza drug Tamiflu and certain neuropsychiatric symptoms. We are confident that Tamiflu can and should play an important role in the treatment of influenza. At the same time, however, we recognize the need to provide adequate scientific evidence to address social concerns about whether there is such a causal relationship. We are doing our utmost to resolve any and all outstanding concerns. See pages 4 and 5 for more details on our efforts.

\* Mid-term business plan "Sunrise 2010": As of 2008, the final year of the mid-term business plan has been changed to 2012, and the plan is now called "Sunrise 2012."

## Developing distinctive initiatives to make a difference in society

The Chugai Group is having a positive impact in the fields of healthcare, welfare, and education, as well as in the local communities where we operate, by undertaking distinctive initiatives in the areas of social contribution, corporate ethics, and environmental protection.

In the fields of healthcare and welfare, we held a total of 22 activities in 2007 to benefit the public in 14 prefectures across Japan. These activities included civic symposiums and open lectures to educate the public about disease prevention and treatment and charity events sponsored together with cancer patient groups. We also donated vans equipped with lifts to social welfare facilities in five locations around Japan to provide a means of transportation to elderly persons receiving care at home, and persons with physical disabilities. This year marks the 23rd year of these annual donations, which we started in 1985. The total number of vehicles donated so far has reached 168.

In the areas of education and the local community, Chugai has set up a permanent exhibition that gives visitors a clear introduction to cancer, biotechnology, and medical drugs, entitled Dr. Kitanomaru's Bio Pharmaceutical Laboratory, at the Japan Science Foundation's Science Museum in Tokyo. Among other things, this exhibit is designed to foster greater interest in science among children. We have also been active in and around our facilities, working to benefit the communities where we operate such as by holding community cleanups and inviting neighborhood residents to interactive briefings about our business activities.

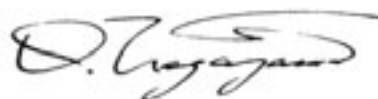
In the area of corporate ethics, we held repeated training sessions in 2007 on corporate ethics, human rights, and compliance issues to ensure that each and every employee working at the Chugai Group is prepared to act with transparency, fairness, and high ethical standards. We also continued to take steps to build a vibrant workplace environment where every employee can enjoy personal and professional growth, and to promote diversity and greater acceptance of diverse work styles.

Environmental issues took on even greater urgency in 2008, as the commitment period under the Kyoto Protocol finally got underway. The Chugai Group has set a goal of limiting Group-wide CO<sub>2</sub> emissions to the fiscal 2003 level by the end of 2012, and is rolling out various programs to make this happen. We are also closely watching the international debate on a post-Kyoto protocol for the period starting in 2013 and the targets that have been proposed for 2050. With our action plans in mind, our first priority at this time, however, is an all-out effort to achieve our own 2012 goal to ensure that our CO<sub>2</sub> emissions level is socially responsible. Examples include the installation of a cogeneration system that utilizes waste heat from in-house power generation at a plant; adding even more hybrids to our fleet of sales vehicles used by medical representatives (MRs); and using green power at the Head Office.

We also conducted the Employee Survey on CSR and the Business Conduct Guidelines to assess all employees' awareness of and commitment to all the socially responsible initiatives I have just described. The results help us to identify current roadblocks and design new ways to spur progress.

## Committed to listening

The environment in which companies do business has changed rather dramatically in recent years. One of the most compelling changes has been the broader role that individual companies are expected to fulfill, for instance, making a significant contribution to protecting the Earth's natural environment. Our goal is that the diverse expectations and demands of all of our stakeholders around the world would guide our decision-making processes. This is the path we will take to ensure that our company helps to build a sustainable world.



**Osamu Nagayama**  
Representative Director  
President, CEO, and COO  
Chugai Pharmaceutical Co., Ltd.

# The Safety of Tamiflu and Future Initiatives

## Understanding influenza

Influenza is an infectious disease caused by the influenza virus. There are three varieties of influenza virus: type A, type B and type C. The size of the virus is about 1/100th of a millimeter. The type A influenza virus can infect chickens, geese and other poultry, wild birds, horses, pigs and other mammals including humans. Most human infection is type A or type B.

While the common cold and influenza somewhat resemble each other, they are completely different diseases. The common cold is caused by infection with rhinovirus, coronavirus, and other similar viruses. Symptoms often include sore throat, runny nose, and a cough, but there are usually no systemic symptoms. Fever is not as high as with influenza and a cold usually does not become as severe as influenza. Another important difference is that influenza can spread very rapidly once an outbreak begins, infecting a large number of people from infants to the elderly.

In infants, older adults, and persons with underlying medical conditions, influenza can occur together with bronchitis, pneumonia, and other illnesses; can trigger the worsening of underlying conditions; and can even result in death in the worst-case scenario. In a major influenza outbreak, the mortality rate among older adults during the outbreak increases, compared to years with smaller outbreaks. It is very important for older persons to take sufficient precautions against influenza.

Vaccination is effective for preventing influenza. Doctors recommend getting an vaccine shot by November, before the influenza season begins. Proper prevention measures, including vaccination, are described below.

### 1. Get vaccinated before the influenza season

Influenza vaccination is reported to be effective in preventing the development of severe infections. Vaccination rate in Japan is increasing year by year.

### 2. Wash your hands and gargle after returning home

This is an effective means of physically removing influenza viruses that have stuck to the hands or mucous membranes.

### 3. Maintain appropriate humidity

The defensive function of the membranes in the throat decreases when the air is dry, making it easier to contract influenza. Using a humidifier or other means to maintain sufficient humidity (50-60%), especially in rooms that become dry easily, is effective in helping to prevent influenza.

### 4. Get adequate rest and nutrition

It is important to get adequate rest and nutrition on a daily basis to strengthen the body's immune defenses.

### 5. Refrain from going out into crowds and busy areas, and wear a mask when going out

When an influenza outbreak is taking place, refraining from going out into crowds and busy areas, and wearing a mask if you must go out, are effective in helping to prevent influenza, especially for older persons, people with chronic diseases, and

those who are fatigued or sleep-deprived.

## About Tamiflu

Tamiflu capsule was launched in Japan in February 2001. In July 2002, the launch of a dry syrup formulation expanded the indicated age range from 15-years and older to 1 year old and above. In July 2004, Tamiflu was approved for limited prophylactic use. Tamiflu has been prescribed to approximately 50 million people worldwide and has been welcomed as an influenza treatment since Roche put it on the market in 1999. In Japan, it is estimated that Tamiflu has been prescribed to nearly 36 million people following the widespread adoption of rapid diagnosis kits.

When a person becomes infected with the influenza virus, the virus multiplies and the infection spreads within the body. Tamiflu does not inhibit the process of viral multiplication; rather, it acts to confine new viruses by stopping them from spreading freely around the body.

It is highly recommended to start treatment with Tamiflu within 48 hours of becoming aware of fever or other influenza symptoms. The period of fever is shortened by one to two days and the amount of viral release is decreased by starting to take Tamiflu at the appropriate time.

In recent years, a highly virulent form of avian influenza, which kills nearly all infected chickens, has broken out, mainly in Asia. Deaths of humans infected with this influenza strain



have also been reported. There is concern that this avian influenza virus will mutate into a new influenza virus that can spread from person to person, triggering an influenza pandemic. The Ministry of Health, Labor and Welfare (MHLW) has issued public risk estimates of the destruction that could be caused by such a new influenza strain, saying it could affect approximately 25% of Japan's population, resulting in the hospitalization of between 530,000 and 2 million people, and the deaths of 170,000 to 640,000 people. The World Health Organization (WHO) has recommended that nations stockpile antiviral medicines as one measure to minimize the public health threat posed by such a new influenza virus. Several nations have been building reserves of Tamiflu. In Japan, the national and prefectural governments together have already stockpiled enough Tamiflu for about 240 million people. In this way, Tamiflu has been given a major role in the line of defense against a potentially deadly new influenza virus.

## 2007 initiatives

### 1. The safety of Tamiflu

There have been questions regarding the safety of Tamiflu, and Chugai Pharmaceutical spent the year 2007 addressing them.

There have been several deaths reported as a result of falling from high places and other abnormal behavior among teenage patients who had taken Tamiflu. In response, on March 22, 2007, Chugai put out an emergency safety bulletin in accordance with instructions from the MHLW. While no causal relationship has been established between Tamiflu and falls or deaths due to abnormal behavior, the company revised the package insert as a preventive measure and reminded medical institutions to exercise caution and refrain from administering Tamiflu to teenage patients as a general rule.

The reasons given for refraining from administering Tamiflu to teenage patients were:

- (1) There were five cases of death as a result of abnormal behavior among persons taking Tamiflu. All five cases involved teenagers (12-17 years old).
- (2) The number of deaths due to influenza is lower among teenagers than among children up to nine years old, suggesting that teenagers generally have stronger immune defenses. Accordingly, the prescription of Tamiflu is thought not to be absolutely necessary, except for high-risk patients with complications and a previous history.

Since March 2007, Chugai has stepped up its efforts in conducting follow-up studies on cases of side effects and in notifying medical institutions to exercise caution. Moreover, the company has been conducting new non-clinical and clinical studies and making a thorough effort to gather safety information and data, based on discussions held by the MHLW's Safety Measures Committee and its Working Group held since April 4 of that year.

As of the end of 2007, there have been no findings that indicate a causal association between Tamiflu and abnormal behavior.

### 2. Other actions

Chugai is making an effort to educate the public by providing correct knowledge about influenza through a Japanese-language website it operates, the Influenza Information Service (<http://influenza.elan.ne.jp>). The site provides information in specific categories such as Measures against Influenza for Mothers and Children, Measures against Influenza for Older Persons, Measures against Influenza for Students Preparing for Entrance Examinations, and Measures against Influenza for People Who Work Without Being Able to Take a Break. Readers may request influenza-related material free of

charge. The site also includes emergency medical information and allows users to look up contact information when they need to have an unexpected medical examination at night or on holidays. Readers can also check the status of influenza outbreaks in municipalities throughout Japan.

On December 20, 2007, the company held a seminar for the media at which it presented the safety initiatives of Chugai and Roche and provided the latest information on Tamiflu.

## Future initiatives

Chugai is committed to medicinal safety, and will continue to do its utmost to probe scientifically to determine if there is any causal relationship between Tamiflu and abnormal behavior. As always, the company will cooperate closely with the MHLW and Roche. It will continue to study the penetration of Tamiflu into the brain and its effects on sleep and provide prompt reports to the MHLW.

Meanwhile, it is important to note that the results of several epidemiologic studies conducted up to 2007 have shown that abnormal behavior has also occurred in influenza patients who have not taken Tamiflu. Accordingly Chugai recommends that parents or guardians watch carefully over any minor who has contracted influenza. The company is providing documentation to medical institutions to help ensure that influenza patients and their families will be aware of this important point.

Chugai will continue to provide safety data as well as data on the relationship between Tamiflu and the emergence of resistant viruses, and data needed to prescribe Tamiflu in the event of an outbreak of a pandemic caused by a new influenza virus.

# Global Warming Countermeasures

## Measures to reduce CO<sub>2</sub> emissions

Chugai is well aware of the urgency of tackling global warming and is working to reduce CO<sub>2</sub> emissions in several ways Group-wide.

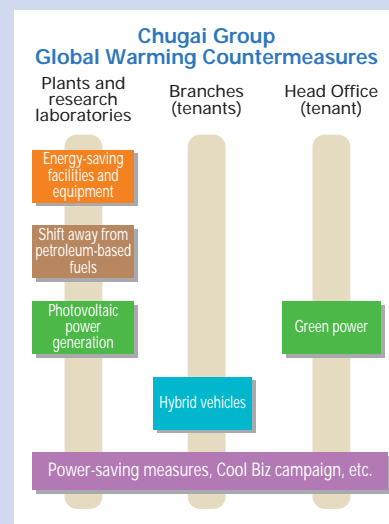
Pharmaceutical companies are entrusted by society with the tasks of developing and providing a stable supply of useful, high-quality pharmaceuticals. This cannot be accomplished without expending a certain amount of energy, particularly at research laboratories and plants. Following the merger that took place in 2002, Chugai has been expanding its facilities, adding equipment, and increasing production. This growth has driven up overall CO<sub>2</sub> emissions (see page 33), which is expected to make it difficult to achieve the Group-wide goal for CO<sub>2</sub> emissions reduction by the end of 2012.

Under the circumstances, Chugai is working hard to minimize CO<sub>2</sub> emissions. Its energy-saving initiatives include: (1) proactively adopting energy-saving facilities and equipment; (2) shifting away from petroleum-based fuels, such as switching from heavy oil to natural gas, which emits less CO<sub>2</sub>; and (3) implementing power-saving measures and joining Japan's Cool Biz campaign, with one site implementing Warm Biz as well. Chugai has been actively formulating measures to reduce CO<sub>2</sub> emissions since 2003, when its CO<sub>2</sub> Emissions Reduction Project was launched.

Generally, a large amount of investment must be made in facilities and equipment to implement such measures. Taking into account the triple bottom line---environmental, social, and economic performance---Chugai is not only putting new energy-saving facilities and equipment in place, but is also

increasing the percentage of hybrid vehicles in the sales fleet and using green power (see page 33 for details).

With a view to fulfilling the Chugai Group's social responsibility, the Group will continue to review and develop measures for combating global warming, and will work hard to put them into action.



## Message from the Deputy President

The Chugai Group is working hard to combat global warming. We feel our responsibility to help solve global environmental issues even more keenly today, and consider this a core part of our social responsibility. All of us alive today must act to protect our irreplaceable Earth and do everything we can to avoid leaving a troubling legacy for the children of the future. The need for each one of us to act with wholehearted concern for the environment has never been greater.

### Motoo Ueno

Representative Director  
Deputy President, Corporate Social Responsibility





## Encouraging individual employees to participate in the Chugai Eco-Challenge

The time has come for every individual to work to reduce emissions of CO<sub>2</sub> and waste in order to protect the global environment for the future. The Chugai Group held a campaign entitled Chugai Eco-Challenge 2007 from June to September 2007 to increase environmental concern and encourage all employees to take eco-action at home and in the workplace. Five of these initiatives are introduced below.

### 1. Uchi-eco \*

This is an energy and resource saving activity that makes use of a checklist. The checklist includes items such as, "Unplug appliances not being used." This activity helped reduce the generation of waste and the consumption of electricity, gas, and water both at home and in the office.

\* In Japanese, uchi means "home" or "my own."

### 2. Eco-pic (nature discovery photo gallery)

An in-house call was made for photos of the immediate natural environment in an effort to foster feelings of

environmental concern through the rediscovery of nature. During the campaign period, 42 photos were submitted.

### 3. Our House's Small Eco Bulletin Board

This is a forum for introducing eco-action being undertaken by individuals. A total of 42 eco ideas were posted to the e-bulletin board including, "eat in-season vegetables," "use public transportation," and "plug in the water heater only when needed."

### 4. Environmental volunteering

Employees were asked to report on their volunteer activities during the event period. 65 people reported having participated in environment-related volunteer activities such as clean-ups.



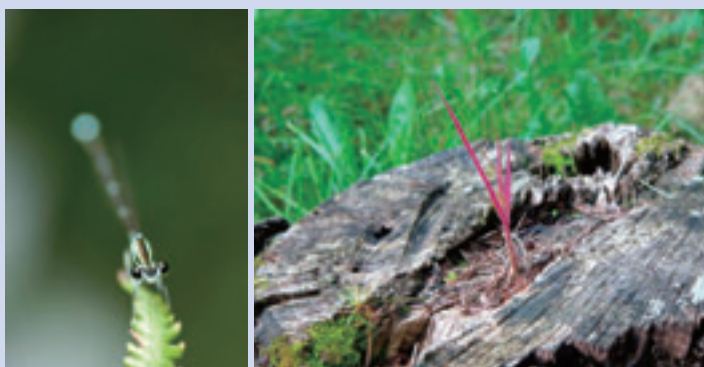
Coastal clean-up using sea kayaks in the town of Minami-izu, Japan.

### 5. Chugai Eco-kids

The Kids ISO 14000 Program \* 1 was brought to 96 fifth- and sixth-grade children of employees of the Chugai Group. Appointed by the president as *Chugai child environmental officers*, the children established strategies to reduce the consumption of electricity, gas, and water and the generation of waste at their homes, and played a key role in promoting environmental protection as leaders in their families.

The Chugai Eco-kids program demonstrated that a large impact is possible when all the families that participated in the program continue their energy-saving strategies for one year (see table).

The individual's mindset is the critical change factor when it comes to protecting the environment. The Chugai Group will continue to expand its initiatives to protect the global environment, starting with the individual, and moving out from there in ever greater circles of influence.



Natural environment photos taken by employees

### Effect of Continuing Energy-Saving Strategies for One Year

	Annual reduction		Corresponding value (from ArTech)	CO <sub>2</sub> equivalency*2
Electricity	25,454 kWh	=	6,366 L of heavy oil	9,927 kg
Gas	4,993 m <sup>3</sup>	=	2,390 hours in the shower	10,485 kg
Water	2,757 m <sup>3</sup>	=	3,957 baths	993 kg
Waste	10,037 kg	=	451,691 yen in tax for treatment	3,413 kg

\* 1. The "Kids' ISO 14000 Program", an environmental education program for children, has been developed and operated by International Art and Technology Cooperation Organization (ArTech, NGO/NPO). For more information, please visit <http://www.artech.or.jp/english/kids/envedu/index.html>

\* 2. Emissions calculated using "Table of Emission Factors for Calculating Carbon Dioxide Emissions from Households," Ministry of the Environment, Japan, taken from the website of the Japan Center for Climate Change Actions (JCCCA).

## Taking a principled approach to CSR initiatives fulfilling the Chugai Mission

The Chugai Group conducts all of its operations based on its Mission Statement---which consists 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 diverse expectations of all its stakeholders.

### Mission Statement

#### 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

The primary focus of all our activities is patients and consumers.  
In all our activities we are committed to the highest ethical and moral standards.  
We value employees who develop profound expertise and broad perspectives and pursue innovation and challenges without fear of failure.  
Wherever we operate around the world we seek to understand and respect people and cultures and to behave as good corporate citizens.  
We promote an open and active corporate culture that respects individuality, ability and teamwork.  
We care about the global environment.  
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.

### Chugai Business Conduct Guidelines

#### Responsibility to Patients and Consumers

We will always put the patient and the consumer first, and provide high-quality products and services of superior safety and efficacy.

#### Strict Adherence to the Law

In all our business activities, we will strictly adhere to all laws and their underlying principles.

#### Respect for Humanity

We will respect human rights in every aspect of our business activities.

#### Fair Trade

We will engage in fair and transparent transactions with medical institutions

and organizations, suppliers and customers.

#### Management of Corporate Assets

We will achieve our management objectives through the optimal and appropriate management and use of corporate assets.

#### Disclosure of Information

We will actively and fairly disclose corporate information in accordance with both legal requirements and the principles of social justice.

#### Social Contribution

We will remain aware of our responsibility as a good corporate citizen

and actively continue with our social action program.

#### Protection of the Global Environment

We will do our best to protect the environment by conducting all our business activities in accordance with the Chugai Environmental Charter. Relations with Governmental and Administrative Bodies  
We will maintain fair and transparent relations with policymakers and administrative bodies.

#### Relations with External Bodies

We will maintain fair and transparent relations, within reason, with external bodies.

## CSR activities

Items	Main initiatives	Main performance indicators in 2007	Reference page(s)
<b>Patients and consumers</b>	Pursuing the development and provision of innovative pharmaceuticals	Launched Copegus, Avastin and Tarceva	16
	Activities to build awareness of disease in priority fields	R&D expenses/sales: 15.7% (Chugai Group)	39
	Support for developing countries	Cumulative number of countries receiving free therapeutic drugs for treating children with lymphangioma: 67 (program in its 17th year)	16
	Welfare initiatives for the elderly and people with disabilities	Disease awareness activities and cosponsored events held: 22	17
	Responding to inquiries and disclosing information	AIDS Walk fundraising: 3,541 employees raised ¥1.77 million	18
		Recipients of vans equipped with lifts to provide transportation for home welfare services: 5 (total of 168 vans over 22 years)	18
<b>Highest ethical and moral standards</b>		Customer inquiries answered by Chugai's Drug Information Center: 64,798 (includes telephone, e-mail and fax inquiries)	19
	Inculcating high ethical standards through Training on the Business Conduct Guidelines	BCG training attendees: 10,725 (includes repeat attendees; Chugai Group in Japan)	26
	Continuous efforts to build human rights awareness	Company human rights training attendees: 4,363 (includes repeat attendees; Chugai Group in Japan)	13
	Maintaining high animal welfare standards in accordance with international guidelines	Acquisition of AAALAC International certification	13
	Fair trade with suppliers and customers	Education and training for people who perform animal experiments: 58 sessions attended by 624 people	13
	Promoting compliance with the Pharmaceutical Affairs Law, fair competition codes, promotion codes, and other laws and regulations	CSR training provided for mid-career employees: 7 sessions attended by 286 people	26
<b>Shareholders and investors</b>		State of ethical and legal compliance survey within the Sales Division: 254 organizations, held twice	
		Employee survey on CSR and the BCG : 5,621 participants	26
	Unbiased and highly transparent disclosure of information	Briefings for the media and investors: 20	21, 39
	Holding frequent dialogues with investors in and outside Japan	Responses made to individual requests for information, such as by securities analysts: 210	
	Holding general meetings of shareholders and shareholder receptions	Institutional investors outside Japan visited in person by top executives: 64	21, 39
	Realizing steady dividend payments	General meeting of shareholders and shareholders' reception: 470 participants at the Palace Hotel Tokyo on March 23, 2007	21
<b>Communities</b>		Return on equity (ROE): 10.4% (Chugai Group)	
		Dividend per share: ¥30 (annual)	
	Holding charity events to contribute to local communities	Special sponsorship of a charity event: "Hamakko Jazz Club Terumasa Hino Workshop Vol. 2" (December 16, 2007 in Yokohama, Japan)	17
	Nurturing the next-generation of individuals who will carry science and technology forward	Video presentations given at Dr. Kitanomaru's Bio Pharmaceutical Laboratory exhibit: 26,938 (January-December, 2007)	23
	Supporting the Training Program for Educators at Private Companies	Educators accepted from the Training Program for Educators at Private Companies: 5	23
	Supporting employee volunteer activities	Employees taking volunteer leave: 1	39
<b>Employees</b>		Public classes through Shizuoka Sangyo University	23
	Fostering human assets who are competent in the global arena	Program to nurture global management human assets; corporate program; division program; and self-development support program	
	Building a work environment that is motivating and fulfilling for every employee	Number of employees taking childcare leave: 37	24, 25, 39
	Building sound labor-management relations	Users of <i>wiwiw</i> (an online tool that supports employees who return to work after taking childcare leave): 24 (accumulative total)	24, 25, 39
	Creating safe, comfortable workplaces	Rate of employees with disabilities: 1.92% (as of the end of June 2007)	39
		Occupational injury frequency rate: 2.22	39
<b>Environmental protection</b>		Accidents resulting in absence from work: 3 (Chugai Group in Japan)	31
		Lost workdays resulting from occupational accidents: 6.5 (Chugai Group in Japan)	
	Promoting global warming countermeasures	CO <sub>2</sub> emissions compared with fiscal 2003: Up 14% (Chugai Group in Japan)	31, 33
	Pursuing resource conservation and waste reduction	Petroleum-based fuel usage: 5.8% (total for plants and research laboratories)	40
	Enhancing environmental awareness	Ratio of hybrid sales vehicles: 9.6%	31, 33
	Making environment-related contributions to local communities	Volume of waste generated compared with fiscal 1990: Down 92.9% (Chugai Group in Japan)	31, 34
<b>Environmental protection</b>	Disclosing environmental information	Final volume of landfill waste compared with fiscal 1990: Down 96.7% (Chugai Group in Japan)	31, 34
	Thoroughly managing chemical substances	Participants in environmental e-learning course: 779 (Chugai Group in Japan)	36

## System for Promoting Social Responsibility

**Clarifying responsibility for executing actions, 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 transparent management, quick decision-making and clear lines of authority.

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 its decision-making is conducted under the principles of autonomy and independence.

#### Board of Directors

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.

#### Executive Committee

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 seven main executive officers.

#### Board of Auditors

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, through their attendance at Board of Directors and Board of Auditors meetings and examining business reports from members of the Board.

#### International Advisory Council (IAC)

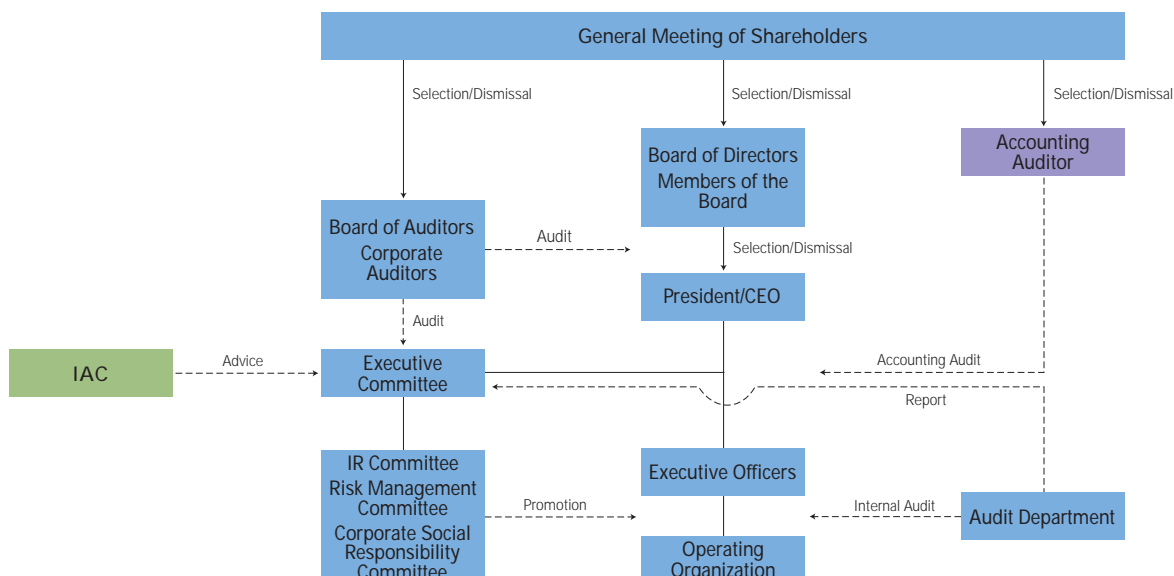
Chugai has also established an International Advisory Council (IAC) composed of specialists from both in and outside Japan. Chugai uses the IAC to bring a broader perspective and greater acuity to its decision-making, thus ensuring that the company will continue to respond effectively to the rapidly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

(Figures are as of the end of December 2007.)

### Audit System

The Audit Department performs internal audit operations as outlined below.

### Corporate Governance System



**Maintaining independence**

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. The audit results along with suggestions are reported to the Executive Committee, which approves the annual audit plans.

**Internal audit organization**

An Audit Department was set up to conduct audits of each organization's operations. It has a total of 11 staff members, including Certified Internal Auditors (CIA) and Certified Fraud Examiners (CFE).

**Cooperating with corporate auditors**

The Audit Department assists the full-time and part-time corporate auditors by explaining all internal audit results to the full-time corporate auditors, as well as by auditing the reports submitted to the Board of Auditors.

**Internal control self-assessment**

The Audit Department works with all departments once a year to conduct an internal control self-assessment process. This enhances awareness of internal controls among department heads and enables feedback to be provided to each department on improving internal controls.

**Internal Control over Financial Reporting**

In June 2006 the Executive Committee approved the launch of the Internal Control over Financial Reporting (ICFR) project. The key objectives of the Chugai ICFR project are to provide reasonable assurance of the reliability of the Chugai Group's financial reporting, and to comply with the new Japanese legal and regulatory requirements coming into effect by the end of 2009 (Financial Instruments and Exchange Law, or "J-SOX"). A project office has been steadily carrying out documentation, design effectiveness assessment and operating effectiveness testing under the ICFR project, to ensure that the Chugai Group will receive a good audit opinion from its external auditor at the end of 2009 and in the ensuing years.

**ICFR documentation**

Documentation of IT-related controls and business process controls (sales, procurement, and financial statement closing process etc.) is almost complete.

**ICFR Assessment**

Design effectiveness assessment under the ICFR project is almost complete, and Operating effectiveness testing is mostly done.

**Committed to Compliance**

Compliance rules have been put in place, and a Compliance Committee was established under the Risk Management Committee. Chugai is able to regularly ascertain the status of compliance Group-wide, while striving for thorough adherence to the law.

**Ascertaining compliance status**

The heads of all the organizations within the Chugai Group serve as compliance managers. The Group carries out monitoring for compliance managers with regard to Group-wide compliance matters. After ascertaining the status of Group-wide compliance each quarter, the results are discussed by the Compliance Committee, and then reported to top management twice a year.

**Ensuring compliance**

The compliance manager and others responsible for compliance in each organization strive to ensure that all laws are properly observed. If a suspected compliance issue arises, it is reported to the Risk Compliance Department and the department in charge of the legal issue involved. Suitable response measures are then taken.

**Risk Management System**

The Chugai Group has implemented risk management rules. Based on these rules, the Group has been implementing a systematic, continuous Group-wide risk management program. Specifically, it has established a Risk Management Committee for Group-wide risk management, headed by the officer in charge of general affairs and human resources, in addition to the Risk Compliance Department.

**Group-wide risk management survey**

Every year, Chugai takes proactive steps to avoid or mitigate risks that may significantly affect corporate activities by identifying potential risk factors and establishing management policies for each risk. This is followed by decisions made on how to avoid such risks before they materialize. Progress of risk management is reported each quarter to top management.

**Disaster response mechanism**

The disaster response mechanism calls for an emergency headquarters to be established with a general manager at the helm, to ensure a quick, appropriate response to any emergency.



## 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. The Corporate Social Responsibility Department plays a central role in ensuring that the BCG become basic practice throughout the Group. More agreeable workplace environments are being promoted through the establishment of multiple reporting and consultation channels, including corporate ethics promotion committee members and the BCG Hotline. Chugai is always working to be a company of integrity and trust.

### Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee meets twice a year. It drafts, discusses, and recommends policies, targets, and action plans relating to social responsibility for all the business activities of the Chugai Group.

### Corporate Ethics Promotion Committee

The Corporate Ethics Promotion Committee also meets twice a year, in principle, and its members come from each organization in the Chugai Group. The members receive the latest information and training on CSR, and exchange opinions. Then they go back to their respective workplaces and promote CSR activities.

## BCG Hotline

The BCG Hotline has been set up in-house to provide opportunities for consultation about any suspected violations of the law, company rules, and/or the BCG. The hotline was established with the aims of preventing future problems from occurring and creating even better workplace environments.

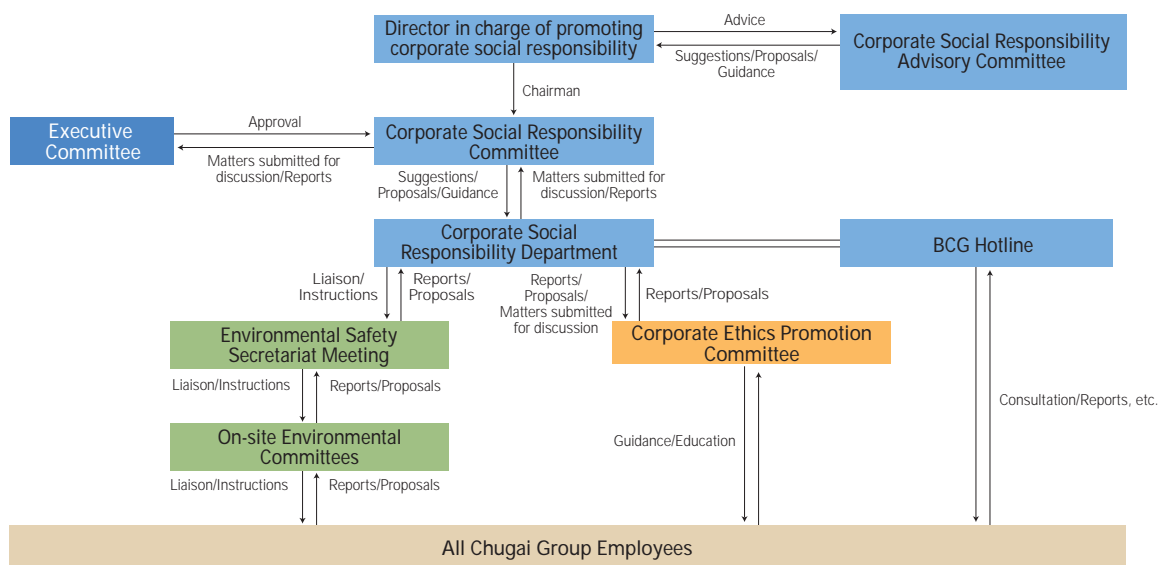
## Conduct of Clinical Trials

Clinical trials are essential for verifying the safety and efficacy of investigational products. Naturally, clinical trials must be performed with respect for the rights of trial subjects. Clinical trials are closely monitored for patient safety, following stringent scientific methodology based on the highest ethical standards. Chugai is committed to evaluating the real merit of investigational products using well-established, reputable testing procedures that comply with Japan's Pharmaceutical Affairs Law and other related legislation.

### Review of Clinical Trial Plan (Protocol)

Before the start of a proposed clinical trial, multiple departments within Chugai and independent reviewers check the protocol to ensure that it is ethically and scientifically sound. The protocol is then checked by a governmental regulatory agency, before being carefully examined by an Institutional

## Corporate Social Responsibility Promotion Structure



Review Board, which is composed of medical professionals and non-medical members at medical institutions. This board makes the final decision on whether or not to proceed with a given trial.

### Standard Operating Procedures

Clinical trials are undertaken in compliance with specific Standard Operating Procedures (SOPs) prepared and updated by Chugai. Chugai's SOPs comply with all applicable pharmaceutical laws and regulations.

### Safety Evaluation Committee

Whenever obtaining important information on safety of investigational products from clinical trials, Chugai promptly gathers the needed information, and then analyzes and deliberates on it in a Safety Evaluation Committee composed of medical and scientific experts including physicians. This ensures that patient welfare always remains the highest priority through the meticulous process of sharing information with regulating authorities and the medical institutions involved.

## Chugai's View of Animal Welfare

Research using laboratory animals to confirm the safety and efficacy of drugs is essential to the development of the pharmaceuticals that contribute dramatic improvements to human health. At the same time, this research must thoroughly comply with the 3R\* principles. In 1988, Chugai Pharmaceutical established guidelines on how to treat laboratory animals in research, 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, renaming it the "Institutional Animal Care and Use Committee". In addition to further clarifying the lines of responsibility within the company, nonaffiliated voting committee members were added to ensure the objectivity of research monitoring in animal testing from the perspective of the citizenry. At the same time an institutional qualification program was adopted 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.

These Chugai initiatives have been evaluated by AAALAC International,\*\* a global independent evaluation organization, and in 2007 the company obtained Full Accreditation as a result. Inspection by AAALAC International is repeated every three years, and Chugai will continue its tireless effort to ensure animal welfare.

## Respecting Human Rights

The Chugai Group recognizes the need for a corporate culture that values diversity, enables people to demonstrate their individuality, and encourages them to value themselves and others. 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, and which ultimately raises corporate productivity. Chugai firmly believes that when each person develops a better awareness of human rights within such a work environment, that individual's interaction with the broader society will also help eliminate social discrimination and infringements of human rights.

\* 3Rs: The principles of replacement, reduction, and refinement are applied in order to ensure animal welfare during research.

\*\* Association for Assessment and Accreditation of Laboratory Animal Care International: This private non-profit organization promotes the humane treatment of animals in scientific research, through its own inspection and certification programs. More than 740 facilities in 30 countries have been accredited.

### Pursuing innovative contributions in various fields related to health and welfare



DS Walk 2007



Pink Ribbon campaign



Vans equipped with lifts



Employees after washing the Nihonbashi Bridge

#### 15 Approaches to Our Stakeholders Quality

#### 16 Initiatives for Patients and Consumers

##### 1. Development of Pharmaceuticals

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

##### 2. Providing Services

- Contributing to Patient-centered Healthcare
- Supporting Developing Countries
- Helping to Meet the Needs of Aging Societies

##### 3. Customer Service and Quality Assurance

- Customer Service
- Reliability Assurance of Product Safety and Quality

#### 21 Working with Shareholders and Investors

#### 22 Working with Business Partners

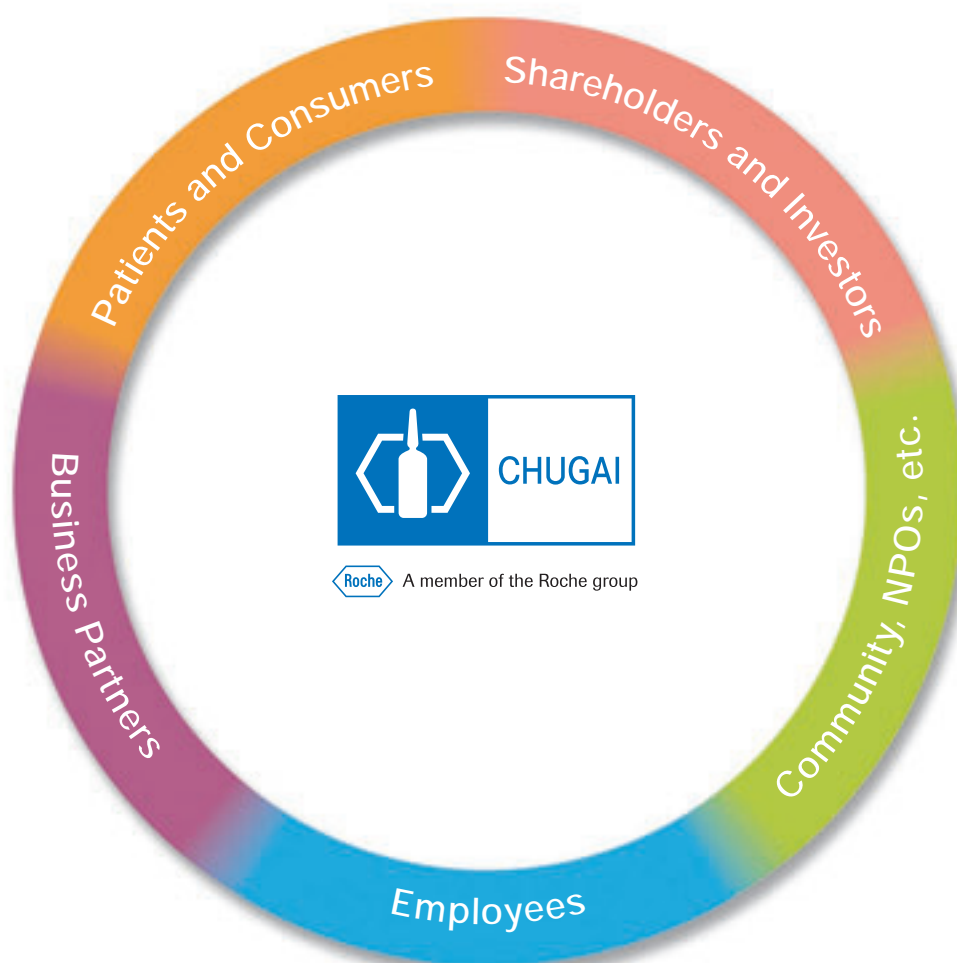
#### 23 Working with Communities

#### 24 Working with Employees

## 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, The community and NPOs, employees, and so on.

Hereafter we introduce the principles of our activities and the ways in which we fulfill our social responsibilities to these stakeholders.



### To patients and medical providers;

Chugai will develop innovative medical products and services on high-level science and ethics through research, development, production, marketing, and sales, for the benefit of the medical community and people's health around the world.

### To shareholders and investors;

Chugai is responsible for managing and utilizing our assets in a fair and appropriate way, and generating a profit. Chugai also ensures management transparency and accountability.

### To business partners;

To continuously produce and steadily supply pharmaceuticals, it is imperative to strengthen our cooperation as well as establish fair and transparent relationships with our business partners.

### To the community and NPOs, etc;

Chugai will continue to cooperate with society by making social contributions, conscientiously being aware of our role and responsibilities as a good corporate citizen.

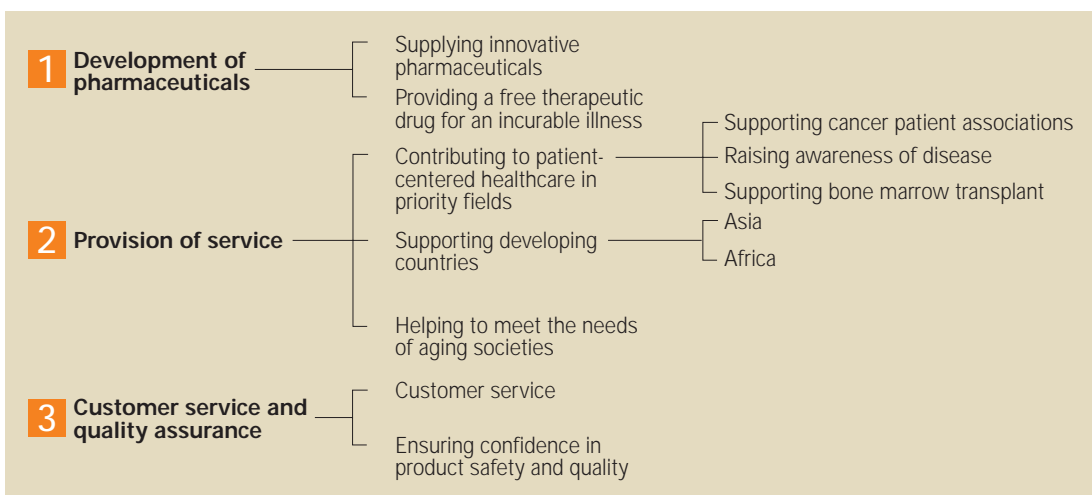
### To employees;

Chugai will raise the awareness of each of our employees at their various workplaces to enable them to make decisions and acts based on the Chugai BCG, and also promote their personal growth. In addition, Chugai will realize ideal working conditions.

## Initiatives for Patients and Consumers

# 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 innovative pharmaceuticals for unmet medical needs

In 2007, Chugai Pharmaceutical introduced three innovative new drugs to the Japanese market, a very significant achievement for a single year. The new antiviral drug, Copegus, is used to treat hepatitis C. It works in a synergistic combination with Pegasys (peginterferon\* alpha-2a), for a stronger antiviral effect. The new anti-cancer medicine, Avastin, obstructs the formation of new blood vessels to stop the supply of nourishment and enzymes to cancer tissue, a completely new mechanism of action in the fight against cancer. Another new anti-cancer medication, Tarceva, is a drug that works on the molecular level to inhibit the tyrosine kinase activation of epidermal growth factor receptors that play a primary role in the formation and spread of cancer. These new

pharmaceuticals have the potential to make a great contribution to the advancement of new treatment methods and better health for many people.

#### Providing a Free Therapeutic Drug for Incurable Diseases

##### Helping children around the world who suffer from rare illnesses like lymphangioma

Chugai works with the nonprofit Shuhei Ogita Fund (<http://www.fund-ogita.org/>) to provide the therapeutic drug Picibanil, an antitumor and lymphangioma treatment agent, at no charge to children worldwide suffering from lymphangioma.

Reaching its 17th year in 2007, this program has now been extended to 67 countries. Chugai and the Shuhei Ogita Fund receive five or six overseas inquiries every day from the doctors or family members of patients. After receiving a request, and obtaining the proper import permit from the recipient country, the Picibanil is then sent to the patient. This program helps many children to overcome this incurable disease.

Product	Released in Japan	Illness treated
Copegus	March 2007	Hepatitis C (in conjunction with Pegasys)
Avastin	June 2007	Colon cancer
Tarceva	December 2007	Non-small cell lung cancer

\* Peginterferon: A drug that extends the time it takes for interferon to be eliminated from the blood, by attaching polyethylene glycol to the interferon.



## 2 Providing Services

### Contributing to Patient-centered Healthcare

#### Supporting Cancer Patient Associations Special sponsorship of a charity event: Hamakko Jazz Club Terumasa Hino Workshop Vol. 2

As part of a third charity event to support cancer patient associations, Chugai provided special sponsorship to a jazz concert in 2007 involving collaboration between a professional jazz musician and local elementary and junior high schools. This year the event was held to help inform people that cancer patient associations are a good place for patients to go to talk about their worries and concerns about cancer. Another goal was to foster hopes and dreams for tomorrow among members of the organization who are fighting cancer, and allow them to share these with both the children performing on stage and the audience members. An exhibit was also set up at the event to showcase the activities of the cancer patient associations. It was a wonderful opportunity not only to enjoy some fine jazz, but also to raise awareness concerning cancer.



Joint concert by Terumasa Hino and local elementary and junior high school students

#### Raising Awareness of Disease

##### Pink Ribbon campaign comes to the Nihonbashi Mitsui Tower

For three days, from October 3 to 5, 2007, a breast-cancer awareness booth was set up in the second-floor lobby of the Nihonbashi Mitsui Tower, where the Chugai Head Office is located. The purpose of the event was to inform people about early detection and treatment of breast cancer, and it featured a panel of messages from women around the world who are battling breast cancer. Using a breast cancer examination model, visitors learned how to check for lumps. Many who actually tried the examination model expressed the sentiment that they wanted to receive a breast cancer examination in order to alleviate their concerns.

#### Public symposiums held across Japan

Public symposiums were held throughout Japan, including the cities of Sapporo, Morioka, Kanazawa, and Kumamoto, in order to provide the latest treatment information for illnesses such as chronic kidney disease, hepatitis, and breast cancer. The participation of community newspapers was obtained in order to reach as many people as possible, and the local press printed symposium announcements, as well as descriptions of the lectures. In addition to talks on the latest medical developments by local specialists and well-known Japanese doctors, the symposiums included Q&A sessions, personal testimonies by disease survivors, and even vocal performances. Many people attending the symposiums could be seen carefully taking notes as they listened to the lectures. Through a participant questionnaire the attendees expressed various opinions such as "I wanted to hear more," "I cried during the talk by the survivor," and "This has given me the courage to get through my treatment."



Public symposium in Takamatsu

#### Supporting Bone Marrow Transplantation

##### Chugai presents "Volunteer for Life: José Carreras Sings Belle Epoque"

A José Carreras Sings Belle Epoque concert was held in Tokyo on October 31, 2007, with special co-sponsorship by Chugai Pharmaceutical. The goal was to encourage and help provide relief to patients suffering from serious blood diseases such as leukemia, through the support of the Friends of José Carreras International Leukemia Foundation and the Japan Marrow Donor Program (the Japan Marrow Bank).



José Carreras on stage

## Supporting Developing Countries

### Asia

#### Assisting Asian researchers through the Tokyo Biochemical Research Foundation

Chugai has been working through the Tokyo Biochemical Research Foundation (TBRF) since 1960 to fund research and trained researchers in the fields of medicine and pharmacology. TBRF has operated a program inviting young post-doctoral researchers from throughout Asia to Japan.



Participants at the research outcomes presentation



Researcher making a presentation

### Africa

#### Participating in AIDS Walk 2007 to support AIDS orphans

The Chugai Group took part in the global AIDS Walk 2007, sponsored by the Roche Group. It was held in conjunction with World AIDS Day on December 1, and the goal was to support African children that have been seriously disadvantaged by AIDS. Many Chugai employees participated in the fund-raising drive.



1



2



3



4



5

AIDS Walk participants

1 Nagoya Branch

2 Head Office

3 Tokyo Branch 1

4 Ukima Site

5 Utsunomiya Plant

## Helping to Meet the Needs of Aging Societies

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

Chugai donates vans equipped with lifts to meet the transportation needs of service organizations across Japan for the elderly and persons with disabilities. This program began in 1985 as a way to mark the 60th anniversary of Chugai Pharmaceutical, and has been carried out every year since. In 2007, five vehicles were given to facilities in Hokkaido, Nagano, Ishikawa, Shimane, and Miyazaki prefectures, bringing the total number of vehicles donated so far to 168.

#### Van donations



Ishikawa



Miyazaki



Shimane



Nagano



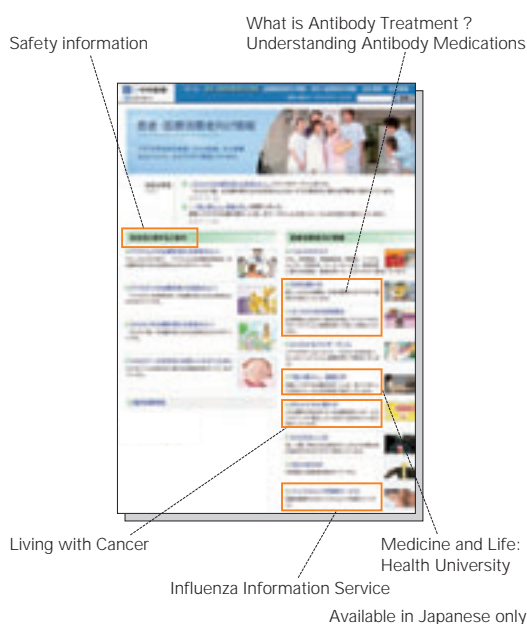
Hokkaido

### 3 Customer Service and Quality Assurance

#### Customer Service

##### Providing useful online health information

The Chugai website provides patients and consumers with information on drug safety, the latest treatment methods, and health and disease.



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

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

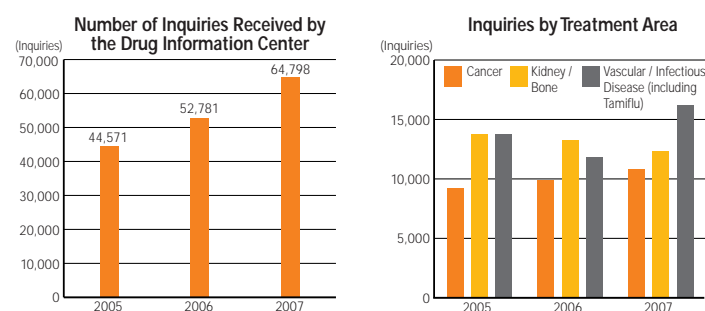
In 2007, Chugai received an average of about 5,400 inquiries per month from patients and medical professionals, for a total of about 65,000 contacts. This represented an increase of 15,000 inquiries over the previous year. Moreover, in 2006 about 80% of the inquiries were from outside the company, while in 2007 this percentage dropped to 75%, along with the launch of new products, and expanded indications. This revealed an increase in internal calls.

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.

##### Handling inquiries by treatment area

The Oncology Product Consultation Group handles questions about cancer treatment; the Bone Disease

and Rheumatism Product Consultation Group responds to inquiries regarding bone, joint, and RA treatment; the Product Consultation Group deals with kidney, cardio/cerebro-vascular, liver, and infectious disease treatment; and the e-Promotion Group, which recently joined the Customer Relations Department, responds to customers over the Internet.



#### Reliability Assurance of Product Safety and Quality

In 2007, the Chugai Group introduced new pharmaceuticals to the Japanese market, including Avastin and Tarceva, giving patients new treatment options. Thanks to an internal review process that evaluates a wealth of safety data outside Japan and clinical trial data in Japan at the same time, these new drugs, which feature new mechanisms of action, made it to the market in a shorter period than usual. After market launch, it is essential to continue gathering more domestic data, such as by collecting information on adverse drug reactions from post-marketing surveillance, and to ensure that the data is carefully analyzed. To accomplish this, Chugai has implemented a system for the rapid collection of safety information and providing timely notification to healthcare professionals and patients. Moreover, the Chugai Group has further improved its system for sharing safety information with Roche on a global level, and is enhancing its medical expertise.

To address quality issues, Chugai implemented reforms such as audits of contract manufacturers within and outside the Group and concluded an agreement with contract manufacturers to improve quality. Despite these steps, incidents such as the voluntary recall of Vesanoid Capsule and the temporary shipment suspension of Herceptin 60 mg occurred in succession in 2007. Based on a review of these incidents, Chugai is currently investigating a system that can ascertain potential problems with quality before they occur, and that can reliably respond to any such problems. While continuing to provide a stable supply of products, Chugai will spare

no effort to assure reliability so that its products can be used with confidence.

### **Safety Assurance Initiatives**

As a means of unifying its safety assurance measures, Chugai is improving its information gathering system and implementing a mechanism for responding to data after it is collected. Since 2007, the company has been developing a system that can electronically gather information on adverse drug reactions from clinical settings. This system has enabled faster and more accurate recognition of information, as well as more timely reporting of safety information and faster safety assurance activities, including evaluations and analyses. Moreover, the appointment of medical doctors including oncology specialists inside the company has enabled the medical evaluation of safety information and other subjects to be analyzed from an expert perspective. Furthermore, information compiled by the Roche Group is available through a 24-hour contact system, and a Drug Safety Committee has been established to make rapid decisions on response measures. By cooperating with Roche, Chugai has minimized the safety risk to patients.

One of the results of these safety initiatives is that, for Avastin, which was launched in Japan in June 2007, patients and healthcare professionals can now be promptly notified of the latest safety and treatment information on the Chugai website.

Chugai has been issuing emergency safety information for the influenza drug, Tamiflu, after receiving instruction from the Japanese Ministry of Health, Labor and Welfare (MHLW) in March 2007. Consequently the necessity for an investigation of causality between Tamiflu and the abnormal behavior that was reported in some patients who took the drug, promoted Chugai to conduct additional non-clinical and clinical studies in cooperation with Roche. The results of these investigations are being discussed by the MHLW's Safety Measures Committee and others. Using this experience, Chugai will respond quickly in implementing safety measures that are based on scientific evidence, and will spare no effort to ensure that the innovative new pharmaceuticals produced by the Chugai Group are used safely.

### **Quality Assurance Initiatives**

Based on the experience gained from the voluntary recall of products in 2006, Chugai has been proceeding with the development of a system for sharing information on product manufacturing within the Chugai Group, in addition to the assurance of the technological infrastructure. Since products are not only manufactured at production plants in the Chugai Group, but are also contract manufactured at plants of

other companies, including Roche, Chugai has maintained contract agreements with each production partner in and outside the Chugai Group.

Unfortunately, another voluntary recall in 2007 has not only necessitated further revision of the agreements, but Chugai also considers it important to implement measures such as the construction of a system for closely sharing information with partners outside the Group, especially for products that are manufactured outside the Chugai Group, and the development of a corresponding in-house system. For these reasons, Chugai is now in the process of visiting the production facilities of its partners, adjusting systems to support needed improvements, and revising methods for information exchange with relevant staff at the production sites.

Furthermore, Chugai has constructed a new system to gather valuable, product-related feedback from patients and medical institutions, and to further strengthen the sharing of such information within the Chugai Group.

### **Voluntary Recall of Vesanoïd Capsule**

A voluntary recall of Vesanoïd Capsule was implemented in 2007. Chugai deeply regrets any inconvenience that may have been caused to patients and healthcare professionals, and as well as identifying the cause, is applying further effort into strengthening its quality assurance system.

Information on this voluntary recall is available on the website of Japanese Pharmaceuticals and Medical Devices Agency (<http://www.info.pmda.go.jp/>) Available in Japanese only).

### **Vesanoïd Capsule**

Indication: Acute promyelocytic leukaemia  
Nonproprietary name: Tretinoin

### **Reason for the Recall**

A contract that Chugai had signed with the Swiss manufacturer stated that Canadian bovine-derived gelatin would not be used as the raw material in the capsule of Vesanoïd Capsule, but despite this fact, it was revealed that bovine-derived material from Canada was mistakenly used in the batch concerned. Chugai decided to issue a voluntary recall of the concerned batch because the use of Canadian bovine-derived raw material is not permitted in principle according to the "Standards for Bio-derived Materials."

### **Specific Concerns over Injury to Health**

A Certificate of Suitability has been issued by the European Directorate for the Quality of Medicines (EDQM) for the Canadian bovine-derived raw material that was used in the concerned batch, and its use in Europe and elsewhere is approved as a material that has no safety issues. Therefore, the risk of injury to patients' health is thought to be extremely low.



## Working with Shareholders and Investors

Building better understanding through proper  
information disclosure and frequent dialogueCommunicating with Shareholders  
and Individual Investors

Chugai Pharmaceutical works hard to make all of its corporate activities clear to shareholders and investors, including its business strategies and management philosophies. As part of this effort, the company's investor relations program includes suitable, timely, and fair information disclosure. The following is an overview of its IR activities in 2007.

## Publishing information online

Chugai uses its website to ensure rapid, fair disclosure of information to shareholders and investors. The online information includes news releases, financial statements, product development news, briefing materials, webcasts, and IR calendars. The company also sends IR-updates that deliver the latest information to interested shareholders and investors by email.

## Announcing financial results

Chugai files financial results reports with the Tokyo Stock Exchange, and holds a press conference on each such occasion. When announcing half-year and year-end results, briefings for investors and for the media are also held. The company provides webcasts of the half-year and year-end briefings. Starting in 2007, it also began webcasting quarterly conference calls to institutional investors and analysts. As an added convenient informational feature, the company also posts on its website major questions and answers from the quarterly conference calls and half-year/year-end briefings.

## Reaching investors outside Japan

Chugai's investor relations activities include a number of special efforts to keep investors outside Japan well informed. As part of this effort, financial reports and other IR information is released simultaneously in Japanese and English, whenever possible. Chugai strives to ensure fair information disclosure to investors outside Japan, including the provision of webcasts in English covering financial results announcements. Top executives also make three trips a year for IR purposes to Europe, the United States, and Asia. There, they explain the company's performance and future prospects in person, while answering questions and exchanging views. Chugai is working hard to increase mutual understanding with overseas investors.

## Holding events

Chugai actively participates in conferences for institutional investors held by securities companies, striving to enhance understanding of its activities among investors. In fiscal 2007, top executives attended four conferences in Japan sponsored by securities companies.

## Issuing an annual report

Each year, the company issues an annual report in English and Japanese, highlighting the activities of the year. It provides information on Chugai's performance to investors and shareholders worldwide.

Policy on disclosure to capital market  
participants

In order to build relations of trust and to foster mutual understanding with all stakeholders, including shareholders, investors, patients, medical professionals and employees, Chugai Pharmaceutical carries out corporate communication activities in order to maintain open channels for dialogue.

For details on information disclosure activities to capital market participants including shareholders, investors, and securities analysts, visit <http://www.chugai-pharm.co.jp/english/help/disclosure.html>.



Annual Report 2007



Disclosure policy webpage

General Meeting of Shareholders:  
Striving to Ensure Full Understanding

On March 23, 2007, the 96th ordinary general meeting of shareholders was attended by 470 people at the Palace Hotel Tokyo in the Marunouchi district of Tokyo. The meeting invitations were sent out three weeks before the meeting, which is a week earlier than the legal requirement. The date was also chosen so as to avoid the days when most other companies hold their meetings. The idea was to make certain that as many shareholders as possible could attend. In addition to a presentation by Chugai's president, the meeting featured audio-visual presentations to ensure that the content was easy for everyone to understand.

Shareholders' Reception: Getting to  
Know Chugai Better

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. The candid dialogue helps the company to increase understanding and build trust among its shareholders. This year's shareholders' reception was held after the close of the 96th ordinary general meeting of shareholders on March 23, 2007. It included a talk by Chugai's president entitled, "The Aims of Chugai Pharmaceutical," and another by the general manager of the Sales Division called "Chugai's Initiatives in Cancer Treatment." These were followed by lively Q&A sessions, and opinions were exchanged by various shareholders.



# Respecting business partners as equals in fair, transparent relationships

## Building Fair, Transparent Relationships

The Chugai Group is strengthening its cooperation with business partners by building fair, transparent relationships focused on delivering a stable supply of superior pharmaceutical products to the people who need them. Chugai's seven-point Purchasing Policy, which governs purchasing throughout the Group, lays the foundation for ensuring that all transactions are fair and transparent.

### Purchasing Policy

#### 1. 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.

#### 2. 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.

#### 3. Environment

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

#### 4. Quality

Respect the spirit of GMP\*<sup>1</sup> and pursue high quality and safe material alongside our business partners.

#### 5. 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.

#### 6. 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.

#### 7. 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.

The company also conducts an assessment of business conditions at each supplier, such as stability and profitability, as well as value engineering (VE)\*<sup>2</sup> proposals. Chugai works hard to secure steady, stable supplies and to enjoy the benefits of its just-in-time purchasing strategy.

### Green procurement surveys

In accordance with the Chugai Environmental and Safety Charter, the company audits environmental conditions at its raw material suppliers every year. The questionnaire-based audit serves to promote even higher levels of awareness of environmental protection among business partners. The survey requests firms who produce raw materials for the Chugai Group to report on their environmental management systems, chemical substance control measures, policies to prevent air, water, and soil contamination, efforts for reduction and proper treatment of waste, recycling, and energy conservation.

### Purchasing of office supplies and services

Chugai insists on quality even when purchasing non-production materials such as office supplies. Making the most of its electronic purchasing system, the company has increased transparency by introducing several competitive bidding processes which ensure that purchasing activities can be audited properly. The purchasing and user departments work together to select suppliers that offer both superior quality and reasonable cost. Chugai believes that reducing unnecessary costs and passing the benefit on to consumers is one of its responsibilities as a good corporate citizen.

With the goal of providing staff with more skill-building opportunities, the purchasing department has begun implementing the Certified Procurement Professional (CPP) qualification. In 2007, four of the company's procurement staff obtained this certification after passing a difficult exam requiring a broad range of knowledge.

### Cooperating with pharmaceutical wholesalers

Pharmaceuticals are distributed by pharmaceutical wholesalers to insurance pharmacies, hospitals, clinics and other medical institutions. Along with information on the efficacy and safety of its pharmaceuticals, Chugai strives to provide other information that medical institutions need to ensure the proper use of drugs. Since the pharmaceutical distribution process is important for ensuring that the necessary medications reach patients wherever and whenever they need them, the company works closely with pharmaceutical wholesalers, whose social mission is to perform quality control and provide a stable supply.

Chugai views wholesalers as equal business partners, and will continue to improve its relations with these firms to ensure reliable distribution of pharmaceuticals.

### Evaluating raw materials

It is vital to secure a steady, continuous supply of raw materials for production, including containers and packaging. Chugai ensures stable, long-term supplies of all materials needed by requiring three types of evaluation before each procurement decision: quality standard and safety checks of raw materials; assessment of production management; and evaluation of suppliers' business stability and capacity. The company also reconfirms the reliability of supply even after procurement by conducting follow-up evaluations of the quality and delivery of raw materials, as well as business conditions at each supplier.

### Evaluating suppliers

Once a year, current suppliers are evaluated on the quality and delivery of raw materials, including observance of deadlines and rate of defects.

\* 1. GMP (Good Manufacturing Practice): A standard established to prevent human error, enabling the stable production of high-quality pharmaceutical products to pre-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.

## Working with Communities

## Finding new ways to enrich local communities and contribute to society

## Chugai Group Sites 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/Facility	Activity
Tokyo Branch 2	Provided information on cancer and bone marrow transplantation at a public seminar at Health Festa 2007 in Niigata Prefecture.
Sendai Branch	Participated in the Pink Ribbon Smile Walk 2007.
Tokyo Branch 1	100 employees and 100 family members helped with a Miura coast cleanup activity. A part of the event participation cost was donated to the Kanagawa Coastal Environmental Foundation, and the branch also donated the same amount to the foundation.
Yokohama Branch	20 people participated in a lifesaving course on cardiopulmonary resuscitation and AED operation run by a qualified in-house professional.
Hiroshima Branch	60 people participated in a "Community Child Watch Declaration" in order to protect children from crime. Stickers made by Hiroshima Prefecture were placed on company cars, and the participants kept an eye out for children as part of the campaign.
Head Office	44 employees and family members helped to wash the famous Nihonbashi Bridge, sponsored by a Nihonbashi preservation society.
Chugai Distribution Co., Ltd.	A Three-Day Challenge was held for five junior high school students, as an opportunity for students to experience life in the working world.
Osaka Branch	40 people participated in a riverside cleanup activity at Yodogawa Riverbed Park.
Takamatsu Branch	Helped with the collection of pull tabs from empty cans for a local elementary school.
Ukima Site	12 groups of 9 to 12 people, totaling 120 employees, helped with a neighborhood cleanup around the site.
Kamakura Site	211 people participated in a cleanup activity on the Kugenuma coastline, sponsored by the Kanagawa Coastal Environmental Foundation.
Chugai Pharma Manufacturing's Fujieda Plant	Two people participated in a community awareness campaign featuring patrols to prevent illegal dumping.
Fuji Gotemba Research Laboratory	22 people participated in a cleanup in the Komakado Industrial Region.
Forerunner Pharma Research Co., Ltd.	18 people participated in a cleanup and weeding activity at the Komaba Research Campus.



Miura coast cleanup  
(Tokyo Branch 1)



Lifesaving course  
(Yokohama Branch)



Nihonbashi Bridge washing  
(Head Office)



Public seminar in Niigata  
(Tokyo Branch 2)

## Offering Public Classes through Shizuoka Sangyo University

The Chugai Group offers a course at Shizuoka Sangyo University for both students and members of the public, to contribute to the plant's home community of Fujieda. The course covered a total of 12 classes, including one class held at the Fujieda Plant, and provided a deeper understanding of the pharmaceutical industry and the activities of the Chugai Group.



The last class, held  
at the Fujieda Plant

## Permanent Exhibit at Science Museum

Chugai has created a permanent exhibit entitled, "Dr. Kitanomaru's Bio Pharmaceutical Laboratory," at the Japan Science Foundation's Science Museum in Kitanomaru Park, Chiyoda-ku, Tokyo. The aim of the exhibit is to encourage greater interest in science among children by making it easy for them to learn about medicine, biotechnology, and cancer through video and other displays.



Dr. Kitanomaru's Bio  
Pharmaceutical Laboratory

## Training Program for Educators at Private Companies Continues

The Training Program for Educators at Private Companies enables teachers from elementary, junior high, and senior high schools to experience the work environment of a private company. The goal is to have teachers apply the experience and information they obtain to better educate children. In 2007, Chugai welcomed five teachers chosen by the Tokyo Metropolitan Government Board of Education.



Teachers participating in the program



Teachers on a visit to the Ukima Plant

\* 2. Value engineering is a method that involves ascertaining the value of a product or service based on the relationship between the required function and resulting cost, and then attempting to achieve value improvement through systematic function analysis.

## Working with Employees

# Helping Employees to Reach their Full Potential and Supporting Various Work Styles

## Creating a Vibrant Work Environment Where Every Employee Can Achieve Personal Growth

Chugai's mission is to produce innovative pharmaceuticals and provide the market with a stable supply of products. However, the people who actually execute this mission on a daily basis are the individual employees of the Chugai Group. The driving force behind corporate growth is the active development and encouragement of each employee's potential, which Chugai considers a key part of its social responsibility. The aim is to create a vibrant work environment that allows every employee to achieve personal growth.

## Human Resources Development Programs for Individual Employee Growth

In order to realize its corporate philosophy and ensure sustainable development, Chugai is clear about the motivation and attitude it is looking for in employees, the company's greatest asset. The company has spelled out the abilities and behaviors it requires of employees, and promotes human resources development by offering five types of human resources development opportunities.

### Motivation and attitude

Chugai uses three "approaches" to spell out the desired mindset for Chugai employees. The company strives to pass on these core commitments consistently across the years, all the more today, in a time of changing, diversifying values and behavior.

Approach to patients

Approach to pharmaceuticals

Approach to colleagues

The "Three Cs" represent the attitudes that everyone at Chugai is expected to have during this age of accelerating globalization and change, and they are meant to ensure that the company and its people can continue to change and grow.

Challenge

Commitment

Communication

### Ability components

Ability to take a broad perspective	Ability to think	Specialized ability	Role awareness
Depth of understanding of the mission statement	Self discovery	Sense of responsibility and mission	
Communication ability	Organizational motivation	Language study	

## Human resources development opportunities

Off-the-job training / self study	On-the-job training
Career development program (CDP)	Personnel treatment
	Reassignment / promotion

## Systems for Supporting Employees

Chugai has established programs to support employees in order to create a vibrant workplace environment where every employee can achieve personal growth.

Personnel systems	Professional staff systems	Career goal-setting	Observation by superiors
Internal recruiting and transfer	Career interviews	Self-improvement support program	Leave system for study abroad and qualification acquisition
Various human resources development and training programs	OJT coaching system	Flextime system	Discretionary work system
Deemed working hours system	Paid holiday in half-day units	Anniversary leave	Step-up holiday
Family care leave system	Childcare and family care working-hours system	Volunteer holiday	Volunteer leave system
Senior employment system			

## Career Support Center Helps Employees to Reach Their Full Potential as Individuals

The Career Support Center was established for the purpose of helping every employee, including loan and contract employees, to realize the rewarding career of their dreams. The center provides information for effective career planning, and suggestions for skills development, while supporting the various in-house personnel systems offered by Chugai.

### Available services

Organization and job navigation course  
 Course for utilization of the career and personal-life support systems  
 Comprehensive course on career planning  
 Stress level checks for workplace environments  
 Work/life balance course  
 Communication and interpersonal relations course  
 Free courses

## New Childcare Working-Hours System for Medical Representatives

Chugai has introduced an MR Childcare Working-Hours System that combines flextime with the regular reduced working-hours system for childcare reasons. It is available to all medical representatives (MRs) as an option for balancing their childcare and work responsibilities. The system is also tailored to help female MRs to balance their work and childcare responsibilities in a comprehensive way. It takes into consideration the perspective of maternity protection during pregnancy, and provides training to employees returning from childcare leave, in order for them to catch up on the knowledge they need.

**Supporting employees in fostering the next generation by balancing childcare with work**

Childcare leave system	Childcare working-hours system
Flextime system combined with childcare working hours	Introduction of the wiwiw program, to support return to work after childcare leave
Suku Suku Square intranet site helps to support child-raising	Registration system for the rehiring of employees who resign for childcare or family care reasons

## Mental Health Initiatives

As part of its mental healthcare efforts, the Chugai Group has introduced an Employee Assistance Program (EAP) operated by an outside institution. The service provides counseling to employees and their families. Moreover, the Group is striving to improve both the care provided by supervisors and employee self-care, by holding health talks for regular employees, and training for managers. The company is working to create programs that can support a smooth return to work for those that take leave due to mental healthcare issues, through cooperation between the industrial physician, the medical and personnel department staff, and the workplace concerned.

## Expansion of the Help Line System for Sexual Harassment

With Japan's revised Equal Employment Opportunity Law between Men and Women taking effect in April 2007, Chugai has worked to make its system for problem consultation easier for employees to access. In addition to the company help line already in place, male and female Area Monitors have been appointed in each facility. The Sexual Harassment Prevention Handbook has also been distributed, in order to raise awareness and prevent problems within the Group.



### MR Childcare Working-Hours System

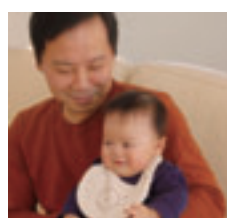


I returned to work after about a year of maternity and childcare leave. Once back at work, I took advantage of the MR Childcare Working-Hours System. This system has been such a help, because it allows me the flexibility to drop off and pick up my son from daycare, and to take care of him if he suddenly gets sick. Thanks to the support of my husband and coworkers, I am able to do my job with confidence.

**Miwa Asano**

Josai Office 1  
Tokyo Sales Office 3  
Tokyo Branch 1

### Using the Childcare Leave System



I took two weeks of childcare leave in August 2007, with the kind support of everyone in the office. Though I thought I might have time to catch up on my reading, it turned out to be very hectic every day. Having to hold the baby so he wouldn't cry, experiencing little accidents during a diaper change, and preparing bottles that he wouldn't drink because he prefers mother's milk; it really was a lot harder than my usual job. However, my true reward was being able to enjoy his angelic smile.

**Kazuhiro Takeuchi**

Group Manager, Administration Group  
Business Administration Department  
Chugai Pharma Manufacturing Co., Ltd.



## Raising Awareness of Human Rights

During the annual human rights week in December, Chugai invited its employees to submit human rights education slogans that express their deep insights and heartfelt sentiments about human rights. The most outstanding of the entries were selected for use in the creation of human rights awareness posters. The posters were then put up in workplaces throughout the Chugai Group for the period of one year, in order to help raise awareness of human rights issues.



Poster featuring the 2007 best human rights education slogan. The slogan can be translated into English as, "Cruel remarks leave deep wounds, but kind words instill vitality and courage."

## Employee Survey on CSR and the Business Conduct Guidelines

Chugai has carried out employee surveys in the past, but in 2007 the survey had a special focus on CSR and the Business Conduct Guidelines (BCG). The survey was performed online, and targeted all employees of the Group including temporary and part-time workers. The survey mainly covered social responsibility awareness, workplace environments, compliance conditions, and human rights awareness. It helped highlight problems specific to each division. These issues will be addressed through the company's system for promoting social responsibility (see page 12), and other efforts.

## BCG Training: Promoting Workplace Communication

BCG training was carried out in the first half of 2007 on the theme of creating workplace environments where the BCG is put into practice. It goes without saying that poor communication allows harassment to take hold, and can even lead to a major incident. Based on this awareness, training was carried out by reviewing the basics of good communication.

The training in the second half of 2007 covered the desired workplace culture and operation activities. This was achieved by reviewing case studies of corporate misconduct, and analyzing the causes.

## Mid-career Training: Response to CSR '06 Dialogue

In "The Future of CSR at Chugai," featured in the company's *Corporate Social Responsibility Report CSR '06*, Associate Professor Mitsuhiro Umezu of Keio University provided the company with advice on the necessity of CSR education, starting with younger employees, for the promotion of corporate social responsibility. Based on his recommendations, in 2007 the company held CSR training for mid-career employees, mainly for those that have been with the company for at least ten years.



CSR training for mid-career employees



### Committed to protecting the global environment and promoting occupational safety and health



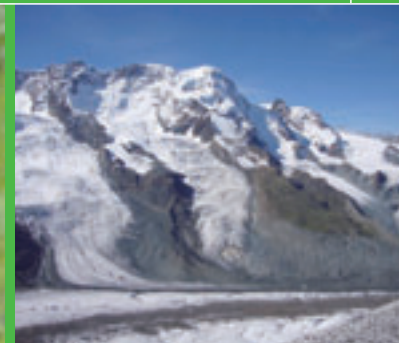
Kumano Kodo World Heritage Site, Japan



Ladybug



Microcosm (variety)



Gorner Glacier, Switzerland

- 28 Basic Position on Environmental Protection and Safety
- 29 Environmental and Safety Management
- 30 Action Plans and Performance
- 32 Material Flow / Environmental Accounting
- 33 CO<sub>2</sub> Emissions and Measures for Reduction
- 34 Waste Reduction
- 35 Chemical Substance Management / Soil Contamination Countermeasures
- 36 Environmental Education, Awareness Building, and Communication

These photographs were selected from those submitted by employees for the Chugai Eco-Challenge 2007, which was held from June to September 2007.

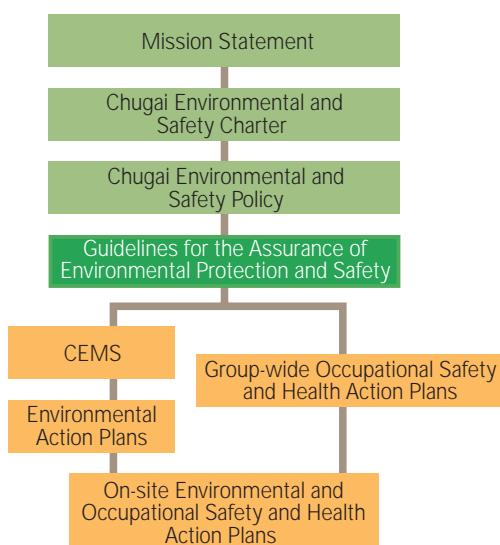
## Basic Position on Environmental Protection and Safety

# Taking a principled approach to environmental and safety initiatives

In fiscal 2006, steps were taken toward the creation of a system for unified Group-wide management of environmental and safety initiatives, acting out of the conviction that protecting the environment and ensuring safety are two sides of the same coin. Among these steps, the new Chugai Environmental and Safety Charter and the new Chugai Environmental and Safety Policy were established in January 2007. Earlier, guidelines for the assurance of environmental protection and safety were formulated, specifying initiatives in these two areas. Those guidelines clarified the responsibilities and duties of each person, according to occupational status, and were also designed to raise awareness of environmental protection and occupational safety and health in the conduct of everyday business.

Chugai will continue to strengthen its system for the Group-wide promotion of environmental protection and safety and will vigorously pursue environmental protection initiatives and do its utmost to ensure the safety of employees.

### Environmental and Safety Framework



### 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

\* CEMS: Chugai Environmental Management System

## Taking a proactive approach to occupational safety and health, including internal environmental and safety audits

### Constantly Improving Occupational Safety and Health Initiatives

In the first half of fiscal 2007, briefing sessions were held at each of the Group's plants and research laboratories to ensure that all employees at these facilities would be very familiar with the guidelines for the assurance of environmental protection and safety, which took effect in January 2007. In addition, an explanatory edition of the guidelines was prepared to promote the deep comprehension of the guidelines needed to develop specific initiatives based on them.

### Automated External Defibrillator (AED) Training

Evacuation and other drills are regularly conducted for all employees at the Head Office building to prepare for emergencies. In September 2007, training on the building's AEDs was given to 140 Chugai employees. Now, approximately one in ten employees at the Head Office knows how to use an AED.



AED training session

### Internal Environmental and Safety Audits

In fiscal 2007, internal environmental and safety audits were carried out at three facilities, including two plants and a research laboratory; seven branches in Japan; and at Chugai Distribution Co., Ltd. In fiscal 2007, audits were conducted at one of the sales groups belonging to each of the seven branches. The audits covered the progress of action plans drawn up at the Head Office and the branches. The audits of the plants, the research laboratory, and Chugai Distribution were performed with the further checks on occupational safety and health that were added in fiscal 2006, and were done generally in compliance with the guidelines for the assurance of environmental protection and safety.



Internal environmental and safety audit at Chugai Distribution

While the issues identified by the audits were all minor, suggestions for improvement related to occupational safety and health accounted for more than half of all the identified items. Improvement plans, including ones for the items identified by the audits, were formulated and executed in part.

### Third-Party Award

The Ukima Site received the Distinguished Service Award for Cooperation in Fire Prevention from the Tokyo Fire Department for its participation in the Fire Prevention Assembly, a Fiscal 2007 Autumn Fire Prevention Campaign held in November 2007.

The Ukima Site's deep concern for and cooperation with fire administration, and its contribution to daily fire prevention activities

and life-safety measures were evaluated highly, leading to the receipt of this award. The Ukima Site has taken a proactive stance on fire and disaster prevention activities, which are spearheaded by a private fire brigade composed of the best firefighters from each workplace and individual fire prevention teams organized at each workplace. Encouraged by the receipt of this award, the site will continue to further develop related activities.



Members of the Ukima Private Fire Brigade

Continuously developing systematic initiatives for environmental protection and occupational safety and health, based on related action plans

In fiscal 2007, the Chugai Environmental Charter and the Environmental Policy of the Chugai Group were revised to establish the new Chugai Environmental and Safety Charter and the new Chugai Environmental and Safety Policy. Furthermore, the guidelines for the assurance of environmental protection and safety were implemented in fiscal 2007. These steps were intended to strengthen the framework for the Group's environmental and safety initiatives and to put in place a unified Group-wide approach in these areas.

As we continue to develop our business activities, environmental protection and occupational safety and health initiatives are two of our highest priorities. Accordingly, we enhanced our internal environmental and safety audits in fiscal 2007 by adding more items related to occupational safety and health, helping to improve conditions at audited facilities.

We are taking various steps to reduce the CO<sub>2</sub> emissions of the Chugai Group in an effort to combat global warming. We have not yet achieved our goal for 2012 due to the effects of increased production, intensified R&D activities, and other factors, but we remain determined to implement energy conservation measures as we strive to reduce CO<sub>2</sub> emissions.

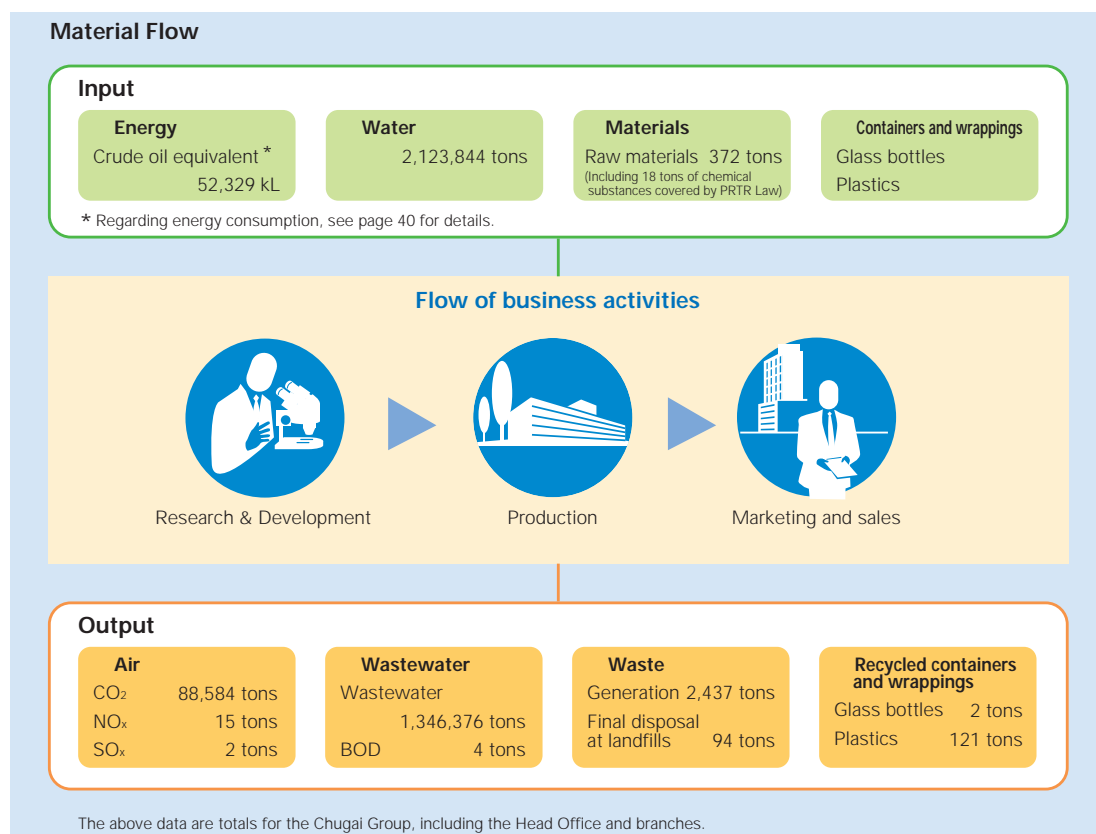
**Yoichi Yamanaka**  
Vice President  
General Manager  
Corporate Social Responsibility Department



Fiscal 2007 Action Plans and Performance				Evaluation: Target achieved Target 75% or more achieved × Target less than 75% achieved		
Scope of operations covered: Chugai Group in Japan		Period covered: January 1, 2007 to December 31, 2007				
Item	Objective	FY 2007 target	FY 2007 performance	Evaluation	FY 2008 target or mid-term target	Reference page
Global warming countermeasures	Promotion and implementation of energy-saving measures	Limit carbon dioxide emissions for fiscal 2007 to a 20% increase or less compared with fiscal 2003	Limited carbon dioxide emissions in fiscal 2007 to a 14% increase compared with fiscal 2003		Limit carbon dioxide emissions for fiscal 2008 to a 40% increase or less compared with fiscal 2003 (due to operation of new buildings at three facilities) Limit carbon dioxide emissions by the end of 2012 to the fiscal 2003 level	33
	Promotion of carbon dioxide emissions reduction projects to achieve the 2012 goal	Collection of data on carbon dioxide emissions reduction compared with the 2012 goal and implementation of measures to achieve the goal	Reviewed carbon dioxide emissions forecasts for fiscal years up to fiscal 2012		Collection of data on carbon dioxide emissions reduction compared with the 2012 goal and implementation of measures to achieve the goal	
	Introduction of more hybrid vehicles in MR fleet	Introduction of 75 hybrid vehicles in MR fleet in fiscal 2007 Achievement of a hybrid vehicle ratio of 7% or more in MR fleet	Introduced 111 hybrid vehicles in MR fleet in fiscal 2007 Achieved a hybrid vehicle ratio of 9.6%		Introduction of 100 or more hybrid vehicles in MR fleet in fiscal 2008 Achievement of a hybrid vehicle ratio of 50% or more by the end of 2012	33
					Ongoing review regarding introduction of photovoltaic power generation Purchase of Green Power Certification in fiscal 2008	33
Waste reduction	Reduction in the volume of waste generation	Reduction in the volume of waste generation for fiscal 2007 to 20% or less of the fiscal 1990 level	The volume of waste generated in fiscal 2007 was 7.1% of the fiscal 1990 level		Reduction in the volume of waste generation for fiscal 2008 to 20% or less of the fiscal 1990 level	34
	Reduction in the final volume of landfill waste	Reduction in the final volume of landfill waste for fiscal 2007 to 3% or less of the fiscal 1990 level	The final volume of landfill waste in fiscal 2007 was 3.3% of the fiscal 1990 level		Reduction in the final volume of landfill waste for fiscal 2008 to 3% or less of the fiscal 1990 level Reduction in the final volume of landfill waste for fiscal 2010 to 2% of the fiscal 1990 level	
Resource conservation	Reduction in the volume of PPC paper purchased	Reduction in the volume of PPC paper purchased for fiscal 2007 by 10% from the fiscal 2005 level	The volume of PPC paper purchased in fiscal 2007 increased by 30% over the fiscal 2005 level	×	Limit the volume of PPC paper purchased for fiscal 2010 to the fiscal 2007 level	
	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 2007	Achieved a green purchasing ratio of 83% of the total cost of stationery purchased in fiscal 2007		Maintenance of a ratio of 80% or more of green products purchased to the total cost of stationary purchased for fiscal 2010	
	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 2007 was 91%		Maintenance of a recycling ratio of 80% or more for PPC paper over the mid-term	
Environmental awareness enhancement	Qualitative improvement in CEMS	Implementation of internal environmental and safety audits at Group facilities in Japan	Performed internal environmental and safety audits at two plants, a research laboratory, a subsidiary, and seven branches		Implementation of internal environmental and safety audits at Group facilities in Japan and establishment of audit results evaluation systems	29
		Promotion of environmental education and implementation of in-house designed e-learning	Implemented in-house designed e-learning, industrial waste seminars, etc.		Implementation of planned, periodic environmental education and training, and activities to enhance environmental awareness	36
		Holding of On-site Environmental Committee meetings at all Group facilities with improved agendas	On-site Environmental Committee meetings were held at almost all Group facilities		Smooth implementation of PDCA cycle for environmental protection at all Group facilities	
	Retention and renewal 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	
Environmental information disclosure	Disclosure of environmental performance data	Issue of <i>Corporate Social Responsibility Report CSR '06</i> (Japanese ver.: March 2007; English ver.: June 2007)	Issued <i>Corporate Social Responsibility Report CSR '06</i> (Japanese ver.: March 2007; English ver.: June 2007)		Issue of <i>Corporate Social Responsibility Report CSR '07</i> (Japanese ver.: March 2008; English ver.: June 2008)	
		Further Group-wide penetration of environmental accounting practices and improvement in the accuracy of environmental accounting data	Rapidly tabulated and disclosed environmental accounting data		Disclosure of environmental accounting information (Group-wide data compilation) Consideration of the adoption of an environmental index and disclosure of such information	32
		Proper disclosure of environmental information on websites	Updated the websites by uploading the latest environmental information		Disclosure of environmental information on websites	
Chemical substance management	Thorough management of chemical substances	Establishment of Group-wide management systems	Redeveloped chemical substance management guidelines		Thorough implementation of unified Group-wide chemical substance management guidelines and promotion of their operation	35
		Promotion of measures for reducing the amounts of chemical substances handled that are covered by the PRTR Law	Reduced the amounts of chemical substances handled that are covered by the PRTR Law		Reduction of emissions of VOCs (volatile organic compounds) into the air for fiscal 2008 by 20% or more from the fiscal 2003 level	
Safety and disaster prevention	Thorough implementation of safety and disaster-prevention measures	Zero accidents and zero disasters	Three accidents resulting in absence from work were reported		Promotion of occupational safety and health education as planned Successful retention and renewal of OHSAS 18001 at a certified site Promotion of Group-wide penetration of the guidelines for the assurance of environmental protection and safety	28, 29

## Material Flow / Environmental Accounting

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



## Environmental Accounting

The environmental accounting data compiled for all Group facilities in Japan are shown in the table below.

The main investments in fiscal 2007 were for the installation of scrubbers, wastewater treatment facilities, and an energy-saving air conditioning system in conjunction with the construction of a

new galenical building at the Fujieda Plant. On the other hand, a significant decrease in the volume of sludge generated and an increase in the gain on sales of waste through more thorough waste sorting were responsible for a decrease in waste treatment costs. In fiscal 2007, the economic benefit obtained through these environmental protection measures amounted to ¥27 million.

## Annual investments and costs for environmental protection

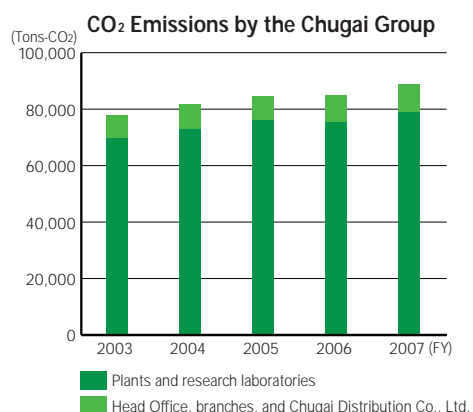
(Unit: millions of yen)

Breakdown of costs		FY 2004		FY 2005		FY 2006		FY 2007	
		Investments	Costs	Investments	Costs	Investments	Costs	Investments	Costs
(1) Business area costs	(1)-1 Pollution prevention costs	538	1,514	342	557	461	627	1,461	580
	(1)-2 Global environmental protection costs	100	168	39	177	239	139	1,835	302
	(1)-3 Resource recycling costs	0	405	11	485	1	289	11	233
	Subtotal	638	2,087	392	1,219	701	1,055	3,307	1,115
(2) Upstream and downstream costs		0	3	0	41	0	15	0	126
(3) Administration costs		41	324	22	359	8	294	3	216
(4) R&D costs		0	129	0	325	0	198	0	98
(5) Social activity costs		1	117	22	186	1	125	3	131
(6) Environmental remediation costs		0	0	0	4	0	0	0	0
Total		680	2,660	436	2,134	710	1,687	3,313	1,686



CO<sub>2</sub> Emissions and Measures for ReductionDeveloping a range of measures to help fight  
global warming

In fiscal 2007, the Chugai Group's CO<sub>2</sub> emissions were 5.4% higher than in fiscal 2006, and 14% higher than in fiscal 2003, the target base year. These increases were mainly attributable to an increase in energy consumption as a result of increased production of new pharmaceuticals. While future increases in energy consumption are unavoidable, measures designed to control the increase in CO<sub>2</sub> emissions will be proactively developed Group-wide, including the adoption of environmentally friendly facilities and equipment and other energy-saving initiatives.

Introduction of Cogeneration  
System

Energy consumption at the Fujieda Plant, including the operation of the new galenical building, is forecasted to increase significantly in the future. As the scale of the facility expands, the demand for a stable energy supply is increasing. Thus, a natural gas cogeneration system was introduced at the facility to minimize environmental impact by saving energy and reducing CO<sub>2</sub> emissions.



Cogeneration system

Purchase of Green Power  
Certification

The use of green power was considered in 2007 and the decision was made to participate in a scheme to use natural energy by purchasing Green Power Certification\* starting in fiscal 2008.

Under a five-year consignment contract for biomass power generation signed with Japan Natural Energy Company Limited, Green Power Certification equivalent to all of the electric power consumption by the Head Office will be purchased. With this step, the Head Office will be regarded as using 100% green power.



\* Green Power Certification System: A system for utilizing energy generated from natural energy sources, such as biomass and wind power, implemented as part of a company's environmental measures. Biomass power generation is the generation of electricity using scrap wood and other biological matter as fuel.

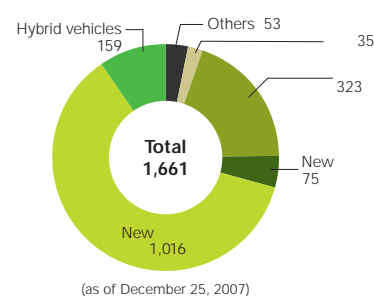
Introduction of Hybrid Sales  
Vehicles

Chugai has set a target of increasing the percentage of hybrids in its fleet of sales vehicles used by medical representatives (MRs) to 50% or more by the end of 2012.

With the addition of 111 new hybrids in fiscal 2007, the fleet now has a total of 159 hybrid vehicles, or 9.6% of the entire MR fleet.

The proactive adoption of low emission vehicles (two or more stars) has brought the current use of such vehicles to 95%. Moreover, it is planned to add 100 or more new hybrids to the sales fleet in fiscal 2008.

This initiative was introduced in a newspaper advertisement taken out by Toyota Motor Corporation in commemoration of the 10th anniversary of the Prius.



\* See the following webpage for information about star rating standards for low emission vehicles.  
[http://www2.kankyo.metro.tokyo.jp/kouhou/env/eng\\_2006/environment02.html](http://www2.kankyo.metro.tokyo.jp/kouhou/env/eng_2006/environment02.html)



Advertisement in August 22, 2007 morning edition paper

## Waste Reduction

# Implementing thorough waste management and working to effectively utilize resources

## Waste Treatment

The volume of waste generated in fiscal 2007 decreased by 70% compared with fiscal 2006. The largest factor behind this decrease was the outsourcing of the manufacture of a synthetic pharmaceutical. Another factor contributing to it was a decrease of approximately 100 tons in the generation of industrial waste subject to special control, including flammable waste oils, from the fiscal 2006 level. On the other hand, the final volume of landfill waste increased by approximately 25 tons to 94 tons compared with fiscal 2006. This increase was mainly the result of sludge generated by the cleaning of wastewater treatment tanks and the pilot manufacturing of new pharmaceuticals.

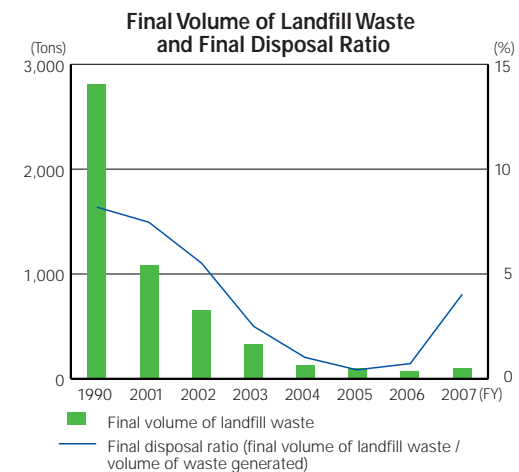
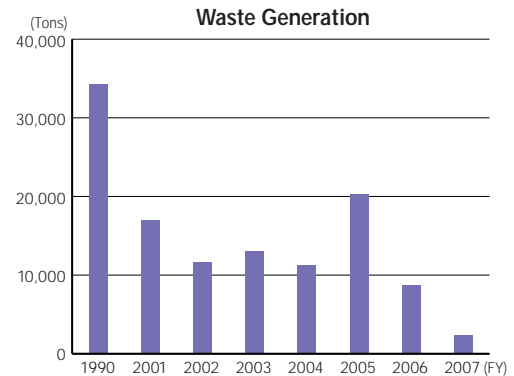
Moreover, while the volume of waste recycled decreased, in part due to the significant decrease in the volume of waste generated, it was possible to facilitate the recycling of waste other than sludge, such as waste plastics and flammable waste oils. In future, efforts will be taken to promote recycling and reduce the final volume of landfill waste by reviewing waste sorting standards and modifying waste treatment methods.

In fiscal 2007, the Fuji Gotemba Research Laboratory and the Fujieda Plant were the Group facilities that achieved zero emission status.\*<sup>1</sup>

\* 1. Zero emissions are defined as a final disposal ratio of landfill waste of less than 1%.

## Thorough Waste Management

Aiming to reduce waste treatment risks, the Chugai Group has been implementing thorough waste management based on the results of environmental and safety audits and advice from waste consultant companies. In particular, regular training sessions are being held on waste-related document management and methods of waste sorting and storage. A checklist drawn up in fiscal 2006 for selecting waste treatment contractors is being used Group-wide to reduce risks associated with waste treatment.



## Reduced Weight of PTP (Press-Through Package) Sheets

Efforts have been taken to reduce the volume of PTP sheets with the aim of utilizing resources effectively. With the product pictured below, the package weight was reduced by 0.9 grams (from 1.6 grams to 0.7 grams), or 56%, by reducing the PTP sheet size from 38 × 103 mm to 31 × 83 mm and by reducing the thickness of the aluminum foil from 20μm to 17μm. Further efforts will continue to be made to reduce the weight of PTP sheets.



Before

After

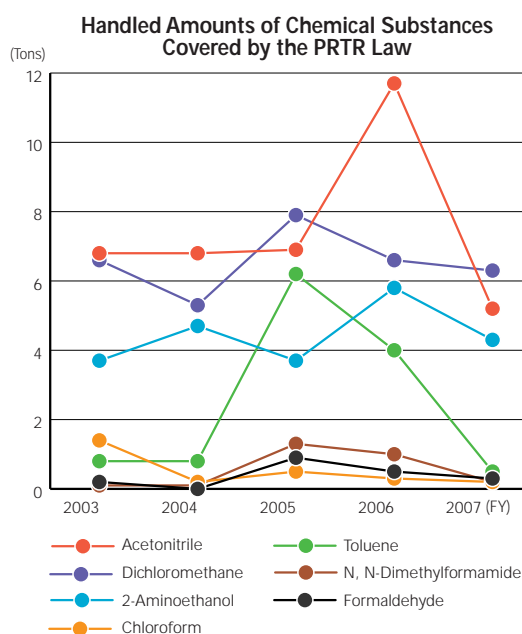
## Promoting environmental pollution countermeasures, including the appropriate management of chemical substances

### Chemical Substance Management

Among the harmful chemical substances covered by Japan's PRTR Law,\* the following three were handled in annual amounts of one or more tons in fiscal 2007 by the Chugai Group: acetonitrile, 2-aminoethanol, and dichloromethane. The amounts of pyridine and toluene handled decreased greatly in fiscal 2007 with the outsourcing of the manufacture of a few synthetic pharmaceuticals. The amount of pyridine handled, in particular, decreased from 867.5 tons in fiscal 2006 to 0.1 tons in fiscal 2007. The Chugai Group collected, distilled, and reused pyridine, and now its contractor is adopting the same environmental measures. The graph below shows the amounts of major chemical substances, except pyridine, handled over time.

The process of revising the guidelines for the handling of chemical substances, which started in fiscal 2006, has now been completed, further strengthening the management of chemical substances. The previous guidelines were greatly improved, with expanded coverage of chemical substances.

\* 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.



### Soil Contamination Countermeasures

#### Initiatives at the Kyushu Plant site of Eiko Kasei Co., Ltd.

In September 2002, voluntary soil surveys were started at the site of the Kyushu Plant. In December 2006, the excavation, removal, and treatment of nearly 10,000 tons of contaminated soil and groundwater purification work were completed. Since January 2007, regular on-site groundwater surveys have been conducted at eight monitoring wells on the premises in compliance with Japan's Soil Contamination Countermeasures Law.

In December 2007, a shopping center complex was opened on the site. The groundwater monitoring wells located within the shopping center building were designed to enable continued groundwater monitoring with the understanding and cooperation of the development company and stores.



Sampling groundwater from a well in the building



View from the shopping center roof

The soil remediation work was carried out with the understanding and cooperation of neighboring residents. Now, the opening of the shopping center has made the site useful to the local community.

#### Environmental soil surveys and remediation work before the construction of new buildings at the Ukima Site

In the first half of 2007, an environmental soil survey was conducted before constructing new buildings, in accordance with an ordinance of the Tokyo Metropolitan Government. The survey showed that the levels of fluorine and lead exceeded the standard values in part of the construction area. Accordingly, contaminated soil was appropriately excavated and removed.

## Environmental Education, Awareness Building, and Communication

# Conducting environmental education for employees to encourage environmentally friendly action against global warming

## Environmental e-Learning

From November to December 2007, all 779 employees at Chugai's Research Division and Chugai Research Institute for Medical Science, Inc., were provided with environmental education on the topic of global warming via e-learning. In fiscal 2007, a wide range of e-learning content was produced in-house, covering topics ranging from basic knowledge on global warming to Chugai's environmental initiatives.

The results of a questionnaire given to evaluate the e-learning program indicated that the education was effective. The employees who took the course generally provided positive feedback, such as, "I learned that global warming is accelerating, and my sense of an impending crisis increased," and "The program was informative, as there were many things I did not know, such as the details of the Kyoto Protocol and Chugai's actual initiatives."



Environmental e-learning screen

## Comment from an Environmental e-Learning Participant



"Global warming" and "environmental issues" are terms that I hear a lot on the news, but I have become much more intimately aware of these issues by studying about them in this course.

It is vital that we take action now in order to pass on a beautiful Earth to the children of the future. My attitude has changed from, "I will do something if there is something I can do" to "Starting today, I will find something I can do and do it."

**Ikuko Izumino**  
Administration Division  
Chugai Research Institute for Medical Science, Inc.

## Screening of *An Inconvenient Truth*

*An Inconvenient Truth*\* was screened a total of seven times at three facilities and one site---the Head Office, the Kamakura Site, the Fuji Gotemba



Screening at the Kamakura Site

Laboratory, and the Fujieda Plant---as part of environmental education initiatives. Viewers made remarks such as, "I was moved by the content and want my family to see it now," and "To start with, I want to stop using my car for shopping in my neighborhood."

\* *An Inconvenient Truth*: Former U.S. Vice President Al Gore's documentary movie about the issue of global warming

## Kamakura Site's First Briefing Session for Neighboring Residents



In August 2007, we held our First Briefing Session for Neighboring Residents. The aim was to share with neighboring residents our belief that our company is part of the community, and to have a chance to inform them

further about the Chugai Group's initiatives.

We described the Kamakura Site's current condition and our vision for its future, including its buildings, research and production activities, employee safety, environmental protection, social contributions, and the expansion of experimental animal facilities that are in compliance with relevant laws, regulations, and international standards.

Most attendees at the session were officers of neighborhood associations. In an atmosphere of openness, they voiced very frank opinions concerning the site, based on their daily experience, and asked questions. The briefing session was meaningful and amicable, and the attendees expressed a desire for us to hold more briefing sessions like this one.

**Atsushi Eda**  
Center Manager  
Kamakura Business Support Center

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

38	Chugai Corporate Overview
39	Social and Economic Areas
40	Environmental Area



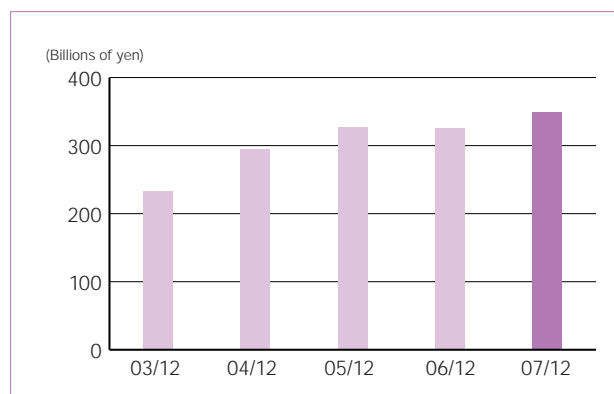
# Chugai Corporate Overview

## Corporate Overview (As of December 31, 2007)

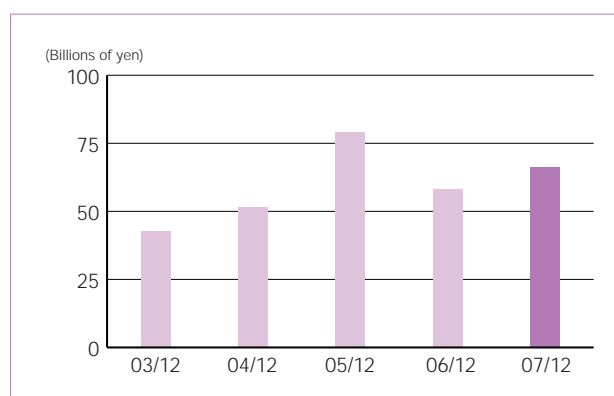
**Company name:** Chugai Pharmaceutical Co., Ltd.  
**Representative:** Osamu Nagayama, President, CEO, COO  
**Founded:** 1925  
**Established:** 1943  
**Stated Capital:** ¥72,947,791,427  
**Fiscal Year-End:** December 31  
**Number of Employees:** 5,356 (Consolidated: 6,282)  
**Business Category:** Manufacturing, marketing and exporting, and importing of pharmaceuticals  
**Head Office:** 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku Tokyo 103-8324, Japan  
 Tel: +81-3-3281-6611(Reception)  
 URL: [http://www.chugai-pharm.co.jp/hc/chugai\\_top\\_en.jsp](http://www.chugai-pharm.co.jp/hc/chugai_top_en.jsp);  
**Branches:** Sapporo, Sendai, Tokyo 1, Tokyo 2, Yokohama, Nagoya, Osaka, Kyoto, Hiroshima, Takamatsu, Fukuoka  
**Plants:** Ukima (Tokyo), Fujieda (Shizuoka), Utsunomiya (Tochigi), Kamakura (Kanagawa)  
**Research Laboratories:** Fuji Gotemba (Shizuoka), Kamakura (Kanagawa), Ukima (Tokyo),

## Consolidated Net Sales/Operating Income

Net Sales for Fiscal 2007 ended December 31, 2007: 344.8 Billion Yen



Operating income for Fiscal 2005 ended December 31, 2007: 66.7 Billion Yen



## 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.	Chuo-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

## 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, China	Provision of medical information on drugs in China
Chugai Pharma Taiwan Ltd.	Taipei, Taiwan	Sales of pharmaceuticals in Taiwan

			2005	2006	2007
Social area	Full-time employees (consolidated) <sup>1)</sup>	Chugai Group	5,357	5,962	6,282
	Full-time employees (non-consolidated) <sup>1)</sup>	Chugai	4,821	5,156	5,356
	Number of persons employed(new graduates + mid-career personnel) <sup>1)</sup>	Chugai	341	499	332
	Number of the board members: Directors <sup>1)2)</sup>	Chugai	12 (6)	13 (7)	13 (7)
	Auditors <sup>1)2)</sup>	Chugai	4 (2)	4 (2)	4 (2)
	Average age <sup>1)</sup>	Chugai	39years	38years6months	38years6months
	Average service years <sup>1)</sup>	Chugai	14years9month	14years1month	14years1month
	Rate of employees with disabilities <sup>3)</sup>	Chugai	1.74%	1.95%	1.92%
	Total cost of training	Chugai	12.00million yen	17.00million yen	15.50million yen
	Number of employees who take a maternity leave	Chugai	26	28	37
	Number of employees who take a family-care leave	Chugai	1	2	1
	Number of employees who use a volunteer leave system	Chugai	1	0	0
	Number of employees who take a volunteer holiday	Chugai	6	2	1
	Number of the lecture on health management	Chugai Group	-	-	9
	Number of inquiry to the drug information center	Chugai	44,571	52,781	64,798
	Number of investors' meetings	Chugai	9	8	10
	Number of overseas investors which were visited on a road show	Chugai	54	66	64
	Number of study sessions for media	Chugai	7	12	10
	Number of Shareholders <sup>1)</sup>	Chugai	50,356	45,464	49,111
	Number of outstanding shares <sup>1)</sup>	Chugai	558,655,824	559,493,113	559,636,061
	Rate of the number of shares which non-Japanese own <sup>1)</sup>	Chugai	73.60%	70.28%	71.79%
	Rate of "individual /other" shareholders <sup>1)</sup>	Chugai	8.44%	6.97%	7.56%
	Occupational injury frequency rate	Chugai	1.40	0.75	2.22
	Occupational injury strength rate	Chugai	0.0005	0.004	0.0005

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) Indicate figures as of the end of June

Unit: million of yen

			2005	2006	2007
Economic area	Net sales	Chugai Group	327,155	326,109	344,808
	Research and development expences <sup>4)</sup>	Chugai Group	50,058	54,609	54,243
	Operating income	Chugai Group	79,168	58,347	66,703
	Net income	Chugai Group	53,632	38,417	40,061
	Income taxes (including deferred income taxes) <sup>5)</sup>	Chugai Group	31,214	22,874	24,537
	Annual dividends <sup>6)</sup>	Chugai	11,558	18,821	18,146
	Total net asset <sup>7)</sup>	Chugai Group	368,306	391,604	385,797
	Donations (non-consolidated) <sup>8)</sup>	Chugai	2,293	1,977	2,770

- 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 24,537 million yen in 2007.  
6) Chugai paid 18,146 million yen in dividends to stock holders in 2007.  
7) Shareholder's equity was indicated in 2005.  
8) The donation figures are extracted in the viewpoint of CSR.

## Environmental Area

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

	FY 1990	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Electricity (10,000 kwh)	6,371	10,509	10,588	10,717	10,965	11,274
Heavy oil (kL)	6,081	2,956	3,263	3,438	2,605	2,352
Kerosene (kL)	1,962	789	753	533	326	272
Gasoline (kL)	10	2,319	2,447	2,344	2,772	2,878
City gas (km <sup>3</sup> )	3,224	7,023	7,329	10,503	12,615	12,493
LNG (tons)			265	755	807	2,601
LPG (tons)	8	2,688	2,952	1,162	27	29
CO <sub>2</sub> Emissions (tons)	52,295	77,960	81,449	84,259	84,596	88,584

From fiscal 2003 onward, the data show energy consumption by all Chugai Group facilities in Japan, including the Head Office and branches. (The data for fiscal 1990 show totals for the plants and the research laboratories only.)

The total energy consumption is converted into CO<sub>2</sub> emissions. The electric power is converted into CO<sub>2</sub> emissions by applying a conversion coefficient rate of 0.368kg-CO<sub>2</sub>/kWh.

### 2. Fiscal 2007 Energy Consumption by Site or Facility

	Ukima Site	Fujieda Plant of CPMC *1	Utsunomiya Plant of CPMC *1	Kamakura Site	Fuji Gotemba Research Laboratory	CMS Suwa *2	Chugai Distribution	Head Office & branches
Electricity (10,000 kwh)	3,053	1,186	2,465	1,993	1,616	78	121	762
Heavy oil (kL)					2,352			
Kerosene (kL)						258	14	
Gasoline (kL)		1			4	4		2,869
City gas (km <sup>3</sup> )	4,289		4,964	3,214				26
LNG (tons)		2,601						
LPG (tons)	0		10		18	0		

### 3. Annual Waste Generation

Unit: tons

	FY 1990	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Generation	34,325	13,050	11,224	20,220	8,757	2,437
Disposal	4,953	3,130	527	895	709	752
Final disposal at landfills	2,811	330	129	103	69	94
Recycling	3,112	4,280	3,553	5,916	2,726	1,687
Recycling ratio <sup>1)</sup> (%)	38.6	57.8	87.1	86.9	79.4	69.2
Final disposal ratio <sup>2)</sup> (%)	8.2	2.5	1.1	0.5	0.8	3.9

1) Recycling ratio = the volume of waste recycled / (the volume of waste disposed + the volume of waste recycled)

2) Final disposal ratio = the final volume of landfill waste / the volume of waste generated

### 4. Fiscal 2007 Waste Generation

Unit: tons

	Ash	Sludge	Waste oils	Waste acids	Waste alkalis	Waste plastics	Waste metals	Waste glass & ceramics	Others	General waste
Generation	775	518	376	99	7	333	104	29	126	71
Disposal		276	301	9	7	69	1	18	51	20
Final disposal at landfills		55				7	1	18	9	4
Recycling	775	242	75	89	0	264	104	11	74	52

### 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	FY 2007
Pyridine	782.5	550.8	589.2	466.0	795.1	867.5	0.1
Formaldehyde	0.2	0.3	0.2	0.0	0.9	0.5	0.3
Acetonitrile	7.8	8.5	6.8	6.8	6.9	11.7	5.2
2-Aminoethanol	4.2	4.6	3.7	4.7	3.7	5.8	4.3
Chloroform	1.2	1.0	1.4	0.2	0.5	0.3	0.2
Dichloromethane	2.3	4.3	6.6	5.3	7.9	6.6	6.3
Toluene	3.8	7.7	0.8	0.8	6.2	4.0	0.5
N, N-Dimethylformamide	0.9	1.8	0.1	0.1	1.3	1.0	0.2
Dioxin (mg-TEQ/year)	3.0	4.4	5.4	4.1	6.2	2.0	0.1

### 6. Fiscal 2007 Water Consumption and Wastewater by Site or Facility

Unit: tons

	Ukima Site	Fujieda Plant of CPMC *1	Utsunomiya Plant of CPMC *1	Kamakura Site	Fuji Gotemba Research Laboratory	CMS Suwa *2	Total
City water	61,723	43,801	62,012	100,445	24,225	13,191	305,397
Well water		1,155,963					1,155,963
Industrial water	138,167		327,658		196,659		662,484
Total water consumption	199,890	1,199,764	389,670	100,445	220,884	13,191	2,123,844
Wastewater	182,501	665,186	301,298	54,149	131,242	12,000	1,346,376
Total BOD (kg/year)	590	1,928	303	1,372	25		4,218

\* 1: CPMC: It is an abbreviation for Chugai Pharma Manufacturing Co., Ltd.

\* 2: CMS Suwa is an abbreviation for the Suwa Branch of Chugai Research Institute for Medical Science, Inc.



This entire report is printed on paper from forests certified by the Forest Stewardship Council and other controlled sources under the standards of the FSC. The ink used contains less than 1% volatile organic compounds (VOCs). The report was made using waterless printing, which avoids solvents containing harmful substances.



**CHUGAI PHARMACEUTICAL CO., LTD.**



A member of the Roche group

1-1, Nihonbashi-Muromachi 2-chome  
Chuo-ku, Tokyo 103-8324, Japan