CHUGAI PHARMACEUTICAL CO., LTD.

Sustainability Meeting

November 28, 2025

Event Summary

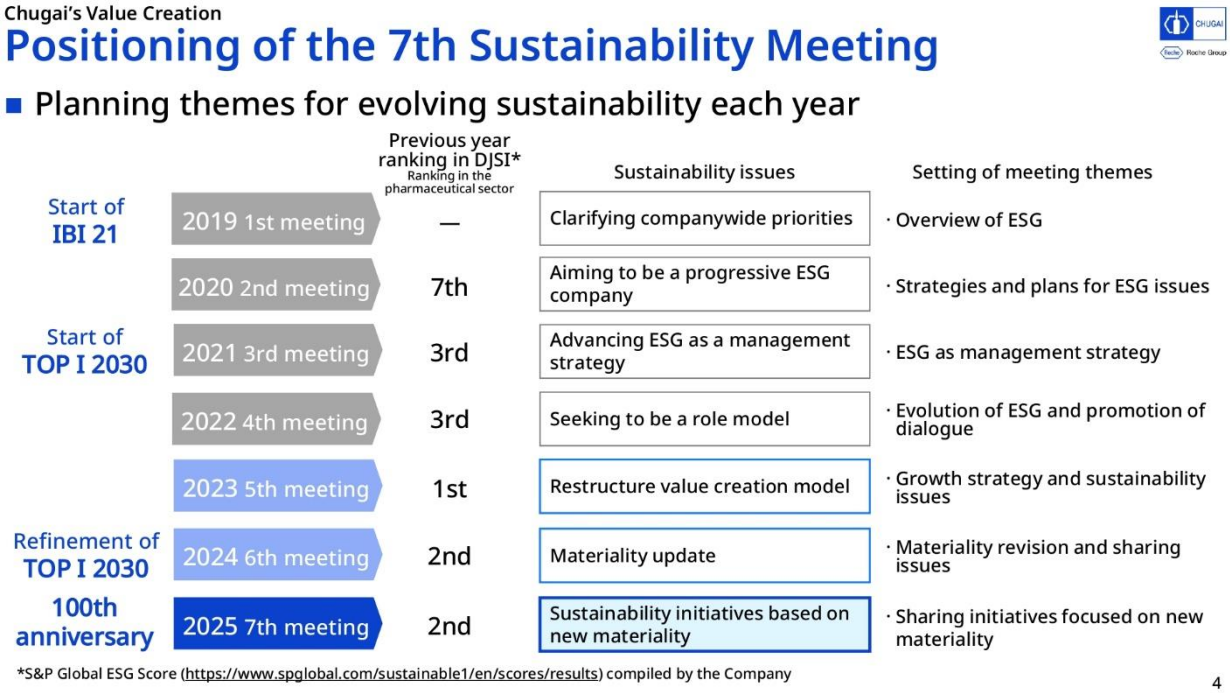
[Company Name]	CHUGAI PHARMACEUTICAL CO., LTD.
[Company ID]	4519-QCODE
[Event Language]	JPN
[Event Type]	Analyst Meeting
[Event Name]	Sustainability Meeting
[Fiscal Period]	
[Date]	November 27, 2025
[Number of Pages]	43
[Time]	17:30 – 18:57 (Total: 87 minutes, Presentation: 52 minutes, Q&A: 35 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	4

Iwaaki Taniguchi	Director, Executive Vice President & CFO
Hideo Teramoto	Independent Outside Director
Dr. Kenji Maeda	Head of API Process Development Dept., Pharmaceutical Technology Div.
Kae Miyata	Head of Corporate Communications Dept.

[Analyst Names]*	Kazuaki Hashiguchi	Daiwa Securities
	Shinichiro Muraoka	Morgan Stanley MUFG Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation



Taniguchi: My name is Taniguchi, CFO. I would like to thank you once again for taking time out of your busy schedule today to attend our sustainability presentation.

I would like to talk about our overall world view and direction surrounding sustainability.

Our Company celebrated its 100th anniversary this year, as is often reported in the media. I think this is a very important opportunity for our Company to talk about sustainability in this special year.

As you may already know the very reason for the founding of CHUGAI, immediately after the Great Kanto Earthquake, there were no good medicines available in Japan at that time, and because of this, some people were seriously injured and even died. It was in this context that our founder, Juzo Ueno, who felt a certain sense of righteous indignation, founded the Company, and I believe this is exactly the kind of social issue that we are addressing.

For us, the solution of social issues, which is the very important fundamental agenda of sustainability, this was the same situation 100 years ago when this earthquake happened. Now, we have made the realization of advanced and sustainable patient-centric healthcare a very important pillar of this sustainability, and this is exactly what we have been doing since the beginning of our Company.

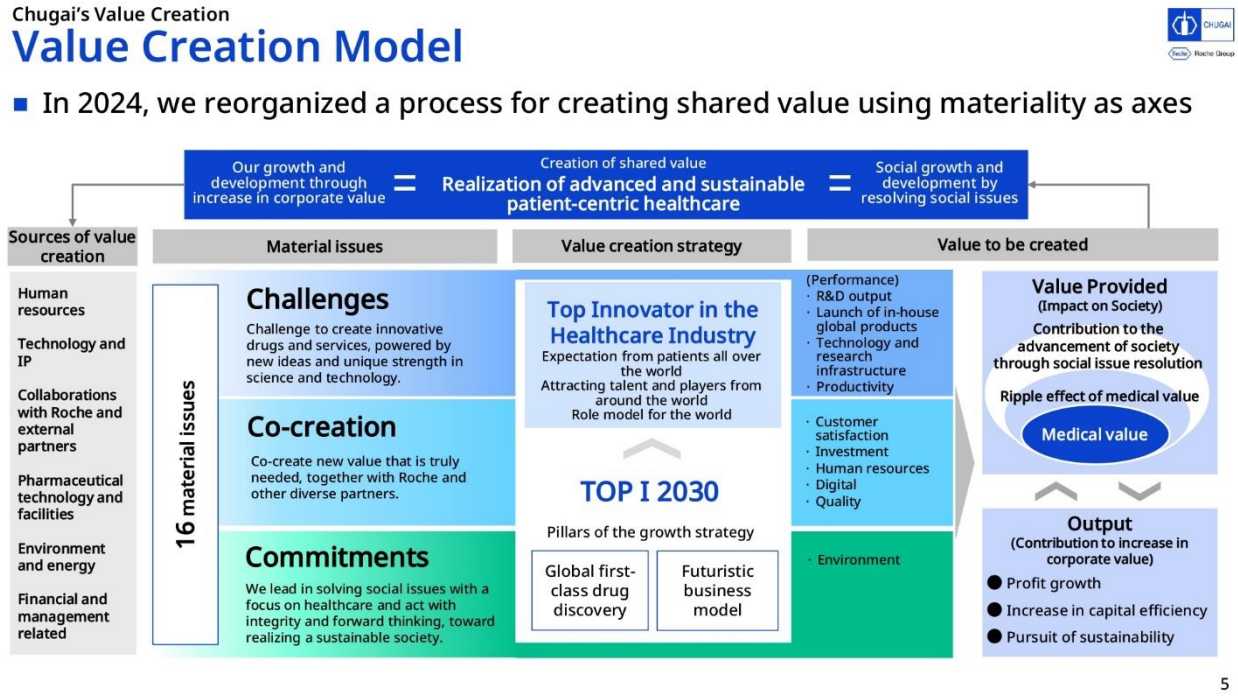
Therefore, I believe it is appropriate to convey that sustainability has been an enduringly vital principle for us since our founding, what we now call a Company's purpose and philosophy.

In this context, this year will be the seventh sustainability meeting overall. We used to call it an ESG meeting until the fourth meeting, but from the fifth meeting, we have changed the name to "sustainability" to make the scope a little broader and to refer to sustainability as a whole.

Every year, we conduct external benchmarking, such as DJSI and various other assessments, and review evaluations from research organizations. Since sustainability is a moving target, we continuously identify challenges as they arise and maintain ongoing efforts to update and improve our practices. In this context, the Sustainability Meeting has evolved into this type of event.

The theme of the meeting itself, as I wrote here, has really changed over the years, but this year is also the 100th anniversary, and last year we have updated our material issues.

We've already covered some aspects of this topic, but the key theme this time is to share with you how we're developing our narrative within those material issues and what core principles guide our various initiatives.



This slide shows the value creation model.

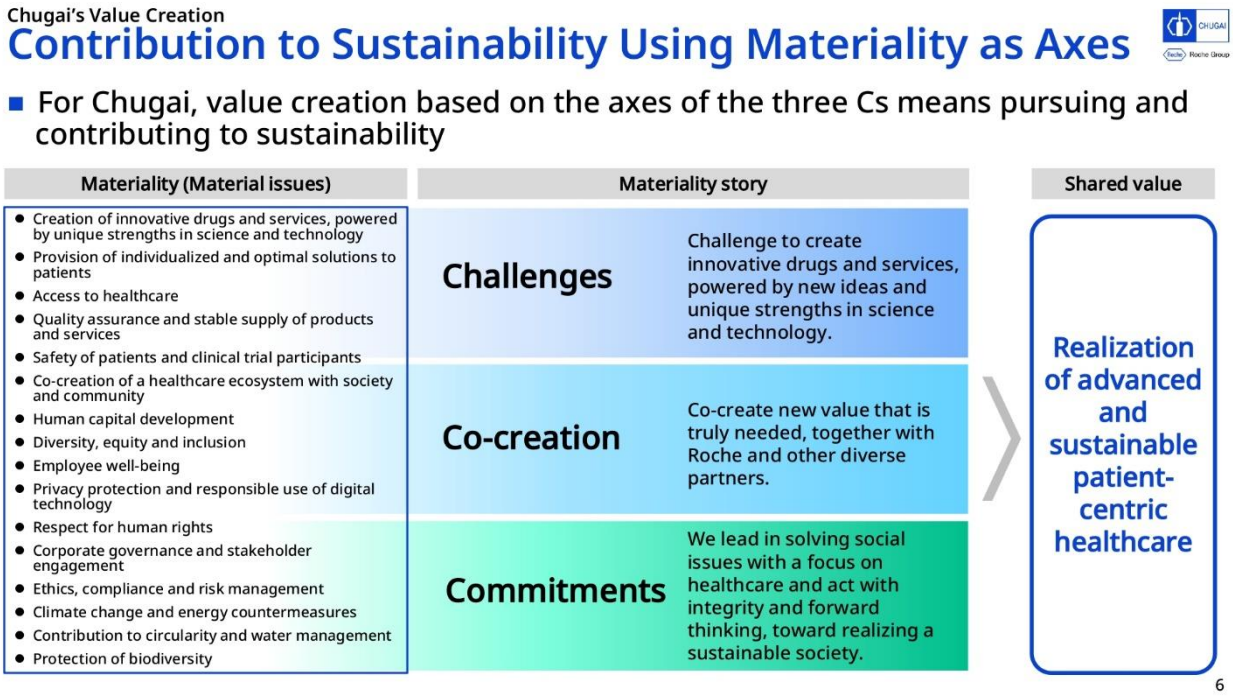
As previously introduced, this core concept, the realization of advanced and sustainable patient-centricc healthcare, represents an agenda that has been consistently pursued since our founding. We understand this to be our value creation, the creation of shared value.

In this diagram, the bottom portion basically evolves from left to right, leading to the outcome, the realization of advanced and sustainable patient-centric healthcare that I mentioned earlier. Once this is accomplished, it is a cycle, and we believe that this is a kind of positive cycle that will lead back to the left end and back to the various elements of our source of value creation.

This is the value creation model we reorganized last year. To recap just once more: we had 26 material issues previously, but last year we consolidated and streamlined them into 16. Some of the content has been updated based on last year's situation, but it has been organized in a more consolidated form, making it easier

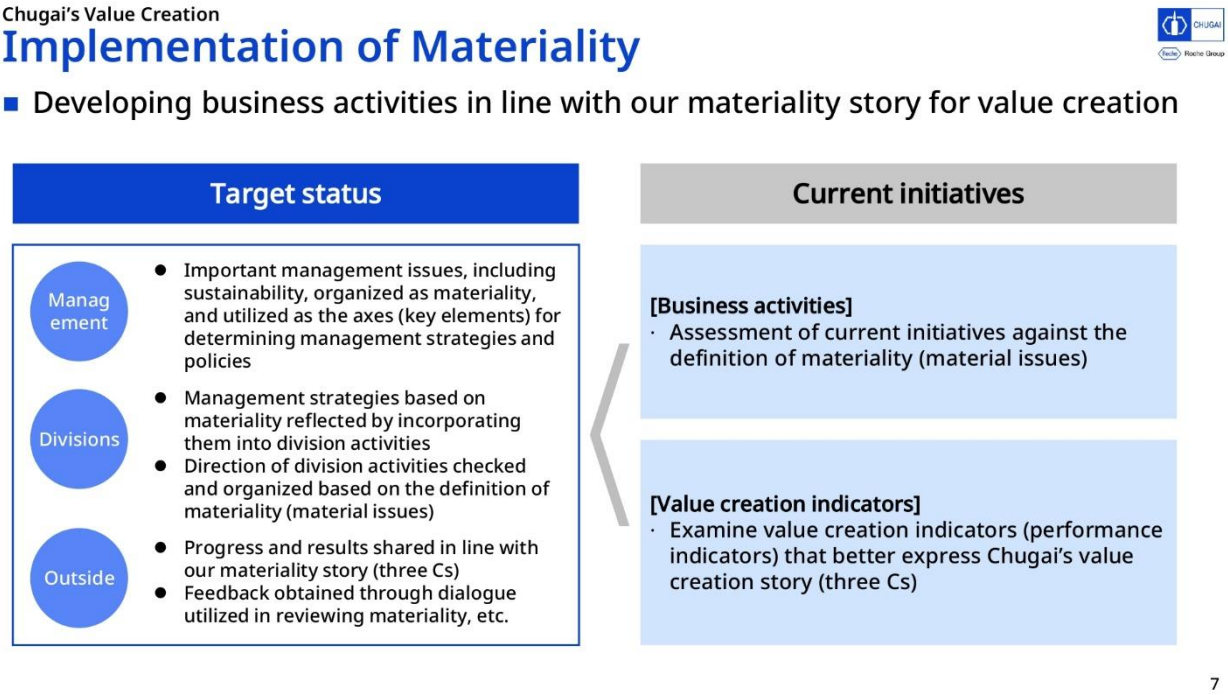
for everyone to understand and for us to capture. This was what we had introduced last year. It was about this material issues here.

As we have written here, we have conceptually integrated the 16 material issues into three Cs: Challenges, Co-creation, and Commitments. Coincidentally, they all start with the alphabet "C."



So, that's exactly the point. These 16 material issues, they don't all neatly correspond to one point each. There are some overlaps, some issues are Challenges, some are Co-creation, and some are both, but they can be broadly divided into these three categories.

We recognize value creation as a material issue and recognize it as an important key issue for management, and have been working since last year towards realization of advanced and sustainable patient-centric healthcare by delving deeper into each of these issues. This is exactly the kind of activity we have been engaged in since last year.



Let me be a little more specific. First of all, I would like to talk about the positioning of material issues. Although there may be various ways to position material issues depending on the company, and for our Company, material issues are positioned as the basis of thinking and an important element in linking important management issues, including sustainability, to specific management strategies and policies.

Specifically, management strategies based on these material issues will be placed at each business frontline to concretize the development. Within that framework, we also use it in our dialogues with external stakeholders, by sharing the progress and outcomes of these material issues initiatives in a narrative format, we aim to deepen their understanding.

We are currently in the process of internally discussing how to set more specific targets for existing initiatives in response to the new material issues, and what specific targets should be set for individual initiatives.

In this context, we will continue to consider the direction we should aim for as stipulated in the material issues and review and revise our efforts as necessary.

While indicators for progress and outcomes are becoming increasingly important, we are currently reviewing how to reevaluate them, but I'll limit my comments to that for today. We are committed to moving forward in this direction.

Chugai's Value Creation

Challenges: Major Recent Activities

- We continuously take on the challenge of creating value based on our proprietary technologies, science, and innovative ideas

★: Introduced in Topics on the following page

	Recognition of issues (medium to long term)	Main activities
Drug Discovery	· Selection and concentration of management resource investment · Strengthening of research to maximize patient value · Enhancement of multi-modality strategy and IP strategy	· Continuous creation of Chugai originated projects and progress on demonstration of value · Review of Chugai originated projects, building of a system for flexibly and strategically allocating resources · Implementation of drug discovery and development based on Chugai's R&D Principles · Establishing of a mid-size molecule drug discovery and pharmaceutical technology platform *Introduced in this presentation · Progress on next-generation development projects: DONQ52 and NXT007, etc.
Technology	· Acceleration of drug discovery leveraging AI and digital technology · Development of drugs and related services (PSOL[1], FM business[2], etc.)	· A project using the antibody drug discovery support technology MALEXA has advanced to clinical development stage (BRY10) ★ · Development of software as a medical device (SaMD) for personalized healthcare (PHC) and its development as a PHC solution, promotion of the FM business
Healthcare	· Creation of evidence for optimal treatment selection · Establishment of new customer engagement model · Global health	· Initiatives to create post-marketing evidence to contribute to personalized healthcare mainly through the Medical Affairs Div. ★ · Promotion of equitable access to healthcare throughout Japan and support for team-based medical care by the Marketing & Sales Div. · Team-based medical care workshops for medical professionals in Cambodia

1. PSOL: PHC solutions 2. FM business: Foundation Medicine business

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Then specifically those three Cs. Starting from "Challenges," we believe that this is an extremely important concept for pharmaceutical companies. I think this is exactly the value that is positioned at the core of our business.

In solving social problems and realizing advanced medical care, it is an eternal challenge to cure unmet needs and other difficult diseases. This is precisely the kind of issue that directly addresses solving societal challenges. Therefore, these Challenges represent a core element, I repeat, a core element, within our framework.

The Challenges are also divided into three major categories: Drug Discovery, Technology, and Healthcare. Drug discovery is already at the core of our Company's management, and we will continue to invest management resources intensively to continuously produce our own drug discovery projects and to create drug discovery technologies that will give us a competitive advantage.

This truly is a crucial category, drug discovery at the very heart of the matter. Today, we will be explaining pharmaceutical technologies related to mid-size molecules in a little more depth, after my presentation.

Also, in the area of technology, it is AI, after all, AI drug discovery. This is something many companies are working on, but we recognize it as a crucial factor in securing our competitive advantage. We understand that we are now seeing quite concrete results in this area as well.

Next is Healthcare. This is an element that also comes into play in the interface with actual patients. We'll touch on this in more detail later, but we believe that post-market evidence generation will likely be a key differentiator for us. This is because we are committed to personalized medicine, providing the optimal treatment choice for each individual patient.

Chugai's Value Creation

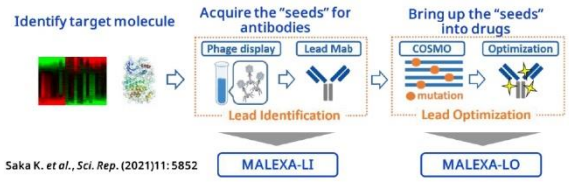
Challenges: Topics

- We will further refine our proprietary technological capabilities through the use of digital technology, etc., while promoting initiatives to cultivate deeper understanding of frontline healthcare needs with the aim of providing optimal therapy to individual patients

A project using the antibody drug discovery support technology MALEXA has advanced to clinical development stage

The antibody drug BRY10, which was created using MALEXA, Chugai's proprietary antibody drug discovery support technology based on AI, has now started clinical Phase Ⅰ trials for chronic disease

MALEXA： Machine Learning x Antibody



Saka K. *et al.*, *Sci. Rep.* (2021)11: 5852

Illustrative diagram

Initiatives to create post-marketing evidence to contribute to personalized healthcare

・The Medical Affairs Division conducts research in collaboration with academia and other partners, analyzing treatment burdens and factors considered in treatment selection through patient interviews. Based on these analytical findings as hypotheses, we are currently undertaking initiatives to further validate them quantitatively.

✓ **Research on NMOSD[1]**
✓ **Research on PNH[2]**

・Contributing to fostering an environment for SDM (Shared Decision Making)

Source: Shimizu Y, et al. 2025; Clinical and Experimental Neuroimmunology. 10.1111/cen3.70026.
Ueda Y, et al. Ann Hematol. 2025 Jul;104(7):3575-3584. doi: 10.1007/s00277-025-06486-9. Epub 2025 Jul 18. (Both reports' authors include employees of Chugai Pharmaceutical)
1. Neuromyelitis optica spectrum disorder 2. Paroxysmal nocturnal hemoglobinuria

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Let me give you two individual examples of what I have just mentioned.

First of all, about the digital part. As I introduced here, this is a kind of digital platform, an AI-based platform, called MALEXA, which is an antibody drug discovery support technology, and we are going to make concrete use of this to bring out the seeds of drugs from here.

We have started a Phase 1 clinical trial for BRY10, a project in our pipeline of antibody drugs. We believe that the fact that a product candidate using such specific AI technology has entered the clinical stage is an achievement.

As I mentioned earlier, in the area of personalized healthcare, post-marketing data, or evidence generation, is extremely important, and based on this data, the provision of medical care tailored to individual patients is a very important company activity. As you can see on the right side of this page, we are accumulating evidence for a variety of products, mainly new products that have already been launched on the market.

Chugai's Value Creation

Co-Creation: Major Recent Activities

■ Promoting co-creation with professionals in Japan and overseas is essential to Chugai's value creation

★: Introduced in Topics on the following page

	Recognition of issues (medium to long term)	Main activities
Co-creation with society and communities	· Promotion of collaboration with academia and companies in Japan and also overseas · Enhancement of information provision for patients and caregivers · Strengthening collaboration with industry organizations and governments	· Promotion of joint research with academia and research organizations, etc.[1] at the drug discovery stage ★ · Promotion of investment in Chugai Venture Fund, LLC · Sharing results of PHARMONY initiatives to incorporate patients' opinions in business activities and holding PHARMONY DAY events to discuss patient participation in healthcare with patient groups and medical professionals · Cooperation and discussion with industry groups, etc., toward enhancement of clinical trial information provision to patients · Construction of a disease database for blood coagulation disorders in cooperation with patient associations and academia ★ · Promotion of policies through coordination between government, domestic and overseas industry groups, and other industries, toward the promotion of science and technology in Japan and the creation of a bioeconomy
Digital	· Coordination and co-creation with partners in Japan and overseas · Strengthening of digital security · Utilization of advanced AI	· Promotion of the ASPIRE[2] project · Coordination and collaboration with external partners such as SoftBank Corp. and SB Intuitions Corp. · Strengthening of countermeasures and security for risks associated with use of digital technology · Utilization of generative AI and AI agents
Human resources	· Acquisition and development of highly specialized human resources · Creation of an environment where each employee can participate actively	· Start of new human resource management system and job postings · Company-wide roll-out of job-oriented human resources system · Abolition of upper age limit on employment (implemented from 2026) · Strengthening of engagement of employees using the 100th anniversary · Promotion of the recruitment and participation of post-doctoral talent

1. IFReC, the University of Tokyo, Araris, A*STAR, Noile-Immune Biotech Inc., RIKEN, etc.
2. A business and digital transformation program to implement cutting-edge, global standardization processes and the next generation of enterprise resource planning across Chugai

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That's Co-Creation in the second.

I think this will also fall into three categories: Co-creation with society and communities, Digital in a broad sense, and people, Human Resources.

Co-creation is a process of creating things together with various stakeholders, and it is done through dialogue. This is really a very important part of our strategy. As written here, various concrete projects are underway with academia in Japan and overseas, and alliances with various companies are already underway in the form of open innovation.

Above all, when it comes to advanced and sustainable healthcare, Co-creation with patients remains crucial. This is why we're discussing PHARMONY -- a framework for exchanging diverse opinions with patient organizations. As mentioned earlier, we're working to establish a cycle where we truly listen to patients' voices and incorporate them into drug development.

As I mentioned earlier as well, various internal and external projects are underway in the Digital category. One project, ASPIRE, is underway to revamp our ERP system and operate our business more efficiently on a new platform. In addition to this, we have begun various collaborations with external companies such as Softbank, and this is also very important in terms of Co-creation.

And of course, human resources are key. This involves acquiring and developing highly skilled talent, and fostering employee engagement. Our workforce is a vital stakeholder and a partner in Co-creation. We recognize this deeply. Moving forward, we intend to vigorously strengthen our human resources from diverse perspectives as an integral part of our Co-creation efforts.

Chugai's Value Creation

Co-Creation: Topics

- To mark our 100th anniversary, we will renew our commitment to patient-centric healthcare, which is Chugai's core value, and co-create value with patients and medical professionals

Joint research with Professor Shimon Sakaguchi, the University of Osaka

- Professor Shimon Sakaguchi of the University of Osaka Immunology Frontier Research Center (IFReC[1]) received a prestigious international award
- Phase I clinical trials is currently underway for an antibody developed using our proprietary drug discovery technology, following our joint research with Professor Sakaguchi

1. Under a comprehensive collaboration agreement with the University of Osaka, Chugai has been promoting various joint research projects related to advanced immunology research with IFReC.

Construction of a disease database for blood coagulation disorders[2] in cooperation with patient associations and academia

- The construction of a database of blood coagulation disorders, which have small patient numbers and diverse symptoms, will enable the systematic collection of epidemiological information, clinical symptoms, complications, and QOL data

2. Source: Japan Bleeding Disorder Registry Organization (JBDRO), B-Regi (Bleeding Disorder Registry) https://b-regi.net/bregi/,accessed November 27, 2025. (Japanese only)

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One example I mentioned earlier is that of collaboration with academia.

We have established a comprehensive collaborative framework with IFReC at Osaka University. Professor Shimon Sakaguchi, a member of IFReC, received an award, and an antibody developed based on drug discovery technologies, following the joint research is advancing into concrete clinical trials.

Regarding our recent engagement with patients, we are collaborating with patient groups and academic societies to build a disease database related to our hemophilia treatment. We are actively working to ensure this database is effectively utilized in patients' clinical practice and contributes to improving quality of life.

Chugai's Value Creation

Commitments: Major Recent Activities

- Chugai is contributing to the realization of a sustainable society through all of its activities, with a central focus on healthcare

★: Introduced in Topics on the following page

	Recognition of issues (medium to long term)	Main activities
Environment	· Managing progress and evolving activities toward achieving Mid-Term Environmental Goals 2030	· Achievement of 100% renewable energy ratio in purchased electricity · Publication of disclosure reports based on TNFD recommendations ★ · Chugai Life Science Park Yokohama designation as a "Nature-Symbiosis Site" by the Ministry of the Environment
Compliance and risk management	· Continuous response to quality and supply risks, and risk reduction · Continuous strengthening of governance system · Assessment of trends in laws, regulations, and international norms, and rapid response	· Strengthening of cyber-security system · IT digital risk assessment · Strengthening of initiatives for evaluating the effectiveness of the Board of Directors (Steady execution of PDCA cycle, strengthening of programs outside of the Board of Directors) *Introduced in this presentation · Strengthening of initiatives to prevent harassment by customers (investigation, establishment of rules, training, etc.)
Stakeholder engagement	· Dialogue with multi-stakeholders including capital markets · Reflection of engagement results in management activities	· Strengthening of dialogue with capital markets (disclosure, presentations, individual interviews, etc.) ★ · Introduction of a multilingual, multi-channel compliance notification system for all stakeholders · Promotion of social contribution activities (experimental classes for children at biology labs, supporting sports for people with disabilities, etc.)

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The third one is Commitments.

This is the form it takes, and since these are Commitments, they remain a crucial point for the Company regarding sustainability. As a responsible member of society, the Company must firmly commit to society. As outlined here, Environment, Compliance and risk management, and the third point we're addressing is Stakeholder engagement. We consider this an indispensable element for realizing a sustainable society.

In addition to contributing to the development of society by solving social issues through innovative drug discovery, as a corporate citizen, we will continue to contribute to the betterment of the global environment and to be trusted by society. We have Mid-Term Environmental Goals, and we would like to make solid progress toward this goal.

Risk management and compliance -compliance, needless to say, is the absolute foundation, the most crucial principle pharmaceutical companies must uphold. Beyond that, recent years have seen societal conditions change, and the international landscape is also shifting. In this context, we are also working to improve risk management in various ways to ensure a stable supply of pharmaceuticals and to ensure that they reach patients.

As outlined here, stakeholder engagement involves enhancing both specific and detailed dialogue as well as its frequency with stakeholders, including those in capital markets. It also entails adopting an approach that engages with diverse stakeholders. We are actively pursuing this approach.

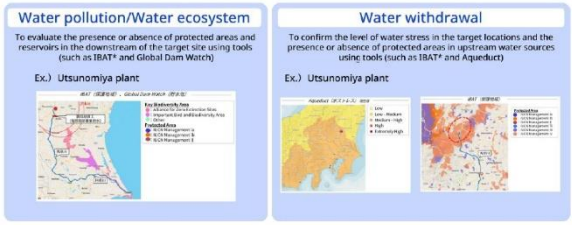
Chugai's Value Creation

Commitments: Topics

- While identifying important topics such as the global environment, governance, and risk management, Chugai will continue to promote medium- to long-term initiatives and dialogue with the capital markets

Publication of disclosure reports based on TNFD recommendations

- Based on the approach recommended by the Taskforce on Nature-related Financial Disclosures (TNFD), assessment of nature-related issues that affect the Company's business activities and formulation and implementation of countermeasures to reduce risks with respect to material issues identified through impact analysis



*IBAT: Integrated Biodiversity Assessment Tool

Strengthening of dialogue with capital markets (disclosure, briefings, individual interviews, etc.)

- Ranked No. 1 in the pharmaceutical sector for "Excellent Companies in Corporate Disclosure" by the Securities Analysts Association of Japan (SAAJ) in 2025 (for the second consecutive year)

2025 Award for Excellence in Corporate Disclosure – Top Companies – The Securities Analysts Association of Japan

Evaluation item	Main evaluation point
Management's IR attitude	Management's attitude of engaging sincerely with the stock market, with management and IR functions constantly pursuing improvement
Briefings, etc.	Providing sufficient and appropriate information for long-term performance forecasts and corporate value calculation, and improving information disclosure on out-licensed products
ESG-related	Sustainability briefings, ESG data disclosure, opportunities for dialogue with outside directors
Voluntary information disclosure	Various briefings including R&D, plant observation tours, and timely explanations of products and development projects of high interest to investors

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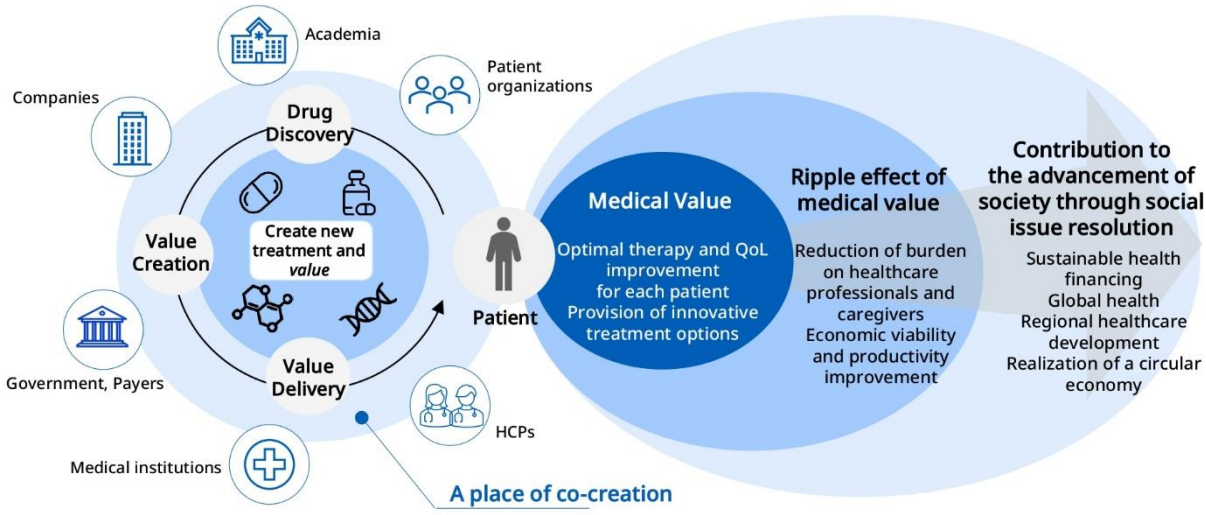
As for specific initiatives, we are disclosing information and publishing reports based on the TNFD recommendations outlined here. Regarding the dialogue with capital markets mentioned earlier, we are further enhancing the frequency, specific and detailed contents, and quality of both information disclosure and dialogue. Thanks to these efforts, we have been recognized as a top-ranked company in disclosure excellence for two consecutive years, demonstrating our strong performance in this area.

Chugai's Value Creation

Toward the Next 100 Years

- We will engage with important issues through co-creation with internal and external partners as we advance toward realizing high quality, sustainable healthcare



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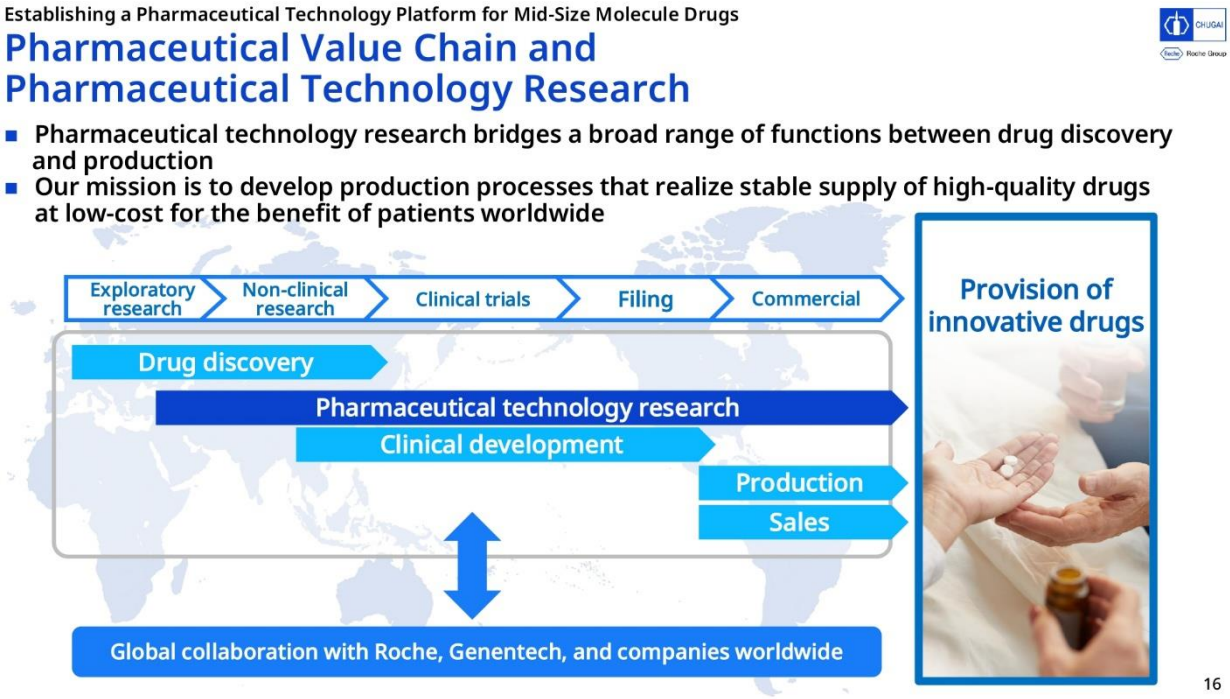
So, while we are currently celebrating our 100th anniversary, we believe our crucial mission is to look ahead to the next 100 years and firmly commit to solving societal challenges.

I believe it is important that we continue to take on challenges in various forms while inheriting the thoughts of our founder. As I mentioned earlier, co-creation with internal and external stakeholders and partners is an important issue, and we would like to further strengthen our efforts in this area.

We believe that the creation of medical value will create a ripple effect that will ultimately have a positive impact on social issues and society, and that this cycle is something we will continue to work on for the next 100 years. This is the end of my presentation. Thank you very much.



Maeda: I am Maeda from API Process Development Department. I am in charge of developing manufacturing processes for active pharmaceutical ingredients, API, at our Ukima Research Laboratory. Today, I would like to explain the establishment of a pharmaceutical platform for mid-size molecule drugs as an example of business activities under the value creation model.

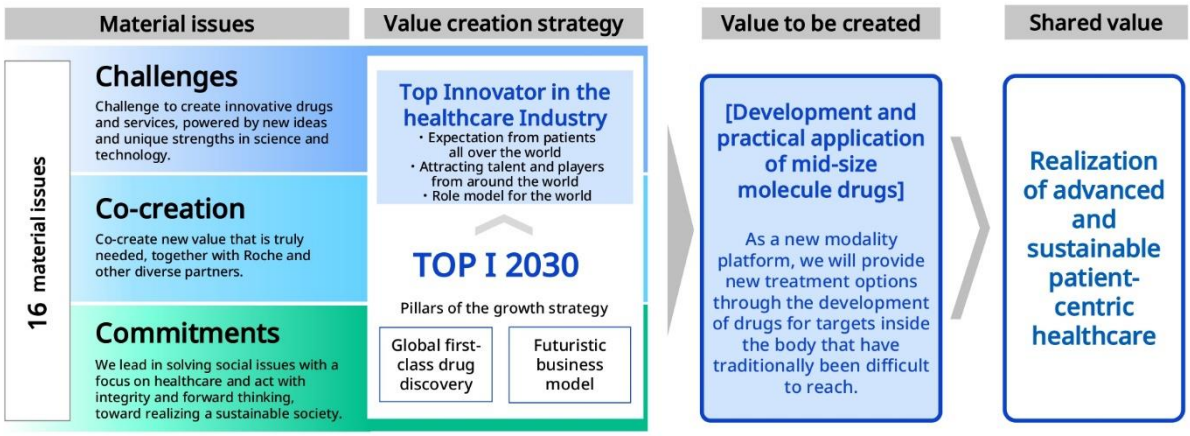
First, let me mention a few words about pharmaceutical research.

As you all know, pharmaceuticals are developed over a long period of time through value chains. In this context, pharmaceutical research serves as a long-term, long-lasting bridge between a wide range of functions, from drug discovery research to production. In the process of this development, our main mission is to develop a production method that achieves high quality, low cost, and stable supply as well as the supply of investigational drugs.

Establishing a Pharmaceutical Technology Platform for Mid-Size Molecule Drugs

Establishment and Practical Application of Mid-Size Molecule Drug Platform

- The establishment and advancement of mid-size molecule (macrocyclic peptide) pharmaceutical technology and production systems embodies the Company's value creation story (three Cs), and is one of the material issues for achieving the targets of TOP I 2030



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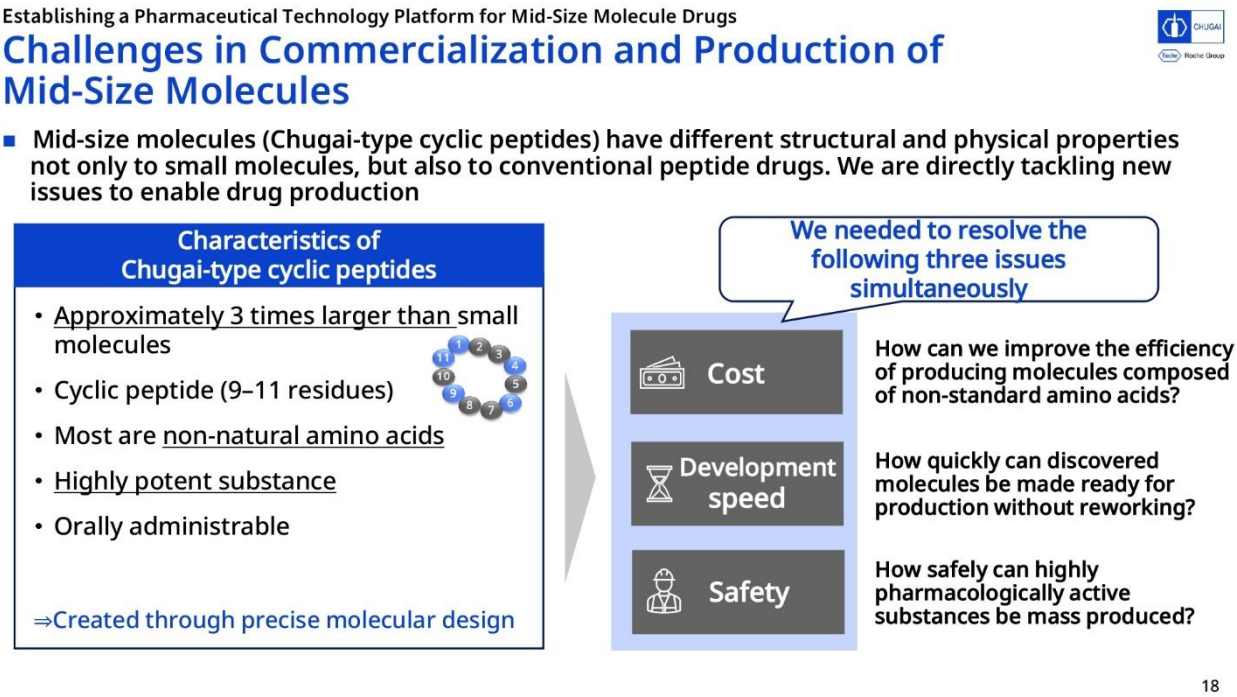
In this slide, I would like to talk about the relationship between our value creation model and the establishment of a pharmaceutical platform for mid-size molecule drugs, which I will discuss today.

We consider the establishment of Chugai's pharmaceutical technology and production system for macrocyclic peptides to be a critical challenge in advancing the practical application of mid-size molecule drugs. To this end, we are making concerted efforts in each of three material issues categories to take on the challenge of developing new technologies, Co-creation with internal and external partners, reducing COGS, and reducing our environmental impact.

I will discuss the development of our pharmaceutical platform and our efforts to achieve advanced and sustainable patient centric healthcare in the following pages.



On this page, I will discuss the features and challenges of Chugai-type cyclic peptides from a manufacturing perspective.

First of all, it is characterized by its molecular weight, which is about three times larger than small molecules, its cyclic peptide structure, the majority of which are composed of non-natural amino acids, and its extremely highly potent substance.

These characteristics are very different from those of conventional peptide drugs, not to mention small molecules, so cost, speed of development, and assurance of safety in production have become major challenges. In the industrialization and production of mid-size molecules, it is essential to achieve all three at the same time, making this an extremely significant challenge.

Establishing a Pharmaceutical Technology Platform for Mid-Size Molecule Drugs

Direction for Solutions to Challenges

- **To achieve production that satisfies the requirements for cost, development speed, and safety, we focused on synthesis methods and equipment. We aimed to resolve issues through coordination and collaboration with internal and external professionals**

Overcoming Challenges through Internal and External Collaboration

1 Development of new synthesis technology	Development of a new synthesis technology able to efficiently synthesize non-standard mid-size molecules that include non-natural amino acids
2 Investment of new synthesis equipment	Design and implementation of synthesis equipment for safe, large-scale production of highly potent mid-size molecules

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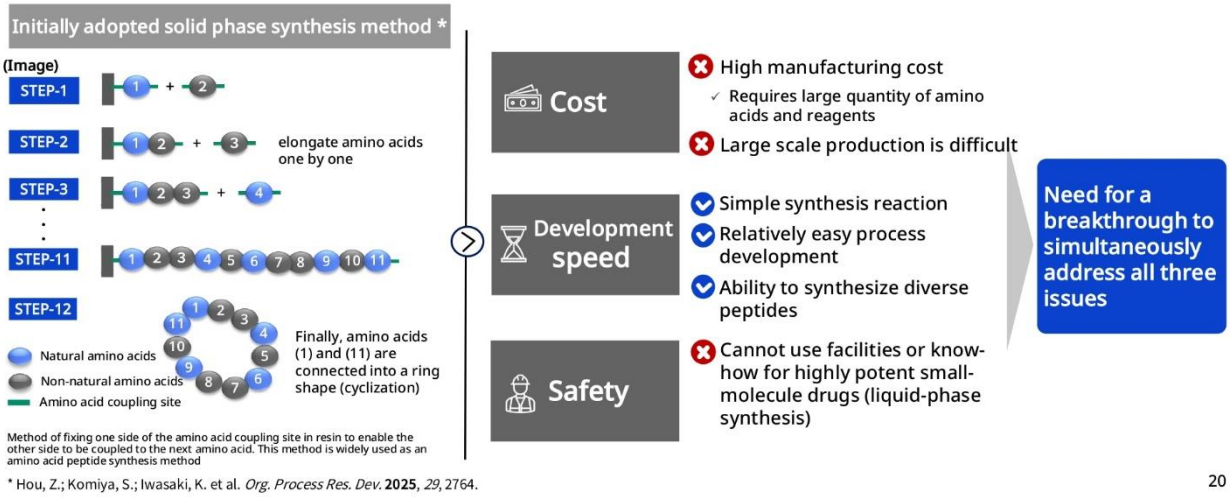
Therefore, in order to establish production that meets these requirements for cost, development speed, and safety, we have decided to approach the issue from two perspectives, as shown here: synthesis methods and equipment, and to solve the problem through coordination and collaboration with internal and external professionals.

Establishing a Pharmaceutical Technology Platform for Mid-Size Molecule Drugs

Development of New Synthesis Technology: (1) Background

- **Initially we adopted solid phase synthesis method commonly used for peptide drug synthesis. However, we explored new synthesis methods suited to Chugai-type cyclic peptides**



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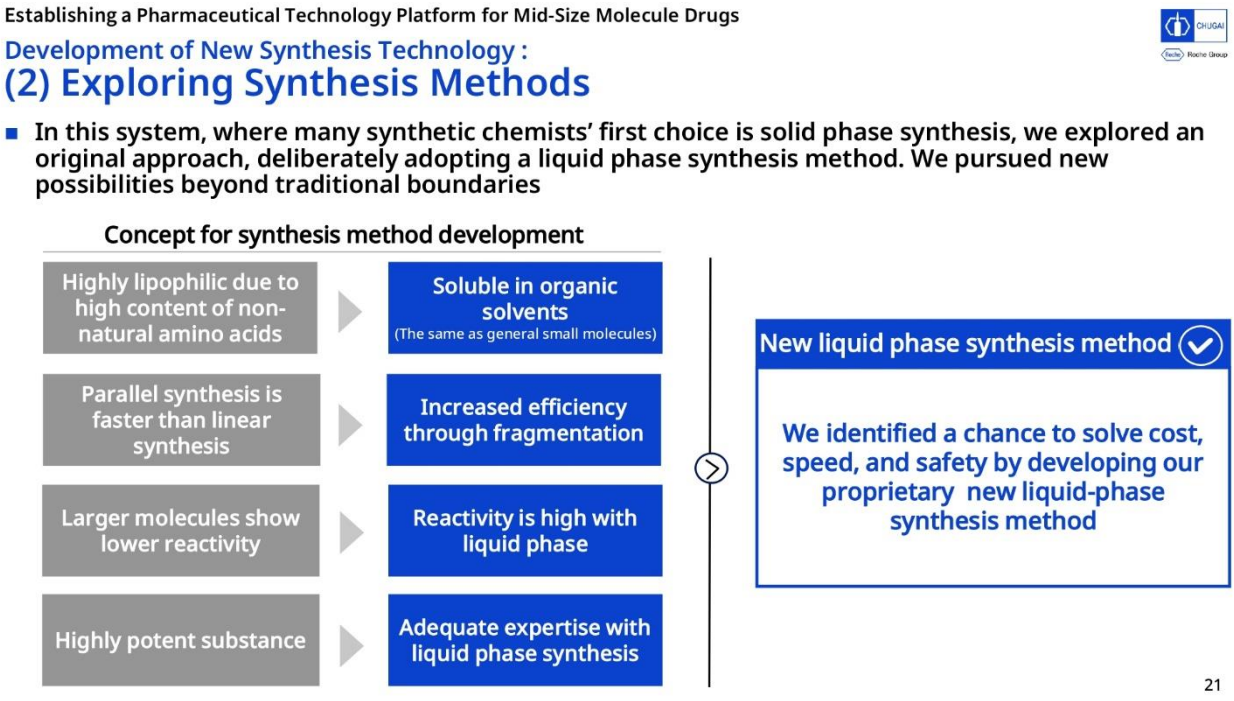
First, I would like to talk a little bit about the process of development of new synthesis technology for mid-size molecules, going back in time.

At the beginning of the development, we did not have the knowledge and technology for peptide synthesis, so we adopted the existing solid phase synthesis method, which is generally employed in the synthesis of peptide drugs. The synthesis method is shown here.

This synthetic method involves elongating amino acids one by one into a solid resin. Although this method was developed more than half a century ago, it is extremely versatile and is still used in most peptide synthesis and peptide drugs today. In fact, we were able to construct our molecule using this synthetic method.

However, as shown in the middle, we decided to take a different approach because it is difficult to solve these three issues at the same time due to the need for a large quantity of amino acids and reagents and special reaction facilities.



Therefore, we have decided to once again review the characteristics of our molecule and its synthesis method, once and for all removing all stereotypes.

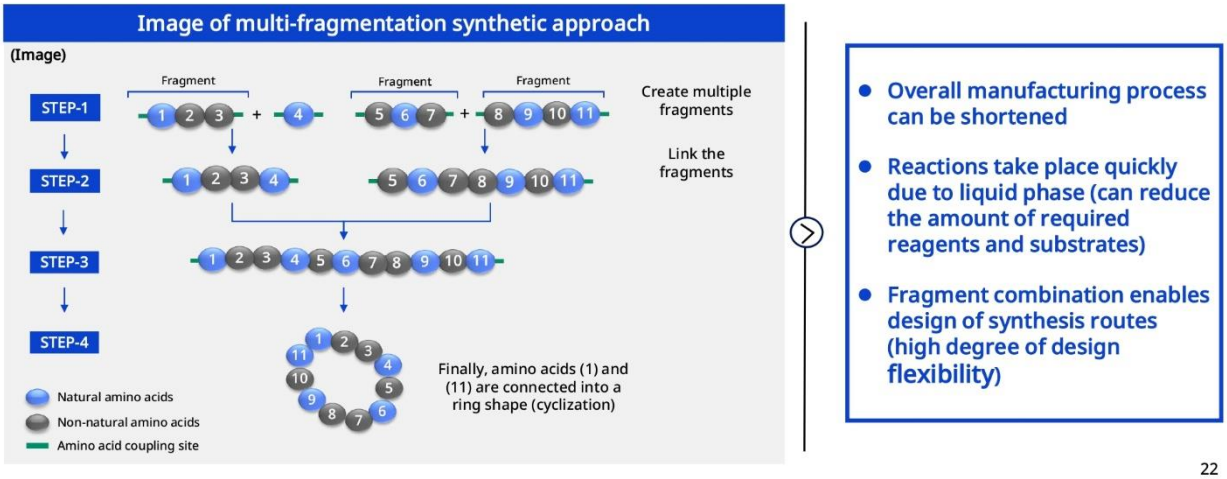
Here are four examples illustrating this point. First, the characteristics of being rich in non-natural amino acids and highly lipophilic can also provide the advantage of solubility in organic solvents commonly used in liquid-phase synthesis. Re-examining this, we discovered the potential to simultaneously resolve these three issues in liquid-phase synthesis, which had previously been considered difficult to apply. Therefore, we decided to focus our development efforts on developing liquid-phase synthesis methods.

As a result, we were able to apply this technique to our first mid-sized molecule, LUNA18. However, at the time it was applied to LUNA18, the technology was still in its infancy, making this adoption a very difficult decision. However, we believe that this decision was a great challenge, because this pharmaceutical platform has been developed at a rapid pace.

Establishing a Pharmaceutical Technology Platform for Mid-Size Molecule Drugs

Development of New Synthesis Technology :
(3) Multi-Fragmentation Synthetic Approach

- **A synthetic approach that prepares multiple amino acid fragments in advance and combines. Started development as a pharmaceutical technology platform for Chugai-type cyclic peptides that is expected to significantly improve productivity**



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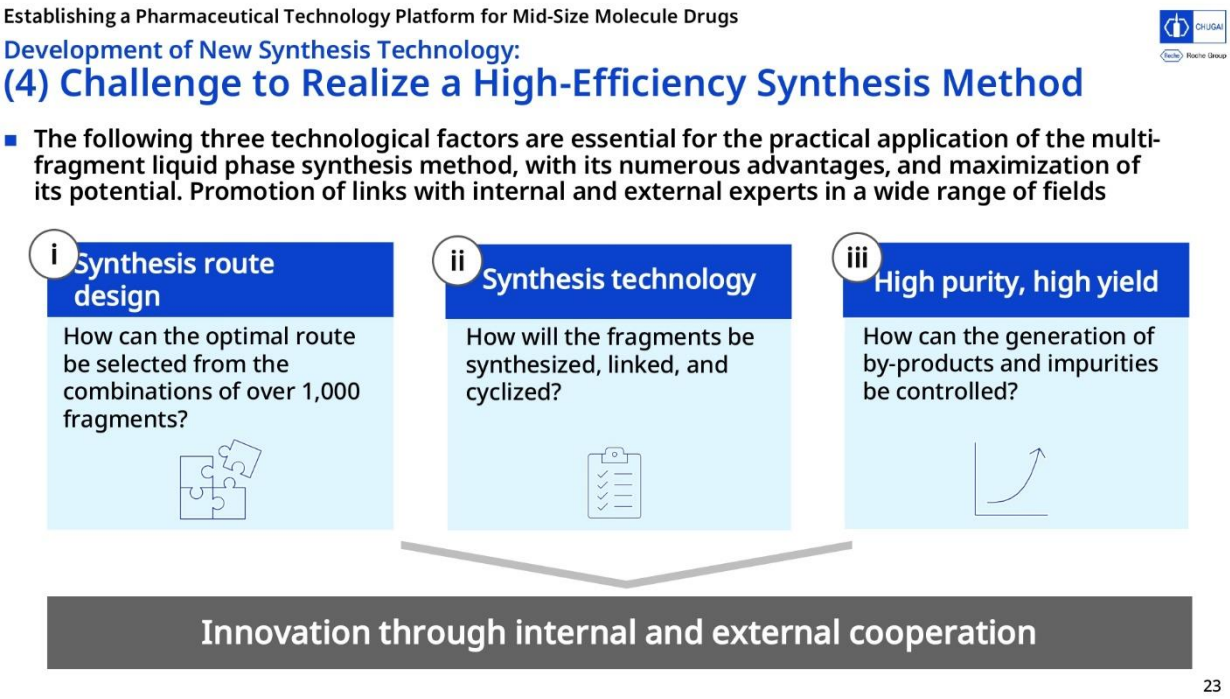
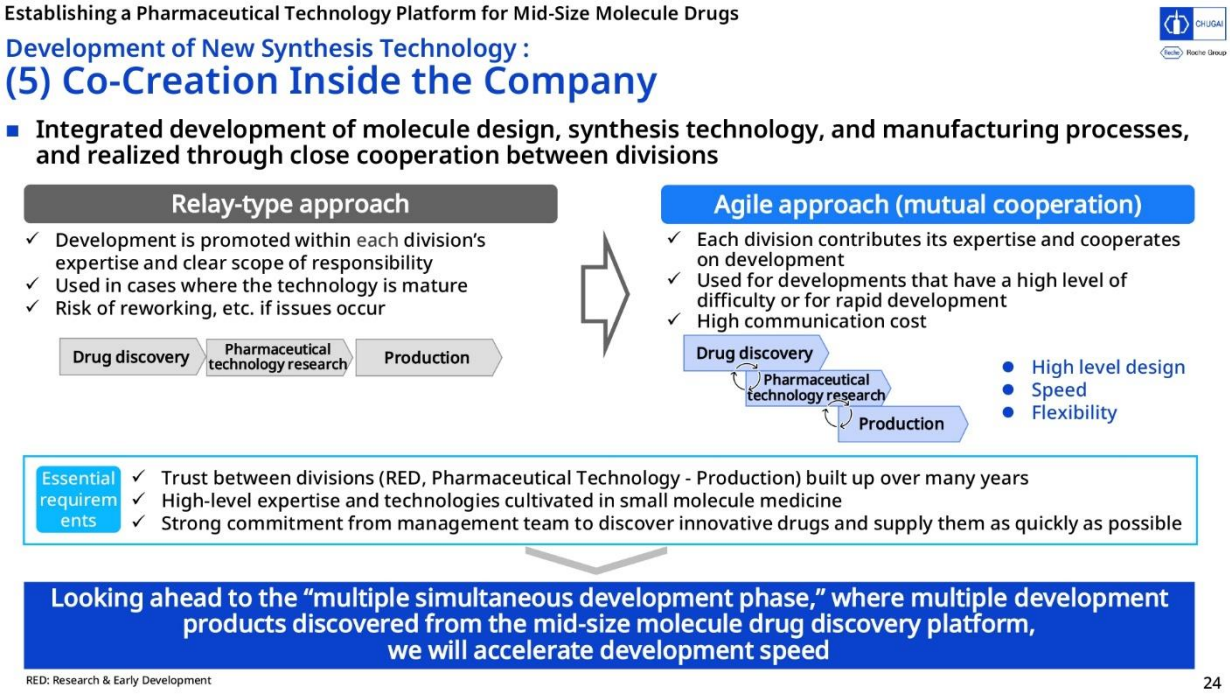
At present, we are further advancing the sophistication and efficiency of the liquid-phase synthesis method, and as shown here, we are now focusing on a multi-fragment type synthesis method that is possible only with the liquid-phase synthesis method.

An image of this synthesis method is shown here.

This synthetic method involves preparing multiple fragments consisting of multiple amino acids and combining each of them in turn. This approach has the advantages of shortening the overall process, greatly reducing the amount of amino acids and reagents used through liquid-phase synthesis, and providing great flexibility in the route of synthesis by combining fragments.



However, although this multi-fragment liquid-phase synthesis method has many advantages, it is very challenging. To maximize its potential, it is essential to address technical factors such as advanced synthetic route design, new synthetic techniques, and precise reaction control, as shown in the following three examples. This accelerated development through internal and external cooperation.

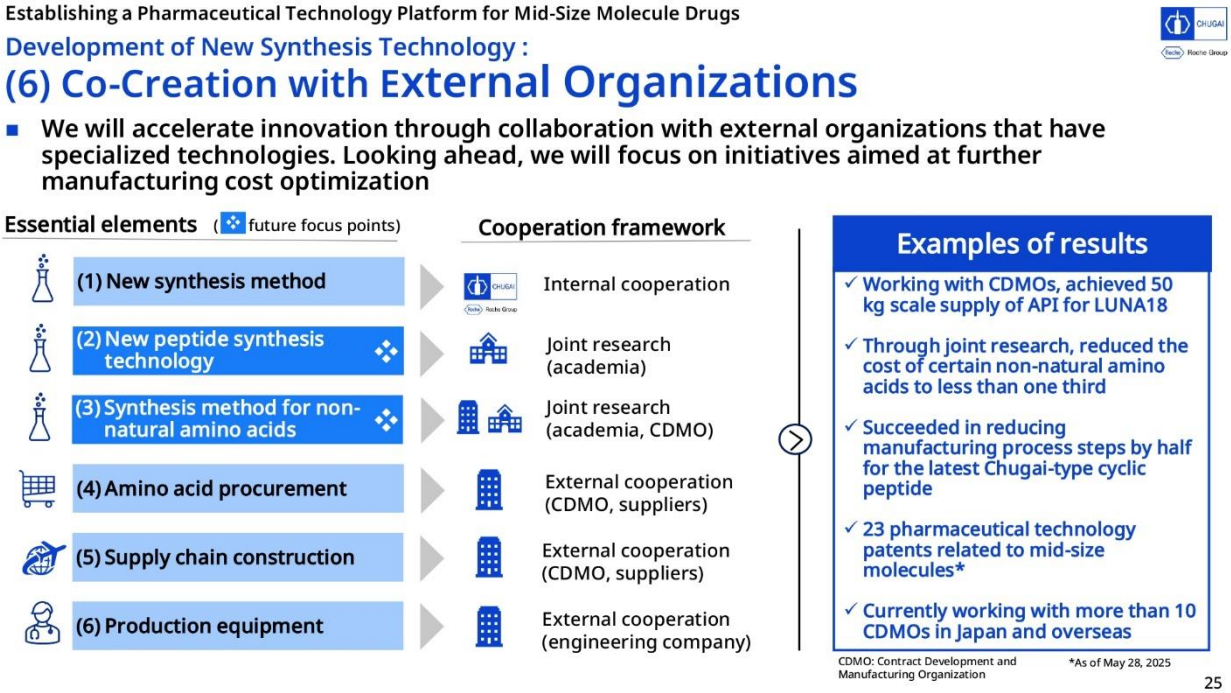


In this section, I will first discuss internal cooperation.

We originally implemented the relay-type development as shown on the left. This development is a relay-type approach, with each department developing separately within its expertise and scope of responsibility. We believe that this is an effective development method when the technology is mature.

We are currently using an agile approach, as shown on the right, in which all departments collaborate early on. While there is the disadvantage of increased communication costs due to starting collaboration early in development, it enables integrated consideration of molecular design, synthesis technology, and production processes, making extremely rapid development possible.

Especially in the field of mid-sized molecule drugs discovery, as we move into the phase of simultaneous development of multiple drugs, we believe that such a rapid development system will become extremely important.



Next, I would like to talk about external cooperation.

The technologies and functions required for a pharmaceutical platform are listed on the left. As shown in (1), as I mentioned earlier, we have been developing a new synthesis method for mid-size molecules through internal cooperation.

Currently, we are expanding the scope of development and accelerating external cooperation as shown in (2) and (3). In particular, we are now focusing on the development of an efficient synthetic method for non-natural amino acids in (3), which is expected to significantly reduce costs.

Establishing a Pharmaceutical Technology Platform for Mid-Size Molecule Drugs

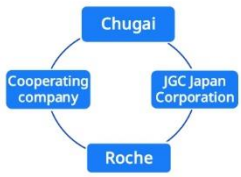
Investment of New Synthesis Equipment:
(1) Production Facility for Ultra-High Potency APIs

- **Through external collaboration, we built world-class containment facility for manufacturing of ultra-high potency APIs**

Synthetic API manufacturing building FJ2

- Achieved the world's highest airtight containment level, with a concentration in air of 0.05 μg/m³ or less
- With the introduction of automation and the latest technologies, high levels of safety, productivity, operability, washability, and environmental load reduction have been achieved
- Received an award in the Innovation category at the ISPE*1 2023 Facility of the Year Awards

*1 International Society for Pharmaceutical Engineering



*2 Next-generation containment technology using JGC Japan Corporation's patented technology

We achieved a high level of containment with the participation of cooperating companies with various specialized technologies, such as JGC Japan Corporation.

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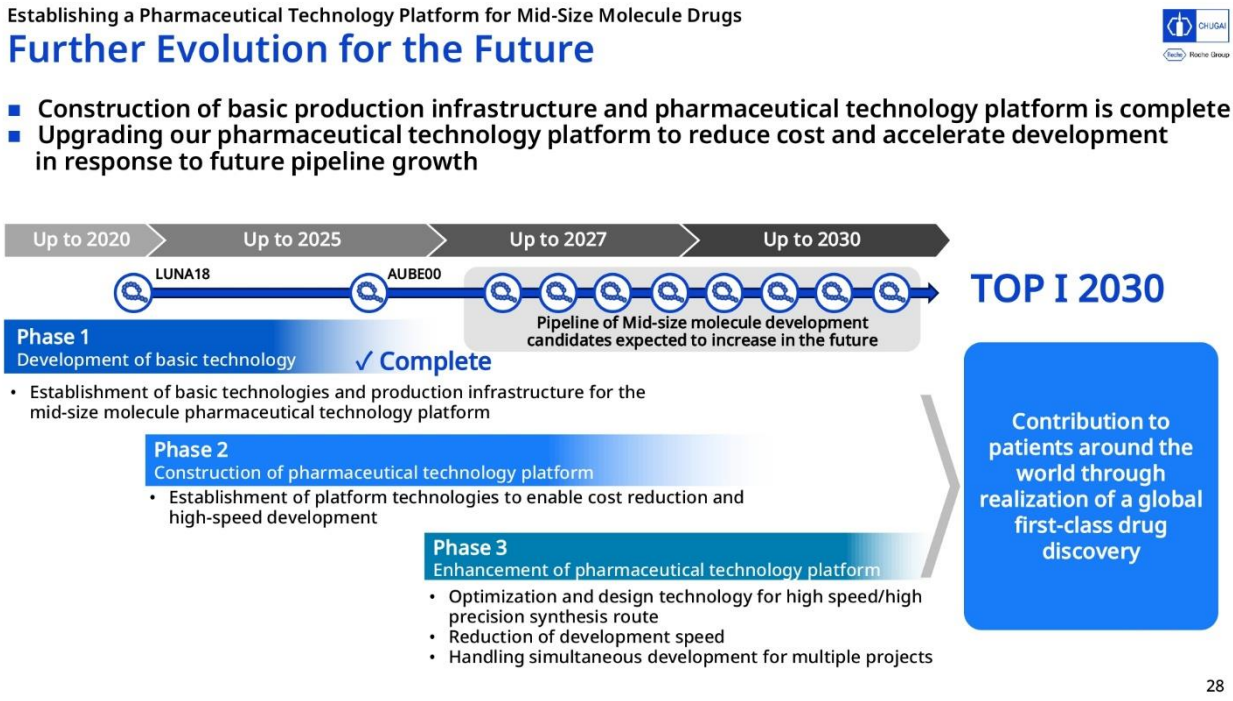
I have been talking about synthesis technology, but from this page, I would like to talk about the introduction of new synthesis facility.

First, as a case study, I would like to discuss the construction of FJ2, a production facility for ultra-high potency APIs. Chugai-type cyclic peptides require the world's highest level of containment, a very high concentration of less than 0.05 μg per cubic meter of air. At the time the decision was made to build FJ2, there was no such technology available in Chugai or anywhere else in the world.

Therefore, JGC, Roche, and our partner companies pooled our technical expertise and know-how to advance the design. As shown on the right here, even at the staff level, we tackled this difficult challenge through close teamwork that transcended company boundaries. As a result, we were able to achieve this very high goal. For this achievement, we were honored to receive the 2023 Facility of the Year Awards from the International Society for Pharmaceutical Engineering.

Thus, after 2020, we are accelerating investment in production and research facilities that will enable integrated development from drug discovery to production. We expect development to be further accelerated by the operation of Ukima UKX, which are scheduled to start its operation in 2028.

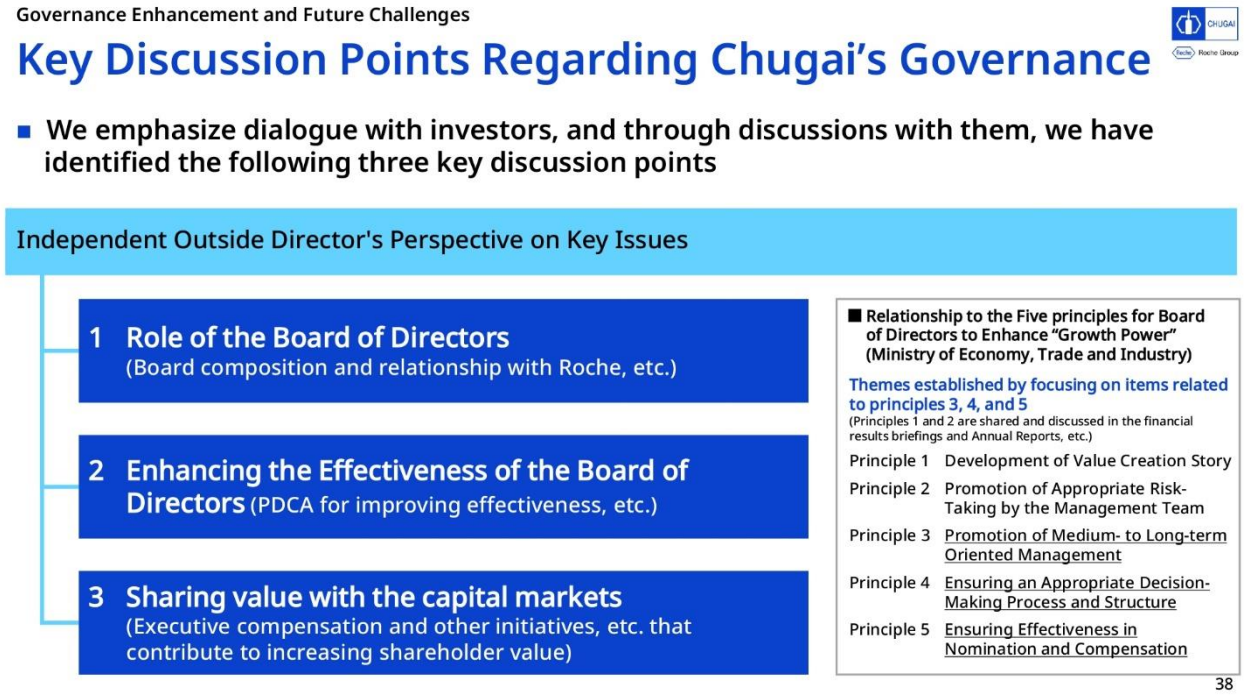


This is the last slide. I would like to share a review of our development efforts to date and our outlook for the future.

As I mentioned earlier, we started from a very uncertain place in terms of development, but this year we believe we have completed the establishment of a basic production platform and pharmaceutical platform.

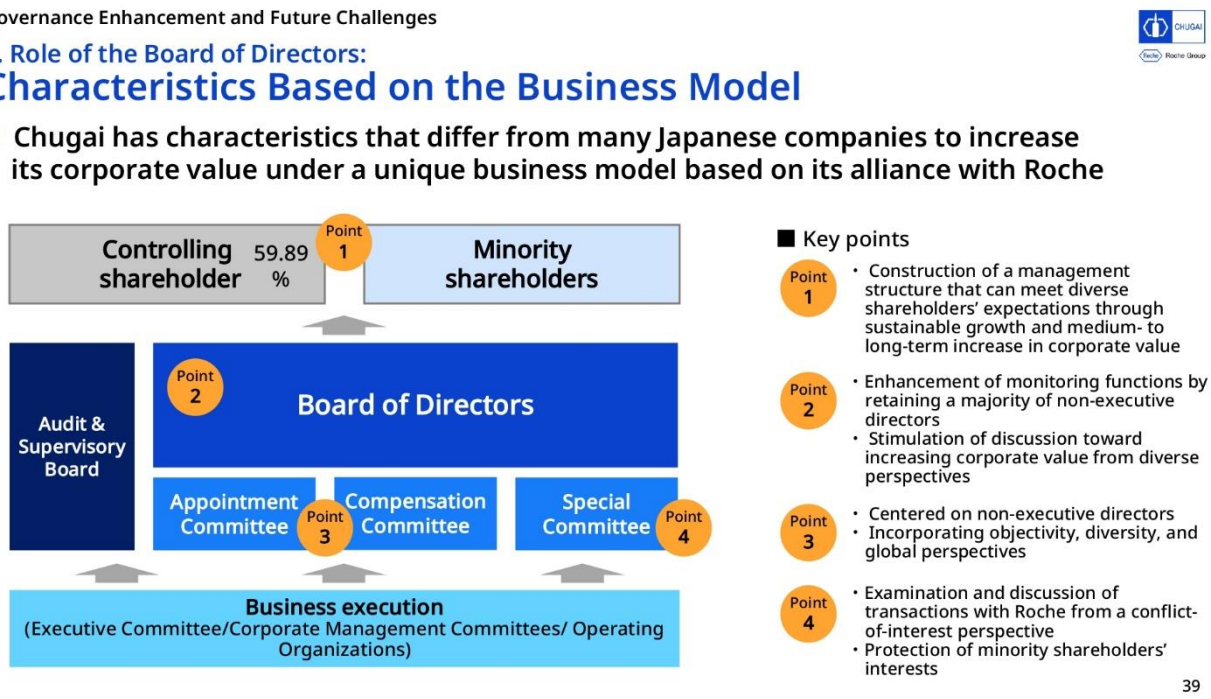
We intend to continue technological development of the platform for pharmaceuticals, and to advance the platform's sophistication, including significant cost reductions and support for multiple simultaneous developments of drugs. That is all for my explanation.

Miyata: Lastly, Teramoto, Independent Outside Director, will explain about “Connection with capital markets, Governance enhancement and future challenges.”



Teramoto: I am Teramoto, Independent Outside Director, as introduced. Thank you for gathering here today despite your busy schedule.

Today, I would like to explain three key governance-related topics for our Company, which are positioned within the material issues framework discussed earlier. These are: First, the role of the Board of Directors; Second, various initiatives to enhance the effectiveness, centered on effectiveness assessments; And third, value sharing with the capital markets, including details on executive compensation and other related initiatives.



First is the role and overall composition of the Board of Directors.

As you can see in the table, Roche, the controlling shareholder, owns approximately 60% of the shares of our Company, and on top of that, we are listed on the TSE, the prime market. I and the other independent outside directors have positioned the protection of minority shareholders' interests as one of our most important perspectives, and we are engaged in a variety of discussions and responses.

As for the corporate structure, as we have indicated, we are a company with Audit & Supervisory Board, but we also have voluntary committees as the Appointment Committee and the Compensation Committee. One feature is the Special Committee, which is mentioned as Point 4. As I will discuss later, the Board consists of myself and external directors and external auditors. Essentially, given that this is a listed company with a controlling shareholder, we have established a mechanism to check whether minority shareholders' rights are being infringed upon, focusing primarily on conflict-of-interest checks, including individual transactions with Roche.

We do this on a case-by-case basis for individual details, but I think one of the characteristics of our Company, including the various committees surrounding one of our Boards of Directors, is that we take into account the requirements of the stock exchanges by disclosing the general gist of what we are doing.

This is the composition of the Board. There are many opinions, and you may have questions later, but in a nutshell, there are nine directors, shown with the circle on the left.

As executive directors, there are three directors on the executive side: Dr. Okuda, the President; Mr. Taniguchi, the CFO, who was mentioned today; and Dr. Iikura, supervisory responsibility for the research and development division. As you can see on the bottom row, we have Dr. Momoi, Dr. Tateishi of OMRON, and myself, Teramoto. I will explain their backgrounds and other information later.

Also, from Roche's side, they are shareholders for CHUGAI, but they are positioned as non-executive directors, so Dr. Thomas, who is the Group CEO, has joined us this year in particular. As I will mention later, I personally think that the formal discussions within the Board, as well as the various communications outside the Board, are a good and effective way of exchanging information.

The second person is Ms. Teresa, who is also being addressed as CEO of the Pharmaceuticals business. Also, Mr. Boris is the Head of Corporate Business Development, including alliances and such, on the Board.

I will not explain the details of the Appointment Committee, Compensation Committee, and Special Committee, but each of these committees consists mainly of members from outside the Company.

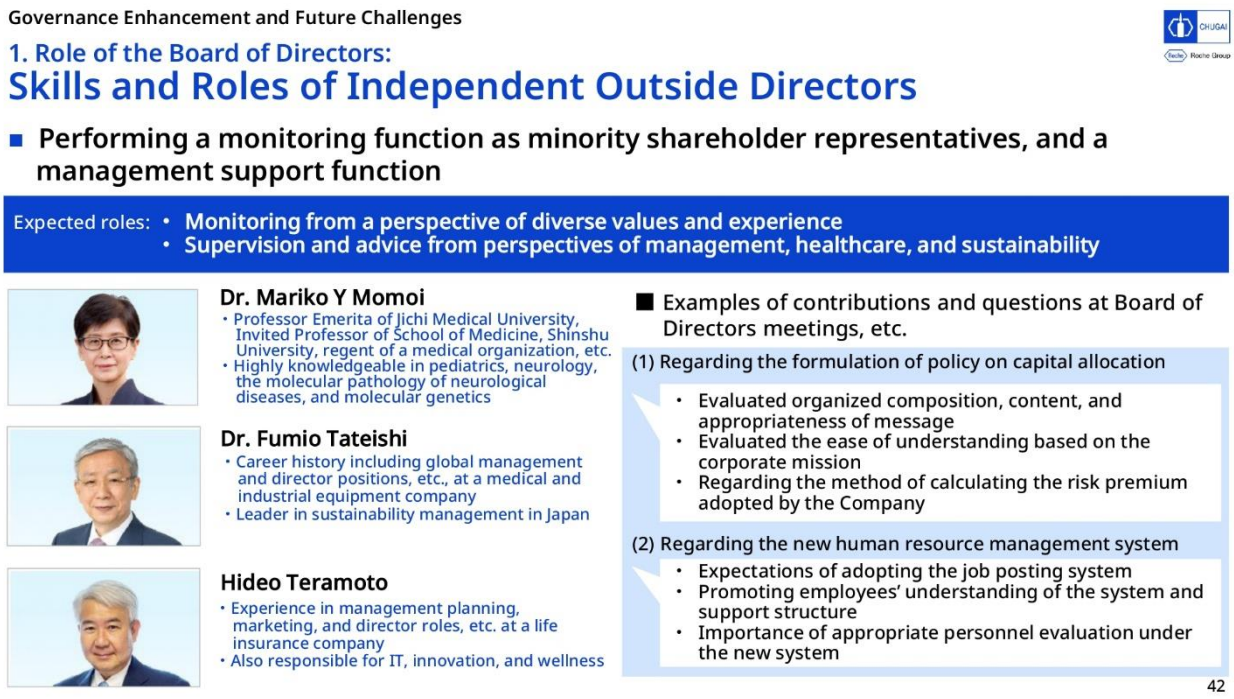
So, first of all, the non-executive directors, the Roche people.

As I mentioned earlier, Dr. Thomas, after all, as the head of a global mega pharma company, he is dealing with many things. Of course, regarding individual global strategy movements, such as various pharmaceutical regulatory developments in the US, he provides quite useful opinions and guidance. As I mentioned earlier, I find it very valuable to understand their perspective and current areas of interest, even outside board meetings, through informal communication and exchanges.

Until last year, we had a highly distinguished executive from Roche on the Board, but he was replaced, and now the CEO himself is taking the lead. This likely creates a certain level of tension among the executive directors as well. Through our various discussions with him, we believe we are able to pursue a range of developments.

As I mentioned earlier, Ms. Teresa is the head of Roche's Pharmaceuticals business, and she is quite a frank person, and when we talk to her, she says many things frankly. Of course, since she is managing the pharmaceutical business of a large mega pharma, we see that she has a variety of management skills, as well as specialized skills.

Mr. Boris is relatively new, I think it has been only two years or so, but he is the head of business development, is involved in various external alliances, and is also an expert in M&A. From that perspective, he has made various comments, and the tension on the Board is increasing. I think that's how the Board is getting more and more positive tense.



Also, there are three independent outside directors.

As I mentioned earlier, Dr. Momoi, as you can see in her biography, has held positions at several universities, including Jichi Medical University. She's originally an expert in pediatrics and neurological disorders, including molecular genetics. From the perspective of someone like me, who's an outsider to medicine and pharmaceuticals, she naturally possesses skills that allow her to delve quite deeply into various specialized aspects of our Company. At the same time, she doesn't just have expertise in the medical and pharmaceutical fields; she also brings a wide range of perspectives, including business management.

For example, if you start a business by developing or introducing a drug in a new field, naturally that changes the destination hospitals and medical professionals that people around you go to. And she has made some very astute points from a management perspective, such as how management resources are being allocated for such initiatives, and I am impressed.

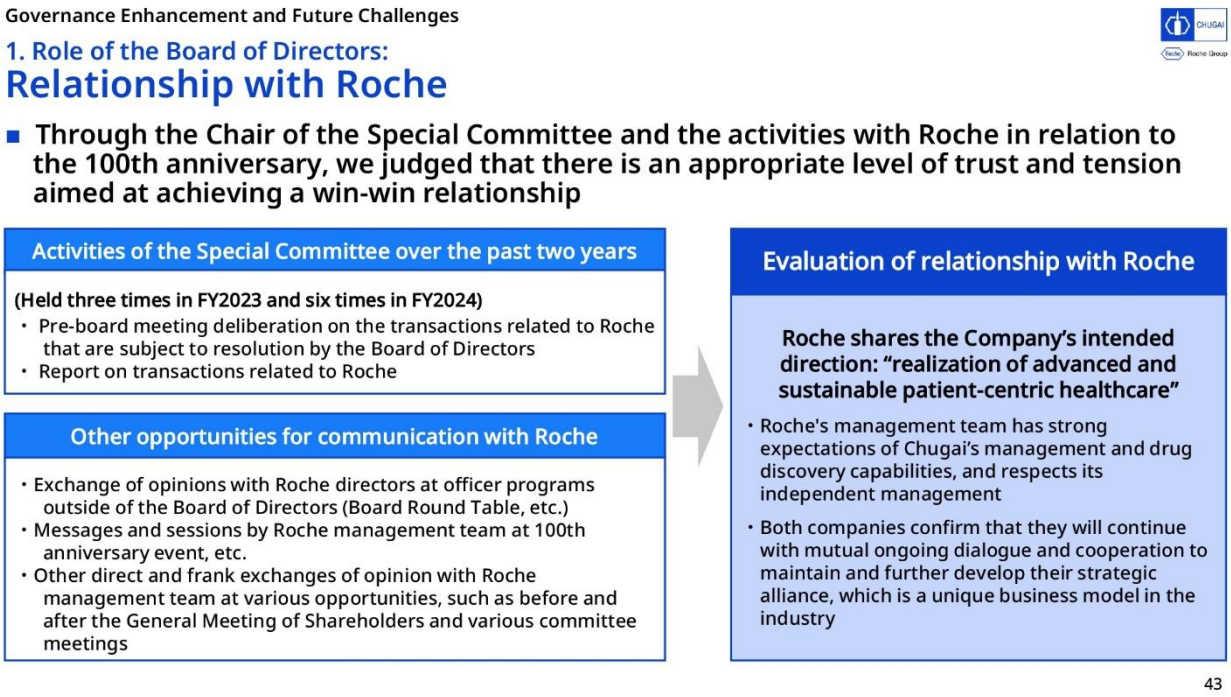
Dr. Tateishi is a member of the well-known founding family of Omron, and has been operating his company as head. As a global manufacturing company with diverse management experience including overseas operations, he offers insights from various manufacturing perspectives alongside a global viewpoint. A distinctive aspect, though also related to sustainability, is his profoundly high regard for the importance of intangible assets from a management perspective: talent and global team building.

From that perspective, we occasionally receive such feedback from him, and I personally find it very educational. For CHUGAI as well, it's excellent to see various points being raised about the diverse values that exist beyond what appears on the balance sheet, values that constitute the Company's worth.

I have been working with Dai-ichi Life Insurance and its holding companies for many years. The scope, as written, I've been in charge of corporate planning, marketing, IT innovation, and many other things.

After that, in 2010, Dai-ichi Life Insurance Company converted to a stock company, went public through an IPO, and has come to where we are today. I handled those matters through corporate planning, so we were

involved in the IPO and subsequent investor relations activities. Since then, various other situations have arisen, and while our capabilities are modest, we intend to draw on that experience to provide various forms of support, and we are doing so.



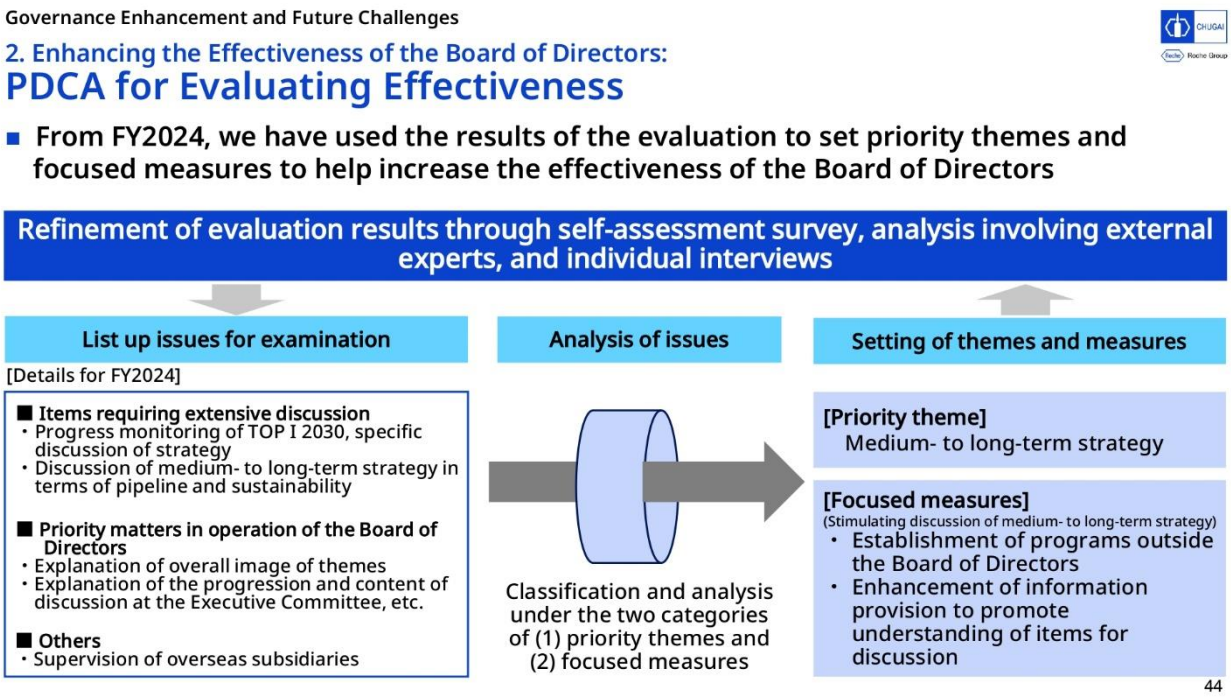
Regarding the relationship with Roche, and the more I learn about this, the more I feel that it's a system of various, well established alliances. This efficient system will enable us to sell our excellent and unique drug discovery products in a highly efficient manner, especially in our overseas network, and to develop our business by using Roche's own extensive global network and information. I believe that there are some very significant advantages.

Of course, we hold the right of first refusal regarding drugs they develop; however, we evaluate these opportunities on a case-by-case basis. For those we wish to pursue in the Japanese market as CHUGIAI itself, we possess a system that allows us to introduce them exclusively and extremely efficiently. This mechanism enables us to handle matters that would be extremely challenging for a Japanese company attempting to build such capabilities from scratch, matters that would likely face significant limitations in terms of management resources, in a highly efficient and productive manner.

For three years now, this is my third year, I've been wondering how this is possible. I've asked around and thought about it while communicating with Roche. My current impression is that one of CHUGAI's core values is its unique drug discovery capabilities, which truly stand out among Japanese pharmaceutical companies.

From Roche's point of view, this is a great advantage over just developing the product on their own. Because we are able to demonstrate this core value, Roche also recognizes the value of CHUGAI. In this respect, they are 60% shareholders, but we feel that we have a very unique alliance relationship that allows us a considerable degree of independence and autonomy.

The base is really that CHUGAI's unique, after all, drug discovery capability has been going on for a long time. I believe this is the main driving force behind the win-win situation of this business model.



Secondary, it's about evaluating effectiveness.

I know this is something that all companies are doing, but we would like to have a lawyer's office as a hub for various activities, including requests from outside directors and auditors, as well as questionnaires, monitoring, and hearings on the current status of the Board of Directors.

Regarding the issues and requests that arise in that context, the executive branch is effectively addressing them while also implementing improvements or additional measures based on that feedback.

For example, as mentioned on the next page, I believe.

Governance Enhancement and Future Challenges

2. Enhancing the Effectiveness of the Board of Directors: Policy for Initiatives in FY2025

- **We will engage in important discussions regarding drug discovery and geopolitical risks toward the realization of TOP I 2030**
- **We will continue to strengthen initiatives outside the Board of Directors for acquiring knowledge, promoting understanding, and strengthening cooperation**

Priority themes

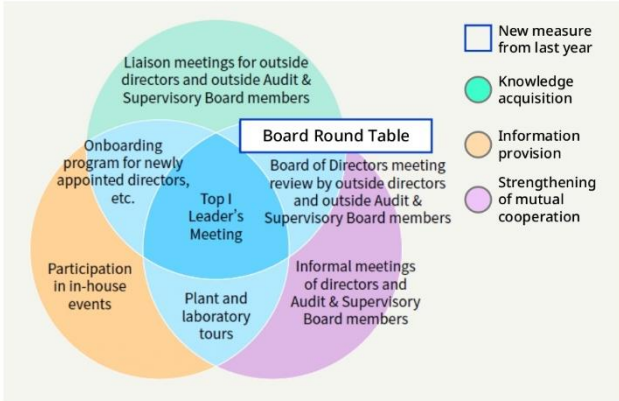
- Progress check on mid-term milestones for realization of TOP I 2030
- Selection of "drug discovery strategy and pipeline" and "policy and response to geopolitical risk, including supply chains" as priority agenda items for the fiscal year

Focused measures

–Stimulating discussion in the Board of Directors–

- Enhancement of discussion topics and frequency of liaison meetings for outside directors and outside Audit & Supervisory Board members
- Continue to hold Board Round Table meetings including directors who reside overseas
- Continue to enhance explanation of agenda items

Overview of Annual Programs Outside the Board of Directors Meetings



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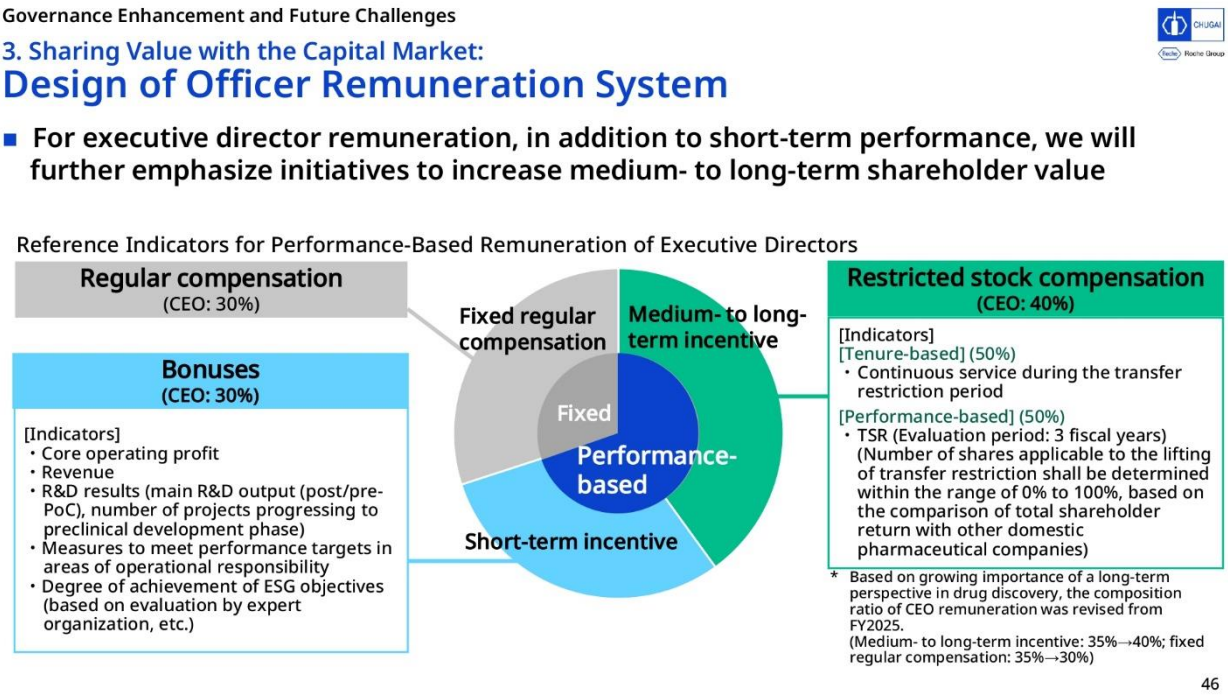
This is a key point in the 2025 effectiveness evaluation, and as mentioned in the priority themes, as you know, we are not a company with a three- or five-year medium-term plan. Therefore, while we wouldn't call it an extremely ambitious moonshot by 2030, we have a plan aiming for a very high goal. Under that framework, we will assess our progress annually while allowing for setbacks.

Depending on how you look at it, it is a little difficult to know at what point we are at, and I suspect that investors and analysts are probably expressing the same opinion about that. Regarding those aspects that are difficult to grasp without hands-on execution, we've put considerable effort into refining them. We've reached this stage where certain areas are now accomplished, while others remain ongoing challenges. New areas are emerging as the next set of priorities, and these developments are becoming increasingly highlighted.

We've reached a stage where we can grasp things at a very high level. While the Company has an excellent drug discovery strategy and a particularly robust pipeline, it's a truly outstanding company, the volume can be overwhelming, even for outsiders. We appreciate how they've clearly prioritized and highlighted key points, including which candidates are poised to become the next blockbusters.

Additionally, regarding the various responses—including the recent major challenge of the supply chain—that are being consolidated and discussed, I find it extremely helpful that are highlighting not only the formal board meetings but also the various other initiatives.

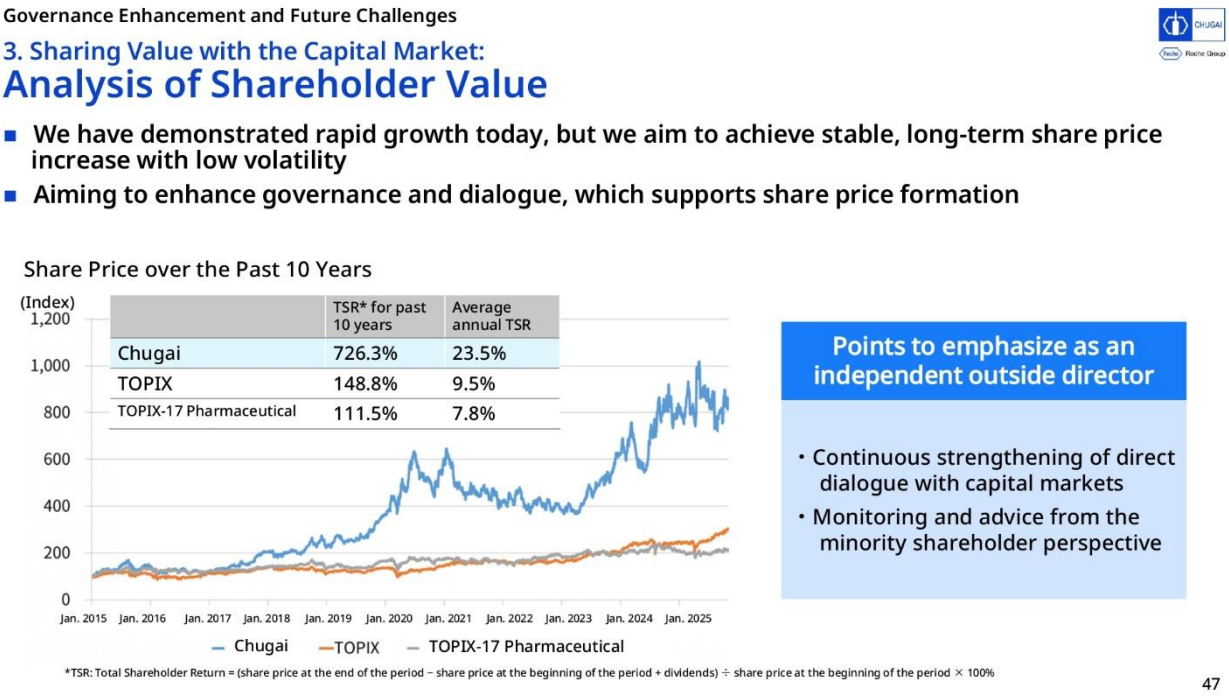
Then there is the market, sharing value with the market. As one such example, we are explaining the executive compensation system.



As you can see in the circle graph, the major structure is a regular compensation, a fixed regular compensation, and a bonus that is a short-term incentive. And a restricted stock compensation with medium- to long-term incentives. The compensation structure consists of these three systems. Starting this fiscal year, we have reduced the fixed compensation portion of CEO remuneration, which was previously 35%, by 5 percentage points. We have shifted 5 percentage points to the medium-to-long-term incentive portion of CEO remuneration, increasing its weight to 40%.

As you know, the management team is undertaking an extremely challenging task: developing products that can truly compete only after enduring a very long period of 10 to 15 years of patient development. Within the Compensation Committee, the prevailing view is that it is necessary to place greater weight on evaluating initiatives that, even if they require a medium-to-long-term commitment, form the foundation for corporate growth. Based on this, the situation from this year is that we are increasing the weight of the mid- to long-term incentives a bit.

The structure consists of equal parts tenure-based and performance-based components. The tenure-based portion is what's commonly referred to as RS, while the performance-based portion is known as PS. This PS is determined based on the company's TSR, total shareholder return, over the past three fiscal years, specifically its ranking relative to industry peers. This approach establishes medium-to-long-term incentives that take into account the highly competitive environment, and I believe it constitutes a reasonably rational system.



The rest is shareholder value analysis.

Thanks to everyone's support, the stock price has returned to the JPY8,000 range and is performing quite well. As shown in the table on the graph, looking at the stock price trend over the past decade, it has demonstrated high performance both in terms of TSR compared to the TOPIX and in comparison with other pharmaceutical companies. I think it is very gratifying, and I think it means that we have been performing well up to now.

Stock prices do sometimes overshoot, perhaps driven by factors like the performance of individual pharmaceuticals in the US, to be honest; however, both our executives and board members maintain a relatively level-headed perspective, focusing on achieving long-term, stable stock prices and value enhancement. That is the current state of affairs.

Last but not least, a summary.

Regarding the Board of Directors, as mentioned earlier, we hold the position of representing minority shareholders. Keeping this in mind, we must always balance growth and risk while prioritizing cash management and growth investments, as well as the human resources that form the foundation of drug discovery and fostering an innovative culture. It is not easy, but we are making efforts to observe the work styles of not only executives but also employees on the manufacturing sites, including on-site visits.

Regarding committees, I am personally on the Compensation Committee and the Special Committee. The Special Committee has to check the appropriateness of the price and the absence of conflict of interest, which is very difficult to do, because it is a drug for a very rare disease, and the price is not as easily understood as over-the-counter, say, a cold medicine or something like that.

For routine transactions, the alliance agreement contains very detailed provisions, and the procedures are designed to ensure everything runs smoothly; however, occasionally individual interests or cost allocations arise that don't quite fit within those established procedures.

I believe we should carefully deliberate on such matters. While I understand the executives may be reluctant because it takes considerable time, I feel that by working with strong partners like Dr. Tateishi, our outside director, and Mr. Masuda, our lawyer, and by thoroughly examining various details, we can help foster a mindset among the executives. I believe this process is elevating their understanding significantly. Therefore, I intend to continue this approach.

I have also been attending various other meetings, such as award ceremonies and sales team meetings, and am actively participating in these activities. That is all.

Miyata: Thank you very much for your attention.

Question & Answer

Hashiguchi [Q]: My name is Hashiguchi from Daiwa Securities. The first question is about the review of value creation indicators Mr. Taniguchi mentioned on page seven in his presentation. I remember that this new indicator was introduced by Mr. Yano at the same briefing a year ago. The specifications have only recently been established, and there have not yet been many discussions based on them, so why are you now talking about a review?

What do you think is going wrong with the current indicators? Is it because the efforts themselves have changed a little and the indicators need to be changed, or is it because the efforts have not changed, but the indicators are not necessarily appropriate for evaluation? Please tell me the background.

Taniguchi [A]: Thank you very much. Last year, we redefined the number of material issues to 16, and in response to that, we are considering indicators that better express these three Cs, as I have written specifically here and on the right side of page seven.

Rather than negating anything from the past, we are currently in the process of creating performance metrics aligned with these three new Cs. Therefore, this is not about revising the 16 metrics established last year. Instead, we are in the midst of discussions on how to distill these 16 metrics into concise performance indicators. I hope you understand this.

Hashiguchi [Q]: I understand. Thank you very much. Secondly, I think Mr. Teramoto mentioned that it is difficult to see how far you have progressed toward TOP I 2030. As an outside director, I understand you mentioned earlier that you assess the current progress and future challenges, and that you visualize this within the board meetings to drive various initiatives. Could you share any specific examples where issues raised or pointed out by outside directors have led to progress or resolution of those challenges?

Teramoto [A]: Yes, thank you. Regarding TOP I 2030, we've been making straightforward requests to present them in a more graphical, easily understandable way, for example, showing progress up to this point from a certain angle; however, there are multifaceted items that aren't so easily addressed, and I imagine the executive side has faced considerable challenges.

Nevertheless, in several areas, the Board of Directors now receives presentations detailing portfolio investments, the development status of our proprietary products, the targets to be achieved this year, and the challenges identified within these areas. Furthermore, these points are also presented during individual briefings outside of board meetings.

We, too, have come to recognize that the development of mid-size molecules, which was mentioned earlier, for example, has progressed quite well. On the other hand, as was mentioned earlier, we have to develop and test a lot of things, although they are probably in the very early stages.

Costs and efficiency in that regard have also been increasing. Within limited management resources, however high the profits may be, they remain limited, the Company is undertaking several initiatives focused on how to strategically allocate those resources. In short, they are also working on making quick decisions. We now have a better understanding of these issues, and as mentioned earlier, if we don't properly develop the platform for the mid-size molecule, we won't be able to produce a large number of products in the true sense of the word. I believe that we have come to understand such issues and that we are making good progress in this area.

So, regarding changes resulting from feedback, since we're not development professionals or anything like that, we're focusing more on how to effectively utilize resources, including productivity, and address current challenges. As mentioned earlier, we're also examining the contents of our extensive portfolio, which I believe includes around 50 or 60 projects. We're prioritizing which of these hold the greatest potential to become the next major global product, and I think these expectations are being clearly identified and presented. I feel that this has changed considerably over the past year or so. Is that all right, that is the situation.

Hashiguchi [M]: Thank you very much. That is all.

Kosaki [Q]: My name is Kosaki from International Pharmaceutical Intelligence. Thank you very much. I would like to ask Dr. Maeda. Regarding the environmental impact reduction effect, I'd like to ask about slide 36. Specifically, I'd like to understand the significance of waste disposal within the overall manufacturing costs. Also, it might be a bit difficult to explain in a single sentence why this became possible, but I'd appreciate it if you could share some key points, for example, what changes were made that allowed reducing the time to less than one-tenth of conventional solid-phase synthesis methods.

Maeda [A]: Yes, thank you for your question. First of all, as for the waste reduction effect, it is a little difficult to translate it into cost, but we have stated in our mid-term environmental goals that we will reduce waste and hazardous waste.

Regarding mid-size molecules, their environmental impact is currently very high. Therefore, as shown here, using the original existing method, specifically solid-phase synthesis, results in a very high environmental impact. By switching to liquid-phase synthesis, we have reduced that environmental impact.

So, although this is still high compared to small molecules, we believe that it is important to reduce the environmental impact of each of the portfolios one by one that will be coming in the future.

Kosaki [Q]: Is there a reason why, or examples like “if we change this, it becomes that?”

Maeda [A]: Yes, first of all, as I mentioned in my presentation, peptide drugs are usually made basically by solid-phase synthesis. Solid-phase synthesis is highly platform-based, making development quite straightforward; however, it is a synthesis method that requires significant amounts of amino acids, solvents, and reagents.

On the other hand, the liquid-phase synthesis method can use amino acids, reagents, and solvents, which can be used very efficiently, so simply changing from the solid-phase to the liquid-phase reduces waste considerably.

Another big thing is that common peptide drugs don't crystallize. Therefore, column purification is required for the purification method. As it turns out, water or solvents are also essential there, so one characteristic of our mid-size molecules is that they can crystallize, enabling purification through crystallization. This is one of our strengths, so the combination of this solid-phase to liquid-phase and purification method from column to crystallization has considerably reduced the environmental burden, as shown on page 36.

Kosaki [Q]: Am I correct in understanding that because it is a mid-size molecule, it is easy to crystallize?

Maeda [A]: Normally, normal peptide drugs are hydrophilic mid-size molecules. Our mid-size molecules are very lipophilic. This is the feature of our molecules. This lipophilicity is similar to the property of small molecules, the property itself. Basically, small molecules are purified and isolated by crystallization, but in the same way, our mid-size molecules can be purified and isolated by crystallization as well. This is one of our great strengths.

Kosaki [M]: Thank you very much.

Yatsunami [Q]: My name is Yatsunami from Nissay Asset. Thank you for your valuable explanation today. I would like to ask two questions, and I would like to ask Outside Director Mr. Teramoto.

The first point. As you can see on this page 42, you have discussed your comments on the development of the capital allocation policy at this time. The Company has formulated the criteria for capital allocation, presented its basic policy, and in consideration of the required cash level, has implemented a total return ratio of 100%, which includes the special dividend this time.

I understand this demonstrates management's strong commitment to capital efficiency in the market. As an outside director and independent outside director, could you please share any additional insights regarding your thoughts on this shareholder return policy or future cash usage, and what discussions took place, if there is any to add?

Teramoto [A]: Yes, thank you. Capital allocation is a highly universal yet challenging topic. Since taking office, I've been one of those who has repeatedly sought opinions and engaged in discussions on this matter, often to the annoyance of most CFOs.

As it is indicated, the net cash for this fiscal year is about JPY900 billion, which is a very large volume. But regarding the cash management aspect we discussed earlier, I believe Mr. Taniguchi has maintained strong discipline and considered various factors. From our perspective, as mentioned earlier, significant investment in facilities is necessary, including environmental investments. At the same time, working capital is also required, including inventory maintenance. So, while keeping those levels in mind, the core discussion likely centered on how to allocate the remaining funds between growth investments and shareholder returns.

Here, perspectives vary, and market participants may each hold different views; however, I would say that while maintaining a natural balance between returns and growth investments, our strength lies in consistently pursuing proactive growth investments for the future. Therefore, we do not opt for choices like those in financial firms, where a lack of demonstrable growth potential leads to creating an extremely high payout ratio. Of course, we have to think carefully about the returns, but that is what we have been discussing.

The president and Mr. Taniguchi discussed this idea, including the special dividend, on the executive side, and as you can see from the fact that the dividend is being paid this time, we are very much in agreement with that.

One thing I'd like to add is that, coming in as an outsider myself, I've always thought it would be fine to just keep investing, including M&A, since we have more cash, a controlling shareholder, and less risk of strange people getting involved.

To put it simply, I believe that current management also possesses a strong mindset for growth investments, including M&A; however, unlike typical companies, financial firms, for example, tend to target acquisitions where the future is highly predictable or within close reach. Consequently, the company's value can be calculated within a fairly predictable range. Of course, there is the question of how much premium to put on it, or not to put on it.

On the other hand, pharmaceutical companies are trying to acquire various things at the seed stage, so even if you try to buy the same company or a start-up, it is almost the same as R&D. We have learned this through our studies and sensory perception.

The actual process involves R&D personnel making decisions alongside corporate teams. For Renalys, while the top-level closing represents an expenditure of around JPY15 billion, we've been reviewing it in considerable detail from the outset with the development team. I believe this underscores the necessity of growth investment approaches unique to pharmaceutical and drug discovery companies. While I'm sure you're all already aware of this, I wanted to add that point.

Yatsunami [Q]: Thank you. You are doing this while looking at the capital efficiency at the same time, and you are strongly aware of and commenting on it, so yes, thank you. Secondly, regarding the Compensation Committee you explained this time, you mentioned that mid-to-long-term incentives have been increased and you are evolving. While this is a somewhat formalistic perspective, from the standpoint of independence, the fact that the chairperson is not an independent outside director raises questions. Considering transparency, some might argue that an outside director should hold this position. As an independent outside director, what is your opinion on this point? Also, regarding this incentive change, could you please elaborate a bit more on the background? Specifically, what discussions took place, and how did you arrive at the judgment that such discussions were possible even under the current institutional design?

Teramoto [A]: Yes, thank you. First of all, regarding the non-executive director, while it's true that Roche's Ms. Teresa serves as chairperson, I believe that's one way to interpret it; however, committee members like myself and Dr. Tateishi do not particularly hold any specific concerns about that point.

Of course, for example, they sometimes still, and I think this is a good thing, indicate their perspective as a controlling shareholder. In other words, when it comes to this compensation, compared to the market standard in Japan, for example, is it really good? That includes whether we're paying too much.

Therefore, since they lack a sense of the market there, but such checks and balances also come into play, including whether that is properly linked to performance, it is precisely because people like myself and Dr. Tateishi, who have some understanding of domestic circumstances, can offer our opinions that it works. While there are pros and cons, it is still being done with their global perspective, including how they perceive Japan. So, we don't particularly see it as a major issue that it's not simply one of the three independent outside directors doing it.

Regarding the restricted stock this time and the mid-to-long-term incentives, both Dr. Tateishi and I, having joined around the same time three years ago, have consistently discussed that the overall direction should be to increase the weight of mid-to-long-term incentives, taking into account the nature of the business. I understand that the shift to an increase of plus 5% points is the result of such factors.

I am sure that this is not the final form of the project, so I think that there is still a lot of discussion to be done for the next fiscal year and beyond. That is all.

Yatsunami [M]: Thank you. Very helpful. Thank you very much.

Muraoka [Q]: Thank you very much. I'm Muraoka, from Morgan Stanley. Let me ask a question to Mr. Teramoto, the outside director. The question is from the perspective of communication with the market.

The first is that in the second quarter of this summer, CHUGAI, I think the market was a little surprised when you collectively dropped five pipelines. I got a thorough explanation and I understand it reasonably well, but when you dropped five pipelines altogether, and some of those decisions could have been made sooner, it really made me realize how surprising the market can be when things get consolidated like that. In this regard, from an outside perspective, have there been any discussions about whether there is a better way to do this?

Teramoto [A]: Yes, thank you. This was an extremely difficult point. As the company is refining this Go/No-Go decision-making process, the development pipeline is expanding, and efficient resource allocation has become necessary. Within this operational mindset, the decision to drop five pipelines altogether, with all its positive and negative implications, left me with a "hmm..." reaction when I first heard the explanation. This was true for me and the other outside directors as well.

That's how you take the plunge and get it done. At the same time, I've heard that one of Chugai's strength might be persevering for 10 or 15 years, even if it might not work out, and eventually seeing tremendous success, becoming a blockbuster. And even from an outside perspective, that kind of action clearly translates into a significant strength.

Rather than focusing on these five specific pipelines, the real concern is the negative impact they have on the field, that feeling of, "Oh, so they just won't put up with it after all." So opinions were raised questioning whether such impacts truly don't exist.

Regarding that point, an explanation was given that they are working on it, believing that they must listen more to opinions at each site and ensure the Company policy permeates. So, for our part, we trust the management's awareness of the issues and that they will proceed accordingly, taking care to avoid any negative impact on the sites. I recall understanding that at the time, so perhaps that's the extent of it. When this matter was first reported, it is true that several discussions arose. That is all.

Muraoka [Q]: Thank you very much. A week later, the market itself delivered an unexpected negative surprise based on clinical data, and we must admit we share some responsibility for that as well. Because that sort of thing kept happening back then, I did have a slight thought that it would have been better if this hadn't happened, which is why I asked the question.

Another point is also about communication with the market. As Ms. Yatsunami mentioned earlier, the special dividend announced at the beginning of this year was truly a pleasant surprise. I understand perfectly well that it's called a special dividend, meaning it's only for this year, 2025. But from an outside perspective, the question arises: what about the continuity of this dividend, the continuity of dividends overall? If it spikes just this once and then plummets next time, what's the deal with that? How was that discussed? I still would be glad to know if you have anything to share with us about the content of the discussion.

Teramoto [A]: Yes, thank you. Of course, we are well aware that this is a one-time or one-off special dividend, and as the saying goes, that is how cash is used. Personally, or as a point of discussion, I understand the Company's policy is to maintain a stable dividend payout ratio of around 40% to just under 50%. Within that framework, for this fiscal period, management has determined that there is sufficient flexibility, including for relatively short-term cash flow needs like capital expenditures over a few years, to allow for this payment. I view this as a very positive move, executed as a special dividend.

Regarding the opinion that we should gradually increase the dividend payout ratio to 50 or 60 over the medium to long term, I think opinions may differ on this point. Personally, I don't believe there's a need to raise it that much at this stage.

I believe that the positioning of this Company's stock is the same, and as I have said many times, its value as a company lies in its ability to continue to develop and provide new, unique, and groundbreaking medicines. Allocating resources to invest in growth for that purpose, it's not that we should focus solely on that, but I feel that prioritizing such efforts is what the market ultimately recognizes.

I am sure there are many opinions in the market about this, and some may ask how it compares to other companies in the same industry, but I think it would be good to compare growth potential with other

companies in the same industry. We would like to continue to receive your comments and opinions, and we would like to discuss them with the executive committee members, using them as a major reference. That is all.

Muraoka [M]: Thank you very much. We look forward to hearing from you again in the future. Thank you very much.

[END]

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Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

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