

Corporate Social Responsibility Report

CSR '08



CHUGAI PHARMACEUTICAL CO., LTD.



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Editorial Policy

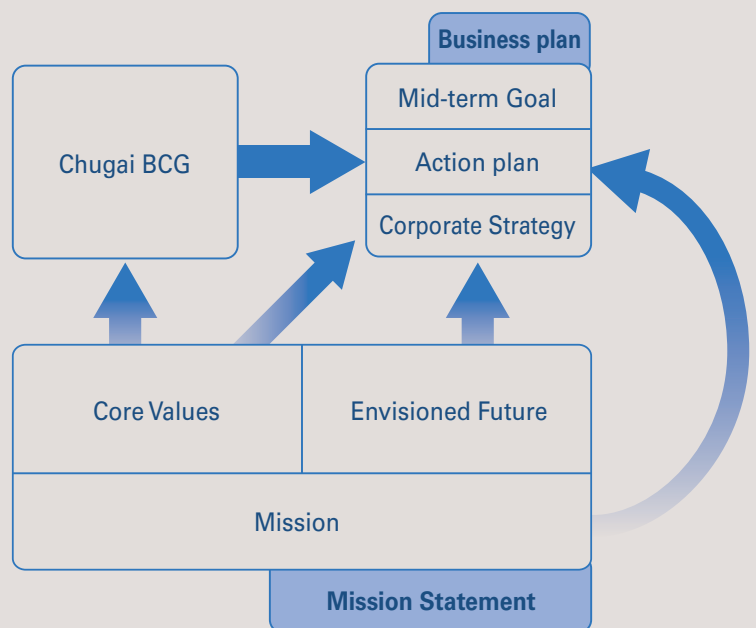
Dedicated to better medicine for human health worldwide



Members of the Executive Committee:



Nihonbashi Mitsui Tower (Head Office 15-20F)





At Chugai, we take a groundbreaking, integrated approach to creating innovative drugs.

Contributing to society by creating innovative pharmaceuticals

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 committed to creating innovative pharmaceuticals by pursuing innovation and strategically allocating our resources. In particular, we are focusing on unmet medical needs, where there is still great potential to improve treatment for people by discovering new drugs.

Perhaps the most distinguishing feature of our R&D pipeline and current products is their focus on finding better treatments for challenging diseases such as cancer, diabetes, rheumatoid arthritis, and chronic hepatitis C. We are working hard to develop innovative new drugs utilizing the latest bio- and antibody technologies and our library of small-molecular compounds. It is our conviction that antibody medications, which use antibodies to target specific cells and tissues, will contribute greatly to the establishment of new treatments, since they can be expected to improve therapeutic action while reducing side effects.

Achievements in 2008

We recorded a number of excellent new achievements in these areas in 2008. In Japan, approval was received in February to expand the indications for Herceptin (anti-HER2

monoclonal antibody, antitumor agent) to include postoperative adjuvant chemotherapy for breast cancer. In April, rheumatoid arthritis, juvenile idiopathic arthritis (which is active in multiple joints), and systemic onset juvenile idiopathic arthritis (sJIA) were approved as indications for Actemra (a humanized antihuman IL-6 receptor monoclonal antibody).

Outside Japan, in November we submitted an application to the European Medicines Agency for symptom improvement of moderate to severe rheumatoid arthritis as an indication for Actemra. The application was approved in January 2009. In Switzerland this indication was approved earlier, in December 2008. In the United States, we received a Complete Response Letter from the Food and Drug Administration (FDA) in September. We are working with Roche to comply with the instructions to obtain approval.

Actemra is Japan's first antibody medication and a product being met with extremely high expectations around the world. I earnestly hope that we will be able to deliver this innovative medical product to patients worldwide as soon as possible, improving their quality of life and even enabling them to overcome their diseases.

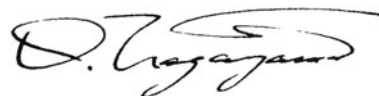
In addition, in November we submitted an application in Japan for additional efficacy for small cell lung cancer of Avastin (anti-vascular endothelial growth factor (VEGF) humanized monoclonal antibody). Avastin is a new type of drug called an angiogenesis inhibitor, which is a drug that inhibits the growth of new blood vessels that supply nutrients and oxygen to cancer tissue. We expect indications for Avastin to be expanded to many other cancers besides the current colon and rectal cancers. Going forward, we will continue to do our utmost to contribute to better treatment for people everywhere.

Our ambitions

We aim to become a top Japanese pharmaceutical company by providing a continuous supply of innovative new medicines domestically and internationally. I believe that the mission and responsibility of a top pharmaceutical company is to contribute to society and maximize corporate value by meeting the expectations of its diverse stakeholders, including physicians and co-medical personnel as well as patients and their families. Only as we fulfill this mission, can we earn the trust of society.

As we implement our mid-term business plan, "Sunrise 2012," everyone at Chugai is fully aware of our mission and responsibility, and we are determined to be as thorough as possible in ensuring that all of our corporate activities are carried out in accordance with the very strict ethical standards required of a life-science company. As part of our commitment to patient-centered treatment, we not only create innovative medical products, but also work to make sure that medical professionals provide appropriate information on their proper use. Last but not least, we have pledged ourselves to do everything we can to contribute to local communities and to help protect the global environment, including reducing CO₂ emissions.

In closing, let me request your continued understanding and support for our business endeavors.



Osamu Nagayama

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

■ Corporate Overview (As of December 31, 2008)

Company name:	Chugai Pharmaceutical Co., Ltd.
Representative:	Osamu Nagayama, President, CEO, COO
Founded:	1925
Established:	1943
Stated Capital:	¥72,966,825,723
Fiscal Year-End:	December 31
Number of Employees:	4,671 (Consolidated: 6,383)
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
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)

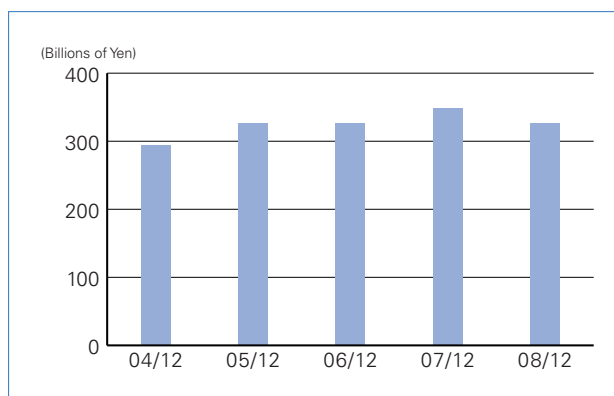
■ Sunrise 2012

Chugai Pharmaceutical creates innovative new drugs by leveraging its own infrastructure for antibody pharmaceuticals research and the infrastructure for small-molecule drugs it has access to in its partnership with Roche.

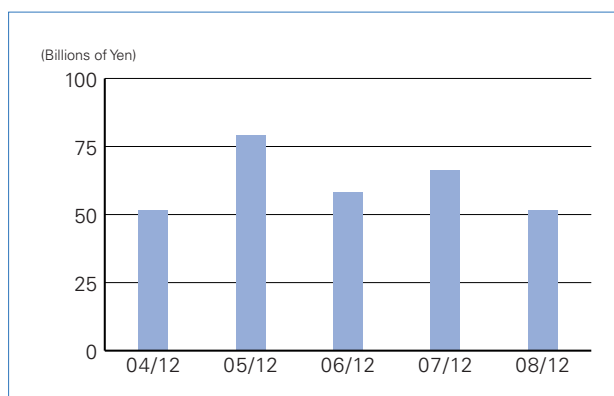
The company is working to realize the goals of its mid-term business plan "Sunrise 2012," a five-year plan established in 2008. Sunrise 2012 calls for strengthening portfolio management and employing strategic marketing in order to discover, develop and provide innovative new drugs. Through these measures and the maximization of company-wide productivity, Sunrise 2012 is building the foundation for the next stage of growth fueled by Chugai's mission of benefiting the medical community and human health around the world.

■ Consolidated Net Sales/Operating Income

Net Sales for Fiscal 2008 ended December 31, 2008: 326.9 Billion Yen



Operating Income for Fiscal 2008 ended December 31, 2008: 51.6 Billion Yen



Sunrise 2012 Targets

Consolidated net sales
460 billion yen

Consolidated operating income
80 billion yen

Profile of Chugai Pharmaceutical

Chugai Pharmaceutical is a company driven by research and development—a leader in the field of biopharmaceuticals that specializes in prescription drugs. Since forming a strategic alliance with Roche in October 2002, Chugai has pursued an aggressive R&D agenda in and outside Japan as a key member of the Roche Group. The company is working to discover innovative and internationally viable pharmaceuticals, concentrating on the treatment of cancer, renal disease, and bone and joint diseases.



	Leading products
Cancer	<ul style="list-style-type: none"> • Avastin (anti-vascular endothelial growth factor (VEGF) humanized monoclonal antibody) • Tarceva (epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor) • Herceptin (anti-HER2 monoclonal antibody, antitumor agent) • Xeloda (antitumor agent) • Neutrogin (agent for neutropenia associated with chemotherapy)
Renal diseases	<ul style="list-style-type: none"> • Epogin (agent for anemia associated with end-stage renal disease) • Oxarol (agent for secondary hyperparathyroidism in hemodialysis patients) • Renagel (agent for hyperphosphatemia)
Bone and joint diseases	<ul style="list-style-type: none"> • Actemra (rheumatoid arthritis) • Alfarol (agent for osteoporosis) • Evista (agent for postmenopausal osteoporosis) • Suvenyl (agent for knee pain associated with rheumatoid arthritis, osteoarthritis)
Other	<ul style="list-style-type: none"> • Tamiflu (anti-influenza agent) • Sigmart (anti-anginal agent) • Pegasys (chronic hepatitis C) • Copegus (antiviral agent used in combination with Pegasys)

Domestic Subsidiaries

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

Overseas Subsidiaries and Affiliates

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 U.K. Ltd.	London, U.K.	Sales of pharmaceuticals in the UK
Chugai Pharma Marketing Ltd.	London, U.K.	Sales administration / Sales of pharmaceuticals in Europe
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 applications for new drugs in the US
Chugai Pharma (Shanghai) Consulting Co., Ltd.	Shanghai, China	Provision of medical information on drugs in China
Chugai Pharma (Shanghai) Consulting Co., Ltd. Beijing Branch	Beijing, China	Provision of medical information on drugs in China
Chugai Pharma (Shanghai) Consulting Co., Ltd. Guangzhou Branch	Guangzhou, China	Provision of medical information on drugs in China
Chugai Pharma Taiwan Ltd.	Taipei, Taiwan	Sales of pharmaceuticals in Taiwan

R&D Partners

Company Name	Location	Summary of Business
Forerunner Pharma Research Co., Ltd.	Meguro-ku, Tokyo	Research and development of pharmaceuticals
C&C Research Laboratories	Hwaseong-si, Korea	Research and development of pharmaceuticals in Korea
PharmaLogicals Research Pte.Ltd	Biopolis, Singapore	Research and development of pharmaceuticals in Singapore

Research and Development of Antibody Drugs

Chugai Pharmaceutical is an R&D-driven pharmaceutical company on the cutting edge of biopharmaceutical development. In the 1980s the company developed drugs from proteins associated with the multiplication and differentiation of blood cells (erythropoietin (EPO) and granulocyte-colony stimulating factor (G-CSF)) and established a mass production system based on genetic engineering techniques. Building on this technology, Chugai is now a leader in the development of antibody drugs, which make use of antigen-antibody reactions. These pages provide an introduction to antibody drugs and some of Chugai's unique contributions in the field.

Antibody drugs

Antibody drugs are pharmaceuticals that use antibodies, which have an effect only on specific cells and structures (molecules). Antibody drugs can be expected to demonstrate outstanding therapeutic action with reduced side effects, since they zero-in on markers (antigenic proteins) appearing on the surface of cancer cells, inflammatory cells, and other diseased cells. Expectations are high that antibody drugs will enable highly effective

Figure 1: Molecular model of Actemra



medical treatment with few side effects. At present, monoclonal antibodies in particular are attracting attention.

Monoclonal antibodies

B cells, which are a type of immune cell, produce antibodies that bind to specific markers in order to attack foreign bodies (antigens), such as virus-infected cells and cancer cells. Monoclonal antibodies are a copy—i.e. a clone—of antibodies produced by one type of B cell. Large quantities of pure antibodies can be obtained by applying monoclonal antibody production techniques. Antibody drugs using monoclonal antibodies were created based on the idea that if it were possible to mass produce antibodies that could attack cancer cells by binding only to those specific markers, such antibodies would make promising drugs. For example, most cancer cells have a specific marker that other normal cells do not possess.

Characteristics of antibody drugs

- Potential treatment for cancer and other intractable diseases for which there are currently few or no effective therapies.
For example, cancer, rheumatoid arthritis, etc.
- Promise of outstanding therapeutic action with comparatively few side effects.
Can zero-in on a wide range of specific markers, including those on cancer cells.
- More suited to state-of-the-art biotechnology than past drugs.

Manufacturing technology using genetic engineering techniques has been established.

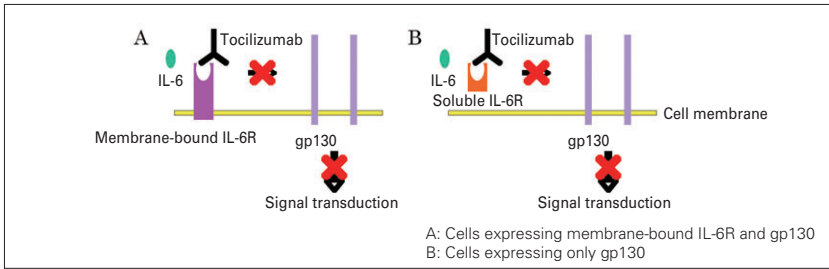
- One challenge is the worldwide lack of production equipment.
Constructing facilities entails enormous costs, since the production equipment is highly specialized and large-scale.

Examples of antibody drugs

The outer membranes of breast cancer cells have a marker called human epidermal growth factor receptor type 2 (HER2). By binding to this marker, antibody drugs can block the signal sent to cancer cells that instructs them to multiply, thus suppressing the increase of cancer cells. Moreover, antibody drugs can strengthen the action of natural killer cells and macrophages, which attack cancer cells directly. These antibody drugs are efficacious for types of breast cancer that have many HER2 markers.

Some antibody drugs bind to marker called an interleukin receptor. Interleukin-6 (IL-6) is a cytokine that controls antibody-mediated immunity. Rheumatoid arthritis is a progressive autoimmune disease characterized by inflammation of joints and synovial membranes throughout the body. It starts with an inflammatory response in the joints, which are part of the machinery of bodily movement. It causes pain and swelling and eventually leads to deformation and the destruction of articular bone with resultant loss of mobility. By binding to the IL-6 receptors, these antibody drugs suppress the activity of IL-6, which is an important factor in the process that

Figure 2: IL-6 signal transduction IL-6 and IL-6 signal transduction inhibition by Actemra



A. After binding to an IL-6 receptor (IL-6R) on the cell surface, IL-6 combines with a second receptor called gp130. This complex unites into a hexamer, causing gp130 to form an intracytoplasmic homodimer. The signaling system starts, and IL-6's signal is transmitted to the nucleus. At the same time, bodily fluids contain soluble IL-6 receptors which form complexes with IL-6. In this case, the complex combines with gp130 receptors on the cell surface, causing IL-6's signal to be transmitted into the cell.

B. Actemra competitively inhibits the binding of IL-6 to membrane-bound and soluble IL-6 receptors. (Quoted from the application materials.)

triggers inflammation, thereby ameliorating joint inflammation and easing the systemic symptoms of rheumatoid arthritis.

Antibody drugs under development around the world

At present, work is underway to develop antibody drugs for viral and bacterial infections; antibody drugs to relieve allergy symptoms by binding to immunoglobulin E (which is a cause of allergies); and antibody drugs for conditions such as asthma, rheumatoid arthritis, and Crohn's disease. Research is also being carried out to improve the effects of antibody drugs. Additionally, research is being carried out on antibody drugs in which a radioisotope that is highly effective at killing cells is bound to an antibody targeted at cancer cells; and antibody drugs that easily penetrate cancer cells.

Next, we would like to introduce Actemra, the first antibody drug developed in Japan.

Introduction

Actemra (generic name: tocilizumab), a humanized antihuman IL-6 receptor monoclonal antibody, is the first antibody drug developed in Japan and the world's first IL-6 inhibitor. It was launched as a treatment for Castleman's disease in April 2005 and as a treatment for rheumatoid arthritis and systemic onset juvenile idiopathic arthritis (sJIA) in April 2008. This anti-rheumatic drug was the product of joint research by Chugai and Dr. Tadimitsu

Kishimoto and his colleagues at Osaka University. It was realized by integrating many years of basic research by Chugai scientists and insights from Dr. Kishimoto's basic immunology research. Figure 1 shows the molecular structure of Actemra, which is an artificial antibody improved for ease of use, made using genetic engineering techniques to change antibodies produced by mice into human form. It is a genetically modified body produced using Chinese hamster ovary (CHO) cells. Figure 2 shows the way in which the action of IL-6 is transmitted to a cell and the way Actemra inhibits this effect.

Tireless basic research led to the elucidation of autoimmune disease and the mechanism of IL-6

Why do immune responses, which are supposed to be defensive reactions against foreign pathogens, sometimes turn on the body's own cells? Chugai investigated the cause of this phenomenon for many years using animal models of autoimmune disease and found results that support the explanation that B cells are to blame. This explanation attributes autoimmune disease to the appearance of autoantibodies as a result of abnormal activation of B cells, which are a kind of lymphocyte. In light of this, the idea that a B cell inhibitor could become a new medication was born, and the company started screening compounds with the potential to be developed into drugs.

Around the same time, basic research on the mechanism of antibody

formation was developing and led to the understanding that B cells need help from T cells, which are another lymphocyte, to transform into the cells that produce antibodies. Dr. Kishimoto and his colleagues at Osaka University found that soluble protein factors secreted by T cells play this helping role. In 1986, they isolated the gene for one of these factors, the cytokine known as IL-6, which is thought to be what induces the symptoms of autoimmune disease.

Based on this research developed independently by Chugai and Osaka University, the company formed the hypothesis that IL-6 triggers abnormal activation of B cells, which causes autoimmunity, and then started research to identify an IL-6 inhibitor.

Industrial-academic collaboration: The driving force that led from basic research to development

The company tried developing soluble receptors that could trap IL-6. It also screened peptide fragments of IL-6 and IL-6 receptors as well as multiple synthetic and natural compounds, but all ended in failure. Eventually, there was no choice but to make monoclonal antibodies for IL-6 receptors as a candidate IL-6 inhibitor.

In modern parlance, the development of Actemra is a model of successful translational research in which basic research led to the development of a pharmaceutical. It took 22 years from the beginning to product launch. It is an example of success built on the foundation of Chugai's continual and dedicated effort to elucidate the pathogenesis of autoimmune disease, and Osaka University's world-leading basic research on fundamental immunology relating to IL-6.

Mass producing an antibody drug was a new experience for Chugai, which had to overcome numerous challenges and difficulties along the way.

Appropriate Treatment of Wastewater Containing High Potency Substances

In September 2008, Chugai Pharmaceutical's Ukima Site completed construction of Formulation & Packing Pilot Plant 2. Compounds with high pharmacological activity, that is, high potency substances, are handled in this building, and so a system was adopted whereby treatment of wastewater is outsourced to a specialized treatment company. The three key reasons Chugai adopted this system are:

1. To prevent release to the environment
2. To ensure employee safety
3. To prevent product contamination.

As a measure to prevent release to the environment, the building was designed so that discharged water from the area where high potency substances are handled is segregated from ordinary discharged water and stored in two 18-ton tanks. The tanks are located indoors and maintained at an air pressure that is lower than the ambient air to prevent contents from escaping.

Moreover, indoor ventilation passes through high-performance air filters.

In order to ensure employee safety, vents on the tanks have also been fitted with high-performance air filters to prevent compounds from escaping indoors. Filters are moistened before being changed to prevent collected compounds from becoming airborne.

As a measure to prevent product contamination, special devices were installed in the water pipes of the

manufacturing equipment to stop the pressure from rising inside the piping and thereby prevent the contamination of products with discharged water.

By combining a variety of technologies for treating discharged water in this way, the Chugai Group has constructed manufacturing facilities designed to prevent environmental pollution, ensure safe working conditions for employees, and provide high-quality products that contribute to patients' health.



Drainage line and part of the Formulation & Packaging Pilot Plant 2

Message from the Deputy President

The Chugai Group enjoys the advantages of unparalleled engineering of drugs for mass production, cutting-edge facilities, and the leading position it earned by introducing Japan's first antibody drug, Actemra. Going forward, we will leverage this technology to provide innovative drugs, and we expect to contribute to personalized healthcare tailored to disease characteristics and degree of progress. Moreover, in consideration of biodiversity, we ensure that medical agents that could have an effect even in trace amounts (e.g., anticancer drugs) are not emitted to the environment by collecting discharged water generated during manufacturing and treating it as waste. Chugai is aiming to help realize a sustainable society by fulfilling its social responsibility.

Motoo Ueno

Representative Director
Deputy President, Corporate Social Responsibility



Mission Statement, Chugai Business Conduct Guidelines and CSR Initiatives

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.

■ BCG & Human Rights Training—Putting the Chugai Business Conduct Guidelines into Practice

In order to fulfill its responsibilities to stakeholders and live up to their expectations, the Chugai Group has established the Chugai Business Conduct Guidelines (Chugai BCG) to use as a code of behavior governing both the decisions of the company and the individual actions of employees.

To ensure the proper application of the Chugai BCG to daily operations, all employees in the Chugai Group attend BCG & Human Rights Training twice every year. The training program utilizes case studies from Chugai and other companies as teaching material. Employees discuss these cases and consider what action needs to be taken in their own workplaces.



Firm Commitment to Corporate Ethics

As a company associated with human life, Chugai is committed to the highest ethical and moral standards in all its activities.

Corporate Ethics Take Priority over Profit

Chugai places paramount importance on respect for life, and pursues fair and transparent corporate activities based on high ethical standards, along with sincere scientific initiatives.

This approach is essential for the creation of strong relationships of trust with stakeholders, and in order to contribute to the sustainable development of society.

When the new Chugai Pharmaceutical was created in October 2002 through a merger with Nippon Roche K.K. based on a strategic alliance with F. Hoffmann-La Roche Limited the president issued a message to all employees concerning the need to prioritize corporate ethics over profits. The company published a Mission Statement (see page 9) declaring its path to becoming a company that better meets stakeholder expectations and fulfills its responsibilities, and also established the Chugai Business Conduct Guidelines (Chugai BCG) to accompany the statement.

Working toward these goals, all employees of the Chugai Group are placing top priority on sharing these values, as well as understanding and practicing the ethical standards necessary to execute their jobs.

The promise of Chugai employees is to evaluate every action ethically before taking it.

Committed to Ethical Promotional Activities

Pharmaceutical companies have a responsibility to pursue quality, effectiveness, and safety in all their operations—from product R&D to sales. They must also rapidly collect and disseminate accurate information on pharmaceuticals in an appropriate manner.

Japan's pharmaceutical industry has voluntarily established a promotion code for the independent marketing of pharmaceuticals. There is also a fair competition agreement that covers the manufacture and sale of pharmaceuticals, which serves to regulate the provision of free drug samples to medical institutions.

The Chugai Group actively supports the efforts of the Fair Trade Council of the Ethical Pharmaceutical Drugs Marketing Industry and the Japan Pharmaceutical Manufacturers Association's Promotion Code Committee—the institutions administering the above-mentioned industry rules—

and has also gone one step further by establishing and implementing its own code of conduct on pharmaceutical promotion. The Chugai Promotion Code Committee serves as the decision-making body for Chugai's code, and a system of full-time monitors at the Head Office and branches ensures proper adherence to the fair competition agreement and the Chugai code. The company is taking strong steps to ensure that all of its marketing activities are highly ethical.

Creating a Corporate Culture of Respect for Self and Others

A culture of respect for human rights is essential for building a dynamic, outstanding company that earns the trust of society. Promoting diversity and respect for human rights is one of the most important parts of the Chugai Business Conduct Guidelines, which outline a code of conduct based on Core Values shared by Chugai employees.

Chugai is committed to fostering a corporate culture where people respect themselves and others, where they can do rewarding work with creativity and enthusiasm. The key to this is building workplaces that encourage diversity so that all employees can have strong self-esteem and live up to their full potential—that is, creating a culture where people respect each other's perspectives and can work in an environment free from discrimination and infringement of human rights.

A corporate culture that respects human rights helps to foster employees' aspirations, which in turn results in higher productivity for the company.

Chugai believes that, as all our employees develop a strong awareness of human rights and act in ways that respect each other's individuality, they will carry their commitment to respecting self and others with them everywhere they go. This, in turn, will help to eliminate discrimination and infringement of human rights in the broader society.



The keyword can be translated into English as, "You cannot respect others if you cannot respect yourself"

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, the Chugai Group 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, Chugai 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, while taking into account ethical issues including 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 Ethics Committee for the Treatment of Laboratory Animals, which was originally established with the advent of the guidelines, and renamed 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. (In 2008, 97 participants took part in occasional training courses held 27 times, and 484 participants took part in annual training courses held 10 times.)

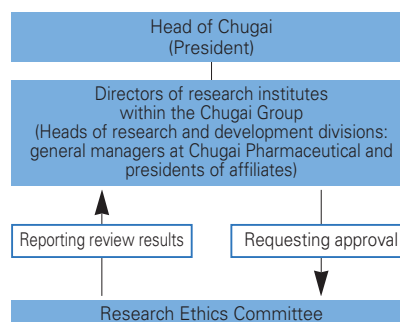
These Chugai initiatives have been evaluated by AAALAC International,** a global independent evaluation organization, and in 2007 the company obtained Full Accreditation as a result. Inspection by AAALAC International is repeated every three years, and Chugai will continue its tireless effort to ensure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

Bioethics Initiatives in R&D

Chugai has established Ethical Guidelines for Research that Uses Human-derived Test Material. Chugai has also formed a Research Ethics Committee to ensure that research is being carried out appropriately.

The Research Ethics Committee is composed of eight men and women, half of whom are from outside Chugai. The outside members consist of experts from the humanities and social sciences, including ethics

and law, as well as experts from the natural sciences and people with a more general background. The chairperson is selected from among the outside members, which helps to ensure that the committee carries out fair, objective evaluations from an interdisciplinary and pluralistic frame of reference.



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. The Chugai Group 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.

● Protocol Review Committee

Before the start of a proposed clinical trial, the Protocol Review Committee checks 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 Review Board, which is composed of medical professionals and non-medical members at medical institutions. This board makes a decision on whether or not Chugai may 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.

* 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 770 facilities in 29 countries have been accredited.

System for Fulfilling Social Responsibility

Focusing on quick decision-making and clear responsibility for execution

Chugai's Basic View of Corporate Governance

Chugai Pharmaceutical is committed to continuously increasing corporate value and responding appropriately and fairly to the requests of all stakeholders, including shareholders. To fulfill this commitment, the company has positioned the enhancement of corporate governance as an important management task and is building a system that emphasizes prompt decision-making, clarification of executive responsibilities, and management transparency.

Toward this end, 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 14 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 nine 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 receives consultation from

the IAC to ensure that the company will continue to respond effectively to the rapidly changing global business environment.

(Figures are as of the end of December 2008.)

Internal Audit System

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 all reported to the Executive Committee.

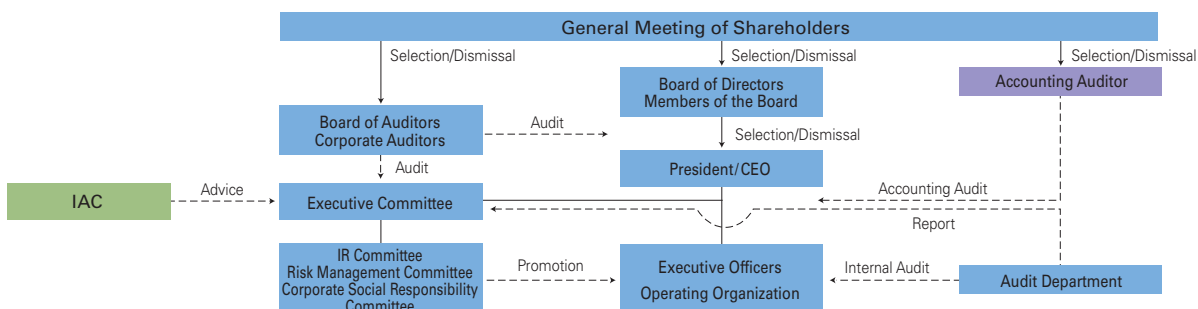
Follow-up audits are carried out on the main recommendations six months later to verify the status of improvement, and the results are reported to the executive vice president responsible. In addition, the Audit Department reports internal audit results to the full-time corporate auditors.

The Audit Department also works with all departments, once a year, to conduct an internal control self-assessment process. This contributes to enhance awareness of internal controls among department heads, and the feedback they receive on their assessment results helps them to improve their internal controls.

Risk Management System

The Chugai Group has established risk management rules, and has a Risk Management Committee and a Risk Management & Compliance Department which implement Group-wide risk management. Specifically, every year Chugai takes proactive steps to avoid or mitigate risks that may significantly affect corporate activities by having these organizations identify potential risk factors and establish management policies for each risk to ensure that risks will be prevented early on before they materialize. Risk management progress reports are reviewed by top management every quarter. To deal with potential emergencies, the company has a disaster response mechanism in place. In the event of a

Corporate Governance System



(December 31, 2008)

crisis, an emergency headquarters is established, headed by Chugai's representative director.

Committed to Compliance

Compliance rules have been put in place, and a Compliance Committee has been 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. Specifically, the heads of all the organizations within the Chugai Group, serving as compliance managers, monitor and report on compliance status each quarter. The results are discussed by the Compliance Committee, and then reported to top management. In addition, 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 Management & Compliance Department and the department in charge of the legal issue involved. Suitable response measures are then taken.

Internal Control over Financial Reporting

In order to comply with Japan's new Financial Instruments and Exchange Act (J-SOX) and the internal control system for financial reporting that it requires, the Chugai Group is taking necessary steps such as identifying internal control risks, documenting control activities, and confirming the establishment of internal controls. With implementation of the new regulations in fiscal 2009, Chugai has worked hard to prepare for full compliance. Steady efforts are underway to ensure that the entire Chugai Group will attain good results in its self-assessment and external audit concerning the internal controls.

● Cooperation with the external auditor

Chugai engages in ample consultation with its external auditor based on internal control rules. It is also making preparations for a smooth transition to the start of the new regulatory requirements, including the clarification of the scope of evaluation.

● Trial evaluation of internal controls

Chugai has confirmed that there are no major internal control problems, based on the results of trial evaluations by the company.

Framework for Promoting Social Responsibility

The Chugai Group understands that it has a social responsibility to respond to the needs and expectations of stakeholders. To fulfill this duty, the Corporate Social Responsibility Committee discusses and decides on basic policy and plans, and the Corporate Social Responsibility Department manages activities. In addition, the Chugai Business Conduct Guidelines (Chugai BCG) serve as a code of conduct governing specific decision-making situations, helping all employees to carry out their jobs properly. To ensure that the BCG are thoroughly embraced and put into practice, the Corporate Ethics Promotion Committee plays a key role in developing training programs, raising awareness, and monitoring activities. The BCG Hotline provides a reporting and consultation channel for employees to secure a more agreeable workplace environment. Through all these activities, Chugai is always striving to be a company of integrity and trust.

● Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee meets twice a year. It discusses and makes decisions on policies, targets, and action plans relating to social responsibility for all the business activities of the Chugai Group, and reports to and proposes items for discussion for the agenda of the Executive Committee as necessary.

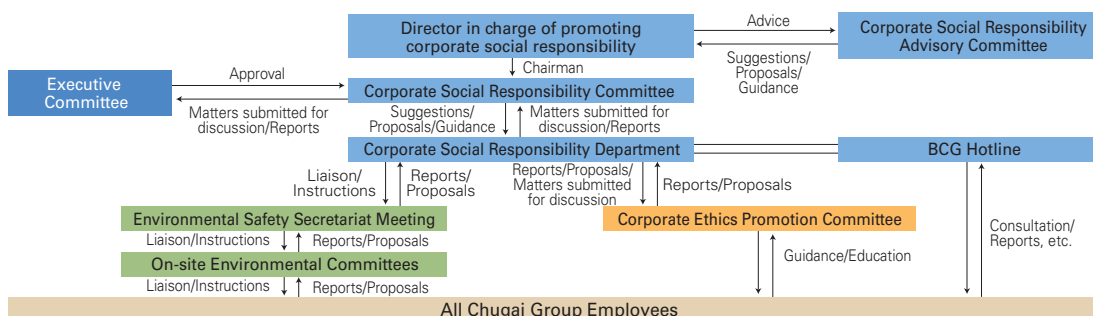
● Corporate Ethics Promotion Committee

The Corporate Ethics Promotion Committee also meets twice a year. The members come from each workplace in the Chugai Group and receive information and training, and exchange opinions. They then go back to their respective workplaces and promote the Chugai BCG and activities to enhance awareness on human rights by supporting the heads of their organizations.

● BCG Hotline

The BCG Hotline has been set up in-house to provide opportunities for consultation about any suspected issues or questions related to the law, company rules, and/or the Chugai BCG. The hotline helps to deal with and resolve problems that may be difficult to discuss in the workplace. The aim is to foster a corporate culture that never ignores problems, while enhancing the organization's capacity to address its own issues and maintain proper functioning.

Corporate Social Responsibility Promotion Structure



(December 31, 2008)

Chugai's Unique Approach to Fulfilling Social Responsibilities

Initiatives and performance in 2008

Items	Main initiatives	Main performance indicators in 2008	Reference page(s)
Patients and consumers	<ul style="list-style-type: none"> Pursuing the development and provision of innovative pharmaceuticals Activities to build awareness of disease in priority fields Support for developing countries Welfare initiatives for the elderly and people with disabilities Responding to inquiries and disclosing information 	<ul style="list-style-type: none"> New therapeutic uses: Herceptin and Actemra R&D expenses/sales: 16.3% (Chugai Group) Cumulative number of countries receiving free therapeutic drugs for treating children with lymphangioma: 67 (program in its 18th year) Disease awareness activities and co-sponsored events held: 21 2008 Roche Children's Walk fundraising: 2,800 employees raised ¥1.715 million Recipients of vans equipped with lifts to provide transportation for home welfare services: a total of 173 vans for five organizations over 23 years Customer inquiries answered by Chugai's Drug Information Center: 60,906 (includes telephone, e-mail and fax inquiries) 	<p>3, 6, 7 39 18 21 22 22 20</p>
Highest ethical and moral standards	<ul style="list-style-type: none"> Inculcating high ethical standards through training on the Business Conduct Guidelines, continuous efforts to build human rights awareness Maintaining high animal welfare standards in accordance with international guidelines Fair trade with suppliers and customers Promoting compliance with the Pharmaceutical Affairs Law, fair competition codes, promotion codes, and other laws and regulations 	<ul style="list-style-type: none"> BCG and Human Rights training attendees: 12,123 (includes repeat attendees; Chugai Group in Japan) In-house education and training for people who perform animal experiments: 27 sessions attended by 581 people State of ethical and legal compliance survey within the Sales Division: Responses received from a cumulative total of 4,954 people 	<p>9, 27 11 10</p>
Shareholders and investors	<ul style="list-style-type: none"> Unbiased and highly transparent disclosure of information Holding frequent dialogues with investors in and outside Japan Holding general meetings of shareholders and shareholder receptions Realizing steady dividend payments 	<ul style="list-style-type: none"> Briefings for the media and investors: 17 Responses made to individual requests for information, such as by securities analysts: 175 Institutional investors outside Japan visited in person by top executives: 64 General meeting of shareholders and shareholders' reception: 676 participants at the Palace Hotel Tokyo on March 27, 2008 Return on equity (ROE): 10.1% (Chugai Group) Dividend per share: ¥34 (annual) 	<p>23, 39 23, 39 22</p>
Communities	<ul style="list-style-type: none"> Holding charity events to contribute to local communities Nurturing the next-generation of individuals who will carry science and technology forward Supporting the Training Program for Educators at Private Companies Supporting employee volunteer activities Contribution to the local communities where sites are located 	<ul style="list-style-type: none"> Special sponsorship of a cancer charity event: "Christmas Concert in Yokohama Featuring Star Philharmonic Chorus" (December 23, 2008 in Yokohama, Japan); Participation in Relay For Life Japan 2008 Video presentations given at Dr. Kitanomaru's Bio Pharmaceutical Laboratory exhibit: 40,632 (January-December, 2008) Summer Biotech Lab for Kids at the Japan Science Foundation's Science Museum in Tokyo: 93 participants Educators accepted from the Training Program for Educators at Private Companies: 10 Employees taking volunteer leave: 1 Classes for the local community at Shizuoka Sangyo University 	<p>21 15 25 25 25</p>
Employees	<ul style="list-style-type: none"> Fostering human assets who are competent in the global arena Building a work environment that is motivating and fulfilling for every employee Building sound labor-management relations Creating safe, comfortable workplaces 	<ul style="list-style-type: none"> Programs for Future Core Leaders, Programs for Developing Human Capital Essence, Programs for Developing Functional Expertise, and Programs for Self-Innovation Number of employees taking childcare leave: 26 Users of wiiw (an online tool that supports employees who return to work after taking childcare leave): 22 (cumulative total) Rate of employees with disabilities: 1.86% (as of the end of June 2008) Occupational injury frequency rate: 1.43 Accidents resulting in absence from work: 2 (Chugai Group in Japan) Lost workdays resulting from occupational accidents: 11 (Chugai Group in Japan) 	<p>39 39 26, 39 39 32 32</p>
Environmental protection and occupational safety and health	<ul style="list-style-type: none"> Promoting global warming countermeasures Pursuing resource conservation and waste reduction Enhancing environmental awareness Making environment-related contributions to local communities Disclosing environmental information Thoroughly managing chemical substances 	<ul style="list-style-type: none"> CO₂ emissions compared with 2003: Up 26% (Chugai Group in Japan) Petroleum-based fuel usage: 4.3% (total for plants and research laboratories) Ratio of hybrid Sales vehicles: 18% Volume of waste generated compared with fiscal 1990: Down 90% (Chugai Group in Japan) Final volume of landfill waste compared with fiscal 1990: Down 97.7% (Chugai Group in Japan) Participants in environmental e-learning course: 764 (Chugai Group in Japan) 	<p>35 40 35 37 37 38</p>

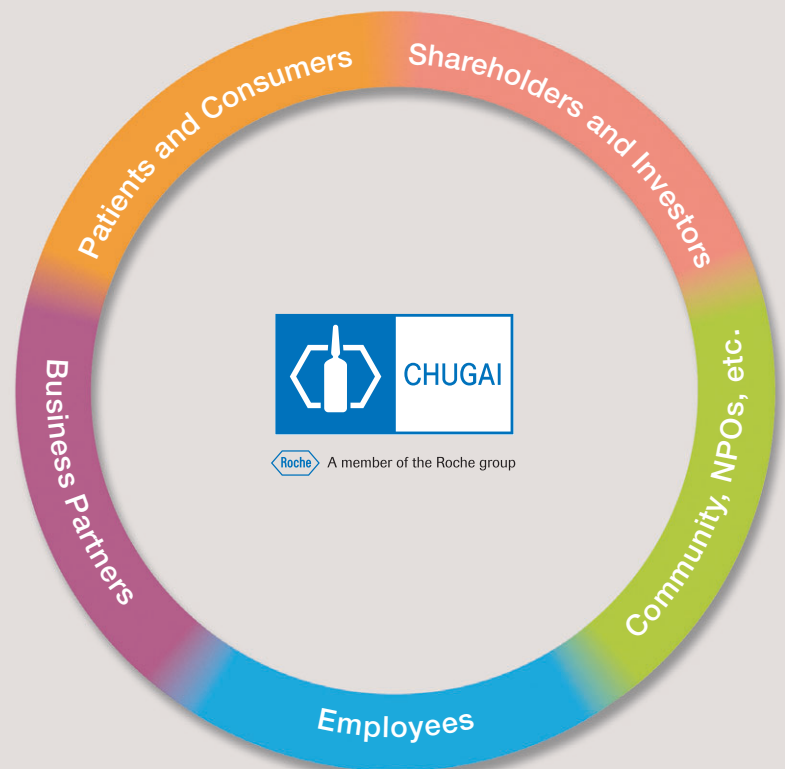
Pursuing innovative contributions in various fields related to health and welfare



Relay For Life Japan 2008 in Yokohama



Teachers participating in the program



Providing innovative pharmaceuticals and services based on superior science and theory

1 Development of Provision of Pharmaceuticals

Supplying Innovative Pharmaceuticals

Avastin

Avastin (generic name: bevacizumab), a humanized monoclonal antibody that binds to the vascular endothelial growth factor (VEGF), which is centrally involved in the formation of new blood vessels, is an anti-cancer agent with a completely new mechanism of action. It works by curbing the formation of new blood vessels at the locus of cancer growth and normalizing the function of those blood vessels.

Avastin was approved as a treatment for colorectal cancer (CRC) in the United States after a five-month review in 2004. Although approval in Japan came three years after approval in the U.S., Avastin was approved in Japan through a priority review following a request for early application made by the fifth Investigational Committee for Usage of Unapproved Drugs in July 2005.

Approval of Avastin has led to reports of prolonged survival when it is prescribed in combination with standard chemotherapy regimens for CRC. Many patients are now benefiting from chemotherapy regimens including Avastin, which is becoming a new international standard treatment.

Chugai will move ahead with the development of Avastin for other cancers, such as breast cancer and lung cancer, mainly through collaborative international trials with Roche, and will strive to maximize Avastin's value and make it available to patients in Japan as soon as possible.

Tarceva

In October 2007, Chugai Pharmaceutical received approval to manufacture and market Tarceva (generic name: erlotinib hydrochloride) in Japan, as a treatment for non-resectable, recurrent/advanced non-small cell lung cancer (NSCLC) aggravated following chemotherapy. In December 2007, the company launched the product. Tarceva was prescribed to over 6,000 patients within a year of its release.

Tarceva is a new type of anti-cancer drug called a molecular targeted therapy that has a selective inhibitory effect on epidermal growth factor receptor (EGFR) tyrosine kinases. In a Phase 3 study conducted outside Japan, it was the first molecular targeted therapy in the world shown to prolong survival in cases of advanced non-small cell lung cancer which failed to respond to standard chemotherapy when administered orally as a single agent. Tarceva has already been approved in more than 90 countries and regions and has become a standard therapy for non-resectable

recurrent/advanced non-small cell lung cancer.

It is believed that non-small cell lung cancer cells are strongly dependent on EGFR-mediated survival and growth signals. Tarceva is thought to demonstrate its antitumor effects by curbing the proliferation of cancer cells and inducing cell apoptosis by selectively targeting this signaling pathway.

Safety measures for Avastin and Tarceva

Chugai consistently assumes responsibility for all processes from the initial development stages in Japan through research, manufacture, and clinical development to marketing. The company has even organized product lifecycle management teams for Avastin and Tarceva to make sure that safety measures are acted on after manufacture and release to the market.

The company undertakes careful reviews during the drug development process and evaluates efficacy and safety before a drug is actually used in a medical setting. It is difficult, however, to capture all the information about safety at that stage. Accordingly, Chugai conducts surveillance of all registered patients for a certain period of time after the launch of these products in an effort to promote their proper use.

Innovative R&D

Chugai Pharmaceutical is constantly working to develop innovative, original drug candidates with potential for worldwide use. The company focuses on five main fields—oncology, renal diseases, osteoporosis & cartilage diseases, diabetes, and hepatitis—as it strives to build a strong, highly productive research pipeline of pharmaceuticals under development. Chugai's research system ensures that resources are allocated first to projects that have the greatest promise of realizing highly original products. The company has a strong foundation in the technologies required to develop entirely new drug candidates, and also enjoys advantages in production technology for antibody drugs.

Chugai is currently combining its own expertise and innovation with the strengths of the Roche Group by sharing information and research infrastructure with Roche for research tools, chemical compound banks and chemical compound evaluation databases. The company is also working closely with Forerunner Pharma Research Co., Ltd., in Tokyo, PharmaLogicals Research Pte. Ltd. in Singapore, and C&C Research Laboratories in South Korea. Leveraging the benefits of joint research as well as its alliances with universities, research institutions, and other firms in and outside

Japan, Chugai is committed to pioneering research and the creation of groundbreaking new technologies.

Ensuring a Stable Supply of High-Quality Pharmaceuticals

Rigorous evaluation process used to select suppliers of raw materials and packaging materials

In order to manufacture and provide high-quality pharmaceuticals to patients, Chugai must secure raw materials and packaging materials that are not only safe and effective, but that also meet various standards and good manufacturing practice (GMP) requirements. Therefore, to ensure a stable supply of raw materials and packaging materials, the company uses an evaluation and selection process that covers every stage from the time of material approval onward.

Before any raw material or packaging material is approved for use, various aspects of the supplier's management and technology, as well as the quality of the material itself, are evaluated. This evaluation and adoption process emphasizes not only finding the best raw material for the new pharmaceutical product, but also the capacity to smoothly procure a steady, continuous supply—from the development stage through mass production.

After the raw material or packaging material is selected for use, evaluation continues. Delivery deadlines and performance, including the quality of the material, are closely monitored. Any changes in management conditions at the supplier after the start of the business relationship are also checked, in order to confirm that the material initially selected will continue to be reliably delivered.

As described above, Chugai has built a solid system that ensures a stable supply of outstanding materials for the manufacture and packaging of high-quality pharmaceuticals. The company carefully maintains this system by constantly working to improve its relationships with suppliers—always aiming for greater trust and growth for both partners—while also paying close attention to social expectations.

Executing global supply chain management

Chugai Pharmaceutical has a mission as a supplier of Japan's first original antibody medicine. To achieve its stable supply, Chugai has established a global supply chain. Chugai's supply chain leader shared the worldwide demand information with Roche, and then Chugai and Roche developed a Global Demand & Supply Control System for suitable supply planning and management. This system is now operated by both companies.

In addition, when Roche products are imported, Chugai makes purchase plans to meet Japanese demand, and routinely monitors product temperature during

transportation. Accordingly, supply chain management is becoming more complicated and globalized. Chugai is strengthening its risk management, while constantly striving to deliver a stable supply of medicines in and outside Japan.

Reliably distributing pharmaceuticals and promotional samples

All employees of Chugai Distribution Co., Ltd., faithfully carry out their jobs with a commitment to putting the delivery recipient first. The mission of this company is to consistently provide high-quality distribution services to pharmaceutical wholesalers and to Chugai's medical representatives (MRs). In order to ensure safe and stable supply, Chugai Distribution performs computerized inventory management. It also employs creative employee solutions, such as special packing for pharmaceuticals and promotional samples that make it easy for the recipient to tell the items apart and help prevent any damage during transport.



① Packing pharmaceuticals



② Packing promotional samples



③ Packing pharmaceuticals



④ Automatic racking

① Higashi-Nihon-Distribution Center (Kobe)
②③④ Nishi-Nihon-Distribution Center (Kazoo)

Information sharing for quality and safety

Fulfilling their mission to ensure a reliable supply of medicine for the public, Japan's pharmaceutical wholesalers distribute pharmaceuticals to insurance pharmacies, hospitals, clinics and other medical institutions. Chugai cooperates with these distribution partners in providing information to medical institutions regarding the efficacy and safety of drugs, as well as other details to ensure their proper use. Chugai strives to deliver a steady supply of pharmaceuticals to the patients that need them.

Ensuring traceability

Chugai provides many biologically derived products and pharmaceuticals requiring strict distribution management. In order to ensure the reliable delivery of these medicines to medical institutions and insurance pharmacies so that patients can use them safely, Chugai works together with pharmaceutical wholesalers to ensure traceability. This effort includes careful management of expiration dates and distribution management numbers using bar codes, as well as safety measures relating to distribution processes.

Helping People Suffering from Incurable Disease

Working with Shuhei Ogita Fund to provide Picibanil to patients

It has been 18 years since Chugai Pharmaceutical, working with the nonprofit organization Shuhei Ogita Fund (<http://www.fund-ogita.org/>), began providing the therapeutic medicine Picibanil, a cancer and lymphatic malformation (lymphangioma) treatment agent, free of charge to children worldwide suffering from incurable lymphatic malformations.

Chugai and Shuhei Ogita Fund receive five or six inquiries every day from the doctors or family members of patients around the world. As soon as legal requirements in the recipient country are met, Picibanil is sent for the patient. Many children are now able to overcome this incurable condition by receiving the treatment in their own countries without coming to Japan.

Shuhei Ogita Fund

In 1986, Dr. Shuhei Ogita, a pediatric surgeon at the Kyoto Prefectural University of Medicine, used Picibanil injections to achieve remarkable success in the treatment of lymphatic malformations, for which surgical excision had been the treatment of choice for years.

In 1992, a baby boy from Mexico named Carlos, aged one year and two months, came to Japan with his family to receive Dr. Ogita's treatment after they found out that a new treatment for lymphatic malformation was available in Japan. When Dr. Ogita learned about the financial difficulties of Carlos' family, as they had to sell their house and car in order to afford the trip to Japan, he set up the Little Carlos Fund in order to help children outside Japan suffering from lymphatic malformations. The public response was great, and there was an outpouring of donations. Carlos and his family were able to visit Japan a total of four times for treatment as a result.

Dr. Ogita's persistent activities soon began making a real difference, and the number of participating physicians and medical institutions grew worldwide. However, in 2003, Dr. Ogita passed away suddenly at the young age of 55. He had made a strong impact on many people by putting his patients ahead of himself, right until the end of his life. After his death, likeminded people got together to continue the activities of Little Carlos Fund by establishing Shuhei Ogita Fund. The purpose of this fund is to enable children around the world suffering from lymphatic malformations to have equal access to treatment, irrespective of their financial problems and medical circumstances.

Shuhei Ogita Fund inherits belief in putting patients first

From the time that Little Carlos Fund was established, I worked for Dr. Ogita as a Spanish interpreter. He was always very concerned about how his patients were feeling and what problems they had, and he taught me the importance of listening to what patients and their families would like to say whenever possible.

In 1997 when Dr. Ogita visited Mexico, a female patient (then age 16) had a lymphatic malformation in the entire left pelvis. She also had angioma, and her left leg had been amputated at the knee. Her family doctor had already given up hope for any recovery and she was at the point of despair, so Dr. Ogita was like a savior to her. In addition to her treatment, she had one other concern at that time: if she would still be able to have children despite the disease. Dr. Ogita reassured her that having a child would be no problem, and I still have not forgotten the look of joy and relief on her face when she heard that.

After her treatment was complete, she got married and gave birth to a healthy baby boy. As if taking responsibility for his own words, Dr. Ogita decided to go to Mexico and see the new baby soon after the birth. However, by this time, illness had started to undermine his health. He returned to Japan without anyone recognizing his condition. He said to me that he finally felt released from the burden, when she was able to have the baby as he had assured. He passed away just four months later.

Dr. Ogita gave courage and hope to countless patients and their families. Shuhei Ogita Fund is preserving his belief in putting patients first, true to the mission that he carried out until the end. We continue to operate as an organization that not only provides support for the treatment of lymphatic malformations, but also cares deeply about patients and their families.

Midori Ohgi

Director & Secretary General
Shuhei Ogita Fund (NPO)



Setsuko Shiina (left, secretariat) and Midori Ohgi (right)

Countries that have Received Picibanil (67 Total)

Region	Number of Recipient Counties
South America	7, including Argentina, Brazil, and Chile
Europe	28, including Belgium, Romania, and Turkey
Asia & Oceania	21, including Bahrain, South Korea, and Malaysia
Africa	3, including Egypt, South Africa, and Tunisia
North & Central America	8, including Canada, Cuba, and Puerto Rico

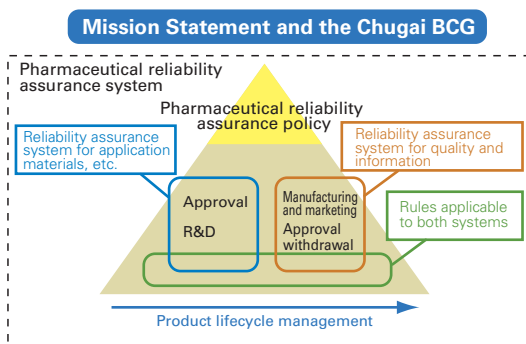
* Lymphatic malformations: A lymphatic malformation is caused by lymph fluid collecting in part of the body due to a lymph duct abnormality. In most cases the condition is discovered at the time of birth. Although the cyst is benign and does not spread like cancer, this incurable condition impedes an infant's growth. A lymphatic malformation in the neck may compress the respiratory tract, which can become life threatening.

2 Increasing Product Reliability

Pharmaceutical Reliability Assurance System

With the aim of building, maintaining and improving Chugai's reliability assurance system for not only ensuring that pharmaceutical products delivered to the market are high in quality and superior in efficacy and safety, but also for ensuring that high-quality information on the proper use of those products is delivered in a timely and precise manner, Chugai implemented a "Pharmaceutical Reliability Assurance Policy" and a "Pharmaceutical Reliability Assurance System", which came into effect in October 2007. The policy is aligned with that of Roche, having a global perspective, and the system is broadly classified into three functions: 1) a reliability assurance system for application materials, etc.; 2) a reliability assurance system for quality and information, which is a system aimed at postmarketing reliability assurance; and 3) rules applicable to both systems, related to matters such as computer validation and in-house approval, etc. These rules are further subdivided by department into a number of rules and procedures, by which a thorough execution of duties allows Chugai to maintain reliability assurance in a systematic manner. Further, adding support to these, Chugai places specific emphasis internally on the following four points, by which it can aim at even tighter reliability assurance throughout a product's lifecycle.

- (1) Assurance of product quality
- (2) Assurance of information quality
- (3) Assurance of the quality of work processes
- (4) Assurance of adequate human resources



All-patient Surveys

A pharmaceutical product is provided to a patient through a medical institution after its use has been approved based on information on its efficacy and safety that is obtained from clinical trials, etc.,

conducted in Japan or overseas. Recently, before an approved pharmaceutical can be widely used, studies referred to as "postmarketing surveys" are implemented, and are started soon after approval with the registration of all patients and medical institutions involved in the use of the product. As well as the sharing of already known information on the proper use of the pharmaceutical product, the goal of these surveys is to collect, collate and analyze data from patients on aspects of the product's adverse reactions and effectiveness and to promptly notify patients, through their healthcare provider, and the health authorities of the latest information on the proper use of the product. In particular, large all-patient surveys involving several thousands of patients are being conducted on products that have been approved since 2007, including anti-tumor agents, such as Avastin and Tarceva, and the treatment for rheumatoid arthritis, Actemra. Although at least one year is required for completion of the surveys, the strict assurance of the safety of newly approved pharmaceutical products is the reason why all-patient surveys are conducted. Furthermore, Chugai has been proceeding at a rapid pace with the implementation of a system that can accurately and promptly process the information gathered from these surveys. Also, the results of analysis of data gathered from the all-patient surveys are being provided to medical institutions in a timely manner together with progress on treatment-related information, etc., and information on safety assurance is being effectively shared with more and more institutions providing treatment. Chugai also uploads similar information on its web site, and is striving to ensure that patients can use its products with confidence.

Building a System that can proactively detect and reliably respond to quality issues

The voluntary recall of "Vesanoid Capsule" and the temporary shipment suspension of "Herceptin 60 mg", which occurred in 2007, were the basis for the implementation of an improvement plan that was reported to the MHLW. At the same time, Chugai reinforced its agreements with Roche- and Chugai-group manufacturing plants as well as contract manufacturers, and in particular concluded new agreements on raw material control. Chugai is not resting with the conclusion of such new agreements alone, but is also instituting a system of information exchange on distribution control among the associated companies and within Chugai. In particular, information on change confirmation and change control for work processes between on-site

manufacturing personnel is shared with Roche, which manufactures a large number of products, through a system of periodic meetings and timely verification; and an emergency hotline between Roche and Chugai has also been set up. Furthermore, by implementing personnel exchanges with Roche for obligatory periods of up to several years, Chugai is not only striving towards a system of direct exchange of current techniques and ideas on quality between the quality and manufacturing divisions, but also a system of proactive risk avoidance, in which Roche and Chugai mutually verify each other's processes. Chugai will continue to aim for future improvement in its products to a global level, while also providing a stable supply of product.

Drug Information Center Responds to Inquiries Using Three Product Consultation Groups

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 2008, Chugai received an average of about 5,000 inquiries per month from patients and medical professionals, for a total of about 60,000 contacts. Moreover, in 2007 about 75% of the inquiries were from outside the company, while in 2008 this percentage increased to 80%. The number of inquiries on cancer products increased accompanying the release of several new products and expanded indications in the field in 2007. 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.

● Inquiries handled by dedicated groups for each 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; and the General Product Consultation Group deals with hepatitis and kidney, infectious, and cardio/cerebro-vascular disease treatment.

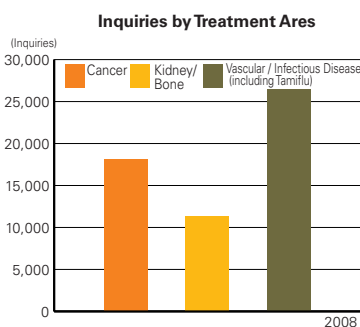
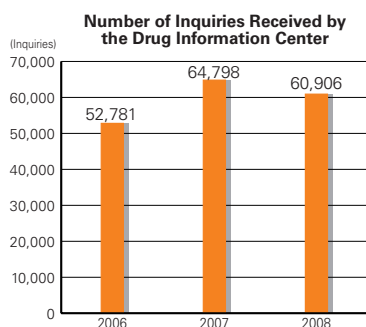
Tamiflu-related Activities

Since issuing emergency safety information (a "Dear Doctor" letter) in March 2007 to address the issue of the safety of the anti-influenza agent, Tamiflu, Chugai has been investigating the abnormal behavior that was reported in some patients who took the drug. In addition to being directed by the MHLW's Safety Division, an autonomous decision by Roche and Chugai prompted the immediate conduct of additional nonclinical and clinical studies in collaboration with Roche. The planned studies have now all been completed, but no evidence was found as a result of the studies that could demonstrate a causal relationship between the abnormal behavior and the intake of Tamiflu. The results were reported to the health authorities, the MHLW's Safety Measures Committee, and to each of the Working Groups, but the MHLW's Safety Measures Committee is planning a further comprehensive discussion of the results together with the results of the health authority's epidemiological survey. Chugai's stance is to further promote the proper use of Tamiflu, while at the same time pursuing a more extensive knowledge base for the disease, influenza. In other news concerning Tamiflu, Chugai submitted an application to extend the shelf-life to seven years for future-manufactured, government-stockpiled Tamiflu to be used as a countermeasure for new flu epidemics, and was granted approval in November 2008.

Response to GCP Violation during Clinical Trial

In February 2008, Chugai Pharmaceutical confirmed that, during the clinical development of R744, which was being tested for the treatment of renal anemia, an employee (no longer with the company) violated GCP (Good Clinical Practice: the implementation criteria for clinical trials as determined by Japan's Ministry of Health, Labour and Welfare) by improperly preparing a portion of the required documents..

The company immediately reported this information to the parties concerned and confirmed that no clinical trial patients' health had been affected. In response to this incident the company set up an investigative committee. After examining and analyzing the cause, Chugai made extensive efforts to prevent a recurrence by strengthening its clinical trial system and control structure, including enhancing the education of persons in charge of clinical development, tightening operational controls, and conducting internal training programs.



3 Social Responsibility beyond Pharmaceutical Development

Contributing to Patient-centered Medical Care

Supporting Cancer Patient Associations

Special sponsorship of a cancer charity event Christmas Concert in Yokohama Featuring Star Philharmonic Chorus

As part of a fourth annual charity event to support cancer patient associations, Chugai provided special sponsorship to the Christmas Concert in Yokohama featuring the Star Philharmonic Chorus. The chorus was led by television personality Kuniko Yamada, and made up of stars from the Japanese media and entertainment industry who wanted to offer encouragement to cancer patients and their families. The 2008 concert featured 29 stars, including actress Chieko Baisho. In the lobby of the concert hall, 23 cancer patient associations and support organizations set up exhibits on their activities, explaining their aim to help create a future free from worry over cancer. The audience enjoyed Kuniko Yamada's talk, and was encouraged by stories from chorus members who were themselves still fighting cancer. The event ended on a high note with the entire chorus and audience singing together.



The Christmas Concert in Yokohama Featuring Star Philharmonic Chorus

Pink Ribbon Campaign

All employees participate in breast cancer awareness every October

For the third year in a row, Chugai employees received pink ribbon pins. Each year, they are encouraged to wear them throughout October as part of breast cancer awareness month, and the number of male employees wearing the pins is on the increase. Each office carried out its own activities, and Chugai set up a booth in the Nihonbashi Mitsui Tower where the Chugai Head Office is located, as it did the previous year. The booth provided opportunities for women to learn how to do self exams



The water-proof card

using a breast cancer examination model as well as pamphlets on breast cancer awareness. Since the early detection of breast cancer begins with monthly self-examinations, many visitors were happy to receive water-proof cards to hang in the shower that outlined the steps for this important procedure.

Raising Awareness of Disease

Aiming for the eradication of Hepatitis C

If hepatitis C is detected early, the onset of liver cancer can be prevented. However, since it is often asymptomatic, it is estimated that more than one million people in Japan have the disease without knowing it. With the aim of early detection and treatment, Chugai conducted an awareness campaign on TV and in newspapers, and held public lectures and other activities across Japan. The company also set up a website with information concerning hepatitis C, covering everything from basic knowledge to treatment. Simple pamphlets on the disease were also prepared. Chugai encourages everyone to learn about hepatitis C so that it can eventually be eliminated.



Information service on hepatitis (Japanese website)

Supporting Developing Countries

Asia

Fostering good medical and pharmaceutical practice in Asia

Chugai has been working through the Tokyo Biochemical Research Foundation (TBRF) since 1960 to fund research and train researchers in the fields of medicine and pharmacology. Since 1995, TBRF has operated a program inviting young post-doctoral researchers from throughout Asia to Japan.



Participants at the research outcomes presentation

Africa

2008 Roche Children's Walk

The Chugai Group took part in the 2008 Roche Children's Walk (formerly AIDS Walk), held in various locations around the world on World AIDS Day, December 1. The walk is held every year with the goal of supporting orphans and children in need in the Republic of Malawi as well as children's organizations in their own countries.

This marked the fourth year that the Chugai Group has participated in the event since 2005, and it has already become a fund-raising tradition. Last year, over 2,800 employees contributed roughly 1,715,000 yen. This amount was matched by the company, resulting in a total donation of 3.43 million yen made via Roche to day care centers in Malawi serving more than 3,000 children orphaned by AIDS.

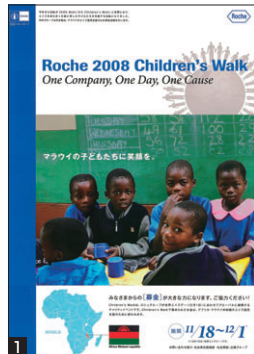
Helping to Meet the Needs of an Aging Society

Donating vans with lifts to provide transportation for home welfare services

In 2008, Chugai donated five vans with lifts to home welfare facilities in Akita, Gunma, Toyama, Osaka, and Ehime prefectures. Chugai has been engaged in this program for 24 years, since 1985, donating wheelchair-accessible vans to facilitate the transportation of seniors receiving home care, and people with disabilities. This year's donations bring the total number of vehicles donated so far to 173.



Van donation



Children's Walk participants

- 1 Children's Walk poster
- 2 Head Office
- 3 Head Office
- 4 Head Office
- 5 Nagoya Branch
- 6 Kamakura Plant



Stakeholder's Voice



When this program was started 20 some years ago at a time when home care services were not widely available in Japan, the vans were important as a means to transport

seniors to day services. Home care services eventually became widely available, but the importance of the vans continues to remain high as the population ages. This is because they are an indispensable transportation service for the community life of these seniors, at a time when there are a growing number of seniors and people with disabilities that need daily support and medical care. Furthermore, in recent years there have been improvements made to the vans to enable the transportation of people in stretchers, thereby serving seniors requiring higher levels of care.

When selecting organizations to receive van donations, we consider the following points: (1) location, to ensure fair allocation to all regions of Japan; (2) urgency, to ensure priority assistance for communities affected by natural disasters; and (3) necessity, to ensure that the van is vitally needed by the community. Chugai has made an important contribution by carrying out this ongoing donation activity over many years. We hope that it will continue for many years to come.

Koichiro Yamashita
Secretary, Senior Welfare Department,
Japan National Council of Social Welfare

Working with Shareholders and Investors

Ensuring accountability by securing management transparency

Information Disclosure Policy

Chugai Pharmaceutical works hard to make all of its corporate activities clear to shareholders and investors, including its business strategies and management philosophies. The IR Committee, headed by the officer responsible for investor relations, oversees the company's information disclosure system. The committee establishes information disclosure policy and manages its application, and the Corporate Communications department executes the information disclosure.

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



Enhancing Investor Understanding

Chugai uses its website to ensure accurate, timely and fair disclosure of information to shareholders and investors. The online information includes news releases, financial statements, product development news, briefing materials, annual reports, and IR calendars. The company also has a convenient service for individual investors to notify them by email when the IR website has been updated with news releases and other information. Briefing material and other IR information is released simultaneously in Japanese and English via email or the company website. Chugai strives to ensure fair information disclosure to investors both in and outside Japan.

When announcing first-half and year-end results, separate briefings for analysts and investors and for the media are held in order to directly explain the company's performance. Conference calls are also offered to brief institutional investors and analysts on results at the end of the first and third quarters. Additional meetings are held as needed to provide information on the company's main products and on products under development. In order to provide ample information to a broad range of stakeholders, the company makes these meetings available as webcasts on its website. In addition, top executives are committed to direct communication with overseas investors and make regular trips outside Japan. In 2008, visits were made to Europe, the United States, and Asia. The direct contact between top management and investors creates opportunities to explain the company's performance and future

prospects, answer questions, and exchange views on management, thus ensuring mutual understanding with investors and improved management transparency. Also in 2008, the company began to hold meetings with individual investors at branches of securities companies, with the aim of providing better support to them.

On March 27, 2008, the company's 97th ordinary general meeting of shareholders was held at the Palace Hotel in Tokyo. After an audio-visual presentation of the financial report, all items on the agenda were approved by a majority vote. A record of 676 people, mainly individual shareholders, attended this year's meeting. At the shareholders' reception following the meeting, a presentation on 2008 results and the mid-term business plan "Sunrise 2012" was made by the president. The shareholders responded with a lively round of questions.

FTSE4Good Index Series

Chugai is listed on the FTSE4Good Index Series, which includes companies that meet globally recognized standards in the area of socially responsible investment (SRI). The FTSE4Good Index Series is maintained by the FTSE Group in the UK, which offers a variety of investment indices. This index series tracks the stocks of about 2,400 listed companies in 23 countries worldwide. The companies are selected based on international standards for environmental and social responsibility.

Selection for this global SRI index indicates that Chugai has been recognized for its efforts relating to the environment, society, and human rights.

For more information on the FTSE4Good Index Series, visit: http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Basic Policy on Profit Distribution

With regard to income distribution, Chugai aims to stabilize the return of profit for all shareholders. Taking due account of short-term fluctuation in earnings by the effect of a flu epidemic as well as medium-to-long-term strategic investment funding needs and earnings prospects, Chugai aims to ensure a consolidated dividend payout ratio of 30% or more on average.

To expand the return of profit for all shareholders while bringing the idea into focus, Chugai now aims to ensure a consolidated dividend payout ratio of around 40% on average.



FTSE4Good certificate



Annual Report 2008



IR Front Page

Working with Business Partners

Building fair, transparent relationships and strengthening cooperation

Initiatives for Building Fair, Transparent Relationships

The Chugai Group emphasizes cooperation with its business partners, and works daily to improve its initiatives to ensure fair and transparent relationships with partners and treat them as equals.

In 2005, Chugai introduced an electronic purchasing system as an optimal mechanism for building fair and transparent business relationships, and has also been computerizing its purchasing activities. In addition, Chugai has also been standardizing and optimizing its process for the purchasing of indirect materials such as office supplies, pursuing the principle of open, competitive bidding in all of its purchasing activities.

Purchasing Policy

The Chugai Group's Purchasing Policy is designed to strengthen cooperation and build fair and transparent relationships with business partners. (See chart below)

Chugai Ethical Purchasing Standards

With the goal of building and maintaining sound transaction relationships with business partners, the Chugai ethical purchasing standards outline the principles for ethical conduct for all companies and individuals participating in its purchasing process. For example, the standards specify actions that should be taken with regard to gifts and invitations for entertainment.

● Gifts

Any gifts that are offered must be refused, and the incident must be reported to the head of the organization concerned. Any gifts received by delivery

should be returned with a polite letter. However, generally distributed promotional articles such as hand towels, calendars, and date books, may be accepted, within commonly accepted limits.

● Entertainment

Any offers of entertainment must be refused, and the incident must be reported to the head of the organization concerned. If the enjoyment of entertainment with an outside party is deemed necessary for business purposes, consent must first be obtained from the head of the organization concerned, and the necessary information should be exchanged.

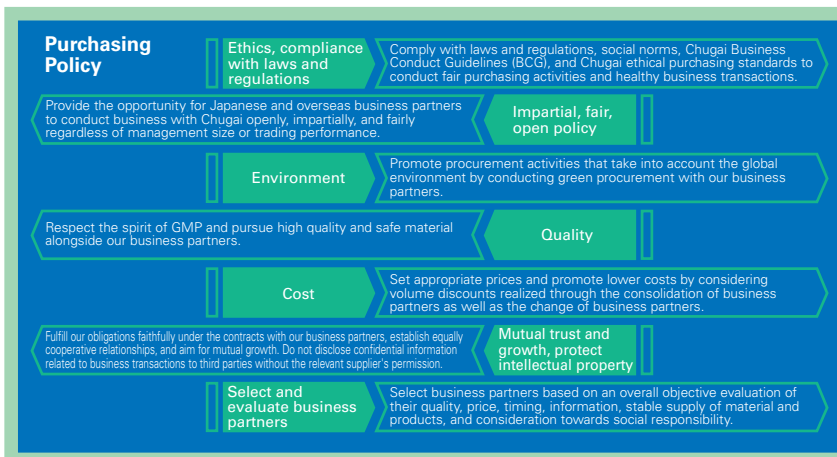
Initiatives in 2008

The Chugai Group has promoted various initiatives with the aim of ensuring even higher quality purchasing activities. This is done by reviewing the characteristics of business partners and commodities, based on accumulated purchasing activity norms.

However, 2008 brought extraordinary jumps in prices for raw materials and fuel, an unprecedented downturn in the global economy, and the need to address deterioration of the global environment. These developments made it necessary to adjust the purchasing activity norms, which were based on past data.

During 2008, Chugai integrated its purchasing functions and revised the roles of organizations to deepen cooperation with business partners and improve its highly specialized purchasing activities. It also took on the challenge of creating new values and mechanisms to meet these conditions. Specifically, Chugai reconstructed effective purchasing process rules and flow for each commodity group, which correspond with the characteristics of the commodity

group and transaction format. While clarifying internal roles and responsibilities based on mutual understanding, the Group expects the level of fairness and transparency in purchasing will further increase. Chugai will continue to pursue purchasing activities that display a good balance of compliance, business efficiency, and cost reduction.



Working with Communities

Contributing to society by fulfilling the roles and responsibilities of a good corporate citizen

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.



Kasai Rinkai Park cleanup (Tokyo Branch 1)



Wheelchair donation through the collection of can pull-tabs (Kyoto Branch)



Bread sales by the Human Healthcare Group "Kohoen" (Ukima Site)



Nihonbashi Bridge washing (Head Office district)

Offering Classes for the Local Community through Shizuoka Sangyo University

The Chugai Group offers a course at Shizuoka Sangyo University for both students and members of the public. The course is part of activities to help support the plant's local community of Fujieda, which is also home to the university. 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.



Stakeholder's Voice



I listened with great interest to the latest research and the issues pharmaceutical companies are currently facing. During the plant tour, I got a real sense of Chugai Pharmaceutical's social responsibility, and learned about

the company's sincere efforts in the lecture hall. Thank you for the invaluable experience.

Hiroyuki Tsukamoto

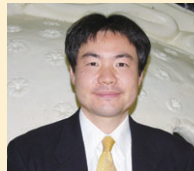
Associate professor
Instructor for the public course
School of Information Studies, Shizuoka Sangyo University

Summer Biotech-Lab for Kids

With the help of the Japan Science Foundation's Science Museum, Chugai Pharmaceutical hosted a biotech-lab for kids over three days in August 2008, as a way to show children how much fun science can be. Over 90 children participated in the program, undertaking experiments with bright-eyed curiosity. The lab planning and management was entrusted to Leave a nest Co., Ltd.*



Stakeholder's Voice



We want companies to utilize the Science Museum as a bridge for conveying the results, processes, and challenges of research to children, creating a place for industry and education to work together. This was the first time for the museum to plan a science lab, which can be difficult to carry out. We would like to continue this kind of lab activity, as it allows parents and children to learn together, and then talk about their experience at home.

Hisao Ogura

Supervisor
Person in charge of the lab
Science Museum, Japan Science Foundation

Training Program for Educators at Private Companies

Chugai has participated in the Training Program for Educators at Private Companies every year since 2004. The program enables teachers from elementary, junior high, senior high, and special-needs schools to experience the work environment of a private company. The aim is to have teachers apply the experience and knowledge they obtain through the program to better educate children. In 2008, Chugai welcomed ten teachers from the Tokyo area.



Stakeholder's Voice



The Training Program for Educators at Private Companies enables teachers to recognize the challenges they face by learning about corporate organizational initiatives, and to better understand the role they need to play. We expect that teachers will be able to think about things from their students' point of view and to display leadership as role models.

Susumu Yamamoto

Person in charge of the program
Tokyo Metropolitan School Personnel In-Service Training Center

* Leave a nest Co., Ltd.: With the mission to convey how much fun science can be to as many people as possible, the company holds science labs and promotes science education at elementary, junior high and senior high schools throughout Japan in cooperation with government agencies, local governments, universities and companies.

Working with Employees

Offering a work environment that celebrates diversity and helps employees stay motivated and build strong careers

With the aim of creating a vibrant work environment that allows every employee to achieve personal growth, Chugai offers a range of programs to help employees. This enables the creation of supportive workplaces that allow employees to succeed according to their personalities, abilities, and ambition.

Support for Career Growth

● Personnel systems

Chugai Pharmaceutical has personnel systems to provide support for the individual goals of employees, who represent the company's greatest asset and are its driving force as an enterprise. In 2008, Chugai began to use the new job title, "Professional," as part of its effort to more accurately evaluate and treat employees as specialists.

● Career Support Center

The Career Support Center makes counseling available to all employees to help them realize rewarding careers, including the provision of information relating to career planning and skills development. It helps employees to access various in-house personnel systems, and has assisted over 120 employees since it was established.

● Chugai Future Core Leader program

The company has initiated a new Future Core Leader (FCL) program designed to develop its human assets into the management leaders of the future over the medium and long term. The program provides opportunities for employees at each level of the company to have their leadership skills evaluated. The results are then used for the creation and execution of skills development plans for these employees.

● Leave system for study abroad and qualification acquisition

This system provides employees with the opportunity for personal career development, by granting them up to three years of leave to obtain a degree or qualification.

● In-house Staff Recruiting System

This system allows for the advertising of internal job openings across the company along with the selection and posting of the best applicants. The aim is to energize the organization, to encourage individual motivation, and to place the right people in the right jobs, all based on employee initiative.

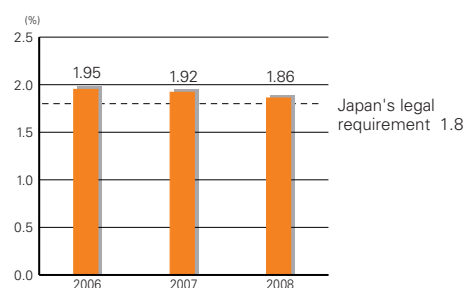
Respecting and Supporting Employee Diversity in Work Styles

● Equal opportunity policy

The Chugai Group treats and compensates its personnel equally regardless of gender, age, or disability status.

● Employment of persons with disabilities

As of June 30, 2008, the percentage of employees with disabilities was 1.86%, which is above Japan's legal requirement.



● Employment of senior employees

Based on Japan's Law Concerning Stabilization of Employment of Older Persons, Chugai adopted a senior employment system in 2001. However, starting in 2013, a new senior employee system will be established for personnel over 60. Along with the career change support system mentioned below, senior personnel will have more employment choices, and will be able to keep working until age 65.

System	Content
Senior employment system	Allows employees to make a choice at age 55, and to keep working until age 65
Career change support system	Allows those employees of a certain age or with a certain number of years of employment to opt for retirement before the mandatory age, and provides them with support for a smooth transition into a new career

Creating Supportive Work Environments

● Facilitating a healthy work/life balance

Chugai Pharmaceutical aims to be a company that supports human resources development. Based on the desire to retain employees as long as possible, the company has programs that allow personnel to stay employed during, for example, childbirth and childrearing years. As a result of these efforts to support employees raising children, in 2008 Chugai acquired the Kurumin Mark, a certification provided by Japan's Ministry of Health, Labour



Certification mark: Kurumin Mark

and Welfare, under the Law for Measures to Support the Development of the Next Generation.

● Welfare initiatives

Chugai offers welfare programs for its employees, mainly through the CHUGAI Wellnet Club, operated together with the company labor union. These programs are part of a system that helps employees to maintain rewarding social lives, mainly through cultural activities, health management and mutual aid activities.

Raising Human-Rights Awareness: Encouraging People to Think about Human Rights

Every year, human-rights awareness training is held in each Chugai Group workplace. In 2008, training was carried out on the topics of harassment and bullying in the workplace, in order to impart the proper awareness to all employees.

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, in order to help employees develop their own awareness of human rights issues.



Help Lines

Experts believe that harassment and bullying in the workplace tend to increase during difficult economic times, as people under stress may become less sympathetic with others. Insensitive words and actions can have a damaging effect on the individual,

and can also make a negative impact on the work environment as a whole.

The Chugai Group provides confidential channels for employees to consult about their worries without fear of reprisal: the BCG Hotline and internal and external help lines for sexual harassment issues. Chugai is striving to resolve such problems in a fair manner to ensure that employees enjoy a working environment where they can perform at their full potential in an atmosphere of mutual respect for personality, individuality, and values.

Improving Understanding of the Company's Personnel Systems through Frequent Dialogue

In order to ensure the operation of fair, rational personnel systems, Chugai worked to improve interview skills during the year, through training seminars for all managers.

Fair and Impartial Hiring

Chugai maintains fair and impartial employee hiring practices, by evaluating candidates' abilities, skills, and experience using a diverse team of interviewers. Chugai also actively seeks to hire persons with disabilities.

Labor-Management Relations

Regular meetings are held between management and the labor union at various levels. Cooperative labor-management relations are maintained based on mutual trust. The company's labor union operates democratically, and had 3,624 members as of December 31, 2008.

Mental Healthcare Initiatives

Chugai Pharmaceutical has already implemented an Employee Assistance Program (EAP), to help employees maintain good mental health. Recently, the company also introduced an adaptation period after medical leave, which allows employees to return to work smoothly.

Dialogue between the President and Employees

Chugai sets up dialogues between the president and employees as part of its efforts to maintain clear communication about its mid-term business plan, Sunrise 2012. Dialogues were held in seven divisions during 2008.

Chugai Group Code of Conduct for Occupational Safety and Health

In January 2007, Chugai established guidelines for the assurance of environmental protection and safety in order to improve its occupational safety and health activities.

These guidelines aim to facilitate the reliable execution of the PDCA (plan, do, check, act) cycle to ensure continual improvement, a process that is expected to support the development of occupational safety and health activities at each facility.

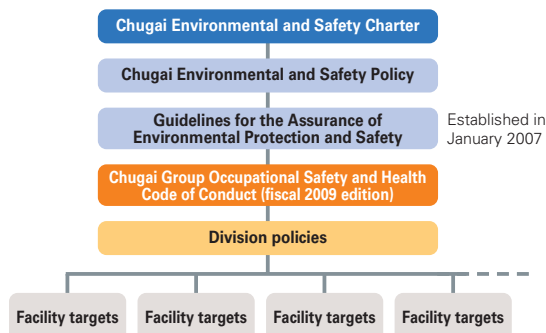
In order to ensure activities are based on these guidelines, each facility is required to systematically plan and execute activities on an annual basis. To further increase the effectiveness of these plans, the company formulated the Chugai Group Occupational Safety and Health Code of Conduct and is pursuing its initiatives based on this code.

The code of conduct incorporates current topics such as legal revisions or individual company issues to help promote employee awareness of these issues. For example, if there is a revision to Japan's Industrial Safety and Health Law, or if a trend is identified in the cause of work-related accidents, the code of conduct will be revised in consideration of these new developments.

Each year, Chugai plans to select five new items for inclusion in the code of conduct. The company is committed to moving ahead in the area of

Chugai Group Occupational Safety and Health Code of Conduct (fiscal 2009 edition)

- Deepening understanding of the guidelines for the assurance of environmental protection and safety
- Eliminating occupational or traffic accidents
- Promoting employee health and creating pleasant workplaces
- Creating cheerful accident-free workplaces without any unsafe aspects or behaviors
- Encouraging employees to greet one another and be aware of their actions



occupational safety and health by incorporating the highest priority items and activities for each facility, into the targets and plans.

Ukima Site Safety Seminar

In July 2008, a safety seminar was held for employees at the Ukima Site, for the purpose of raising safety awareness. The instructor was an environment and safety representative from the Head Office Corporate Social Responsibility Department.

The Ukima Site is a facility that includes a plant, a research laboratory, and some head office functions. The seminar covered basic content such as the importance of occupational safety and health activities, human errors, and the responsibilities of organizational managers.



Ukima Site Safety Seminar

Training Class for Drivers with Accident Records

Traffic accidents can affect a company's business and its customers, not to mention its reputation for corporate social responsibility. Chugai provides a driving course for medical representatives who have had traffic accidents of any kind, including minor accidents. The aim is to improve the person's driving skills, while instilling a greater awareness of driving safety, based on analysis and study of individual accident characteristics.



Training Class for Drivers with Accident Records (Osaka Branch)

Group-wide commitment to protecting the global environment and promoting occupational safety



The Fujieda Plant of Chugai Pharma Manufacturing, Co., Ltd.



Wild ducks visit a reservoir at the Fujieda Plant every year.

Promoting energy saving lifestyles with the Ecowatt

As an initiative to promote energy conservation in the home, Chugai Pharmaceutical lends the Ecowatt, a device for measuring the power consumption of electrical home appliances, to employees so they can take energy saving measures.



Basic Position on Environmental Protection and Safety

Expanding activities Group-wide based on guidelines for the assurance of environmental protection and safety

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.

Basic Position on Environmental Protection and Safety

In 2007, the Chugai Group integrated its environmental and safety systems to make its environmental and safety initiatives even more effective. As part of this endeavor, Chugai formulated guidelines for the assurance of environmental protection and safety to help each facility to develop specific environmental and safety initiatives. The guidelines call for appropriate use of the PDCA (plan, do, check, act) cycle and offer a framework for the development of integrated initiatives at all Group facilities. Further, since the understanding of all employees is vital for Group-wide deployment, a commentary on the guidelines was prepared to make the details even more readily accessible. The commentary explains specific activities and how they should be undertaken at the facility level, in order to make the development of environmental and safety initiatives more efficient.

In addition, Environmental and Safety Secretariat Meetings are held every year to ensure that initiatives are being implemented in accordance with the guidelines. At these meetings, the results of initiatives and the action plans for the next term are presented to the persons responsible for environmental and safety initiatives at each facility, ensuring consistent, Group-wide action.



At an Environmental and Safety Secretariat Meeting

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.

Environmental and Safety Management

Regular internal environmental and safety audits improve on-site operations

Internal Environmental and Safety Audits

In fiscal 2008, internal environmental and safety audits were carried out at four facilities, including plants and research laboratories, and at four branches (including four sales offices). While the environmental measures taken at the plants and research laboratories were generally good, minor issues needing improvement were identified in regard to the treatment of industrial waste in some instances. Regarding safety, some locations where safety measures had not yet been implemented for newly installed equipment and locations requiring immediate improvement were identified.

Among the audited branches, some had incomplete implementation of environmental and safety management systems, but had actively undertaken safety education efforts. The issues identified by the audits were all minor and the improvement plans created during the last audit had all been steadily executed. No items with potentially serious impact were identified. Chugai will continue to formulate improvement plans and properly implement the PDCA cycle in its internal environmental and safety audit process.



Internal environmental and safety audit at Ukima Site



Initiatives at Sites

Warm Biz saves energy in winter

In fiscal 2008, the Chugai Group expanded its Warm Biz campaign throughout the Group. While paying special attention to health, in this campaign Chugai set a goal of reducing standard office temperature by 2 degrees Celsius from December 1 to March 31. The Ukima Site even put up a notice in the lobby of its administrative office to inform visitors about the Warm Biz campaign and its other energy conservation efforts and ask for their cooperation.



Sharing eco-responsibilities

Tokyo Sales Group 3 (Tachikawa) of Tokyo Branch 1 has implemented a rotating duty system for recycling paper every Friday. Teams of four to five people take turns separating copy paper, printed paper, and cardboard and bringing it to the designated collection point. Implementation of this simple system has improved employee awareness that paper waste must be recycled and led to a dramatic increase in the office's recycling rate. The office also recycles important documents and pamphlets at a recycling center.



Kamakura Site uses water stop devices

Since fiscal 2006, the Kamakura Site has been gradually examining the interiors of its buried drainage pipes which have been in place since the late 1960s. It has also installed balloon-type water stop devices as a precaution against a potential emergency runoff of harmful substances and anticipated future repair work on the drainage pipes. These balloons reliably stop leaks and prevent any harmful substances that may flow through drainage pipes from being released off-site. The site has also implemented drills using these water stop devices.



Action Plans and Performance

Striving for continuous improvement by establishing efficient environmental and safety action plans

The Chugai Group has been carrying out initiatives in line with its guidelines for the assurance of environmental protection and safety which were established in fiscal 2007. Starting in fiscal 2009, we will prepare a new edition of the Chugai Group Occupational Safety and Health Code of Conduct every year to ensure that highly effective initiatives based on the guidelines are developed at every facility.

As we continue to develop our business activities, environmental protection and occupational safety and health initiatives are two of our highest priorities. During our internal environmental and safety audits in fiscal 2008, we shortened the auditing time and streamlined document reviews by conducting preparatory audits. This also enabled us to increase the time devoted to on-site inspections.

Fiscal 2008 Action Plans and Performance

Scope of operations covered: Chugai Group in Japan Period covered: January 1, 2008 to December 31, 2008

Item		2008 objective	2008 performance	Evaluation	
Global warming countermeasures	Achievement of the reduction target for carbon dioxide emissions	Limit Group-wide carbon dioxide emissions for 2008 to a 40% increase or less compared with 2003 (due to operation of new wings at three facilities)	Limited carbon dioxide emissions in 2008 to a 26% increase compared with 2003	○	
	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 2012 and implementation of measures to achieve the goal	○	
	Introduction of more hybrid vehicles in MR fleet	Introduction of 100 or more hybrid vehicles in MR fleet in 2008	Introduced 148 hybrid vehicles in MR fleet (cumulative total, 307) in 2008	○	
	Use of Green Power Certification	Ongoing review regarding introduction of photovoltaic power generation	Installed 30 kW photovoltaic power generation equipment at the Ukima Site	○	
Purchase Green Power Certification in 2008		Purchased Green Power Certification of 2,000,000 kWh in the year	○		
Waste reduction	Reduction in the volume of waste generation	Reduction in the volume of waste generation for 2008 to 20% or less of the fiscal 1990 level	The volume of waste generated in 2008 was 10% of the fiscal 1990 level	○	
	Reduction in the final volume of landfill waste	Reduction in the final volume of landfill waste for 2008 to 3% or less of the fiscal 1990 level	The final volume of landfill waste in 2008 was 2.3% of the fiscal 1990 level	○	
Resource conservation	Reduction in the volume of PPC paper purchased	Limit the volume of PPC paper purchased for 2008 to the 2007 level	The volume of PPC paper purchased in fiscal 2008 decreased by 8% from the 2007 level	○	
	Improvement in the recycling ratio of PPC paper	Achievement of a recycling ratio of 80% or more for PPC paper	Achievement of a recycling ratio of 89% for PPC paper	○	
Environmental awareness enhancement	Qualitative improvement in CEMS*	Implementation of internal environmental and safety audits at Group facilities in Japan and establishment of audit results evaluation systems	Performed internal environmental and safety audits at plants, research laboratories, a subsidiary, and four branches	○	
		Implementation of planned, periodic environmental education and training, and activities to enhance environmental awareness	Implemented in-house designed e-learning, industrial waste seminars, etc.	○	
	Smooth implementation of PDCA cycle for environmental protection at all Group facilities	On-site Environmental Committee meetings were held at almost all Group facilities	○		
Retention and renewal of ISO 14001 certification	Successful retention and renewal of ISO 14001 certification 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	Disclosure of environmental accounting information (Group-wide data compilation)	Rapidly tabulated and disclosed environmental accounting data	○	
		Disclosure of environmental information on websites	Updated the websites by uploading the latest environmental information	▲	
Chemical substance management	Thorough management of chemical substances	Thorough implementation of unified Group-wide chemical substance management guidelines and promotion of their operation	Revised chemical substance management guidelines	○	
		Reduction of emissions of VOCs (volatile organic compounds) into the air for fiscal 2008 by 20% or more from the fiscal 2003 level	Reduction of emissions of VOCs (volatile organic compounds) into the air for fiscal 2008 by 41% from the fiscal 2003 level	○	
Safety and disaster prevention	Thorough implementation of safety and disaster prevention measures	Zero accidents and zero disasters	Two accidents resulting in absence from work and 11 lost working days were reported Renewed OHSAS 18001	▲	

*CEMS: Chugai Environmental Management System

The year 2008 marked the beginning of the commitment period of the Kyoto Protocol, and world concern about global warming continues to rise. We are working to reduce the CO₂ emissions of the Chugai Group to do our part in the fight against climate change. We have not yet achieved our goal for 2012 due to the effects of increased production related to the launch of new products, intensified R&D activities, and other factors, but we remain committed to implementing energy conservation measures as we strive to reduce CO₂ emissions.



Yoichi Yamanaka

Vice President
General Manager
Corporate Social Responsibility Department

Evaluation: ○ Target achieved ▲ Target 75% or more achieved
 × Target less than 75% achieved

2009 target or mid-term target
Limit carbon dioxide emissions for 2009 to a 40% increase or less compared with 2003 Limit carbon dioxide emissions by the end of 2012 to the 2003 level
Collection of data on carbon dioxide emissions reduction compared with the 2012 goal and implementation of measures to achieve the goal
Achievement of a hybrid vehicle ratio of 50% or more by the end of 2012
Introduction of photovoltaic power generation of 100 kW or more
Purchase of Green Power Certification until 2012
Reduction in the volume of waste generation for 2009 to 15% or less of the fiscal 1990 level
Reduction in the final volume of landfill waste for 2009 to 3% or less of the fiscal 1990 level Reduction in the final volume of landfill waste for 2010 to 2% of the fiscal 1990 level
Decrease the volume of PPC paper purchased in 2009 by 5% over the 2008 level
Maintenance of a recycling ratio of 90% or more for PPC paper in 2010
Perform internal environmental and safety audits at plants, research laboratories, a subsidiary, and four branches
Implementation of planned, periodic environmental education and training, and activities to enhance environmental awareness
Smooth implementation of PDCA cycle for environmental protection at all Group facilities
Successful retention and renewal of ISO 14001 certification at all the accredited plants
Disclosure of environmental accounting information (Group-wide data compilation) Consideration of the adoption of an environmental index and disclosure of such information
Disclosure of environmental information on websites
Thorough implementation of unified Group-wide chemical substance management guidelines and promotion of their operation
Reduction of emissions of VOCs (volatile organic compounds) into the air for fiscal 2009 by 50% from the fiscal 2003 level
Promotion of occupational safety and health education as planned Successful retention and renewal of OHSAS 18001 at a certified site Promotion of Group-wide implementation of guidelines for the assurance of environmental protection and safety

Roche Safety, Health and Environmental Protection Goals

The Roche Group, which employs about 80,000 people, has set Group-wide goals in the areas of safety, health and environmental protection, and published those goals in its annual report and elsewhere. The base year is 2005, and the year for achieving the targets is either 2010 or 2015, depending on the item. The main goals are:

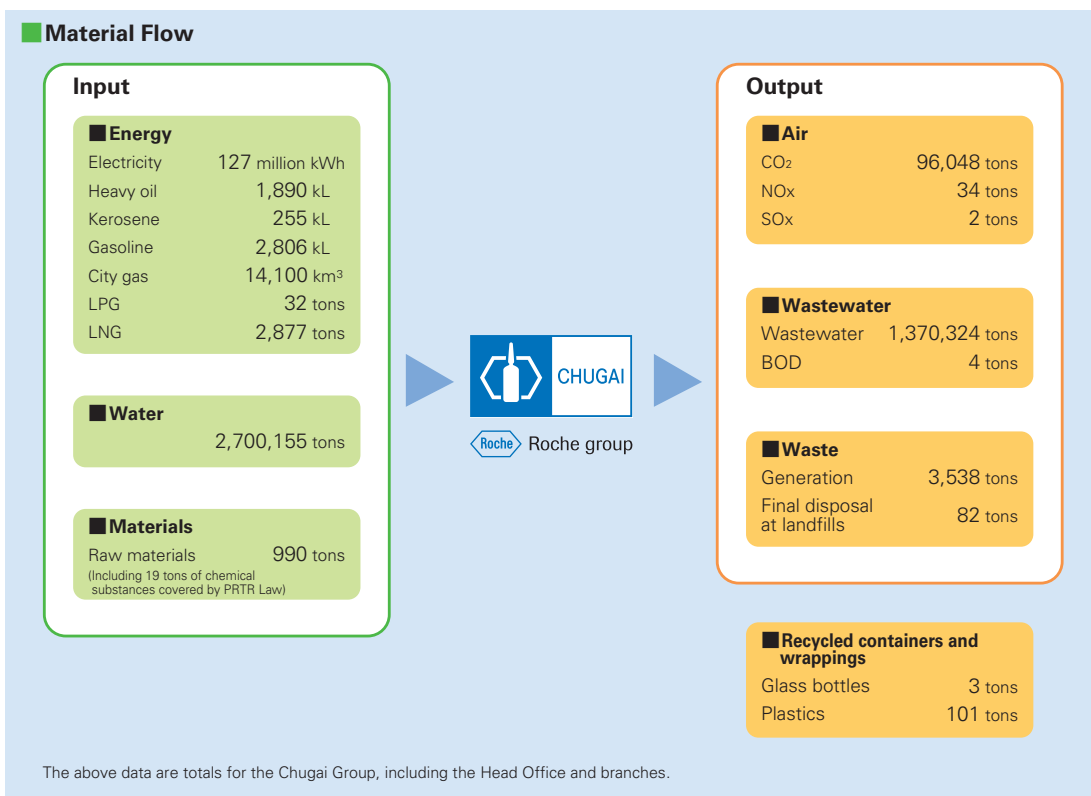
- Reduce the accident rate by 20% by 2010
- Reduce energy consumption by 10% by 2010
- Improve eco-balance by 10% by 2015
- Provide four hours of education per person each year
- Zero legal violations

The term "eco-balance" refers to environmental impact per employee. This is calculated by adding the quantity of chemical substances released to the atmosphere and discharged water, landfilled waste, consumed energy, consumed raw materials, and other such inputs/outputs from corporate activities—each multiplied by their own environmental impact coefficient—and then dividing that figure by the number of employees.

Most of the Roche Group's goals dovetail perfectly with the Chugai Group's own goals, and no other items or indicators needed to be added. Accordingly, Chugai's initiatives to achieve its own goals will help the Roche Group to do the same, thereby helping Roche to demonstrate strong environmental and safety performance.

Material Flow / Environmental Accounting

Improving environmental efficiency by assessing the environmental impact of our business activities and employing environmental accounting



Environmental Accounting

The environmental accounting data compiled for all Group facilities in Japan are shown in the table below. Environmental remediation costs include expenses for soil contamination measures from the past.

The main investments in fiscal 2008 were for the introduction of photovoltaic power generation at the Ukima Site, refurbishment and new construction of a

high-efficiency air conditioning system, and new construction of an effluent treatment facility. On the other hand, there was a significant increase in cost due to the higher number of discharged water treatment facilities and expenses for energy conservation. In fiscal 2008, the economic benefit obtained through these environmental protection measures amounted to ¥27 million.

Annual investments and costs for environmental protection

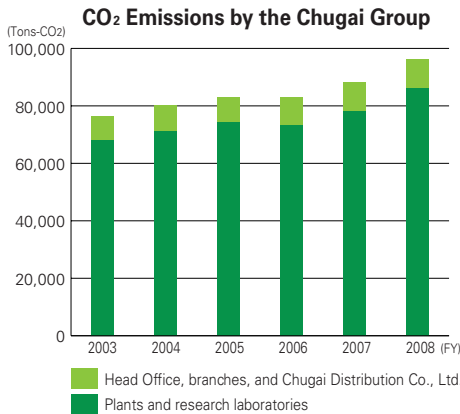
(Unit: millions of yen)

Breakdown of costs		FY 2005		FY 2006		FY 2007		FY 2008	
		Investments	Costs	Investments	Costs	Investments	Costs	Investments	Costs
(1) Business area costs	(1)-1 Pollution prevention costs	342	557	461	627	1,461	580	551	699
	(1)-2 Global environmental protection costs	39	177	239	139	1,835	302	115	499
	(1)-3 Resource recycling costs	11	485	1	289	11	233	1	288
	Subtotal	392	1,219	701	1,055	3,307	1,115	667	1,486
(2) Upstream and downstream costs	0	41	0	15	0	126	0	149	
(3) Administration costs	22	359	8	294	3	216	302	332	
(4) R&D costs	0	325	0	198	0	98	3	9	
(5) Social activity costs	22	186	1	125	3	131	1	134	
(6) Environmental remediation costs	0	1,293	0	442	0	3	0	5	
Total		436	3,423	710	2,129	3,313	1,689	973	2,115

CO₂ Emissions and Measures for Reduction

Developing proactive measures to help fight global warming

In fiscal 2008, the Chugai Group's total CO₂ emissions were 8.7% higher than in fiscal 2007, and 26% higher than in fiscal 2003, the target base year. These increases are attributable to higher energy consumption required by the increased production following the launch of new products and the operation of a new building. While future increases in energy consumption are projected, measures designed to control the increase in CO₂ emissions will be proactively developed Group-wide, including the adoption of environmentally friendly facilities and equipment and other energy-saving initiatives.



Introduction of Photovoltaic Power Generation Equipment

The Chugai Group has been working to introduce photovoltaic power generation, which is a source of clean energy, at its plants and research laboratories. Its goal is to attain the capacity to generate 100 kW by the end of fiscal 2012. In December 2008, the Ukima Site finished installing 30 kW photovoltaic power generation equipment on the roof of its investigational biopharmaceutical drugs wing.

Photovoltaic power generation is considered to have outstanding environmental performance. However, compared to other ways of reducing CO₂ emissions, photovoltaic power generation's cost-benefit performance is rather low. Nevertheless, Chugai has positioned it as a major element of its activities to reduce CO₂ emissions.



Photovoltaic power generation equipment installed on the roof of the investigational biopharmaceutical drugs wing at the Ukima Site

Kamakura Site's Energy Conservation Report

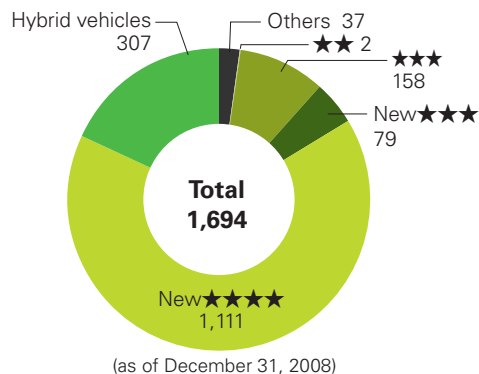
Every month the Kamakura Site prepares an energy conservation report, which it displays at the site with the aim of establishing awareness of energy conservation and preventing energy waste. The colorful report uses photographs and illustrations to capture employees' attention. The report includes articles on the content of energy conservation improvements and bits of knowledge about energy conservation, including descriptions of the way energy is used by the site, details of the Group-wide Cool Biz campaign, and energy saving measures that can be used at home.



Author of the Energy Conservation Report

Introduction of Low Emission Sales Vehicles

In 2006, Chugai 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. Since then, it has worked steadily to introduce more hybrids. With the addition of 148 new hybrids in fiscal 2008, the fleet now has a total of 307 hybrid vehicles. Now, 18.1% of Chugai's leased MR fleet (15.8% if including privately owned vehicles) are hybrids. Moreover, 98%, or nearly the entire fleet, are low emission vehicles (two or more stars). Chugai will continue striving to achieve its goal for the introduction of hybrids and will consider introducing fully electric vehicles.



* 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

Chemical Substance Management

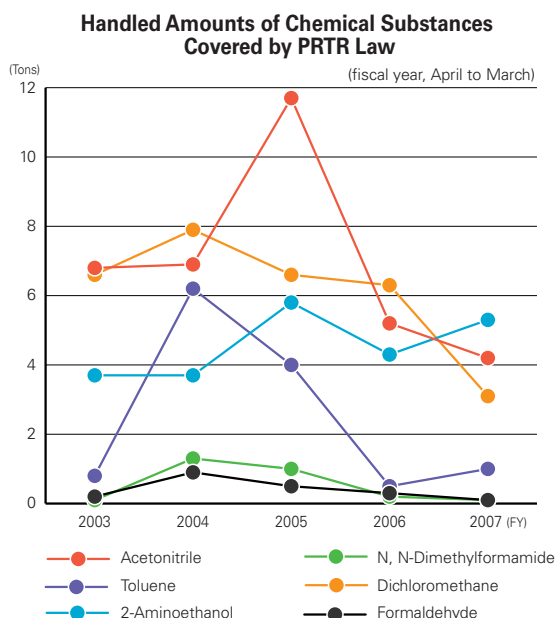
Ensuring safety and preventing environmental pollution by establishing a new organization for the appropriate management of chemical substances

Appropriate Management of Chemical Substances

Among the harmful chemical substances covered by Japan's PRTR Law,* the following four were handled in annual amounts of one or more tons in fiscal 2007 (April 2007 to March 2008) by the Chugai Group: acetonitrile, 2-aminoethanol, dichloromethane, and toluene. The graph below shows the amounts of these substances handled over time.

New guidelines for chemical substance control have been established, further strengthening the management of chemical substances. The guidelines are voluntary rules founded on the selection of instruments and/or facilities and the specification of protective equipment based on risk assessments conducted in light of the hazardous properties of the substances handled and type of work. Appropriate management of chemical substances will be driven forward through the establishment of detailed rules of operation.

* 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.



Chemical Management Committee

The research, development, and production departments within pharmaceutical companies are all major handlers of chemical substances. Every day, the Chugai Group handles compounds that show strong physiological activity (highly-active substances such as anti-cancer agents).

In fiscal 2008, Chugai reformed its controls relating to chemical substance management and launched a cross-organizational Chemical Management Committee. The committee is composed of members selected from relevant fields, including chemistry, toxicology, engineering, production technology, and environment and safety. Activities are now underway with the objective of revising guidelines on the handling, transport, and disposal of chemical substances and the provision of information, as well as exchanging and sharing information relating to interdepartmental issues.

Chugai is moving toward the establishment of a Group-wide chemical management system with the aim of ensuring the safety of employees and preventing environmental pollution. Toward that end, the Chemical Substances Management Committee analyzes, discusses, and identifies solutions to Group-wide issues. This process will help to make the Group's chemical management system fully worthy of an advanced technology-based pharmaceutical company.



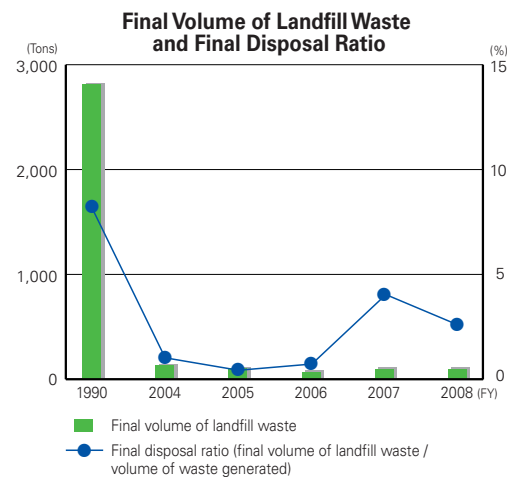
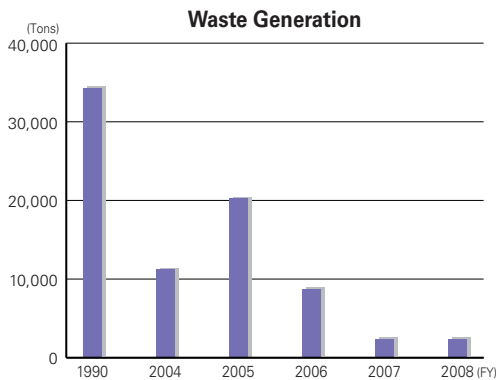
Chemical Management Committee

Waste Reduction / Soil Contamination Countermeasures

Aiming for efficient waste treatment and taking soil contamination countermeasures

Waste Treatment

The volume of waste generated in fiscal 2008 increased by 45% compared with fiscal 2007. The main factor behind this increase was the volume of organic solvent generated during production and the generation of waste alkali during the production of highly active substances. Regardless of these factors behind the overall increase, the final volume of landfill waste decreased by 13% to 82 tons, putting the entire Chugai Group's ratio of final landfill waste at 2.3%. The Fujieda Plant of Chugai Pharma Manufacturing Co., Ltd., and the Fuji Gotemba Research Laboratory maintained their zero emissions* status. Other facilities have also generally reduced their final disposal ratio. The Chugai Group will strive to implement more efficient waste treatment methods by promoting recycling of waste and reconsidering disposal methods.



Soil Contamination Countermeasures

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

In September 2002, before Japan's Soil Contamination Countermeasures Law came into effect in February 2003, voluntary soil surveys were started at the Kyushu Plant. In December 2006, the removal and treatment of contaminated soil and groundwater purification work were completed. Regular on-site groundwater surveys were then conducted over the next two years, with all monitored items clearing the environmental standards.

The soil remediation work was carried out with the understanding and cooperation of neighborhood residents and the shopping center that was built and opened during the period of groundwater monitoring. All initiatives were completed in December 2008.



New shopping center at the old plant site.

Stakeholder's Voice



I am very grateful for all the cooperation that the Eiko Kasei plant provided for our local events during its years of operation.

When I first heard that the soil at the plant's old site was polluted I thought, "That's unacceptable!" But, when I later saw the sincere reaction of the people from Eiko Kasei, the parent company Chugai Pharmaceutical, and the construction company, I was hopeful that the soil would certainly be cleaned up. Watching the large-scale remediation work go on for over two years, I was astonished at the lengths they were going to. Residents had different views and opinions about the work, and anxieties too, since the intended use of the land was unclear. Settling the matter was quite an ordeal, and I was genuinely delighted when the remediation work was all completed without mishap.

Munetoshi Aotani
Citizens' representative, Hanami Ward,
Fukutsu City, Fukuoka Prefecture

* Zero emissions: Final disposal/waste generated equals no more than 1% (Chugai Group standard)
** Eiko Kasei Co., Ltd.: An agricultural chemicals and insecticide manufacturing subsidiary transferred to Lion Packaging Co., Ltd., on December 31, 2004.

Environmental Education and Communication

Group-wide environmental education to help employees to take environmentally friendly action against global warming

Environmental e-Learning

From October to November 2008, all 764 Head Office Sales Division employees, branch staff, and employees of Medical Culture Inc. were provided with environmental education on the topic of global warming via e-learning. Like 2007, a wide range of e-learning content was produced, covering topics ranging from basic knowledge on global warming to the Chugai Group'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 generously provided positive feedback, such as, "I learned a lot, since I usually do not have an opportunity to study these things," and "I was able to clearly grasp the status of the Chugai Group's initiatives."



Environmental e-learning screen

Comment from an Environmental e-Learning Participant



As the entire world worries about environmental problems, the company is taking various initiatives, and employees are also doing their part in-house. But, after taking this course I felt the importance of individuals changing their lifestyles. I now have a heightened awareness of the need to think deeply about the impact each of our actions has on the Earth and to search for a better way to address environmental problems.

Hitomi Okamura
Business Coordination Section, Osaka Branch

Environmental Education at Subsidiaries

Chugai Distribution provided the same content as the environmental e-learning to all of its employees at group training sessions. The company received valuable feedback to apply to future training sessions from participants, including "I would like to have more time to go into the details during the training," and "I would like to take environmental training which not only covers the topic of global warming but deals with broader issues, as well."

Chugai Business Support Co., Ltd., conducted a training session on global warming during a meeting of its environmental committee. In this way, Chugai Group companies are also implementing environmental education.



Employees taking the training

Tours of Chugai Pharma Manufacturing's Fujieda Plant

Chugai Pharma Manufacturing is reorganizing its production system. As part of that reorganization, it finished constructing a new Solid-form Drug Wing at its Fujieda Plant in February 2008. The new wing features a cogeneration system for saving energy and reducing environmental impact as well as seismic isolation to minimize damage in the event of a large-scale earthquake. Containment facilities have also been installed to protect the environment and ensure worker safety when manufacturing highly active pharmaceuticals. The need to tour these kinds of facilities is increasing among nearby residents, groups from the pharmaceuticals industry, and people from other industries. More than 800 people have toured the new wing since its completion.



At a briefing during a plant tour

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

Social and Economic Areas

			2006	2007	2008
Social area	Full-time employees (consolidated) ^{1) 2)}	Chugai Group	5,905	6,257	6,383
	Full-time employees (non-consolidated) ^{1) 2)}	Chugai	4,371	4,611	4,671
	Number of persons employed (new graduates + mid-career personnel) ¹⁾	Chugai	499	332	138
	Number of the board members: Directors ^{1) 3)}	Chugai	13 (7)	13 (7)	14 (7)
	Auditors ^{1) 3)}	Chugai	4 (2)	4 (2)	4 (2)
	Average age ¹⁾	Chugai	38years6months	38years6months	39years3months
	Average service years ¹⁾	Chugai	14years1month	14years1month	14years7months
	Rate of employees with disabilities ⁴⁾	Chugai	1.95%	1.92%	1.86%
	Number of employees who take maternity leave	Chugai	28	37	26
	Number of employees who take family-care leave	Chugai	2	1	2
	Number of employees who use volunteer leave system	Chugai	0	0	0
	Number of employees who take a volunteer holiday	Chugai	2	1	1
	Employees using the program for returning to work after taking childcare leave	Chugai	37 (cumulative total)	24 (cumulative total)	22 (cumulative total)
	Number of lectures on health management	Chugai Group	—	9	8
	Number of inquiries to the drug information center	Chugai	52,781	64,798	60,906
	Number of investors' meetings	Chugai	8	10	9
	Number of overseas investors which were visited on a road-show	Chugai	66	64	64
	Number of study sessions for media	Chugai	12	10	8
	Number of Shareholders ¹⁾	Chugai	45,464	49,111	44,372
	Number of outstanding shares ¹⁾	Chugai	559,493,113	559,636,061	559,685,889
Rate of the number of shares which non-Japanese own ¹⁾	Chugai	70.28%	71.79%	74.92%	
Rate of "individual /other" shareholders ¹⁾	Chugai	6.97%	7.56%	7.07%	
Occupational injury frequency rate	Chugai	0.75	2.22	1.43	
Occupational injury severity rate	Chugai	0.004	0.0005	0.003	

Occupational injury frequency rate = casualty of an industrial accident x 1,000,000/total working hours

Occupational injury severity rate = (lost working days/total working hours) x 1,000

1) Indicates figures as of the end of December.

2) The number of employees includes workers on loan to the Chugai Group from outside the Group but excludes workers on loan from the Chugai Group to firms outside the Group.

3) Numbers in parentheses refer to non-executive members.

4) Indicate figures as of the end of June

Unit: millions of yen

			2006	2007	2008
Economic area	Net sales	Chugai Group	326,109	344,808	326,937
	Research and development expenses ⁵⁾	Chugai Group	54,609	54,243	53,225
	Operating income	Chugai Group	58,347	66,703	51,563
	Net income	Chugai Group	38,417	40,061	39,264
	Income taxes (including deferred income taxes) ⁶⁾	Chugai Group	22,874	24,537	22,276
	Annual dividends ⁷⁾	Chugai	18,821	18,146	16,344
	Total net asset	Chugai Group	391,604	385,797	397,066
	Donations (non-consolidated) ⁸⁾	Chugai	1,977	2,770	2,786

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

6) Chugai recorded corporation tax of 223 billion yen in 2008.

7) Chugai paid 163 billion yen in dividends to stock holders in 2008.

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

Environmental Area

1. Annual Energy Consumption and Carbon Dioxide Emissions

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Electricity (10,000 kWh)	10,411	10,588	10,717	10,965	11,282	12,662
Heavy oil (kL)	2,956	3,264	3,438	2,605	2,352	1,890
Kerosene (kL)	784	753	532	326	272	255
Gasoline (kL)	2,319	2,447	2,344	2,772	2,879	2,806
City gas (km ³)	7,023	7,328	10,506	12,615	12,493	14,100
LNG (tons)	—	265	755	807	2,601	2,877
LPG (tons)	2,688	2,952	1,162	27	28	32
CO ₂ Emissions (tons)	76,385	80,197	82,897	83,150	88,337	96,048

※ The total energy consumption is converted into CO₂ emissions. The electric power is converted into CO₂ emissions by applying a conversion coefficient rate of 0.368 kg-CO₂/kWh.

2. Fiscal 2008 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)	3,509	1,473	3,118	2,005	1,593	81	111	771
Heavy oil (kL)	3	13	—	—	1,873	—	—	—
Kerosene (kL)	—	0	—	—	—	255	—	—
Gasoline (kL)	—	2	—	—	4	3	—	2,797
City gas (km ³)	4,741	—	6,158	3,188	—	—	—	13
LNG (tons)	—	2,877	—	—	—	—	—	—
LPG (tons)	—	—	10	—	22	0	—	—

3. Annual Waste Generation

Unit: tons

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Generation	13,050	11,224	20,220	8,757	2,437	3,538
Disposal	3,130	527	895	709	752	846
Final disposal at landfills	330	129	103	69	94	82
Recycling	4,280	3,553	5,916	2,726	1,687	2,692
Recycling ratio ¹⁾ (%)	57.8	87.1	86.9	79.4	69.2	76.1
Final disposal ratio ²⁾ (%)	2.5	1.1	0.5	0.8	3.9	2.3

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 2008 Waste Generation

Unit: tons

	Ash	Sludge	Waste oils	Waste acids	Waste alkalis	Waste plastics	Waste metals	Waste glass & ceramics	Infection waste	Others
Generation	909	653	524	5	747	373	130	27	110	59
Disposal	—	252	422	4	1	83	1	10	35	39
Final disposal at landfills	—	50	—	—	—	8	1	10	7	6
Recycling	909	401	102	1	746	290	129	17	75	20

5. Handled Amounts of Chemical Substances Covered by the PRTR Law (fiscal year, April to March)

Unit: tons

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Pyridine	589.2	795.1	867.5	0.1	0.1
Formaldehyde	0.2	0.9	0.5	0.3	0.1
Acetonitrile	6.8	6.9	11.7	5.2	4.2
2-Aminoethanol	3.7	3.7	5.8	4.3	5.3
Chloroform	1.4	0.5	0.3	0.2	0.3
Dichloromethane	6.6	7.9	6.6	6.3	3.1
Toluene	0.8	6.2	4.0	0.5	1.0
N, N-Dimethylformamide	0.1	1.3	1.0	0.2	0.1

6. Fiscal 2008 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	85,636	31,070	69,205	97,991	22,817	13,659	320,378
Well water	—	1,639,152	—	—	—	—	1,639,152
Industrial water	124,302	—	416,444	—	199,879	—	740,625
Total water consumption	209,938	1,670,222	485,649	97,991	222,696	13,659	2,700,155
Wastewater	192,561	598,247	371,101	51,433	146,312	10,670	1,370,324
Total BOD (kg/year)	885	973	886	1,216	30	—	3,990

* 1: CPMC 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.

— 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 2008. Readers are cordially invited to provide feedback and opinions.



Of the power consumed by Chugai Pharmaceutical, 2 million kWh per year is green power generated from biomass.

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, 2008 to December 31, 2008

Reference guidelines

The contents of this report conform 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).

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