

# Corporate Social Responsibility Report



## Editorial Policy

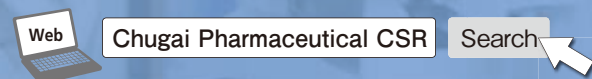
We take advantage of the respective characteristics of this printed report and our website to explain the social responsibility activities of the Chugai Group.

The scope of the contents of the printed report and website are indicated by the diagram at the right. Taking advantage of their respective media characteristics, we have focused the content of the printed report on our main initiatives in 2010. On our website, in addition to the information in the printed report we have posted detailed information and various data including performance data.

In this report, items described in greater detail on the website are indicated by the **Chugai Pharmaceutical CSR** mark.



Comprehensive information on the Chugai Group's social responsibility activities is available on the CSR page of the Chugai website. We encourage you to visit it. Chugai CSR web page <http://www.chugai-pharm.co.jp/hc/ss/english/csr/index.html>





## Structure of the Chugai Corporate Social Responsibility Report CSR '10

This report is divided into five sections: Message from the President, Feature, Responsibility to Society, Initiatives for Stakeholders, and Environmental and Safety Initiatives. The Feature consists of two parts: One in which employees involved in areas from drug research and development to production engineering and provision of information talk about how they put patients first in their work, and the other describing Chugai's initiatives to counter global warming.

We welcome your candid feedback and comments after reading the report.

### Scope of this report

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

### Timeframe covered

January 1, 2010 to December 31, 2010

### Reference guidelines

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

### Issue dates (English version)

CSR '10: June 2011

CSR '09 (previous issue): June 2010

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**Recognizing the greater social responsibility that comes with corporate growth, Chugai will continue to work for the benefit of patients.**



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. Consistent with this mission, our employees are committed to delivering value for patients in everything they do. Our mission statement also makes it clear that 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, conducting our business with a strong belief that all innovation should be for the benefit of patients.

Since forming a strategic alliance with Roche in 2002, Chugai has substantially increased sales and profits, and established leading positions in its strategic fields of oncology, renal diseases, and bone and joint diseases. With the growth of the Company, expectations from our stakeholders have also risen and our responsibility to society has increased.

In 2010, we filed for approval of additional indications for products in the fields of oncology, bone and joint diseases, and infectious diseases. Our development projects advanced steadily, further enhancing our well-stocked pipeline. We are positioning personalized healthcare, which involves developing comprehensive treatment approaches tailored to each patient, as a pillar of our business. Our focus is on areas of unmet medical needs, where there is still great demand for new drugs and better treatments.

Chugai is also playing a leading role in the advancement of cancer treatment in Japan. As part of our effort to help establish standards of care and ensure equitable access to cancer care for patients throughout the country, we established the Chugai Academy for Advanced Oncology in October 2009. This academy allows us to contribute from a standpoint that is different from our usual business activities.





To fulfill our social responsibility, we have established and practice the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior for Chugai Group employees. We have been conducting various awareness programs, including training on corporate ethics and human rights, to familiarize all employees with the Chugai BCG.

Since medicines are closely connected to human life, pharmaceutical companies are required to uphold the highest ethical standards. Chugai abides by the Pharmaceutical Affairs Law and all other laws related to pharmaceutical companies, as well as voluntary standards such as the voluntary promotion code established by the Japanese pharmaceutical industry and a fair competition agreement covering the manufacture and sale of pharmaceuticals. We also fulfill our responsibilities as a pharmaceutical company by taking thorough measures to ensure product quality, efficacy and safety, and using appropriate methods to provide, collect and disseminate drug information accurately and promptly.

The Chugai Group contributes to society through activities focused in the areas of healthcare, welfare, education, local communities and the environment.

In 2010, we carried out a variety of charity events related to healthcare and welfare. These included open seminars and symposiums to raise awareness on disease prevention and treatment, donation of specially equipped welfare vehicles for the 26th consecutive year, and participation in the Roche Children's Walk to support children who have lost parents to AIDS in the Republic of Malawi, Africa.

Educational activities included co-sponsorship of the Summer Biotech-Lab for Kids and the Mirai Club Science Cafe sponsored by the National Museum of Emerging Science and Innovation (Mirai-kan) to foster an interest in science among children who will lead the next generation.

We also conducted various activities to contribute to local communities. For example, we donated funds to establish an endowed chair at a university and held cleanup campaigns in the neighborhoods surrounding Chugai Group facilities and sites.

In environmental activities, the Chugai Group revised its previous targets in 2010 in line with the new targets set for the Roche Group. The new target for the Chugai Group is a 10 percent reduction in energy consumption per employee in 2014 compared with 2009 levels. We were one of the first pharmaceutical companies in Japan to begin introducing hybrid vehicles in 2003. As of the end of 2010, we had 702 hybrids, accounting for 37 percent of the leased vehicles used by medical representatives (MRs). We also introduced all-electric vehicles on a trial basis. In addition, the Kamakura site received a certificate of commendation from the government of Kanagawa Prefecture in recognition of its environmental improvement measures.

We will continue working to realize our vision of being a company that provides innovative medical products and services and consistently delivers new solutions to patients and healthcare providers around the world. On behalf of the Chugai Group management team, I would like to thank all of you, our stakeholders, for your continued understanding and support of our efforts.

Osamu Nagayama  
Representative Director  
President, CEO and COO

# Feature: 1. Quickly Making Innovative Medicines Available to Patients

— Putting Patients First —

## A Researcher's Perspective



Aayam Lamichhane  
Pharmaceutical Research Dept. 1, Research Division,  
Fuji Gotemba Research Labs

We take advantage of outside resources to shorten research time and raise the success rate so we can quickly make new medicines available to patients.



world.” The conventional approach to drug discovery is to start with an idea for a potential lead compound and work to commercialize it. At Chugai, however, we are committed to a patient-oriented approach, tying our technologies to the wishes of patients suffering from diseases and established ideas about the likely mechanisms behind those diseases to set the direction of research.

Therefore, Chugai actively collaborates with doctors who are familiar with patients and diseases, and with academics who are researching cutting-edge technologies. Borrowing knowledge from outside the company can help to shorten research time and increase the success rate, allowing us to make new drugs available to patients sooner.

Since I joined Chugai four years ago, I've been involved in drug discovery research in the field of autoimmune diseases at the Fuji Gotemba Research Laboratories. Discovery research refers to the research leading up to the start of clinical trials that confirm a drug's efficacy and safety in patients. Identifying lead compounds accounts for 10 percent of the entire process and lead optimization for 40 percent. Tests using living cells and animal models to evaluate pharmacokinetics, safety and drug efficacy comprise the remaining 50 percent. I'm in charge of assessing drug efficacy

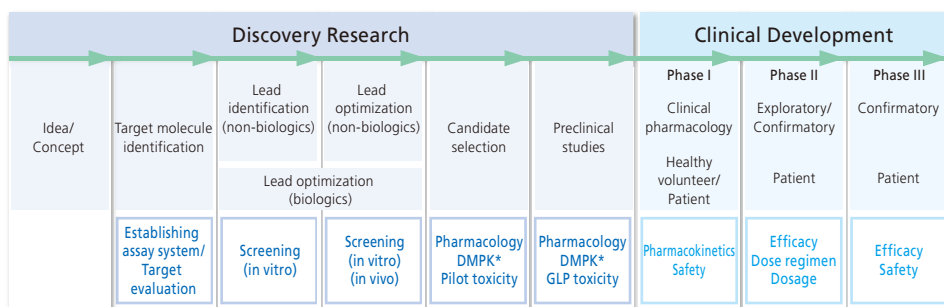
throughout this process. Even when the results are good in animal models, unanticipated reactions can occur in the subsequent clinical trials. So thinking about how to design the candidate compound in order to improve its efficacy and disposition in patients is also an important job of researchers.

I think a distinguishing feature of Chugai's drug discovery research is that it embodies the Company's mission, which is to “create innovative medical products and services for the benefit of the medical community and human health around the

**Closeup** I was born in Nepal, and I decided to join Chugai because I wanted to help patients. The healthcare system and sanitary conditions in Nepal are not at the same level as Japan's, so many people there suffer from illness. I was always thinking about what I could do for them. I had thought of pursuing a career as a medical doctor, but it occurred to me that if I became a researcher and created medicines, I could help people suffering from disease worldwide, including those in my own country. I chose to work at Chugai because it has a great environment for research.

The research project I'm working on now is progressing smoothly, and has started clinical trials. The drug under development targets a disease that affects a large number of patients. If we can make that drug available to those patients, it will be the greatest pleasure of my life, so I am watching its progress with anticipation.

### Drug Development Process



\*Drug metabolism and pharmacokinetics

Individual Chugai Group employees involved in areas from discovery research to development, production engineering, and information provision talk about their daily work.

## A Developer's Perspective

**We are moving forward intently with the processes necessary for approval so that patients can use our drugs as quickly as possible.**

Since I came to Chugai in 2005, I've been responsible for clinical trials in the field of liver disease, such as hepatitis B and C and compensated liver cirrhosis caused by hepatitis C virus (HCV). As it happened, clinical development of a treatment for compensated cirrhosis was starting right around the time I joined the company. I was involved in the entire clinical development process for about five years up until we put together the massive amount of clinical trial data and submitted it to the review body in October 2010.

At the planning stage of a clinical trial, we draw up a development design in consultation with outside experts. This design sets the criteria for selection of medical institutions to carry out the trials and the criteria for patient participation, the objective being to scientifically prove the efficacy and safety of the drug and get it to patients as soon as we can. The development design is incorporated into the clinical trial protocol. How can we shorten the duration of the clinical trial?

How can we deliver the drug to patients faster? These questions have a significant impact on the development design, and a lot of energy goes into addressing them when drawing up the design, because that's where our ingenuity comes into play.

An investigational new drug for compensated liver cirrhosis caused by HCV is now under review. Until it is approved, we need to carefully respond to each

inquiry from and document inspection by the review body and to each study at the medical institutions conducting the clinical trial. After the one- to two-year review period, the safety and efficacy of the drug I was involved in developing may be recognized and at last it can be made available to patients. The joy this will bring me, I wouldn't trade for anything.

**Closeup** At the medical institution where I was in charge of clinical trials for compensated liver cirrhosis caused by HCV, a benefit was seen in the patients taking the drug, and the doctors thanked me. I was really happy with the results.

An investigational new drug we are developing for hepatitis B is also one of the drugs requested for early approval in the "7-Year Strategy for Hepatitis Research" produced by hepatitis research specialists in Japan based on feedback from patient groups and many others

concerned with the disease. We are keenly aware of the high expectations of patients and healthcare professionals, and that renews our resolve.

We should contribute to human health worldwide by quickly bringing best-in-class drugs and breakthrough drugs with novel mechanisms of action to patients in Japan and, by extension, to patients around the world. We apply ourselves to development on a daily basis with that thought in mind.



Keisuke Akada  
Clinical Research Dept., Primary Research 2



## A Production Engineer's Perspective

Yoshihiro Tomojiri  
Production Engineering Dept. (Formulation Technology)  
Pharmaceutical Technology Div.

Over the last ten years, I've been involved in designing the packaging for Actemra and other products and launching the packaging line at the Utsunomiya plant. Currently I'm in charge of package design for solid-form drugs at the Fujieda plant.

The important functions of pharmaceutical packaging are to preserve the quality of the medicine until it gets to the patient and to ensure its proper use. Therefore, the package must not only protect the medicine inside but also make it easy to use, without mistakes. We also have to design it from a total perspective that takes into account considerations such as environmental friendliness and stable, efficient manufacture. We must be able to envision the handling of the medicine from the time it leaves the plant until it is actually used. In addition to giving due attention to

**Closeup** In new product development projects, I also have the opportunity to visit hospitals as a package designer and hear various opinions. What I've learned from listening to people who actually use the medicines is that they have very detailed requests, and also that their needs change as their environment changes. I'm realizing that in the project I'm currently working on, which has been quite an education.

To respond quickly to the ever-changing needs of the medical

We strive to design better pharmaceutical packaging based on an accurate understanding of actual users.

shock absorbency to avoid breakage during distribution, we focus on ease of use and safety. Since tablets are used by the patients themselves, while in many cases an injection is administered by a nurse or other practitioner, we think about where and by whom the product will be used for each formulation and indication.

Actemra packaging, for example, has a compact design because the medicine is stored in a refrigerator at the healthcare facility. However, to increase breakage resistance if the box is accidentally dropped when removing it from the refrigerator, we have devised dividers that suspend the individual containers a little inside the box. For press-through packages (PTP) used for tablets and capsules, we are researching human behavioral traits to develop PTP sheets that are easy to handle and will not be accidentally ingested.

As a group of engineers, we constantly think about the patients who will use the medicine, honing our technological capabilities every day with the belief that it is important to ensure the safe, proper use of high-quality pharmaceuticals and continuously provide a stable supply.

community, we are now collecting and analyzing information on needs throughout the organization, and are creating a plan for strengthening mechanisms that reflects those needs in development policies. We designers provide technology and value to the market in the form of packaging, which is used by patients. Then we identify patients' underlying needs and reflect them in new products. I believe that fulfilling this responsibility will lead to better pharmaceutical packaging.

## An MR's Perspective

I present solutions that put the needs of the patient first.

In the five years that I've been with Chugai, I've been responsible for clinics and hospitals as an MR, and worked closely with the doctors at those facilities. Since October 2010, I've been assigned to university hospitals and have been diligently providing information and making prescription suggestions, with a focus on Actemra for rheumatoid arthritis and other indications, and Pegasys for chronic hepatitis C.

The job of MRs is directly linked to the lives of patients, so we have to make a string of choices: What is the best treatment for this patient? Which medicine will work best for that treatment? Of course, we want them to use our own company's medicine. However, we make suggestions with the patient foremost in mind, based on laboratory test values and other data. After confirming the patient's condition, I may say to the doctor, "Given the potential risks, what about this medicine?" or "It might be good to use these medicines in combination."

Chugai's strength is that it has innovative drugs for specific diseases. Actemra for rheumatoid arthritis and other indications is one example. The fact that the drug is useful for patients makes it especially important to properly communicate safety



Mitsuka Saito  
Yokohama Branch, Primary Unit, Yokohama Sales Group,  
Yokohama General Sect. 1



and other information. University hospitals also have the function of conveying information to regular hospitals. For that reason, Chugai's MRs also properly share information with affiliated hospitals and partner hospitals, thereby contributing to better overall quality of care.

I think that in the future it will be necessary to create a cycle in which I can push the Company to craft measures that address the problems and needs that I identify at hospitals or clinics. I want to help make good medicines available to patients by building relationships of trust with doctors so they see MRs as partners in healthcare.

**Closeup** When I was a newcomer at Chugai, the Company had just launched a new medicine for breast cancer, and I was introducing that anti-cancer agent to a doctor. The doctor came right out and told me his concern — that even though he knew the medicine had shown good results in clinical trials overseas, he wondered how safe it would be for Japanese patients. But he decided to use it, partly because the patient was willing. After he started administering the drug, I visited the doctor on each of the patient's appointment dates, asking him about side effects and the lab test results. I would quickly check on anything he seemed concerned about and report back to him. After about three months, he told me, "The patient is really happy with this drug because it is comfortable to use and hasn't caused any hair loss or fatigue." I was so glad when I heard that. The doctor even showed me a photo of him with the patient that was taken as a keepsake. The smile on the patient's face is still imprinted in my mind.



## Working at the point of care, I always try to offer solutions that will benefit patients and their doctors.



## An MR's Perspective



Kazuteru Ono  
Tokyo Branch 1, Oncology Unit,  
Tokyo-Chiba Sales Group, Tokyo Oncology Sect. 3

When I graduated from university, I joined another pharmaceutical company, but I was particularly drawn to the field of oncology. I thought I'd like to work at Chugai, which has a strong lineup of oncology drugs, and joined the Company six years ago. Since then, as an MR I've been in charge of cancer hospitals. Right now I mainly deal with treatments for breast cancer and lung cancer. Since I joined Chugai in 2005, three new anti-cancer agents — Avastin, Femara and Tarceva — have been launched. Including existing drugs with additional indications, we've been able to offer new medicines every year.

Chugai now has an extensive lineup of medicines covering four of the five major cancer types, and most of them are listed in treatment guidelines as first-line treatments. That makes it easy to match our proposals with what doctors are requesting. I am proud to have gained

**Closeup** I was approached for advice by a doctor who was unsure about how to treat a particular patient. The patient was elderly, and had no desire to be treated with strong medicine because she wanted to enjoy the rest of her life. I consulted with my superior and more experienced MRs, and looked up similar cases. After much agonizing, I decided to suggest another company's product rather than a Chugai product. I cannot say I am truly acting for patient-centered healthcare if I recommend our company's medicine when I know it may not be

enough trust that doctors feel they can count on Chugai to provide sound advice about cancer treatment.

On the other hand, with so many medicines available and the high level of need at care facilities, I sometimes wonder how I can conduct detailed information activities for each doctor. It's a good problem to have.

Today Chugai continues to innovate for patients as it pushes toward its target of becoming a top Japanese pharmaceutical company. MRs work at the point of care and play a pivotal role as a bridge to appropriate medicines by listening to the frank opinions of doctors who are familiar with the patients. I'm proud to be able to do that. I want to meet sales targets, of course, but I'm also working to enhance my abilities as an MR by acquiring broad scientific knowledge and practicing thorough compliance. I aim to be the best in everything I do.

right for the patient. Chugai's policy of putting patients first permeates the Company, and it's because of that policy that I am able to put aside my conflict as a sales representative and make decisions like this.

I'm delighted that I was able to propose a solution for the patient and doctor in this instance. By being honest with doctors, I can build stronger relationships of trust, and helping them to gain a deep understanding of Chugai's products makes my work doubly enjoyable and satisfying.

# Feature: 2. Initiatives to Counter Global Warming

## Reducing Energy Consumption

### (1) Performance in 2010

In 2005, the Chugai Group set a goal of reducing its CO<sub>2</sub> emissions in 2012 to the level of the baseline year of 2003 (the year after the merger with Roche), and has been working to counter global warming. However, despite ongoing efforts to reduce energy consumption, mainly at plants and research laboratories, total CO<sub>2</sub> emissions in 2010 were approximately 104,000 tons, about 27,600 tons in excess of the 2003 baseline output of 76,400 tons.

### (2) Outlook for Achievement of the Goal

The above excess is the result of new buildings constructed in and after 2007, the plans for which had not been finalized when the emissions goal was being considered in 2004. Including new building construction from 2004 to 2006, total floor area in 2010 was about 30 percent greater than in 2003.

Moreover, expansion of biologic medicine manufacturing and research and development facilities, which consume a large amount of energy relative to floor area, had a significant impact.

Without the reduction measures implemented since 2003, CO<sub>2</sub> emissions in 2010 would have been 144,000 tons. The 2010 figure of 104,000 tons therefore represents a reduction of about 40,000 tons. This reduction is the result of the measures we have implemented over the last seven years, including the conversion from heavy oil to city gas for boiler fuel starting in 2005, and the closure of some small-scale sites. However, despite efforts to reduce CO<sub>2</sub> emissions at each site, we will have difficulty reaching our goal of 2003 levels by the end of 2012.

### (3) Formulation of New Mid-Term Action Plan

New legal and regulatory obligations for CO<sub>2</sub> emission reductions were set in 2010. Therefore, we have formulated a new mid-term action plan for the Chugai Group that includes goals and capital investment plans.

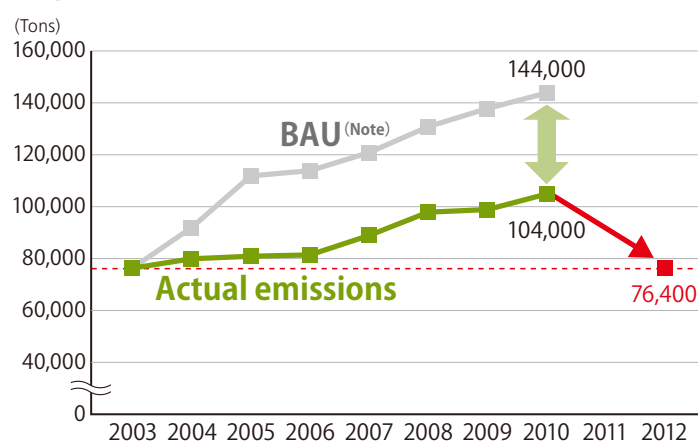
In order to respond as best we can to the revised Energy Saving Act, we are taking proactive measures to reduce energy consumption not just at the Ukima site, which is subject to the Tokyo Metropolitan Environmental Security Ordinance, but at all sites.

Measures include selecting equipment that is more energy efficient when renewing facilities.

In addition, for the Chugai Group we have set the goal of a 10 percent reduction of energy consumption (gigajoules (GJ) per

employee) in 2014 compared with the 2009 level, which is identical to the Roche safety, health and environmental protection (SHE) goal. As part of this effort, we are increasing the percentage of hybrids and other low-emission vehicles in our sales fleet.

Chugai Group CO<sub>2</sub> Emissions



Note: BAU (Business As Usual) indicates the results if no global warming countermeasures had been implemented.

	Operations covered	Goal	
Tokyo Metropolitan Environmental Security Ordinance <sup>(Note 1)</sup>	Ukima site	Up to 6% reduction (tons of CO <sub>2</sub> ) on average for 2010 to 2014	Mandatory
Revised Energy Saving Act <sup>(Note 2)</sup>	Chugai Group	5% reduction over five years from 2010 to 2014 (GJ/m <sup>2</sup> ) <sup>(Note 3)</sup>	Mandatory
Roche SHE goal	Chugai Group	10% reduction (GJ/employee) in 2014 compared with 2009 <sup>(Note 4)</sup>	Mission

Notes: 1. Environmental ordinance to ensure the health and safety of citizens  
 2. Act for partial revision of the act concerning the rational use of energy  
 3. Energy consumption by floor area (1GJ = 10<sup>9</sup> joules)  
 4. Roche Group target for energy consumption per employee, including vehicle gasoline consumption and business flights (1.8GJ/1,000km/employee)

Chugai is undertaking initiatives to counter global warming by reducing CO<sub>2</sub> emissions from energy consumption and working to prevent the release of halogenated hydrocarbons.

## Discontinuation and Replacement of Halogenated Hydrocarbons

Domestic regulations on halogenated hydrocarbons in Japan consist only of the Law Concerning the Protection of the Ozone Layer through the Control of Specified Substances and Other Measures and the Law Concerning the Recovery and Destruction of Fluorocarbons, which do not regulate use. However, many halogenated hydrocarbons have a global warming potential several thousand times that of CO<sub>2</sub>, so the leakage of even small amounts of these gases can have a significant impact on global warming. Therefore, the Chugai Group will replace all specified ozone-depleting chlorofluorocarbons (CFCs) (about 10 tons in total in the Group's refrigerating and air-conditioning equipment) with ozone-safe hydrofluorocarbons (HFCs) by the year 2020. In addition, because HFCs also contribute to global warming, we will consider switching in the future to refrigerants such as CO<sub>2</sub> and ammonia, which have relatively little impact on global warming. In the meantime, we will strictly control CFCs and HFCs to limit the amount refilled due to leakage to less than 1 percent annually. We discontinued the use of halon fire extinguishers in 2010.



Chugai has replaced its halon fire extinguishers with CO<sub>2</sub> extinguishers.

## Adoption of Low-Emission Vehicles

Chugai is systematically introducing hybrid vehicles to the fleet of sales vehicles used by MRs, with the goal of increasing the percentage of hybrids to 50 percent by 2012. In 2010, we added 258 hybrids, bringing the cumulative total to 702. As a result, hybrids now make up 37.0 percent of our sales vehicles (40.9 percent excluding all-wheel drive vehicles used in cold regions), and we are moving steadily toward the 2012 goal.

We are also considering the full-scale introduction of electric vehicles. Toward this end, we have introduced the i-MiEV on a trial basis at three sites (Kamakura Research Laboratories, Fuji-Gotemba Research Laboratories and the Fujieda plant of Chugai Pharma Manufacturing Co., Ltd.).



Charger



Electric vehicle (i-MiEV)

## Achievements Made Possible by People Working Together

I have been in the Facilities Group of the Ukima plant for 13 years. Since 2003, I have been working on the Group-wide project to reduce CO<sub>2</sub> emissions and on our responses to the Energy Saving Act, the Tokyo Metropolitan Environmental Security Ordinance and other regulations. Initially, the emphasis in energy-saving measures was on cost saving, but recently the focus has shifted more to preserving the environment, as we can see in the mandatory Tokyo Metropolitan Environmental Security Ordinance. We have implemented various measures with the cooperation of many people, both internal and external. Our initiatives have been successful because everyone worked together. Regulations are expected to become even stricter, so we will need the further understanding and cooperation of everyone concerned. I was reassigned to the Fujieda plant in January 2011, so my position has changed, but I want to continue cooperating.

Mitsuhiro Takano  
Ukima Plant, Maintenance & Utilities Group, Chugai Pharma Manufacturing Co., Ltd.



# Responsibility to Society

## Our Approach

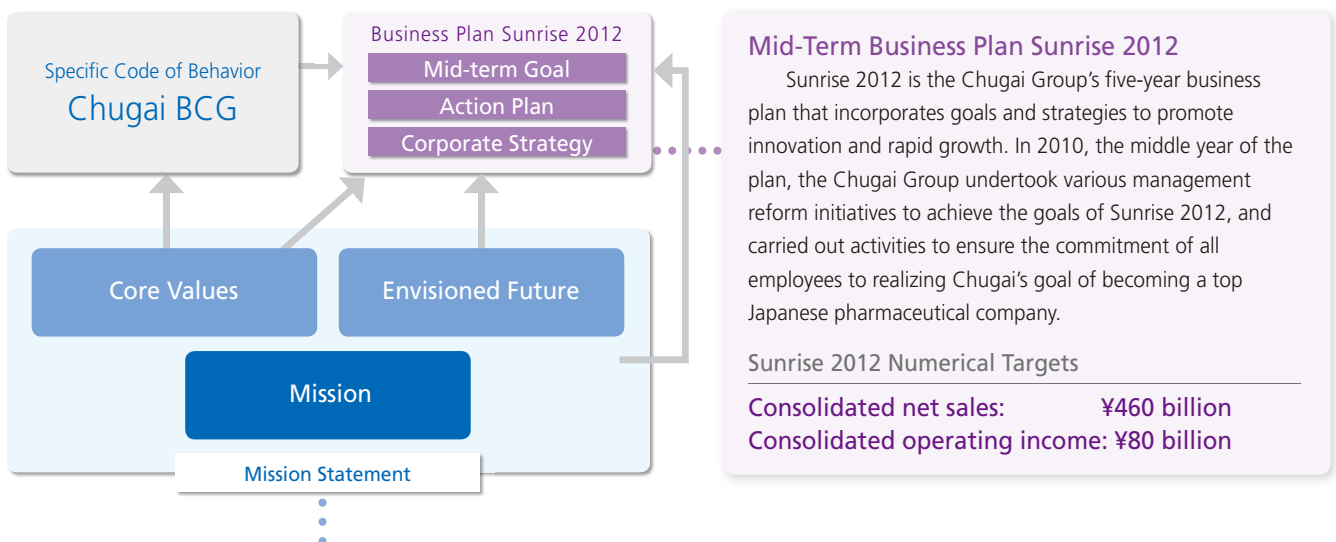
**Fulfilling our responsibility to society by conducting all our business activities in accordance with our Mission Statement and the Chugai Business Conduct Guidelines**

To realize its mission, Chugai has established a Mission Statement that includes seven Core Values to be shared as individuals and as a company in order to ensure sound business activities as we work toward our Envisioned Future. The Core Values also form the basis of the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior for management decision-making and employees. Moreover, we

have formulated a mid-term business plan, Sunrise 2012, and are working to achieve its targets.

By conducting business activities with the Mission Statement at their core, we fulfill our social responsibility as a company and meet the diverse expectations of our stakeholders.

### Relationships between the Mission Statement, Chugai BCG and Business Plan



## 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 Human Rights

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 programs.

#### 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 and Safety 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.

### Framework for Promoting Social Responsibility

The Corporate Social Responsibility Committee, chaired by the Deputy President, deliberates and makes decisions on issues, policies, targets and action plans concerning social responsibility for all of the Chugai Group's business activities. The Corporate Social Responsibility Department is in charge of implementing the committee's decisions and presiding over daily activities, and works to provide support for CSR activities and assess their results.

In the Corporate Ethics Promotion Committee, a practical unit for promoting social responsibility, members assigned in each workplace to promote the Chugai BCG receive information and training and exchange opinions. They then return to their respective workplaces to support the heads of their organizations in promoting the Chugai BCG and activities

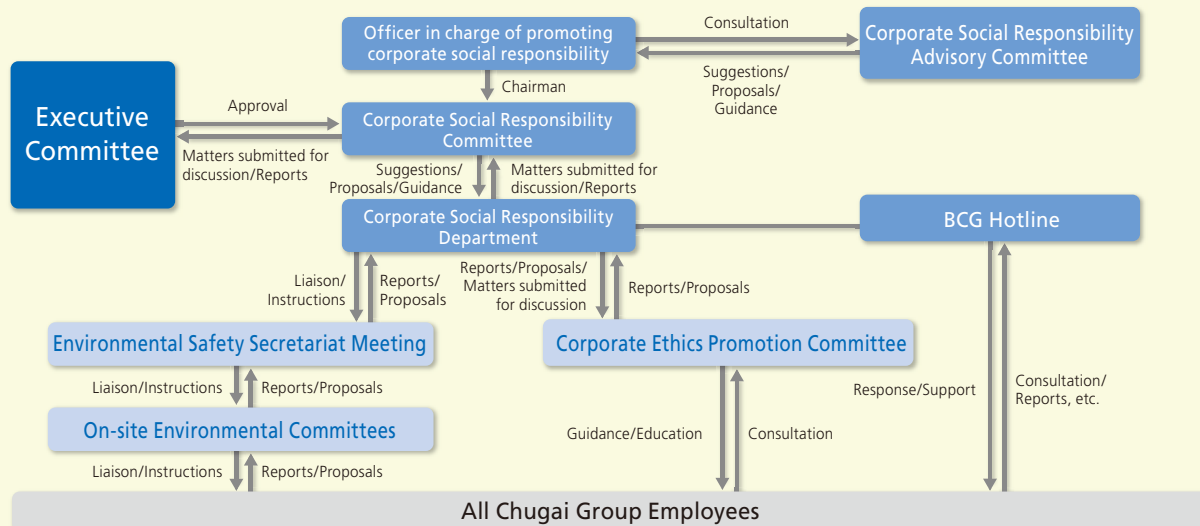
to enhance awareness of human rights.

At the Environmental Safety Secretariat Meeting, environmental and safety results and targets for the next year are shared with the individuals responsible at each facility. This information is used to draw up action plans.

### 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, or the Chugai BCG. Use of the hotline facilitates response to and resolution of problems or other matters that are difficult to discuss in the workplace. This enhances the capacity of each workplace to address its own issues, and fosters a positive environment.

Framework for Promoting Social Responsibility (As of December 31, 2010)



# Socially Responsible Management

## Focusing on prompt decision-making, clear executive responsibility and management transparency

### Chugai's Basic View of Corporate Governance

Chugai 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 believes that prompt decision-making, clear executive responsibility and management transparency are crucial. Accordingly, Chugai has been improving its governance system through measures that include appointing outside directors and introducing an executive officer system. Although the Company 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.

### Decision-Making and Systems for Business Execution and Auditing

#### Board of Directors

Chugai's Board of Directors is composed of 12 members including seven outside directors. It makes decisions on the most important management issues and oversees business execution based on the status reports it receives.

#### Executive Committee

All major decisions concerning business execution are delegated by the Board of Directors to the Executive Committee, which is composed of the president and other key executive officers. Full-time corporate auditors also attend Executive Committee meetings to express their views from the standpoint of sound corporate governance.

#### Board of Auditors

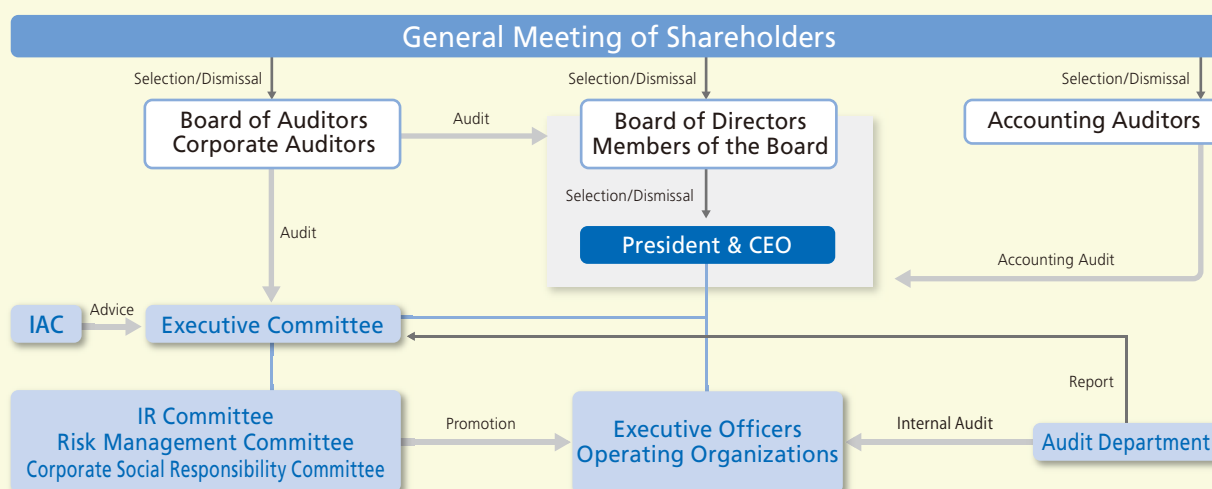
The Board of Auditors is made up of four corporate auditors, two of whom are outside auditors. They carefully audit management decision-making and the status of business execution by attending meetings of the Board of Directors and Executive Committee and by examining business reports from members of the Board of Directors.

#### International Advisory Council (IAC)

Chugai has also established an International Advisory Council (IAC) composed of specialists from Japan and other countries. In an effort to further enhance decision-making, Chugai receives valuable counsel from the IAC to ensure that the Company continues to respond effectively to the rapidly changing global business environment.

(Figures are as of December 31, 2010)

### Corporate Governance System (As of December 31, 2010)





## Internal Audit System

In order to maintain its independence and objectivity as the department in charge of internal auditing, the Audit Department was set up with corporate staff in an independent organizational structure. The Audit Department audits the activities of each department of the Chugai Group and reports the results to the Executive Committee.

Relevant departments are advised of items needing improvement, and follow-up audits are conducted six months later to verify the status of improvements. The results of these audits are reported to the vice presidents in charge. In addition, the Audit Department reports results of internal audits to the full-time corporate auditors.

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

## Internal Control over Financial Reporting

To meet the requirements of internal control reporting system in Japan's Financial Instruments and Exchange Law (commonly called "J-SOX"), Chugai has finalized basic policies regarding establishment and assessment of internal controls over financial reporting, has established a robust system to provide reasonable assurance of the reliability of the Chugai Group's financial reporting, and has been conducting assessments properly. Chugai recognizes that the approaches to J-SOX system are important and meaningful activities which enhance our corporate value by securing the trust of shareholders, investors and other stakeholders. Chugai will continue to manage our internal control reporting system with an attempt to improve efficiency and effectiveness in business procedures.

## Risk Management System

The Chugai Group has established Risk Management Regulations and has a Risk Management Committee and a Risk Management & Compliance Department that implement Group-wide risk management. Risks that could have a material impact on the Group's business activities are treated as Group-wide risks. Management policies are established for each type of risk, and concrete measures are taken proactively in an effort to prevent them from materializing. In addition, divisional risk management committees identify risks in each division and implement countermeasures.

The progress of, and response to, these major risks are reviewed every quarter, confirmed by the Risk Management Committee and reported to the Executive Committee.

To deal with emergencies, Chugai has a disaster response mechanism in place. In the event of a crisis, an emergency headquarters will be established, headed by a representative director.

## Commitment to Compliance

Chugai has established Compliance Regulations and has set up a Compliance Committee under the Risk Management Committee to regularly ascertain the status of compliance throughout the Group. The compliance managers and others responsible for compliance in each organization within the Chugai Group strive to ensure that all laws are properly observed.

Department managers are surveyed each quarter to assess compliance and reconfirm compliance items. The results and response policies are discussed by the Compliance Committee and then reported to the Executive Committee.

If a suspected compliance issue arises, it is reported to the Risk Management & Compliance Department and the department in charge of the issue involved. Suitable response measures are then taken.

## CSR Initiatives

Below is a summary of the CSR activities the Chugai Group conducts in various fields for the benefit of stakeholders, centered on the supply of innovative medicines and services.

### Making the Chugai BCG Part of Our DNA

Business management that actively addresses underlying social issues and the expectations and requests of stakeholders is becoming increasingly important. The Chugai Group believes that delivering value to stakeholders by providing ethically sound and science-based innovative medicines is its social responsibility. To fulfill it, we are instilling and entrenching the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior that shows how we should provide value. Our goal is to make these guidelines part of our corporate DNA. We are conducting ongoing activities to create an

organization in which every employee proactively and autonomously makes judgments and acts in accordance with shared values and standards.



Motoo Ueno  
Representative Director,  
Deputy President,  
Corporate Social Responsibility

### Initiatives and Performance in 2010

Items	Main initiatives
High ethical and moral standards	<ul style="list-style-type: none"> <li>Fostering high ethical standards through training on the Chugai BCG, continuous efforts to build human rights awareness</li> <li>Conducting CSR/BCG awareness survey of all employees. Monitoring awareness of and conduct with respect to Chugai's social responsibility, Mission, Core Values and the BCG.</li> <li>Maintaining high animal welfare standards in accordance with international guidelines</li> <li>Promoting compliance with the Pharmaceutical Affairs Law, fair competition codes, promotion codes, and other laws and regulations</li> </ul>
Patients and consumers	<ul style="list-style-type: none"> <li>Pursuing the development and provision of innovative pharmaceuticals</li> <li>Conducting activities to build awareness of disease in priority fields</li> <li>Conducting support activities for patients</li> <li>Providing support for researchers from Asia</li> <li>Responding to inquiries and disclosing information</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>Disclosing information in an unbiased and highly transparent manner</li> <li>Holding frequent dialogues with investors in and outside Japan</li> <li>Holding general meetings of shareholders and shareholder receptions</li> <li>Realizing steady dividend payments</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>Continuously standardizing and optimizing purchasing processes to build fair, transparent relationships</li> <li>Promoting purchasing that balances compliance, business efficiency and purchasing cost reduction</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Conducting welfare initiatives for the elderly and people with disabilities</li> <li>Nurturing the next generation of individuals who will carry science and technology forward</li> <li>Supporting employee volunteer activities</li> <li>Contributing to communities where Chugai Group facilities and sites are located</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Fostering human assets who are competent in the global arena</li> <li>Building a work environment that is motivating and fulfilling for every employee</li> <li>Building sound labor-management relations</li> <li>Creating safe, pleasant workplaces</li> </ul>
Environmental protection and occupational safety and health	<ul style="list-style-type: none"> <li>Promoting global warming countermeasures</li> <li>Pursuing resource conservation and waste reduction</li> <li>Enhancing environmental awareness</li> <li>Making environment-related contributions to local communities</li> <li>Disclosing environmental information</li> <li>Thoroughly managing chemical substances</li> </ul>





Main performance indicators in 2010	Page reference	Detailed information on website
<ul style="list-style-type: none"> <li>• BCG and Human Rights training attendees: 13,317 (includes repeat attendees; Chugai Group in Japan)</li> <li>• Awareness survey respondents: 6,006</li> <li>• In-house education and training for people who handle laboratory animals: 41 sessions attended by 623 people</li> <li>• State of ethical and legal compliance survey within the Sales Division: Responses received from 2,312 people</li> </ul>	16-17	
<ul style="list-style-type: none"> <li>• Approval of Actemra in U.S.; removal of post-marketing all-patient surveillance approval condition for Actemra (rheumatoid arthritis) and Avastin in Japan</li> <li>• R&amp;D expenses/sales: 14.4% (Chugai Group)</li> <li>• Special sponsorship of a cancer charity event: "Medicine and Humor" featuring <i>rakugo</i> storyteller Dansyun Tatekawa (Dec. 19 in Yokohama); participation in Relay For Life Japan 2010</li> <li>• Cumulative number of countries receiving free therapeutic drugs for treating children with lymphangioma: 69 (program in its 20th year)</li> <li>• Disease awareness activities and co-sponsored events held: 20</li> <li>• Customer inquiries answered by Chugai's Drug Information Center: 52,353 (includes telephone, e-mail and fax inquiries)</li> </ul>	18-21	Chugai Pharmaceutical CSR
<ul style="list-style-type: none"> <li>• Briefings for the media and investors: 19</li> <li>• Responses made to individual requests for information, such as by securities analysts: 210</li> <li>• Institutional investors outside Japan visited in person by top executives: 74</li> <li>• General meeting of shareholders and shareholders' reception: 762 participants at the Royal Park Hotel in Tokyo on March 25, 2010</li> <li>• Return on equity (ROE): 9.4% (Chugai Group)</li> <li>• Dividend per share: ¥40 (annual)</li> </ul>	22	Chugai Pharmaceutical CSR
<ul style="list-style-type: none"> <li>• Clarified internal roles and responsibilities by restructuring purchasing processes and rules</li> <li>• Promoted fairness and transparency and catalogued indirect materials in the electronic purchasing system</li> <li>• Incorporated new competitive quotation mechanism into the purchasing system</li> </ul>	23	
<ul style="list-style-type: none"> <li>• Recipients of welfare vehicles to provide transportation for home welfare services: a total of 183 vehicles over 26 years (total of five vehicles to five organizations in 2010)</li> <li>• Video presentations given at Dr. Kitanomaru's Bio Pharmaceutical Laboratory exhibit: 41,072 (January to December, 2010)</li> <li>• Summer Biotech Lab for Kids at the Japan Science Foundation's Science Museum in Tokyo: 91 participants in lab, 449 at hands-on corner</li> <li>• Employees taking volunteer holiday: 2</li> <li>• Classes for the local community at Shizuoka Sangyo University: total 12 lectures</li> </ul>	24-25	Chugai Pharmaceutical CSR
<ul style="list-style-type: none"> <li>• Future Core Leaders Program, HR Reinforcement Basic Program, Functional Expertise Program and Self-Innovation Program</li> <li>• Number of employees taking childcare leave: 32</li> <li>• Users of wiiwiw (an online tool that supports employees who return to work after taking childcare leave): 32 (cumulative total)</li> <li>• Percentage of employees with disabilities: 1.87%</li> <li>• Rate of lost-worktime injuries: 2.63</li> <li>• Accidents accompanied by lost worktime: 4 (Chugai Group in Japan)</li> <li>• Lost workdays resulting from occupational accidents: 14 (Chugai Group in Japan)</li> </ul>	26-27	Chugai Pharmaceutical CSR
<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions compared with 2003: Up 36% (Chugai Group in Japan)</li> <li>• Petroleum-based fuel usage: 10.6% (total for plants and research laboratories)</li> <li>• Ratio of hybrid sales vehicles: 37.0%</li> <li>• Volume of waste generated compared with 2003: 30.7% (Chugai Group in Japan)</li> <li>• Volume of landfilled waste compared with 2003: 18.8% (Chugai Group in Japan)</li> </ul>	28-32	Chugai Pharmaceutical CSR

## Commitment to High Ethical and Moral Standards

### Embracing high ethical and moral standards in all our activities as a healthcare company

#### 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 creating trusting relationships with stakeholders and contributing to the sustainable development of society.

When the new Chugai was created in October 2002, the president issued a message to all employees concerning the need to prioritize corporate ethics over profit.

The Company published a Mission Statement declaring its path to becoming a company that meets stakeholders' expectations and fulfills its social responsibilities, and also established the Chugai Business Conduct Guidelines (Chugai BCG) to accompany the statement.

To realize this mission, all employees of the Chugai Group place top priority on sharing these values, as well as on understanding and practicing the ethical standards necessary to execute their jobs.

Chugai is committed to judging every action before taking it.

#### Commitment 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 for pharmaceutical promotion. The Chugai Promotion Code Committee serves as the decision-making body for Chugai's code, and full-time monitors at the head office and branches ensure proper adherence to the fair competition agreement and the Chugai

code. In these ways, we are taking decisive steps to ensure that all of our 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 deserves the trust of society. Diversity management and respect for human rights are important parts of the Chugai Business Conduct Guidelines, which outline a code of conduct based on the 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 creating a culture that encourages diversity and respect for others' values so that all employees can have strong self-esteem and live up to their full potential — that is, creating workplaces that are free from harassment and infringement of human rights.

A corporate culture that respects human rights inspires everyone, thus improving performance. Moreover, by raising awareness of human rights and promoting respect for diversity within Chugai, such a culture helps eliminate discrimination and infringement of human rights in broader society as the Company interacts with the public as a corporation, and through the everyday lives of its people.



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



Human rights awareness training



## 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 3Rs<sup>1</sup> 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 practiced ethical animal testing in line with this basic philosophy: "We must consider both ethical and scientific issues when undertaking animal experiments, taking into account ethical issues including aspects of animal physiology, ecology, and behavior as they affect animal welfare, and rearing animals with compassion, 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, we added nonaffiliated voting committee members to ensure objective monitoring of animal testing from the perspective of the general public. At the same time, an institutional qualification program was adopted for researchers and animal handlers involved in animal testing to provide appropriate education and training designed to cultivate ethical animal testing. (In 2010, 159 participants took part in occasional training courses held 37 times, and 464 participants took part in annual training courses held four times.)

Since 2005, the committee has been conducting self-assessments twice a year to ensure that researchers are following the guidelines, and implements improvements in animal testing to reflect changes in the social environment and scientific advances.

These initiatives have been evaluated by AAALAC International,<sup>2</sup> a global independent evaluation organization. In 2007 Chugai obtained full accreditation, which was renewed in 2010. Inspection by AAALAC International is repeated every three years, and we will continue our tireless effort to ensure animal welfare.

1. The principles of replacement, reduction and refinement, which are applied in order to ensure animal welfare during research
2. Association for Assessment and Accreditation of Laboratory Animal Care International, a private non-profit organization that promotes the humane treatment of animals in scientific research through voluntary inspection and accreditation programs. More than 790 facilities in 32 countries have been accredited.

## 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 using human-derived test material is carried out appropriately, with human dignity, respect for human rights and the understanding and cooperation of society. Half of the members of this committee are from outside Chugai. Of the outside members, more than half are people from the humanities and social sciences, including ethics and law, as well as people with a more general background. The composition and operation of the committee helps to ensure that it is responsive to changes in social conditions while carrying out fair, objective evaluations from an interdisciplinary and pluralistic frame of reference.



In response to the enactment of sweeping revisions to the Japanese government's Ethical Guidelines for Clinical Studies in April 2009, Chugai carries out researcher training each year on the knowledge required when conducting research, including ethics for research using human-derived test material. Chugai will continue it as a regular training program to ensure that research is conducted with the highest priority on ethics.

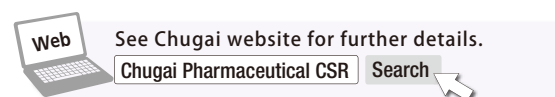
## Conduct of Clinical Trials

Clinical trials are essential for verifying the safety and efficacy of investigational products, and they 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, as well as the Declaration of Helsinki<sup>3</sup> and ICH-GCP,<sup>4</sup> which are global standards.

3. Officially titled "Ethical Principles for Medical Research Involving Human Subjects," the Declaration of Helsinki is a code of ethics that medical researchers proposed and adopted at the World Medical Association in 1964 to regulate themselves. Recognizing that experimentation on human subjects is necessary for medical progress, it establishes the principle that the well-being of human subjects should take precedence over all other interests. (Source: World Medical Association)
4. Good Clinical Practice (GCP) guidelines adopted by the International Conference on Harmonisation (ICH) for conducting pharmaceutical clinical trials in Europe, the United States and Japan

## Initiatives for Patients and Consumers



## Developing and Providing Pharmaceuticals

### Renal Anemia Treatment Epogin

#### 20 Years of Contribution

Epogin was the world's first treatment for renal anemia. Launched in April 1990, it has made substantial contributions to dialysis treatment since then, improving the quality of life for more than two million renal anemia patients on dialysis. Since the launching of Epogin, Chugai has made a number of improvements in manufacturing and formulation and worked to add new indications. As a result, Epogin is highly trusted by healthcare professionals, and the evidence of its effect on heart functions and prognosis in addition to improvement of renal anemia is fueling further expectations for this drug.

#### Syringe Parts Supplier Development Project for Stable Supply of Epogin

Previously available only in vials, Epogin has also been available in pre-filled syringes since 2001. Just before the launch, as we were working frantically to get the production facilities up and running in order to supply some 20 million syringes annually, we ran into quality issues with syringe parts supplied by an overseas manufacturer we had chosen. At that time, the production line was one of the world's fastest syringe filling lines and required high-quality, high-precision syringe parts for its stable operation. Even though the overseas syringe parts supplier had the largest global market share and supply capacity then, we could not dispel our concerns about their quality. Therefore, we started Syringe Parts Supplier Development Project to ensure continuous, stable supply of Epogin.

We chose a domestic company as an additional supplier, taking into account their relationship of trust with Chugai and their level of technology. But since we decided to add another supplier after the start of mass production, the project ended up being much more difficult than we had originally anticipated. During breaks in the production employing parts from the overseas manufacturer, we repeatedly evaluated and tested the parts made by the domestic manufacturer. Four-and-a-half years after the start of the project, after going through a total of six integrated production line tests, we were finally able to procure syringe parts from two different companies.

The success of this project led to the establishment of double sourcing that allowed us with more ease to maintain continuous, stable supply of Epogin to patients. Other benefits derived from the project were awareness of importance of building mutual trust with business partners and accumulation and application of extensive know-how with respect to stable procurement.



Epogin

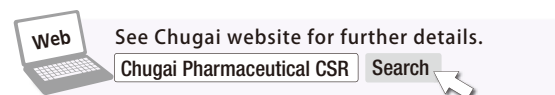
#### Mobilizing Project Staff to Overcome Hurdles

When you use syringe parts from different companies in one production line, any subtle differences in parts — their dimensions, weight, surface smoothness — can cause that production line to stop. The chief task of this project was to prevent such a problem in advance and ensure line compatibility enabling stable production with any company's parts. By mobilizing almost 50 project members from many departments — regulatory affairs, intellectual property, and analytical and formulation technology, as well as purchasing and production technology — and the manufacturing site, we carried out our primary mission of a manufacturing division in a pharmaceutical company: to stably supply medicines in the right amount at the right time, free from quality problems. More than anything, though, owing to the enthusiasm of everyone involved to do whatever required to fulfill our mission, we were able to overcome the tough challenge of line compatibility.

Tatsuo Saeki  
PT Planning Department, Pharmaceutical Technology Division







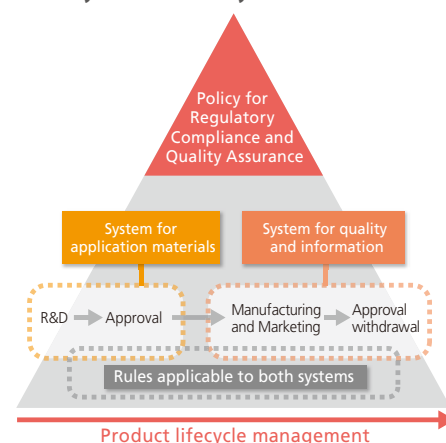
## Increasing Product Reliability

### A Global-Standard Regulatory Compliance and Quality Assurance System

Chugai works hard to supply high-quality medicines and pharmaceuticals of superior efficacy and safety to healthcare providers around the world, and strives to ensure timely and accurate delivery of quality information on the proper use of its products.

The Company's fundamental views on reliability assurance are stated in the policy for regulatory compliance and quality assurance and in the regulatory compliance and quality assurance system, both of which came into effect in October 2007. This policy and system are based on our Mission Statement, which encompasses the Chugai Group's mission, Core Values, and Envisioned Future, and on the Chugai BCG, which describes our code of behavior.

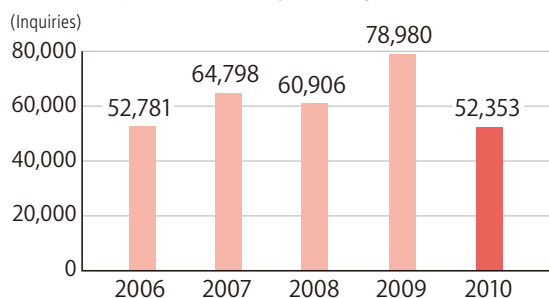
### Regulatory Compliance and Quality Assurance System



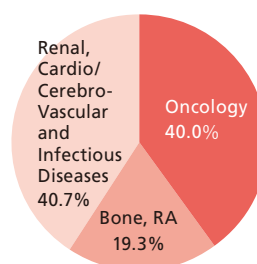
### Drug Information Center

The Drug Information Center received more than 50,000 telephone inquiries in 2010. Inquiries from outside the Company were down about 33 percent from 2009. There was an increase in inquiries about oncology products and mature products such as Mercazole, Rohypnol and Madopar. Overall inquiries declined year on year because following the influenza A/H1N1 pandemic in 2009 there was no seasonal influenza outbreak in January through March of 2010. All of the center staff will continue striving to respond to every customer in a timely manner.

Number of Inquiries Received by the Drug Information Center



Inquiries by Treatment Area (2010)



### Dedicated Phone Number for Tamiflu Inquiries

Chugai set up a dedicated phone number in July 2010 to unify management of inquiries about Tamiflu. With the cooperation of MRs, we informed medical institutions about it, and the number of inquiries has increased month by month. As the dedicated line was set up before the start of the influenza season, activity is not yet in full swing, but we will endeavor to provide information promptly to ensure customer satisfaction.

# Contributing to Patient-Centered Healthcare

## Supporting Cancer Patients

Chugai participates in and sponsors various activities to support cancer patients and their families.

On December 19, 2010, Chugai served as a special sponsor of the cancer charity event "Medicine and Humor." Organized by an executive committee composed of members from patient associations and support organizations and by Nippon Broadcasting System, Inc., the event featured a medical lecture and a one-man show by a *rakugo* storyteller. The event promoted correct knowledge about cancer and made people aware of patient associations, with the aim of creating a society in which no one has to face cancer alone.

Since 2007, Chugai employees have participated as volunteers in the Relay For Life, a 24-hour walk-a-thon by patients, their families and supporters. In 2010, more than 500 employees participated as "Team Chugai" at 14 locations throughout Japan. At ten of these locations, Chugai set up an exhibit to educate visitors about colon cancer. In addition, Chugai co-sponsored the Pink Ribbon campaign nationwide to promote early diagnosis and treatment of breast cancer.



Chugai sponsored the cancer charity event "Medicine and Humor" featuring *rakugo* storyteller Dansyun Tatekawa.



"Relay For Life Japan 2010 in Shin-Yokohama"



"Relay For Life Shizuoka 2010 with Mt. Fuji"


## NPO Shuhei Ogita Fund for Patients with Lymphatic Malformations

For nearly 20 years, Chugai has worked with the non-profit organization Shuhei Ogita Fund (<http://www.fund-ogita.org/>) to provide Picibanil, an anti-cancer agent and agent for treating lymphatic malformations, free of charge to children worldwide suffering from lymphatic malformations.<sup>1</sup>

In 1986, Dr. Shuhei Ogita, then a pediatric surgeon at Kyoto Prefectural University of Medicine, found that local injection of Picibanil produced remarkable results in patients with lymphatic malformations, which until then had only been treatable with a difficult surgical procedure. With that discovery, he set up the Little Carlos Fund.<sup>2</sup> To abide by his wishes, it was renamed the Shuhei Ogita Fund in 2003, the year of his passing. The fund's activities make the treatment equally available to children around the world, regardless of medical circumstances or financial difficulties.

1. A rare disease in which lymphatic fluid abnormally pools in the lymphatic vessels and makes cysts in parts of the body. In many cases, it is found at birth. Unlike cancer, lymphatic malformations are benign, but can retard children's development, and occasionally the cysts compress the respiratory tract and become life-threatening.
2. A fund established by Dr. Ogita in 1992 after he learned about the travel expenses a family from Mexico had to come up with to get Picibanil local injection therapy for their 14 month-old boy Carlos.




[See Chugai website for further details.](#)

### Roche 2010 Children's Walk

The Chugai Group participated in the Roche 2010 Children's Walk (formerly the AIDS Walk) held around the world on June 16, which UNICEF has designated as the Day of the African Child. This annual event raises funds to help children in the Republic of Malawi, Africa who have been orphaned by AIDS, and children in need of support around the world.

The Chugai Group has participated in the Children's Walk five consecutive times since 2005 (it was not held in 2009), and it has become a regular annual charity event. More than 4,000 Group employees helped raise donations in the event in 2010. These funds were matched by Chugai and given to AIDS orphan support centers in Malawi.



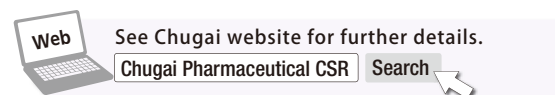
### Chugai Academy for Advanced Oncology Holds International Forum



The kick-off forum of the International Academy for Advanced Oncology (IAAO), one of the main activities of the Chugai Academy for Advanced Oncology<sup>3</sup> (CHAAO), took place on March 26 and 27, 2010. Seven top-class specialists from around the world lectured on the latest information regarding cancer research and treatment. Participants engaged in a vigorous and productive exchange of opinions, not only during the question-and-answer period but also in an information exchange session. Approximately 100 doctors and researchers involved in oncology attended the forum, and commented that it was a good opportunity for personal interaction in addition to in-depth exchanges of academic and the latest medical information. The CHAAO will continue to contribute to the advancement of patient-centered cancer research and treatment by hosting international forums on a regular basis, as well as hosting and supporting the Focus Symposium, academic conferences and workshops.

3. Established in October 2009 to contribute to the establishment and advancement of infrastructure for cancer treatment in Japan. To bring cancer treatment in Japan to a world-class level, the CHAAO promotes deeper academic exchange between the world's top specialists in oncology and healthcare professionals who play a leading role in cutting-edge research and treatment of cancer in Japan.

## Initiatives for Shareholders and Investors



# Ensuring accountability by securing management transparency

### General Meeting of Shareholders and Shareholders' Conference

On March 25, 2010, the Company's 99th annual general meeting of shareholders was held at the Royal Park Hotel in Tokyo, attended by a record 762 shareholders — most of them individual investors. After an audio-visual presentation of the business report, all items on the agenda, namely, the disposition of surplus and the election of directors, were discussed and approved by a majority vote.

At the shareholders' conference held following the post-meeting break, President Nagayama gave a presentation on the circumstances surrounding the pharmaceutical industry and Chugai's growth strategy, in which shareholders showed keen interest.



### Recognition from Socially Responsible Investment Institution

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.



### Enhancing Investor Understanding



IR top page

Annual report

Streamed video presentation

Chugai provides a variety of information on its website to ensure prompt and fair disclosure to its shareholders and investors. The Company aims to provide extensive services to individual investors, including sending e-mail notifications when news release and other IR information has been updated, and holding briefings for individual investors at branches of securities companies. Briefing materials and other IR information are released simultaneously in Japanese and English via the Company website and e-mail to ensure fair information disclosure to investors both in and outside Japan.

### Timing and Speed Are Critical in Conveying IR Information

Chugai has provided video and audio files of information meetings on financial results, management presentations and R&D information meetings on its website in both Japanese and English since 2006. Uploaded within one business day of the meetings, they are highly appreciated by individual and other investors in Japan and overseas investors who did not attend the meetings.

Conducting an active IR program does not automatically raise the Company's stock price. The benefits may be hard to see, but we believe that providing IR information as quickly and fairly as possible leads to higher stakeholder satisfaction.

Yuusuke Tokita  
Corporate Communications Dept.







## Working with Business Partners

# Building fair, transparent relationships as equals, and strengthening cooperation

### Initiatives for Building Fair, Transparent Relationships

The Chugai Group emphasizes cooperation with its business partners and works on a daily basis to promote various initiatives to ensure fair and transparent relationships with them as equals.

In 2005, we introduced an electronic purchasing system as an optimal mechanism for building fair and transparent business relationships. In addition, we have been standardizing and optimizing our process for purchasing indirect materials, such as office supplies, to ensure healthy competition.

### Purchasing Policy

The Chugai Group's purchasing policy is designed to build fair and transparent relationships with business partners and strengthen cooperation with them.

#### Chugai Group Purchasing Policy

<b>Ethics, compliance with laws and regulations</b>	Comply with laws and regulations, social norms, Chugai Business Conduct Guidelines (BCG), and Chugai ethical purchasing standards to conduct fair purchasing activities and healthy business transactions.
<b>Impartial, fair, open policy</b>	Provide the opportunity for Japanese and overseas business partners to conduct business with Chugai openly, impartially, and fairly regardless of management size or trading performance.
<b>Environment</b>	Promote procurement activities that take into account the global environment by conducting green procurement with our business partners.
<b>Quality</b>	Respect the spirit of GMP and pursue high quality and safe material alongside our business partners.
<b>Cost</b>	Set appropriate prices and promote lower costs by considering volume discounts realized through the consolidation of business partners as well as the change of business partners.
<b>Mutual trust and growth, protect intellectual property</b>	Fulfill our obligations faithfully under the contracts with our business partners, establish equally cooperative relationships, and aim for mutual growth. Do not disclose confidential information related to business transactions to third parties without the relevant supplier's permission.
<b>Select and evaluate business partners</b>	Select business partners based on an overall objective evaluation of their quality, price, timing, information, stable supply of material and products, and consideration towards social responsibility.

### Chugai Ethical Purchasing Standards

The Chugai ethical purchasing standards outline the principles for ethical conduct for all companies and individuals participating in its purchasing process in order to build and maintain sound transaction relationships with business partners. For example, the standards specify actions that should be taken with regard to gifts and invitations for entertainment, including dining together.

#### Gifts

Any gifts that are offered must be declined, and the incident must be reported to the head of the organization concerned. Any gifts received by delivery must be returned with a polite letter of decline. However, generally distributed promotional articles, such as hand towels, calendars and datebooks, may be accepted within commonly accepted limits.

#### Entertainment

Any offers of entertainment, including dining together, must be declined, and the incident must be reported to the head of the organization concerned.

### Initiatives in 2010

In 2010, the Chugai Group continued to balance compliance, business efficiency, and cost reduction in its purchasing activities. Based on our experience in purchasing, we have restructured the purchasing processes — rules and work flow — so that each process corresponds with the characteristics of each particular commodity group and transaction type.

More specifically, in terms of compliance, the restructuring of the purchasing processes and rules has clarified internal roles and responsibilities, promoted greater fairness and transparency, and increased operational efficiency through the cataloguing of indirect materials in the electronic purchasing system.

We will continue our efforts to conduct purchasing activities that maintain a good balance of compliance, operational efficiency, and cost reduction.



## Initiatives for Communities

# Conducting social contribution activities to grow with communities

### Donating Welfare Vehicles

In October 2010, Chugai donated vehicles with rear lifts for wheelchairs to five home welfare facilities serving senior citizens and people with disabilities. This donation program has been ongoing since Chugai started it in 1985 to mark the Company's 60th anniversary. The program provides specially equipped vans to facilitate transportation of elderly and disabled people who receive at-home nursing care. This year's donations bring the total number of vehicles provided so far to 183. Recipients are selected nationwide in cooperation with the Japan National Council of Social Welfare and the Central Community Chest of Japan.



### Quality Control Training for Cambodian Government Officials



From July 20 to August 5, 2010, the Chugai Group hosted Cambodian government officials (from the National Health Product Quality Control Center of Cambodia's Ministry of Health) for quality control training in the Pharmaceutical Technology Division.

Every year, the International Committee of the Japan Pharmaceutical Manufacturers Association (JPMA) accepts a small number of administrative officials from Asian countries recommended by the World Health Organization and requests JPMA member companies to provide quality control training for them.

The first day consisted of an orientation at Chugai's head office that included an overview of the industry, followed by a luncheon. From the second day, the program included a lecture on Good Manufacturing Practice (GMP)\* and practice in analysis using state-of-the-art equipment at the Ukima site, and quality-related training at the Utsunomiya plant. Participants commented that the training was very comprehensive.

\* Manufacturing and quality control standards for drugs and quasi drugs. (Source: Tokyo Metropolitan Institute of Public Health)

### Private-Sector Training of Teachers

Through training at private companies sponsored by the Japan Institute for Social and Economic Affairs, school teachers deepen their understanding of corporate activities and put the experience to use in the classroom and in school administration. At the end of July 2010, Chugai conducted training for 17 teachers from elementary, junior high and senior high schools in Tokyo. One teacher remarked, "It was inspiring to see such commitment to human resource development in a company with a strong R&D image," while another said, "It was great to exchange views with employees of my generation."





Web See Chugai website for further details.  
[Chugai Pharmaceutical CSR](#) Search

## Environmental Protection Activities

In summer and fall 2010, Chugai participated in Tokyo Greenship Action, sponsored by the Tokyo Metropolitan Government. In this program, businesses, non-profit organizations and the Tokyo Metropolitan Government work together to preserve the natural environment in nature conservation areas in Tokyo. In summer, at the historic Nobidome Yosui conservation area in the City of Kodaira, and in fall, at the Higashi Toyoda conservation area in Hino City, participants enjoyed an out-of-the-ordinary experience, wielding grass shears, sickles and saws — tools they seldom have a chance to use — to cut the dense underbrush and trim the overgrown *konara* oaks. After the work was done, a volunteer from a non-profit organization talked about *satoyama* (undeveloped woodland near populated areas), and the participants got to know each other better at an informal get-together.



## Summer Biotech-Lab for Kids



In August 2010, Chugai hosted the Summer Biotech-Lab for Kids at the Science Museum of the Japan Science Foundation with the co-sponsorship of the foundation and the cooperation of Leave a nest Co., Ltd. This experimental classroom is intended to show children that science can be fun. A total of 91 children participated in the program. One of their guardians commented, "It made me realize Chugai's sincere attitude toward social contribution."



## Inspiration That Could Only Come from Chugai

"I'm glad they were able to learn while enjoying something different from their regular studies." "Just putting on lab coats made the children feel like scientists. Their eyes lit up." These were some of the comments from the guardians of the children who participated in the Biotech-Lab. In addition to the unusual themes and experiments involving DNA and cells, I feel that the enthusiastic support from the Chugai Group staff, who are actually involved in pharmaceuticals, made a positive impression.

By providing whatever support we can to the Biotech-Lab, we hope to continue helping inspire children in a way that only Chugai can.

Yu Yanagisawa  
 Leave a nest Co., Ltd.



## Working with Employees

# Augmenting our human capital to become a top pharmaceutical company by creating a motivating work environment that fosters personal growth

### Career Support for Female MRs

Chugai employs approximately 300 female medical representatives (MRs), accounting for about 18 percent of all MRs. In many cases, however, female MRs quit because of life events such as marriage or childbirth. Therefore, Chugai is augmenting various programs to create an environment in which they can continue to work. In 2010, the Company introduced a plan that enables MRs to transfer to job locations so that they can live with their spouse after marriage in cases where they would be unable to do so if they continued working in their current locations.

In July 2010, Chugai held CHARM (Chugai Attractive MRs Forum for Women) to encourage female MRs to think about their life and career plans. This forum, which brought together branch managers as well as MRs, featured a lecture by Dr. Mariko Miyagi, a professor at the Faculty of Lifelong Learning and Career Studies at Hosei University. It also included an explanation of various support programs, and group work with MRs of different branches and ages. The forum provided an opportunity for participants to look closely at their life and career plans. Among participants' comments were "Listening to my seniors and peers was motivating," and "It created an image of balancing work with marriage and childbirth, so I was able to consider taking on that challenge."




### Forming Life and Career Plans That Do Not Stop at Major Life Events

In shaping the work environment for female MRs, I think that in addition to systems in the Company, key considerations are the thinking of the MRs themselves and the attitude of those around them. In the course of implementing initiatives, I'm sensing a gradual change in attitudes. For example, I hear that the topic of continuing work after marriage and childbirth has come up in conversations even at branch offices. We are currently holding separate meetings to tailor initiatives to conditions at each branch and intend to move forward in this direction to create a work environment that is supportive for both men and women.



Narumi Okano  
Sales Human Resources Management Dept.




[See Chugai website for further details.](#)

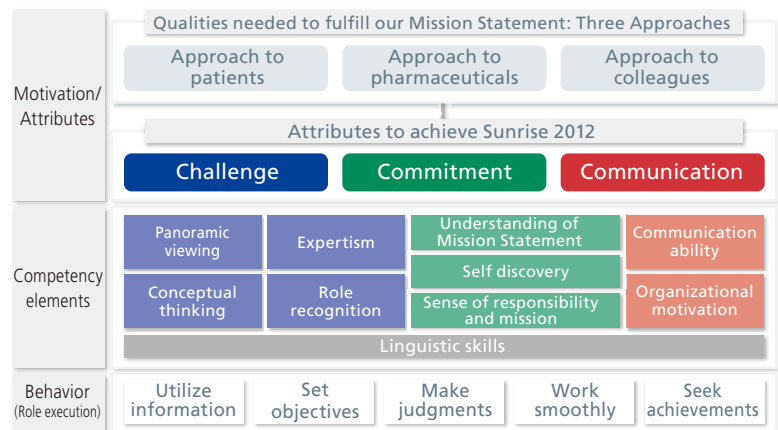
## Chugai's Human Resource Development and Personnel Systems

Chugai's fundamental principle is that its people are an invaluable asset in generating the Company's growth and development. Thus we offer a range of programs suited to the career goals of each employee. At the same time, to become a top pharmaceutical company recognized throughout the world, and to sustain our growth, we are reinforcing our employees' skills to promote necessary changes and act internationally.

Chugai has defined the attributes desired in its employees to fulfill its Mission Statement and to achieve the goals of the mid-term business plan Sunrise 2012. We have created and organized all of our employee development programs around these attributes to carry out human resource development unique to Chugai.

Chugai has established various personnel systems to create a vibrant work environment that provides employees with an array of options for choosing their career paths and becoming more self-reliant. Under its equal opportunity policy, the Chugai Group treats and compensates its employees with a high level of openness and transparency, and does not discriminate based on gender, age, or disability status. In accordance with this policy, the Chugai Group actively seeks to hire persons with disabilities. As of December 31, 2010, the ratio of employees with disabilities in the Company was 1.87 percent, which meets Japan's legal requirement.

### Desired Employee Attributes



## Creating a Supportive Work Environment



Based on the desire to retain employees and support family life, Chugai has developed a full range of programs, including childcare leave and a part-time working system for child care, that allow employees to continue working during, for example, childbirth and child-rearing years. In 2008, in recognition of these measures Chugai was certified by Japan's Ministry of Health, Labour and Welfare as a company that actively supports the balance between work and family life.

In 2010, Chugai added spouse transfers to the eligibility conditions for its Registration Program for the Rehiring of Retired Employees, expanding the scope of the program to accommodate diversifying individual life plans. Previously this program was limited to employees who resigned for the reasons of marriage, childbirth, child care or nursing care.

Chugai will continue to study and implement measures to enhance its work environment so that both male and female employees can balance work and family life. Our goal is to create workplaces where employees can flourish as individuals and achieve personal growth while valuing their own life plans.



# Environmental and Safety Initiatives

## Environmental and Safety Action Plans

Part of the Chugai Group's Environmental and Safety Policy is promotion of continual improvement. We implement an ongoing program of environmental and safety activities that involves setting yearly action plans for each item, evaluating the results and reflecting those results in the following year's plan or the mid-term plan.

### 2010 Action Plans and Performance

Scope of operations covered: Chugai Group in Japan Period covered: January 1, 2010 to December 31, 2010  
Evaluation: ○ Goal achieved ▲ Goal 75% or more achieved × Goal less than 75% achieved

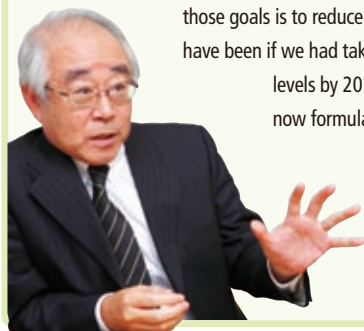
	Item	2010 goal
Global warming countermeasures	Achievement of the reduction target for CO <sub>2</sub> emissions	Limit CO <sub>2</sub> emissions for 2010 to a 40% increase or less compared with 2003
	Promotion of CO <sub>2</sub> emissions reduction projects to achieve the 2012 goal	Collection of data on CO <sub>2</sub> emissions reduction compared with the 2012 goal and implementation of measures to achieve the goal
	Introduction of more hybrid vehicles in MR fleet	Introduction of 100 or more hybrid vehicles in MR fleet in 2010 Review of test introduction of electric vehicles in 2010
	Use of Green Power Generation	Ongoing review regarding introduction of photovoltaic power generation Purchase Green Power Certificates in 2010
Waste reduction	Reduction in the volume of waste generated	Reduction in the volume of waste generated in 2010 by 60% from the 2003 level
	Reduction in the volume of landfilled waste	Reduction in the volume of landfilled waste for 2010 by 80% from the 2003 level
Resource conservation	Reduction in the volume of PPC paper purchased	Decrease the volume of PPC paper purchased in 2010 by 5% from the 2009 level
	Improvement in the recycling ratio of PPC paper	Achievement of a recycling ratio of 90% or more for PPC paper
Environmental awareness enhancement	Qualitative improvement in CEMS*	Implementation of internal environmental and safety audits at plants, research laboratories and 3 branches in Japan
		Implementation of planned, periodic environmental education and training, and activities to enhance environmental awareness
	Retention and renewal of ISO 14001 certification	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
Environmental information disclosure	Disclosure of environmental performance data	Implementation of more efficient and detailed environmental accounting information (Group-wide data compilation)
		Disclosure of environmental information on websites
Chemical substance management	Thorough management of chemical substances	Thorough implementation of unified Group-wide chemical substance management guidelines and promotion of their operation
		Reduction of handled amounts of VOCs (volatile organic compounds) for 2010 by 20% from the 2003 level
Safety and disaster prevention	Thorough implementation of safety and disaster prevention measures	Implementation of Chugai Group Occupational Health and Safety Code of Conduct Zero accidents

\* Chugai Environmental Management System





**In the new mid-term plan, we are moving to reduce our CO<sub>2</sub> emissions and achieve zero accidents.**



The Chugai Group has formulated environmental and safety action plans and is implementing activities to achieve their goals. One of those goals is to reduce CO<sub>2</sub> emissions. The various measures we have taken reduced CO<sub>2</sub> emissions by 40,000 tons relative to what they would have been if we had taken no such measures since 2003. However, we will have difficulty reaching our goal of returning to 2003 emission levels by 2012, largely due to expansion of facilities for biologic medicine manufacturing and for research and development. We are now formulating a new mid-term action plan in response to the enforcement of the revised Energy Saving Act, the Tokyo Metropolitan Environmental Security Ordinance and other regulations, and will continue aggressively working to reduce our CO<sub>2</sub> emissions. In addition, we will promote further waste reduction measures and thorough management of chemical substances, and implement ongoing measures aimed at ensuring employee safety and zero accidents.

Yoichi Yamanaka  
Vice President, General Manager of Corporate Social Responsibility Department

2010 results	Evaluation	2011 goal or mid-term goal
Limited CO <sub>2</sub> emissions for 2009 to a 36% increase compared with 2003	○	Reduce energy consumption per employee by 10% from the 2009 level by 2014
Reviewed Group-wide CO <sub>2</sub> emissions forecasts for fiscal years up to 2012 and planned measures for each Group facility to achieve the goal Reviewed and established internal system for compliance with the Tokyo Metropolitan Environmental Security Ordinance	○	Implement CO <sub>2</sub> emissions reduction measures to achieve the 2014 goal
Introduced 258 hybrid vehicles in MR fleet Introduced 3 electric vehicles (Mitsubishi i-MiEV) on a trial basis	○	Achieve a hybrid vehicle ratio of 50% or more by the end of 2012 Introduce at least 100 hybrid vehicles in 2011 Report evaluation of results of using electric vehicles introduced on a trial basis
Purchased Green Power Certificates for 2,100,000 kWh during the year	○	Introduce photovoltaic power generation of 100 kW or more Review continuation/additional purchase of Green Power Certificates
The volume of waste generated decreased by 69% from the 2003 level	○	Limit the volume of waste generated in 2011 to the 2010 level
The volume of landfilled waste decreased by 81% from the 2003 level	○	Limit the volume of landfilled waste in 2011 to the 2010 level
The volume of PPC paper purchased decreased by 10% from the 2009 level	○	Reduce the volume of PPC paper purchased by 5% from the 2010 level
Achieved a recycling ratio of 87% for PPC paper	▲	Achieve a recycling ratio of 90% or higher for PPC paper in 2011
Implemented internal environmental and safety audits at plants, 2 research laboratories and 3 branches (including 3 offices) in Japan	○	Perform internal environmental and safety audits at plants, research laboratories and 4 branches in Japan
Implemented environmental and safety training for new MRs and training for internal environmental auditors	○	Implement planned, periodic environmental education and training, and activities to enhance environmental awareness
Conducted activities following the PDCA cycle at all Group facilities	○	Smoothly implement PDCA cycle for environmental protection at all Group facilities
Successfully retained and renewed ISO 14001 certification at all the accredited plants	○	Successfully retain and renew ISO 14001 certification at all the accredited plants
Improved the efficiency of environmental accounting data collection methods	○	Implement more efficient and detailed environmental accounting information (Group-wide data compilation)
Reviewed and updated environmental information on websites	○	Disclose and enhance scope of environmental information on websites
Further promoted operation of chemical substance management guidelines	○	Thoroughly implement unified Group-wide chemical substance management guidelines and promote their operation
Amount of VOCs handled in 2010 increased by 13% from the 2003 level	×	Study reduction of atmospheric emissions of VOCs
4 accidents accompanied by lost worktime and 14 lost working days were reported	×	Implement Chugai Group Occupational Health and Safety Code of Conduct Zero accidents

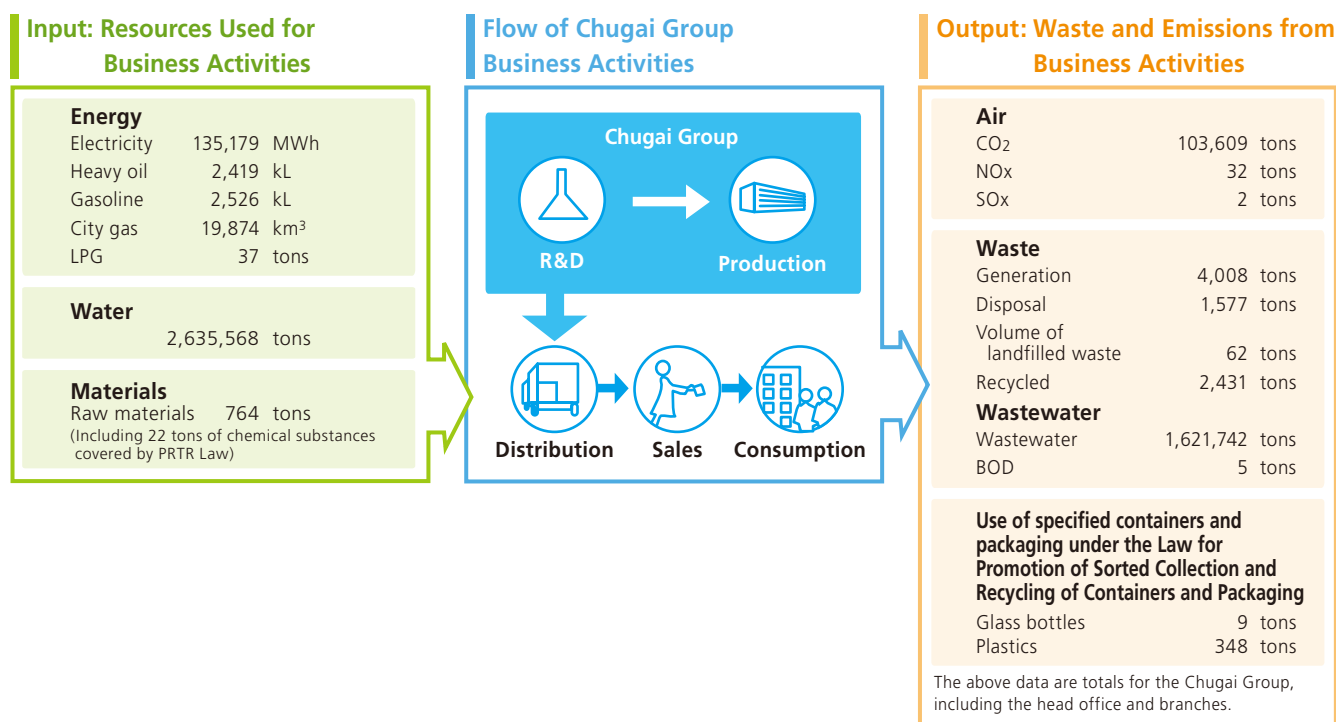
## Material Flow / Environmental Accounting



See Chugai website for further details.

Chugai Pharmaceutical CSR Search

### Material Flow



### Environmental Accounting

Environmental accounting data compiled in 2010 are shown below. Investments in 2010 totaled ¥407 million, while costs were ¥2,051 million. The economic benefit was ¥23 million.

Major investments in 2010 included the replacement of boilers at the Ukima site, installation of energy-saving equipment and investment in equipment to recover and prevent the release of chemical substances. Reduction of waste alkalis contributed to a reduction of waste treatment costs. However, there was no substantial change in total costs because the amount of sludge generated increased with higher production volume.

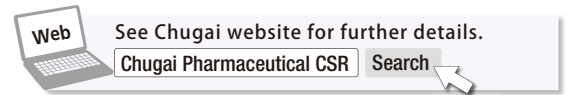
#### Annual Investments and Costs for Environmental Protection

(Millions of yen)

Breakdown of costs	2008		2009		2010	
	Investments	Costs	Investments	Costs	Investments	Costs
(1) Business area costs						
(1)-1 Pollution prevention costs	551	699	686	713	279	696
(1)-2 Global environmental protection costs	115	499	128	449	101	430
(1)-3 Resource recycling costs	1	288	1	254	11	253
Subtotal	667	1,486	815	1,416	391	1,379
(2) Upstream and downstream costs	0	149	2	136		178
(3) Administration costs	302	332	4	383	13	349
(4) R&D costs	3	9	1	2		2
(5) Social activity costs	1	134	8	133	3	143
(6) Environmental remediation costs	0	5	0	40		
Total	973	2,115	830	2,110	407	2,051



## Chemical Substance Management / Waste Reduction



### Chemical Substance Management

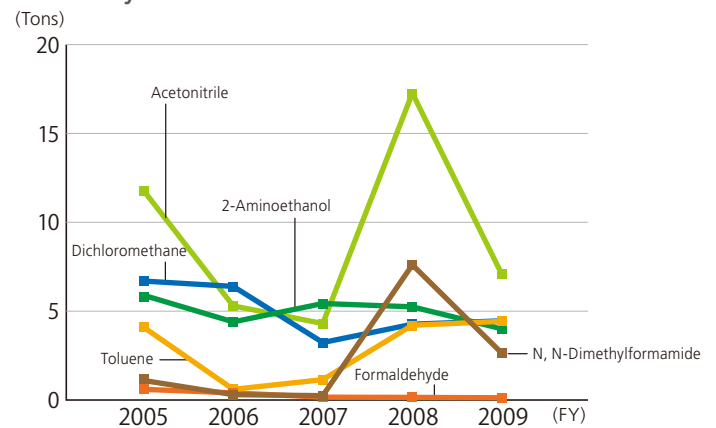
In oncology and other areas, chemical substances used to make new drug candidates are extremely potent, therefore hazardous to the health of employees working with them in the course of research and development and manufacturing. Accordingly, absolute care is necessary in managing and handling raw materials and intermediates. A proper work environment must be prepared to protect employees from health hazards. The Chugai Group has established a rule to conduct risk assessments of the chemical substances to be handled and the type of work to be performed. Based on the results of such assessments, appropriate work environments are prepared and protective equipment selected. After that, operations and procedures are determined.

In 2010, Chugai established a hazard assessment program for substances used in research. Other measures to reinforce safety included initiating audits of prospective toll manufacturers. We also provide material safety data sheets (MSDS) and Yellow Cards (cards with emergency measures and contact information) to help ensure the safety of toll manufacturers and other related outside parties.

In the one-year period from April 2009 to March 2010 (fiscal 2009), the Chugai Group handled more than one ton each of five chemical substances covered by the PRTR Law.<sup>1</sup> These substances were Acetonitrile, 2-Aminoethanol, Dichloromethane, Toluene, and N, N-Dimethylformamide. The total volume of PRTR substances handled was 42 percent less than in fiscal 2008.

1. Pollutant Release and Transfer Register Law. Requires companies to monitor and report the release of designated chemical substances into the environment and promotes improvement of management.

### Handled Amounts of Chemical Substances Covered by PRTR Law

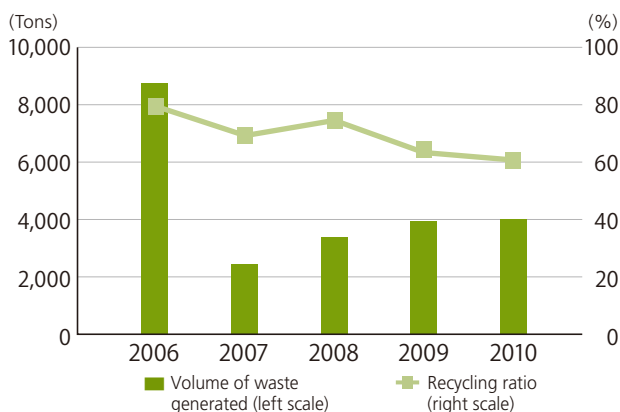


### Waste Reduction

The volume of waste generated in 2010 increased by 1.6 percent (65 tons) compared with 2009, but was 69.3 percent less than in 2003, meeting our goal of a 60 percent reduction. This achievement is attributable to successful efforts to concentrate and thus reduce the volume of waste liquid (waste alkalis) from highly active substances at the Fujieda plant, which had been increasing sharply for several years.

On the other hand, the volume of landfilled waste increased by 6 tons due to an increase in infectious and pharmaceutical waste. However, landfilled waste was down 81.2 percent from the 2003 level, meeting the Chugai Group's goal of an 80 percent reduction.

### Industrial Waste Generation and Recycling Ratio<sup>2</sup>



2. Volume of waste recycled/(volume of waste disposed + volume of waste recycled)

### Volume of Industrial Landfilled Waste and Disposal Ratio<sup>3</sup>



3. Volume of landfilled waste/volume of waste generated



## Internal Environmental and Safety Audits / Environmental Education / Occupational Safety

### Internal Environmental and Safety Audits

In 2010, the Chugai Group conducted internal environmental and safety audits at two plants and three branches (including three offices), and at Chugai Distribution. At the two plants, storage instructions on labeling of waste materials and chemical substances were identified as needing improvement, but no other serious environmental or safety issues were found.

At branches and Chugai Distribution, improvements to environmental management systems (EMS) had progressed. While minor issues needing improvement were identified in waste treatment, no serious issues were found.



### Environmental Education

In 2010, the Chugai Group conducted internal environmental auditor training, primarily for environmental managers at plants and research laboratories. The training was based on environmental manuals used in the Chugai Group so that participants completing the course could immediately put what they learned into practice in their workplaces. We also continued to provide environmental and safety training for newly hired MRs.



### Occupational Safety

We formulated the Chugai Group Occupational Safety and Health Code of Conduct in 2009, and have been working to achieve zero occupational accidents. In 2010, occupational accidents resulting in lost workdays decreased, but those without lost workdays increased slightly. We will continue efforts to familiarize all employees with the Chugai Group Occupational Safety and Health Code of Conduct and carry out activities aimed at achieving accident-free workplaces.

With the closure of the Kamakura plant at the end of 2010, we returned the OHSAS 18001\* certification that the Kamakura site had acquired.

\*An occupational health and safety management system specification

#### Chugai Group Occupational Safety and Health Code of Conduct (2011 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

### Safety and Health Initiatives at CPMC

In January 2010, Chugai Pharma Manufacturing (CPMC), a Chugai manufacturing subsidiary, established an environment and safety team. The team's objective is to further improve environmental and safety performance by integrating activities conducted at each site in order to stop the upward trend in occupational and commuting incidents.

To strengthen the knowledge base, the team has been holding regular meetings of safety managers, standardizing safety training and risk assessment methods, planning task-based measures to make junior employees more safety-conscious, and thoroughly investigating the cause of accidents to prevent similar events from occurring. In terms of the physical environment, the team has reexamined all workplaces based on uniform company-wide themes, and has been making improvements, including capital expenditures, to eliminate hazards.

In 2011, the team's second year, we will vigorously implement measures to enhance environmental and safety activities throughout CPMC.

Takayuki Nagai  
Team Leader, Environment & Safety Team Administration Group  
Corporate Planning Dept., Chugai Pharma Manufacturing Co., Ltd.



# Corporate Overview

(As of December 31, 2010)

<b>Company name:</b>	Chugai Pharmaceutical Co., Ltd.
<b>Representative:</b>	Osamu Nagayama, President, CEO and COO
<b>Founded:</b>	1925
<b>Established:</b>	1943
<b>Stated capital:</b>	¥72,966,825,723
<b>Fiscal year-end:</b>	December 31
<b>Number of employees:</b>	4,764 (Consolidated: 6,709)
<b>Principal lines of business:</b>	Research, development, manufacturing, sale, importation, and exportation of the pharmaceuticals
<b>Head office:</b>	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8324, Japan Tel: +81-3-3281-6611 (Reception) URL: <a href="http://www.chugai-pharm.co.jp/english">http://www.chugai-pharm.co.jp/english</a>
<b>Domestic branches:</b>	Sapporo, Sendai, Tokyo 1, Tokyo 2, Yokohama, Nagoya, Osaka, Kyoto, Hiroshima, Takamatsu, Fukuoka
<b>Plants:</b>	Ukima (Tokyo), Fujieda (Shizuoka), Utsunomiya (Tochigi), Kamakura (Kanagawa, Closed on December 31, 2010)
<b>Research laboratories:</b>	Fuji Gotemba (Shizuoka), Kamakura (Kanagawa), Ukima (Tokyo)

## 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.	New Jersey, 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	New Jersey, 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





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