

NOTICE: For the convenience of capital market participants, Chugai makes efforts to provide English translations of the information disclosed in Japanese, provided that the Japanese original prevails over its English translation in the case of any discrepancy found between documentation.



**CHUGAI PHARMACEUTICAL CO., LTD.**

A member of the Roche group

## CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited)

(for the fiscal year 2024)

Name of Company: Chugai Pharmaceutical Co., Ltd. January 30, 2025  
 Stock Listing: Tokyo Stock Exchange  
 Security Code No.: 4519 (URL <https://www.chugai-pharm.co.jp/english>)  
 Representative: Osamu Okuda, President & CEO  
 Contact: Kae Miyata, Head of Corporate Communications Department  
 Phone: +81-(0)3-3273-0554

Date of Annual General Meeting of Shareholders: March 27, 2025

Date of Submission of Marketable Securities Filings: March 27, 2025

Date on which Dividend Payments to Commence: March 28, 2025

Supplementary Materials Prepared for the Financial Statements: Yes

Presentation Held to Explain the Financial Statements: Yes (for institutional investors, securities analysts and the media)

(Note: Amounts of less than one million yen are rounded.)

### 1. Consolidated results for FY 2024 (January 1, 2024–December 31, 2024)

#### (1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Net income	% change
FY ended Dec. 2024	¥1,170,611 million	5.3	¥542,002 million	23.4	¥387,317 million	19.0
FY ended Dec. 2023	¥1,111,367 million	(11.8)	¥439,174 million	(17.7)	¥325,472 million	(13.1)

	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
FY ended Dec. 2024	¥387,317 million	19.0	¥408,655 million	23.0
FY ended Dec. 2023	¥325,472 million	(13.1)	¥332,256 million	(11.1)

	Earnings per share (Basic)	Earnings per share (Diluted)
FY ended Dec. 2024	¥235.39	¥235.36
FY ended Dec. 2023	¥197.83	¥197.80

	Ratio of net income to equity attributable to Chugai shareholders	Ratio of operating profit to revenues
FY ended Dec. 2024	22.0%	46.3%
FY ended Dec. 2023	21.3%	39.5%

Note: Percentages represent changes compared with the same period of the previous fiscal year.

## (2) Consolidated results (balance sheet)

	Total assets	Total equity	Equity attributable to Chugai shareholders	Ratio of equity attributable to Chugai shareholders	Equity per share attributable to Chugai shareholders
As of Dec. 31, 2024	¥2,208,373 million	¥1,901,499 million	¥1,901,499 million	86.1%	¥1,155.56
As of Dec. 31, 2023	¥1,932,547 million	¥1,625,580 million	¥1,625,580 million	84.1%	¥988.01

## (3) Consolidated results (cash flow)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
FY ended Dec. 31, 2024	¥447,600 million	¥(227,365) million	¥(141,006) million	¥540,202 million
FY ended Dec. 31, 2023	¥409,925 million	¥(37,290) million	¥(139,331) million	¥458,674 million

**2. Dividends**

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
FY ended Dec. 2023	—	¥40.00	—	¥40.00	¥80.00
FY ended Dec. 2024	—	¥41.00	—	¥57.00	¥98.00
FY ending Dec. 2025 (Forecast)	—	¥125.00	—	¥125.00	¥250.00

	Total dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividends to equity attributable to Chugai shareholders (consolidated)
FY ended Dec. 2023	¥131,623 million	40.4%	8.6%
FY ended Dec. 2024	¥161,259 million	41.6%	9.1%
FY ending Dec. 2025 (Forecast)		—%	

Note: Breakdown of dividends per share for end of second quarter of FY ending Dec. 2025:

regular dividend, ¥50.00; special dividend, ¥75.00 (Special dividend for the company's 100th Anniversary)

Breakdown of dividends per share for end of the fiscal year ending Dec. 2025:

regular dividend, ¥50.00; special dividend, ¥75.00 (Special dividend for the company's 100th Anniversary)

Breakdown of annual dividends per share for FY ending Dec. 2025:

regular dividend, ¥100.00; special dividend, ¥150.00 (Special dividend for the company's 100th Anniversary)

**3. Consolidated forecasts for FY 2025 (January 1, 2025–December 31, 2025)**

	Revenues	% change	Core operating profit	% change	Core net income	% change
FY ending Dec. 2025 (Forecast)	¥1,190,000 million	+1.7	¥570,000 million	+2.5	¥410,000 million	+3.2
FY ended Dec. 2024 (Results)	¥1,170,611 million	+5.3	¥556,097 million	+23.4	¥397,112 million	+19.1

	Core earnings per share		Core dividend payout ratio %
FY ending Dec. 2025 (Forecast)	¥250.00	+3.6	100.0
FY ended Dec. 2024 (Results)	¥241.31	+19.0	40.6

Notes: 1. Percentages shown for Revenues, Core operating profit, Core net income and Core EPS represent changes from the same period of the previous fiscal year.

2. The figures for the consolidated forecasts and actuals are calculated based on Core basis indicators established by Chugai and used on a consistent basis. Core EPS is diluted earnings per share attributable to Chugai shareholders on a Core basis.

#### 4. Others

- (1) Material changes in scope of consolidation during the period: None
- (2) Changes in accounting policies and changes in accounting estimates
  - (a) Changes in accounting policies required by IFRS: None
  - (b) Changes in accounting policies other than those in (a) above: None
  - (c) Changes in accounting estimates: None

(3) Number of shares issued (common stock):

- (a) Number of shares issued at the end of the period (including treasury stock)
- (b) Number of treasury stock at the end of the period
- (c) Average number of shares issued during the period

As of Dec. 31, 2024	1,679,057,667	As of Dec. 31, 2023	1,679,057,667
As of Dec. 31, 2024	33,531,864	As of Dec. 31, 2023	33,743,712
FY ended Dec. 31, 2024	1,645,446,014	FY ended Dec. 31, 2023	1,645,208,816

*Note: For an explanation of the number of shares used for computing earnings per share (consolidated), please refer to "Earnings per share" on page 27 of the attached document.*

*Notes:*

***The consolidated financial statements are not subject to audits.***

#### ***Explanation of the appropriate use of performance forecasts and other related items***

*(1) Portions of this report that refer to performance forecasts or any other future events are believed to be reasonable under information available at the time of the forecasts. Actual results may differ from these forecasts due to potential risks and uncertainties.*

*(2) The forecast which is published for shareholders and investors is based on the internal management indicator Core basis under International Financial Reporting Standards ("IFRS"). Core results are the results after adjusting non-recurring items recognized by Chugai to IFRS results. Chugai's recognition of non-recurring items may differ from that of Roche due to the difference in the scale of operations, the scope of business and other factors. Core results are used by Chugai as an indicator for managing internal business performance, explaining the status of recurring profits both internally and externally, and as the basis for payment-by-results such as shareholder returns. The difference between IFRS results and Core results will be explained at each event and presentation for the period.*

*(3) For the specifics of the forecasts, please refer to "Future outlook" on page 10, "Basic capital allocation principles and dividends for the fiscal year under review and the following fiscal year" on page 11, and "Management Principles and Goals" on page 12- 19 of the attached document.*

*(4) Chugai is scheduled to hold a conference to explain the financial results as noted below. The presentation materials will be posted on the Chugai's website at the time of full year results announcement.*

*Presentation for institutional investors, securities analysts and the media (Onsite/online conference with simultaneous interpretation): January 30, 2025, Thursday (Japan time)*

*The English-translated scripts of the presentation and the Q&A will be posted on the website within two business days.*

## Index of the Attachment

<b>1. Overview of Operating Results, etc. ....</b>	<b>2</b>
(1) Overview of operating results for the fiscal year under review .....	2
(2) Overview of financial position for the fiscal year under review .....	7
(3) Overview of cash flows for the fiscal year under review .....	8
(4) Future outlook .....	10
(5) Capital allocation policy and dividends for the fiscal year under review and the following fiscal year .....	11
<b>2. Management Principles and Goals .....</b>	<b>12</b>
(1) Basic management principles .....	12
(2) Target management indicators .....	12
(3) Management environment and issues to be addressed .....	12
(4) Growth strategy for 2030 “TOP I 2030” .....	13
<b>3. Basic Approach to the Selection of Accounting Standards .....</b>	<b>19</b>
<b>4. Consolidated Financial Statements and Major Notes .....</b>	<b>20</b>
(1) Consolidated income statement and consolidated statement of comprehensive income .....	20
(2) Consolidated balance sheet .....	22
(3) Consolidated statement of cash flows .....	23
(4) Consolidated statement of changes in equity .....	24
(5) Notes regarding the going concern assumption .....	25
(6) Notes regarding the consolidated financial statements .....	25

# 1. Overview of Operating Results, etc.

## (1) Overview of operating results for the fiscal year under review in billions of yen

	Year ended December 31		% change
	2024	2023	
Core results			
Revenues	1,170.6	1,111.4	+5.3
Sales	997.9	974.5	+2.4
Other revenue	172.7	136.9	+26.2
Cost of sales	(338.1)	(412.0)	(17.9)
Gross profit	832.5	699.4	+19.0
Research and development	(176.9)	(162.8)	+8.7
Selling, general and administration	(102.2)	(102.0)	+0.2
Other operating income (expense)	2.7	16.1	(83.2)
Operating profit	556.1	450.7	+23.4
Net income	397.1	333.6	+19.0
IFRS results			
Revenues	1,170.6	1,111.4	+5.3
Operating profit	542.0	439.2	+23.4
Net income	387.3	325.5	+19.0

### Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were ¥1,170.6 billion (an increase of 5.3% year on year), operating profit for the fiscal year under review was ¥542.0 billion (an increase of 23.4% year on year), and net income for the fiscal year under review was ¥387.3 billion (an increase of 19.0% year on year). These results include non-Core items, which are excluded from the Core results that Chugai adopts to manage recurring business activities, such as amortization of intangible assets of ¥1.6 billion, impairment loss of intangible assets of ¥4.1 billion, business rebuilding expenses of ¥7.9 billion, and restructuring expenses of ¥0.5 billion.

### Consolidated financial highlights (Core results)

Revenues for the fiscal year under review were ¥1,170.6 billion (an increase of 5.3% year on year), due to increases in sales and other revenue.

Of revenues, sales were ¥997.9 billion (an increase of 2.4% year on year). Domestic sales declined from the same period of the previous fiscal year primarily due to the supply of Ronapreve to the government, which was recognized in the same period of the previous fiscal year, as well as the effects of the NHI drug price revisions and the market penetration of generic drugs, despite the growth in sales of new products such as Phesgo and Vabysmo and the favorable sales of the mainstay products including Hemlibra and Actemra. Overseas sales increased significantly compared to the same period of the previous fiscal year due to factors including the major increase in the exports of Hemlibra to Roche. Other revenue amounted to ¥172.7 billion (an increase of 26.2% year on year), due to an increase in one-time income, etc., in addition to the increase in income related to Hemlibra. Furthermore, cost to sales ratio was 33.9%, an improvement of 8.4 percentage points year on year, reflecting a change in the product mix and other factors. As a result, gross profit amounted to ¥832.5 billion (an increase of 19.0% year on year).

Research and development expenses amounted to ¥176.9 billion (an increase of 8.7% year on year) due to investments into drug discovery/early development and increases associated with the progress of development projects, etc. Selling, general and administration expenses were comparable to the same period of the previous fiscal year at ¥102.2 billion (an increase of 0.2% year on year). Other operating income (expense) was income of ¥2.7 billion, including income from disposal of product rights (¥16.1 billion of income for the same period of the previous fiscal year due to the recognition of income from disposal of product rights and gain on sales of property, plant and equipment, etc.). As a result, Core operating profit was ¥556.1 billion (an increase of 23.4% year on year), and Core net income has increased for eight consecutive fiscal years to ¥397.1 billion (an increase of 19.0% year on year).

Meanwhile, compared to the revised full year forecast announced on October 25, 2024, revenues increased 1.8% over the revised full year forecast to ¥1,170.6 billion, due to increases in royalty and profit-sharing income related to Hemlibra, etc., in addition to the favorable performance of both domestic and overseas sales. The cost to sales ratio was on the same level as the revised full year forecast at 33.9% (an improvement of 0.1 percentage points over the revised full year forecast). Furthermore, compared to the revised full year forecast, research and development expenses increased by 1.1% to ¥176.9 billion, selling, general and administration expenses decreased by 0.8% to ¥102.2 billion, and other operating income (expense) decreased by 10.0% to an income of ¥2.7 billion. As a result, Core operating profit surpassed the revised full year forecast by 3.0% to reach ¥556.1 billion and Core net income increased by 2.3% to reach ¥397.1 billion.

**Note: Core results**

Chugai discloses its results on a Core basis from 2013 in conjunction with its transition to IFRS. Core results are the results after adjusting non-recurring items recognized by Chugai to IFRS results. Chugai's recognition of non-recurring items may differ from that of Roche due to the difference in the scale of operations, the scope of business and other factors. Core results are used by Chugai as an internal performance indicator, for explaining the status of recurring profits both internally and externally, and as the basis for payment-by-results.

For further details regarding the adjustment to IFRS results, please refer to the Supplementary Materials for Consolidated Financial Statements for Fiscal Year 2024. 12 (IFRS) ("Supplementary Materials"), dated January 30, 2025, on page 1, entitled "Reconciliation of IFRS results to Core results."

**Sales breakdown** in billions of yen

	Year ended December 31		% change
	2024	2023	
<b>Sales</b>	<b>997.9</b>	<b>974.5</b>	<b>+2.4</b>
<b>Domestic sales</b>	<b>461.1</b>	<b>558.0</b>	<b>(17.4)</b>
Oncology	247.7	260.2	(4.8)
Specialty	213.4	297.8	(28.3)
<b>Overseas sales</b>	<b>536.8</b>	<b>416.5</b>	<b>+28.9</b>

**Domestic sales**

Domestic sales were ¥461.1 billion (a decrease of 17.4% year on year) due to the supply of Ronapreve to the government, which was recognized in the same period of the previous fiscal year, and the effects of the NHI drug price revisions and the market penetration of generic drugs, despite the growth of new products and mainstay products.

Oncology products sales were ¥247.7 billion (a decrease of 4.8% year on year). Sales of mainstay products such as Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) declined due to the effects of the NHI drug price revisions and the market penetration of generic drugs, despite the favorable sales of the new product Phesgo (an antineoplastic agent/anti-HER2 humanized monoclonal antibody/hyaluronan-degradation enzyme combination drug). Additionally, sales of Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) decreased compared to the same period of the previous fiscal year due mainly to the effects of market penetration of Phesgo, a subcutaneous combination drug containing Perjeta.

Specialty product sales were ¥213.4 billion (a decrease of 28.3% year on year). In addition to the growth of the new product Vabysmo (an ophthalmic VEGF/Ang-2 inhibitor, anti-VEGF/anti-Ang-2 humanized bispecific monoclonal antibody) and the favorable market penetration of PiaSky (a pH-dependent binding humanized anticomplement (C5) monoclonal antibody), which was launched in May 2024, sales of mainstay products Hemlibra (a blood coagulation factor VIII substitute/anti-coagulation factor IXa/X humanized bispecific monoclonal antibody) and Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) remained strong. On the other hand, specialty product sales decreased compared to the same period of the previous fiscal year, being heavily impacted by the supply of Ronapreve (an anti-SARS-CoV-2 monoclonal antibody) to the government (¥81.2 billion), which was recognized in the previous fiscal year, and the decline in sales of Tamiflu (an anti-influenza agent) to the government stockpiles.

Meanwhile, compared to the revised full year forecast announced on October 25, 2024, domestic sales increased by 1.5% to ¥461.1 billion, due to the increased sales of Hemlibra, Phesgo, Vabysmo, etc.

**Overseas sales**

Overseas sales amounted to ¥536.8 billion (an increase of 28.9% year on year). The exports of Hemlibra to Roche significantly increased compared to the same period of the previous fiscal year.

Meanwhile, compared to the revised full year forecast announced on October 25, 2024, overseas sales increased by 0.9% to ¥536.8 billion, due to the increase in exports of Hemlibra to Roche and other factors.

## R&D activities

In Japan and overseas, the Chugai Group (“the Group”) is actively engaged in prescription pharmaceutical R&D activities and is working to develop innovative products with global application. In Japan, Chugai Life Science Park Yokohama is conducting drug discovery research, and Chugai’s research facilities in Ukima are conducting industrialization research. Overseas, Chugai Pharma USA, Inc. (United States); Chugai Pharma Europe Ltd. (United Kingdom); Chugai Pharma China Co., Ltd. (China); and Chugai Pharma Taiwan Ltd. (Taiwan) are engaged in clinical development and submission of applications in their respective countries and areas. Chugai Pharmabody Research Pte. Ltd. (Singapore) is engaged in drug discovery research.

R&D expenses on a Core basis for the first nine months under review totaled ¥176.9 billion (an increase of 8.7% year on year), and the ratio of R&D expenses to revenue was 15.1%.

Progress made in R&D activities during the period from January 1, 2024 to December 31, 2024 was as follows.

### Oncology

- We obtained approval for an antineoplastic agent/ALK inhibitor AF802/RG7853 (Product name: Alecensa) for an additional indication of postoperative adjuvant therapy for ALK-positive non-small cell lung cancer in the U.S. in April, in the EU and China in June, and in Japan in August 2024, respectively.
- We filed for an antineoplastic agent/humanized anti-CD20/CD3 bispecific antibody RG7828 (Product name: Lunsumio) in March 2024 and obtained approval for the treatment of patients with relapsed or refractory follicular lymphoma who have received two or more prior standard therapies in December 2024. We started domestic Phase III study for the treatment of previously untreated follicular lymphoma in November 2024.
- We filed for an antineoplastic agent/humanized anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) for the treatment of alveolar soft part sarcoma and relapsed or refractory extranodal natural killer/T-cell lymphoma, nasal type, in March and October 2024, respectively. We decided to discontinue the development for head and neck carcinoma (adjuvant) in consideration of the results of global Phase III study IMvoke010.
- We started global Phase III study SKYGLO for an anti-CD20/CD3 bispecific antibody RG6026 for the treatment of previously untreated large B-cell lymphoma in April 2024.
- We started global Phase III study for a KRAS G12C inhibitor RG6330 for the treatment of non-small cell lung cancer (2nd Line) in October 2024.
- We decided to discontinue the development of an antineoplastic agent/humanized anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) and an anti-VEGF (Vascular Endothelial Growth Factor) humanized monoclonal antibody RG435 (Product name: Avastin) for hepatocellular carcinoma (adjuvant) in consideration of the results of global Phase III study IMbrave050.
- We decided to discontinue the development of an anti-TIGIT human monoclonal antibody RG6058 for non-squamous non-small cell lung cancer (1st Line) in combination with RG7446, considering the results of global Phase III study SKYSCRAPER-06.
- We decided to discontinue the development of a RET inhibitor RG6396 following the termination of the global collaboration agreement between Roche and Blueprint Medicines for its development and commercialization.
- We decided to discontinue the development of a SHP2 inhibitor RG6433 following the termination of the collaboration and license agreement between Roche and Relay Therapeutics.
- We decided to discontinue the development of an anti-PD-1/LAG-3 bispecific antibody RG6139 in consideration of the results of the overseas clinical study conducted by Roche.
- We decided to discontinue in-house development for solid tumors and to start out-licensing activities for a RAF-MEK molecular glue SPYK04.
- We decided to discontinue the development of an anti-glypican-3/CD3 bispecific antibody ERY974 for solid tumors in consideration of the results of clinical studies in Japan and overseas.

### Immunology

- We filed for an immunosuppressant (Product name: CellCept) based on public knowledge in February, and obtained approval for an additional indication of systemic sclerosis associated interstitial lung disease in June 2024.
- We started Phase I study for an antisense oligonucleotide targeting complement factor B mRNA RG6299 for the treatment of IgA nephropathy in February, and started global Phase III study IMAGINATION in May 2024.
- We decided to remove a pH-dependent binding humanized anti-complement (C5) monoclonal antibody SKY59/RG6107 (Product name: PiaSky) for the treatment of lupus nephritis from the pipeline following the decision made by Roche to discontinue the development, considering its development portfolio.



Neuroscience

- We filed for a therapeutic agent for spinal muscular atrophy RG7916 (Product name: Evrysdi) in February, and obtained approval for an additional indication for pre-symptomatic spinal muscular atrophy predicted by genetic testing in September 2024.
- We filed for a microdystrophin gene therapy RG6356/SRP-9001 for the treatment of Duchenne muscular dystrophy (DMD) in August 2024.
- We decided to discontinue the development of an engineered anti-tau humanized monoclonal antibody RG6100 for Alzheimer's disease in consideration of the results of overseas clinical studies conducted by Roche.
- We decided to discontinue the development of a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody SA237/RG6168 (Product name: Enspryng) for the treatment of generalized myasthenia gravis in consideration of the results of global Phase III study Luminesce.

Hematology

- A pH-dependent binding humanized anti-complement (C5) monoclonal antibody SKY59/RG6107 (Product name: PiaSky) was approved in China by the National Medical Products Administration (NMPA) of People's Republic of China for the treatment of adults and adolescents (12 years of age and above) with paroxysmal nocturnal hemoglobinuria (PNH) who have not been previously treated with complement inhibitors in February 2024. In addition, we obtained approval for the treatment of PNH in Japan in March, and launched in May 2024. Also, the U.S. Food and Drug Administration approved for the treatment of adult and pediatric patients 13 years and older with PNH and body weight of at least 40 kg in June, and the European Commission approved for the treatment of adults and adolescents (12 years of age or older with a weight of 40 kg and above) with PNH who are either new to, or have been previously treated with C5 inhibitors in August 2024, respectively.

Ophthalmology

- We obtained approval for an ophthalmic VEGF/Ang-2 inhibitor, anti-VEGF/anti-Ang-2 humanized bispecific monoclonal antibody RG7716 (Product name: Vabysmo) for an additional indication of the treatment of macular edema associated with retinal vein occlusion in March 2024. We filed for an additional indication of the treatment of angioid streaks associated with neovascularization in September 2024.

Other Diseases

- An anti-CD20 monoclonal antibody Rituxan was approved by the Ministry of Health, Labour and Welfare (MHLW) for the additional indication of the treatment of refractory steroid-resistant nephrotic syndrome in September 2024.
- We started Phase II study for an anti-IL-8 recycling antibody AMY109 for the treatment of endometriosis in January 2024.
- A therapeutic agent for unstable angina SG-75 (Product name: Sigmart Injection) was approved by the NMPA of People's Republic of China for the treatment of unstable angina in April 2024.
- We started Phase I study for an anti-latent myostatin sweeping antibody GYM329/RG6237 for the treatment of obesity in May 2024.
- We started Phase I/II study for an RNAi therapeutic targeting angiotensinogen RG6615 for the treatment of hypertension in June 2024.
- We started Phase I study for BRY10 for the treatment of chronic diseases in September 2024.

*Note: In (1), amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts and percentages have been calculated using data denominated in ¥0.1 billion units.*

**(2) Overview of financial position for the fiscal year under review** in billions of yen

	December 31, 2024	December 31, 2023	Change in amount
Net operating assets (NOA) and Net assets			
Net working capital	448.7	422.6	26.1
Long-term net operating assets	498.9	478.3	20.6
<b>Net operating assets (NOA)</b>	<b>947.6</b>	<b>900.9</b>	<b>46.7</b>
Net cash	996.3	739.0	257.3
Other non-operating assets – net	(42.5)	(14.3)	(28.2)
<b>Total net assets</b>	<b>1,901.5</b>	<b>1,625.6</b>	<b>275.9</b>
Consolidated balance sheet (IFRS basis)			
Total assets	2,208.4	1,932.5	275.9
Total liabilities	(306.9)	(307.0)	0.1
Total net assets	1,901.5	1,625.6	275.9

Net operating assets (NOA) at December 31, 2024 were ¥947.6 billion, an increase of ¥46.7 billion from the end of the previous fiscal year. Of NOA, net working capital was ¥448.7 billion, an increase of ¥26.1 billion from the end of the previous fiscal year, mainly due to a decrease in trade accounts payable. Long-term net operating assets increased by ¥20.6 billion to ¥498.9 billion since the end of the previous fiscal year, mainly due to the investments in the manufacturing building for bio drug substance (UT3) in the Utsunomiya Plant and the manufacturing building for active pharmaceutical ingredients (FJ3) in the Fujieda Plant.

As indicated in “(3) Overview of cash flows for the fiscal year under review” on the next page, net cash, including marketable securities and interest-bearing debt increased by ¥257.3 billion from the end of the previous fiscal year to ¥996.3 billion. Other non-operating assets – net decreased by ¥28.2 billion from the end of the previous fiscal year to ¥(42.5) billion due mainly to an increase in current income tax liabilities.

As a consequence, total net assets were ¥1,901.5 billion (an increase of ¥275.9 billion since the end of the previous fiscal year).

**Note: Net operating assets (NOA) and Net assets**

The consolidated balance sheet has been prepared in accordance with International Accounting Standards (IAS) No. 1, “Presentation of Financial Statements.” On the other hand, Net operating assets (NOA) and Net assets are a reconfiguration of the consolidated balance sheet as internal indicators and are identical to the indicators disclosed by Roche. Furthermore, no items from Net operating assets (NOA) and Net assets have been excluded, as the Core results concept only applies to the income statement.

For further details, please refer to the Supplementary Materials on page 8, entitled “Financial position.”

**Note: Net operating assets (NOA)**

Net operating assets allow for an assessment of the Group’s operating performance of the business independently from financing and tax activities. Net operating assets are calculated as net working capital, long-term net operating assets that includes property, plant and equipment, intangible assets etc. minus provisions.

*Note: In (2), amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts have been calculated using data denominated in ¥0.1 billion units.*

**(3) Overview of cash flows for the fiscal year under review** in billions of yen

	Year ended December 31		
	2024	2023	% change
Free cash flows			
Operating profit - IFRS basis	542.0	439.2	+23.4
Operating profit, net of operating cash adjustments	584.8	491.5	+19.0
Operating free cash flows	493.4	540.1	(8.6)
<b>Free cash flows</b>	<b>386.8</b>	<b>363.8</b>	<b>+6.3</b>
Net change in net cash	257.3	235.9	+9.1
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	447.6	409.9	+9.2
Cash flows from investing activities	(227.4)	(37.3)	+509.7
Cash flows from financing activities	(141.0)	(139.3)	+1.2
Net change in cash and cash equivalents	81.5	236.5	(65.5)
Cash and cash equivalents at December 31	540.2	458.7	+17.8

Operating profit, net of operating cash adjustments, amounted to ¥584.8 billion (an increase of 19.0% year on year), which was calculated by adjusting for depreciation and other items that are included in operating profit but are not accompanied by cash inflows or outflows and all inflows and outflows related to NOA that are not accompanied by profit and loss.

Operating free cash flows for the fiscal year under review amounted to a net inflow of ¥493.4 billion (a decrease of 8.6% year on year,) mainly due to deducting expenditures of ¥50.4 billion for the purchase of property, plant and equipment from operating profit, net of cash adjustments, in addition to an increase in net working capital of ¥28.8 billion, etc. Factors accounting for the increase in net working capital, etc. are as indicated in “(2) Overview of financial position for the fiscal year under review” on the previous page.

Free cash flows were a net cash inflow of ¥386.8 billion (an increase of 6.3% year on year) due mainly to income taxes paid of ¥100.5 billion from operating free cash flows.

The net change in net cash calculated by subtracting dividends paid of ¥133.2 billion, etc. from free cash flows was an increase of ¥257.3 billion.

The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash inflow of ¥81.5 billion. The cash and cash equivalents balance on December 31, 2024 amounted to ¥540.2 billion.

**Note: Free cash flows (FCF)**

The consolidated statement of cash flows has been prepared in accordance with International Accounting Standard (IAS) No. 7, “Statement of Cash Flows.” FCF is a reconfiguration of the consolidated statement of cash flows as internal indicators and is identical to the indicators disclosed by Roche. Furthermore, no items from FCF have been excluded, as the Core results concept only applies to the income statement.

For further details, please refer to the Supplementary Materials on page 9, entitled “Cash flows.”

**Cash flow related indicators**

	Year ended December 31			
	2024	2023	2022	2021
Ratio of equity attributable to Chugai shareholders (%)	86.1	84.1	76.2	77.2
Ratio of equity attributable to Chugai shareholders on a market basis (%)	521.5	454.8	296.3	399.1
Interest-coverage ratio (times)	4,769.6	5,029.9	4,171.1	5,861.7

Ratio of equity attributable to Chugai shareholders:  $\text{Equity attributable to Chugai shareholders} / \text{Total assets}$

Ratio of equity attributable to Chugai shareholders on a market basis:  $\text{Total market capitalization} / \text{Total assets}$

Interest-coverage ratio:  $\text{Cash flows} / \text{Interest payments}$

*Notes:*

- 1. All of the figures in the aforementioned indicators were calculated on a consolidated basis.*
- 2. Total market capitalization was calculated by multiplying the closing stock price at the end of the period by the total number of outstanding shares at the end of the period (excluding treasury stock).*
- 3. Cash flows from operating activities in the consolidated statement of cash flows were used as cash flows in the calculations above.*
- 4. Interest paid in the consolidated statement of cash flows was used as interest payment in the calculations above.*

*Note: In (3), amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts and percentages have been calculated using data denominated in ¥0.1 billion units.*

**(4) Future outlook*****Forecast assumptions for the next fiscal year (FY2025)***

In preparing Chugai performance outlook, Chugai has assumed exchange rates of ¥171/CHF, ¥160/EUR, ¥148/USD, and ¥113/SGD.

***Outlook for the fiscal year*****Revenues**

Revenues are expected to increase to ¥1,190.0 billion (an increase of 1.7% year on year).

Of revenues, domestic sales are expected to increase to ¥462.5 billion (an increase of 0.3% year on year), due to an increase in sales volume of new products Phesgo and PiaSky as well as mainstay products, despite the decrease in sales caused by the effects of the NHI drug price revisions and the market penetration of generic drugs.

Overseas sales are expected to increase to ¥555.5 billion (an increase of 3.5% year on year), due to factors such as the growth in sales of Hemlibra, Alecensa and NEMLUVIO, despite a decrease in Actemra.

Other revenues are expected to decrease to ¥172.0 billion (a decrease of 0.4% year on year). Royalty and profit-sharing income are forecasted to increase to ¥165.7 billion (an increase of 12.4% year on year), due to an increase in income related to Hemlibra, despite a decrease in income related to Actemra. Other operating income is expected to decrease to ¥6.3 billion (a decrease of 75.1% year on year) due to the decrease in one-time income.

**Core Operating Profit / Core EPS**

Gross profit is expected to be ¥849.0 billion (an increase of 2.0% year on year), with the assumption that the cost to sales ratio is 33.5%, which is a 0.4 percentage point improvement year on year, due to a change in the product mix, etc., in addition to the above outlook on revenues.

Research and development expenses are expected to be ¥178.0 billion (an increase of 0.6% year on year), and selling, general and administration expenses are expected to be ¥101.0 billion (a decrease of 1.2% year on year,) both of which are basically at the same level as the previous year.

As a result, Core operating profit is expected to reach ¥570.0 billion (an increase of 2.5% year on year) and Core net income is expected to increase to ¥410.0 billion (an increase of 3.2% year on year). Core EPS of ¥250.00 (an increase of 3.6% year on year) is also expected.

		(Billions of yen)
	Outlook for FY 2025	% change
Revenues	1,190.0	+1.7
Sales	1,018.0	+2.0
Core operating profit	570.0	+2.5
Core net income	410.0	+3.2

*Note: In (4), amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts and percentages have been calculated using data denominated in ¥0.1 billion units.*

**(5) Capital allocation policy and dividends for the fiscal year under review and the following fiscal year****1) Capital allocation policy**

Chugai is committed to appropriately allocating capital to provide solutions that create value for patients and deliver stable returns to shareholders. This commitment aligns with its mission: “Dedicate ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world.”

**Capital Allocation for “Value Creation”****1. Investment for Creation and Delivery of Innovative Medicine**

We will appropriately allocate capital to create and deliver innovative drugs, by investing in our research and development powered by our unique strength in science and technology, as well as through investments such as in manufacturing facilities for stable supply of high-quality products & investigational drugs.

**2. Expanding “Value Creation Engine”**

We will pursue opportunities of strategic investments including Open Innovation to strengthen drug discovery platforms.

**3. Other Investment Opportunities**

We will appropriately evaluate other investment opportunities which support sustainable growth of Chugai and solutions of social issues such as environmental preservation.

**Shareholder Returns**

Taking into account strategic funding needs and earnings prospects, Chugai sets a target for consolidated dividend payout ratio of 45% on average in comparison with Core EPS, with an aim to continuously provide a stable allocation of profit to all shareholders.

**2) Dividends for the fiscal year under review and the following fiscal year**

In the fiscal year ended December 31, 2024, Chugai achieved an increase in Core net income for the eighth consecutive fiscal year, which resulted in Core EPS increasing by 19.0% year on year.

Reflecting the favorable results and based on our principles of “a stable allocation of profit” and “aiming for a consolidated dividend payout ratio of 45% on average in comparison with Core EPS,” year-end dividends for the fiscal year ended December 31, 2024 are planned to be ¥57 per share. As a result, the annual dividend per share will be ¥98 per share, and the Core dividend payout ratio is 40.6% (an average of 40.3% for the past five years).

For the following fiscal year ending December 31, 2025, Chugai expects annual dividends of ¥100 in regular dividends (interim dividends of ¥50 and year-end dividends of ¥50) and ¥150 as special dividends for the company's 100th anniversary (interim dividends of ¥75 and year-end dividends of ¥75) for a total of ¥250 per share. As a result, the Core dividend payout ratio for 2025 is expected to be 100.0% (54.1% on a five-year average basis).

	Amount decided	Latest forecast for dividend (October 25, 2024)	Actual in the previous fiscal year (ended December 31, 2023)
Record date	December 31, 2024	December 31, 2024	December 31, 2023
Year-end dividends per share	¥57.00	Undecided	¥40.00
Total dividends	¥93,795 million	—	¥65,813 million
Effective date	March 28, 2025	—	March 29, 2024
Dividend resource	Retained earnings	—	Retained earnings

## 2. Management Principles and Goals

### (1) Basic management principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Group upholds its Mission of “dedicating ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world” and its Envisioned Future of “becoming a top innovator for advanced and sustainable patient-centric healthcare.” Backed by its basic management principles to create shared value and develop hand in hand with society, the Group has developed a value-creation model based on a value-creation framework to bring about the realization of advanced and sustainable patient-centric healthcare.

Under these basic management principles, the Group has organized the elements that are to become the source of shared value creation and identified material issues that should be given priority. In 2024, Chugai conducted a comprehensive revision of its materiality and identified 16 material issues that should be given priority. In assessing importance, we assessed from the perspective of double materiality: “the impact of the environment and society on the company (financial materiality)” and “the impact of the company on the environment and society (impact materiality).”

As the Group works to achieve these goals, it will carry out its business activities in line with its Core Values of “Patient Centric,” “Pioneering Spirit” and “Integrity.”

The Group is convinced that these activities will contribute to enhancing the sustainability of society as a whole, while laying a foundation for the long-term development of the Group.

### (2) Target management indicators

The Group places emphasis on increasing corporate value by generating innovation, and prioritizes the allocation of management resources to the development of innovative new drugs. The Group works to conduct flexible and agile business operations, in order to achieve stable profit growth over the short- to medium-term, while focusing on Core ROIC as an indicator of investment efficiency over the long term. In addition, whenever making investment decisions such as individual development projects, the Group carries out an evaluation of investment value based on capital costs, and makes decisions with emphasis on profitability and efficiency.

Chugai formulated a growth strategy toward 2030, “TOP I 2030” (described later) in 2021, and has been working to achieve the goals of “Double R&D output” and “Launch global in-house products every year.” In promoting “TOP I 2030,” Chugai has determined to stop formulating medium-term (three years) management plans, and instead it has set and manages goals (in three to five years) as medium-term milestones so that it can fill the gap between the current state and goals by backcasting from the long-term goals. In this way, Chugai aims to achieve its long-term goals while modifying plans in an agile and flexible manner in accordance with the progress of the plans and changes in the environment. Chugai will disclose the status of progress of its medium- to long-term business activities, by explaining the progress of medium-term milestones and the outlook for R&D pipelines, and indicate the path for achieving these objectives. Chugai also plans to continue disclosing single-year earnings forecasts and providing explanation on the management status at briefing sessions and other meetings, in order to report the progress of the business strategies set forth by Chugai in a timely manner.

### (3) Management environment and issues to be addressed

The world abounds with diseases that currently have no cure. Moreover, there are growing expectations and needs for pharmaceuticals due to an increase in the world population and progressive demographic graying in each country. In addition, dramatic advances in life sciences, generative AI, and other digital technologies are expanding opportunities to create innovations to solve healthcare issues, including those in other industries. Meanwhile, more and more stringent policies to curb medical expenditures, including drug costs, are being implemented amid the strain on budgets in each country due to an increase in social security costs such as medical expenditures. The realization of sustainable medical care has become a common issue in the world. As such, in order to realize advanced and sustainable medical care with limited resources, the trend toward VBHC (Value Based Healthcare) is steadily gaining momentum, in which only solutions that offer true value are pursued. Additionally, digital companies as well as various other players are now entering the healthcare area, which has given rise to intensification more than ever before of competition beyond the scope of existing industries. Furthermore, with the increasing uncertainty surrounding business operations due to geopolitical risks, energy prices, inflation, and other factors, we are faced with a wide range of issues that need to be addressed in operating businesses including the protection of the earth environment and information security measures.

Under these circumstances, “the pursuit of innovation” is the most important challenge in order to fulfill the Group’s mission of providing innovative drugs. In order to realize optimal medical care for each and every patient, there is a need for the development of new drugs that respond to unmet medical needs through the search for new therapy targets and further innovation in drug discovery technologies. The key to securing a competitive advantage is to acquire and enhance capabilities that break through conventional drug discovery abilities, while flexibly incorporating new technologies that leverage advances in life sciences as well as the evolution of digital technologies such as big data and AI. In addition, amid an increasingly severe business environment for pharmaceutical companies due to increased financial pressure on a worldwide scale, there is even greater need of transformation to a structure that enables concentrated investment of limited resources on innovation.

The Group achieved top-class growth in Japan based on its unique strengths in science and technology and its strategic alliance with Roche. The Group concentrates resources on in-house drug discovery and continuously generates innovative R&D projects, through the business model that leverages the Roche global platform and achieves a high level of productivity in the late-stage development and sales of its own products, while securing a stable revenue foundation on the Japanese market through Roche’s fully stocked pipeline. As a result, the Group’s drug discovery capabilities have been highly evaluated worldwide, with six drugs and nine projects in which the drugs discovered by Chugai (including Actemra, Alecensa, Hemlibra, Enspryng and Nemolizumab) are designated as Breakthrough Therapy\* by the U.S. Food and Drug Administration (FDA).

Going forward, the Group will continue to strive to enhance our corporate value and solve social issues through the swift development and delivery of innovative new drugs to patients.

\* Breakthrough Therapy: Drug candidates that are expected to be more effective than existing therapies for treating serious or life-threatening diseases or conditions.

#### **(4) Growth strategy for 2030 “TOP I 2030”**

With a view toward realizing the Envisioned Future set out in its Mission Statement, the Group has formulated and implemented “TOP I 2030,” a growth strategy to achieve this goal since 2021, while materializing the vision of what it means to be a top innovator by 2030. In July 2024, the Group reviewed the progress and outcomes so far and further refined its strategy.

Our envisioned Top Innovator in 2030:

1. “Expectation from patients all over the world”  
A company with drug discovery capabilities that meet the world’s highest standards, and which offers hope to patients around the world, that “Chugai will surely create new treatments”
2. “Attracting talent and players from around the world”  
A company that attracts passionate talent from all over the world, and inspire players involved in healthcare around the world to think they can create something new by partnering with Chugai
3. “Role model for the world”  
A company that places sustainability at the core of its business activities and serves as a global role model by playing a leading role in solving social issues

The twin pillars of “TOP I 2030” consist of “Global First-Class Drug Discovery” and “Futuristic Business Model.”

By making use of its unique science and technology capabilities, Chugai has successfully created numerous innovative new drugs. In the next decade, the Group will seek to build and strengthen its system for continuously delivering solutions that respond to the unmet medical needs of the world, while making substantial improvements to its drug discovery capabilities. Specifically, the Group aims to double its current R&D output over the next ten years, in order to become a company that is capable of launching innovative in-house developed global products every year.

The Group will also work on creating an advanced business model that takes into account changes in the environment and technological evolution. In particular, the Group aims to dramatically improve productivity throughout its value chain, and to expand value and product value for each and every patient, by fundamentally restructuring our processes and the value creation model through the utilization of digital technology in all value chains.

As specific initiatives, the Group has set forth in “TOP I 2030” “five reforms” to realize the twin pillars of the strategy. These reforms comprise “Drug Discovery,” “Development,” “Pharmaceutical Technology,” and “Value Delivery” in line with each value chain and “Foundation for Growth” that serves as support.

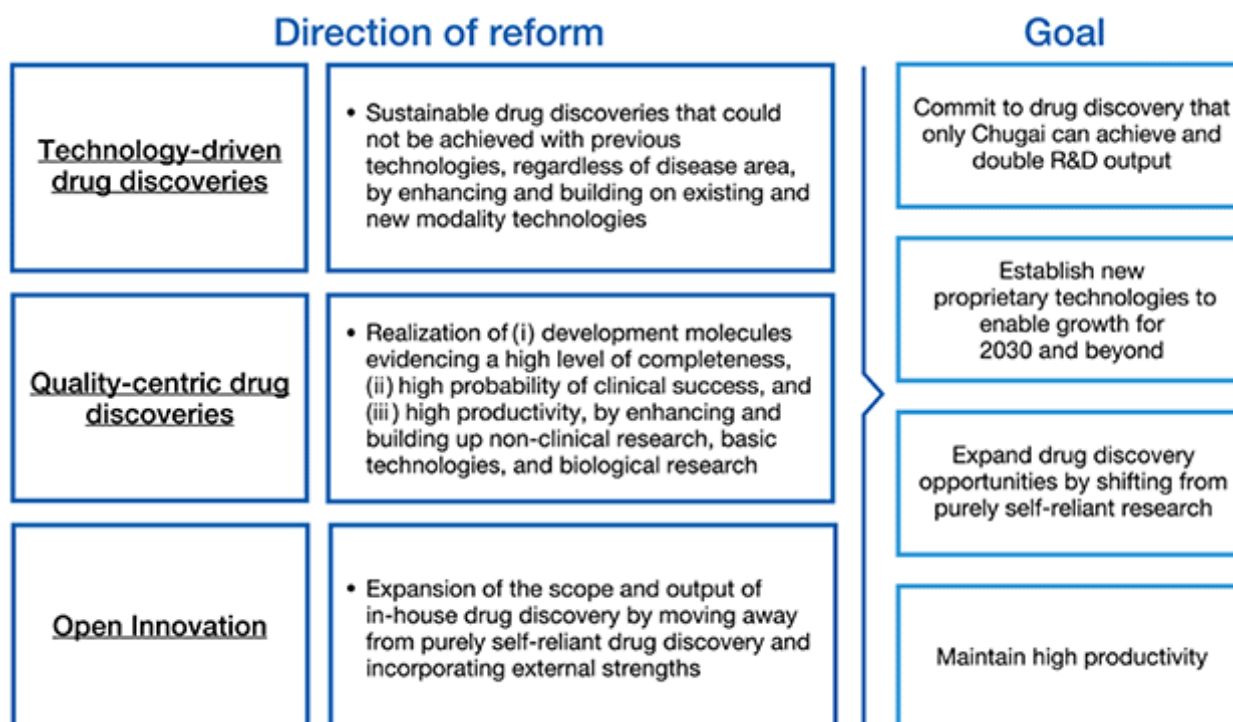


## 1) Drug Discovery

Growth Strategy [TOP 1 2030]

## ① Drug Discovery

We will pursue drug discoveries based on the R&D Principles and establish unique technologies and produce output by strengthening open innovation.



In drug discovery, Chugai, based on the R&D Principles, aims to reform existing technologies including small molecule and antibody technologies while also achieving approaches to targets, which had traditionally been considered difficult as well as mechanisms of actions that had been unattainable under current technologies by pursuing new modalities such as mid-size molecules. Additionally, we will ensure a high clinical trial success rate by attempting to create high-quality development candidate molecules that are uncompromising in every aspect including efficacy, safety, DMPK<sup>\*1</sup>, and physical properties.

We have always prided ourselves in our strong track record of collaborating with academia in Japan to create numerous commercial products and we are currently focusing on collaborating with academia and start-ups both in Japan and overseas. In January 2024, Chugai Venture Fund (CVF), headquartered in the US, commenced activities as a corporate venture capital, which aspires not only to standalone drug discovery but also to proactively seek out third-party technology and targets, combine them with its proprietary strengths, and expand drug discovery opportunities. We will address unresolved medical needs, pursue innovative drug discoveries that will lead to cures, early intervention, and prevention, and continue to contribute to the improvement of patients' quality of life (QOL).

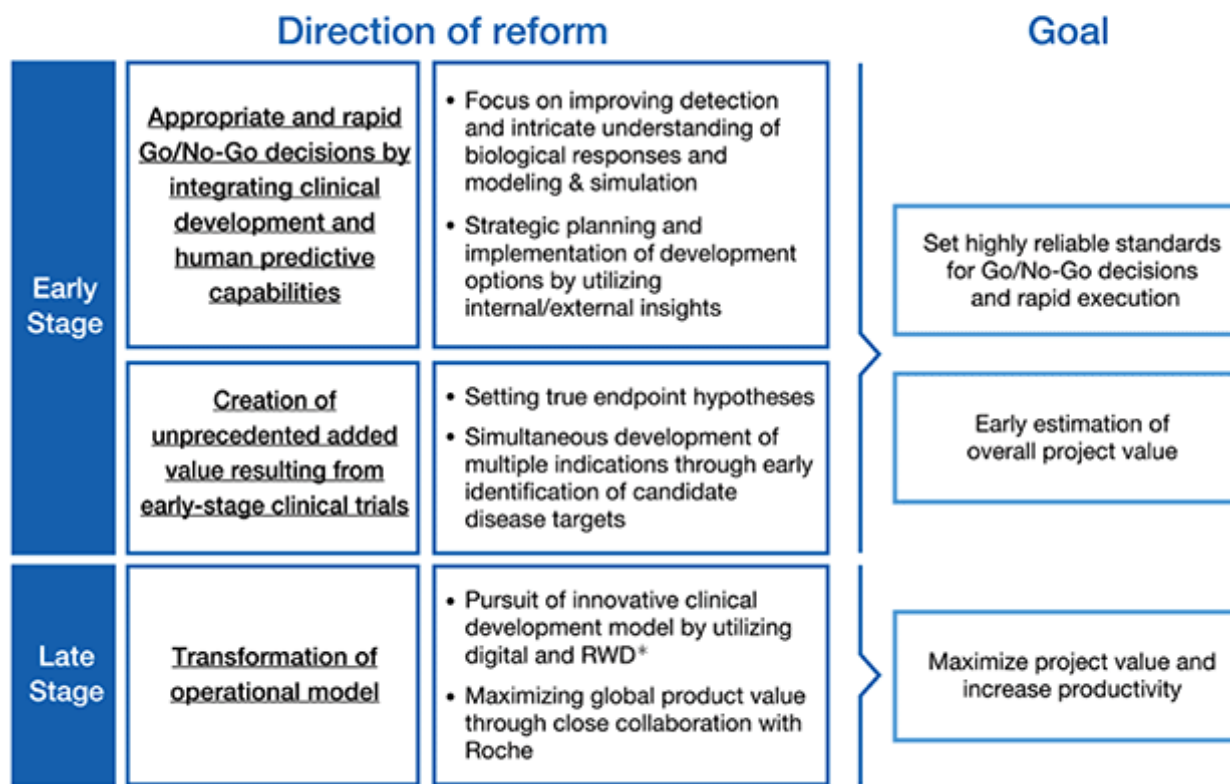
\*1: The process by which a candidate is absorbed, distributed, metabolized and excreted by the body (Drug Metabolism and Pharmacokinetics)

## 2) Development

Growth Strategy 「TOP I 2030」

## ② Development

Especially in early development, we will pursue strengthened Go/No-Go decision-making and early maximization of project value, along with continuous transformation of our operational model.



\* RWD : Real World Data

As we advance TOP I 2030, an increasing number of projects will move to clinical development. Appropriate and rapid Go/No-Go decisions will be made by integrating clinical development and human predictive capabilities<sup>\*2</sup> and when it is determined that there is a high probability of commercialization as a pharmaceutical, we will proceed with simultaneous development for multiple indications to maximize the overall project value as early as possible. In addition, we will maximize the value provided to patients by demonstrating the True Endpoint<sup>\*3</sup> at an earlier stage, leading to late-stage development.

In late-stage development, we leverage digital technology and Real World Data (RWD) to re-evaluate the very nature of clinical tests, to create new value that will lead the industry as a whole and further reform the operational model. Furthermore, in our collaboration with Roche, by providing input into development strategies and study plans, we will also contribute to maximizing global product value by improving the success rate.

Through these initiatives, Chugai will seek to maximize project value and improve productivity.

\*2: Modeling and simulating the pharmacokinetics and biological responses of drugs within the human body

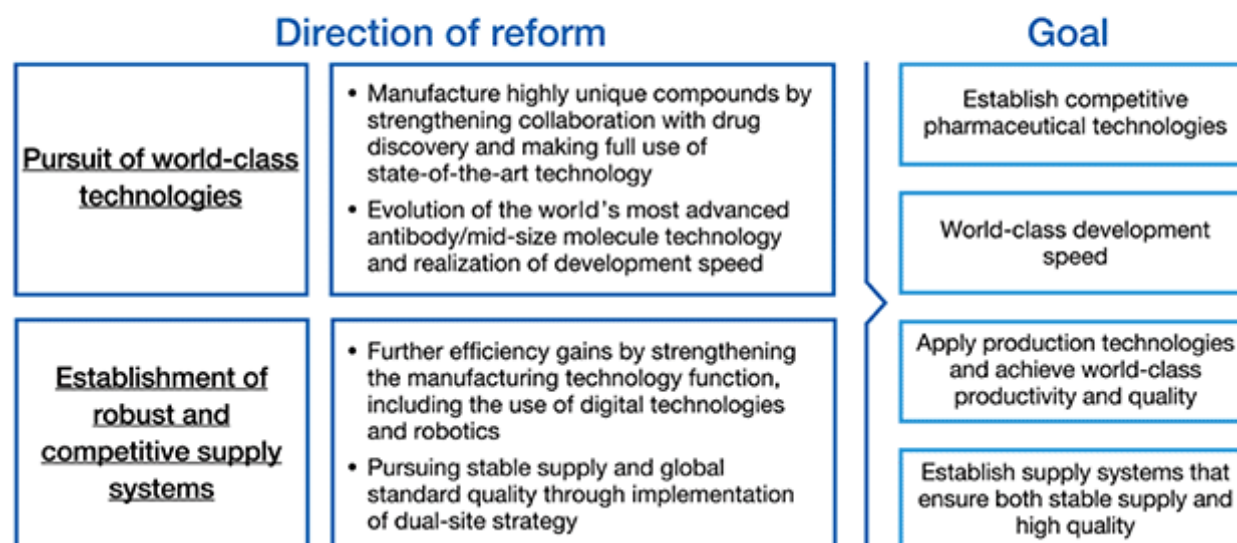
\*3: The true value that contributes to improving patients' quality of life (QOL)

## 3) Pharmaceutical Technology

Growth Strategy 「TOP 1 2030」

③ **Pharmaceutical Technology**

We will pursue world-class technologies to deliver drug discovery ideas to patients as pharmaceutical products and realize highly competitive drug manufacturing technologies in terms of quality, speed, and cost.



Along with the goal of “doubling the R&D output,” we will pursue world-class pharmaceutical technologies to deliver new drug discovery ideas including mid-size molecules as commercial products to our patients. We will strengthen the collaboration between the drug discovery/early development and pharmaceutical functions more than ever before and establish technologies in API, formulation, and analysis for highly active compounds that are extremely difficult to turn into drugs and establish a production system. In the field of antibodies, also, by pursuing further technological development, we will shorten the period from the selection of projects for clinical development to the application for clinical trials and speed up the development process.

In production, we will improve efficiency by bolstering our production technology including the utilization of digital and robotics technologies while at the same time prepare for disasters and geopolitical risks and focus on building a robust and competitive supply system. We will pursue various initiatives toward realizing smart factories as well as a dual-site strategy based on collaboration with third-party partners such as CMOs<sup>\*4</sup> after product launch, and proactively make the required capital investments to ensure a stable supply and global quality standards.

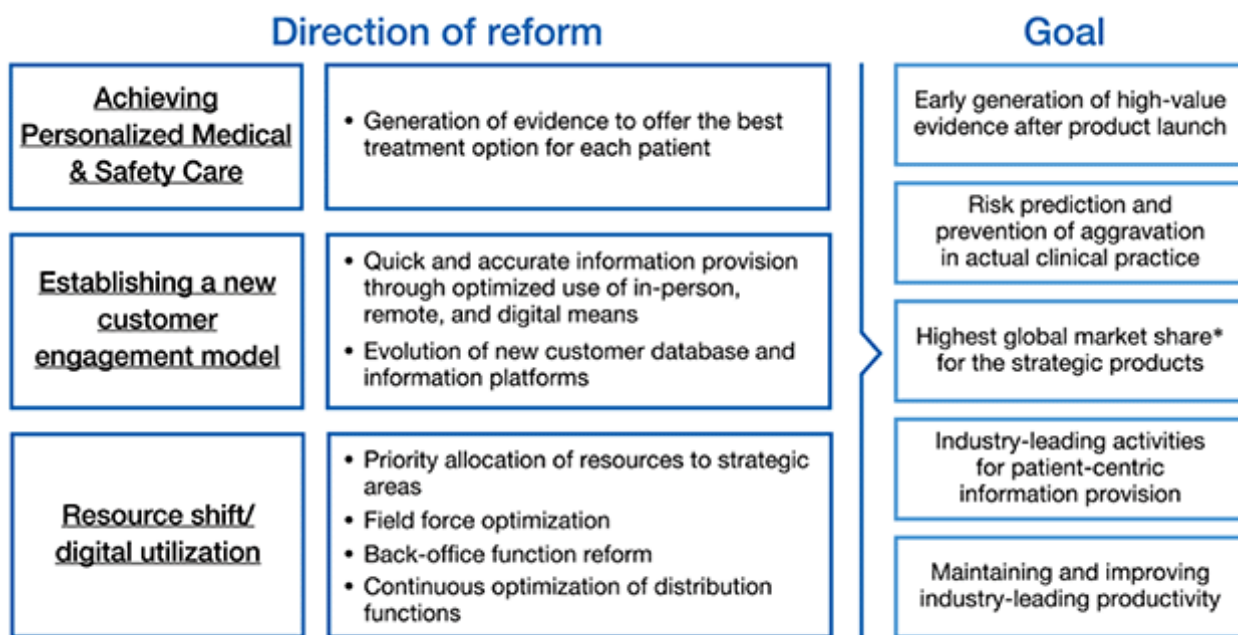
\*4: Contract Manufacturing Organization (CMO)

## 4) Value Delivery

Growth Strategy [TOP 1 2030]

## ④ Value Delivery

We will pursue rapid evidence generation that contributes to optimal patient-centric treatment selection and provide advanced value with high productivity through the establishment of a customer engagement model.



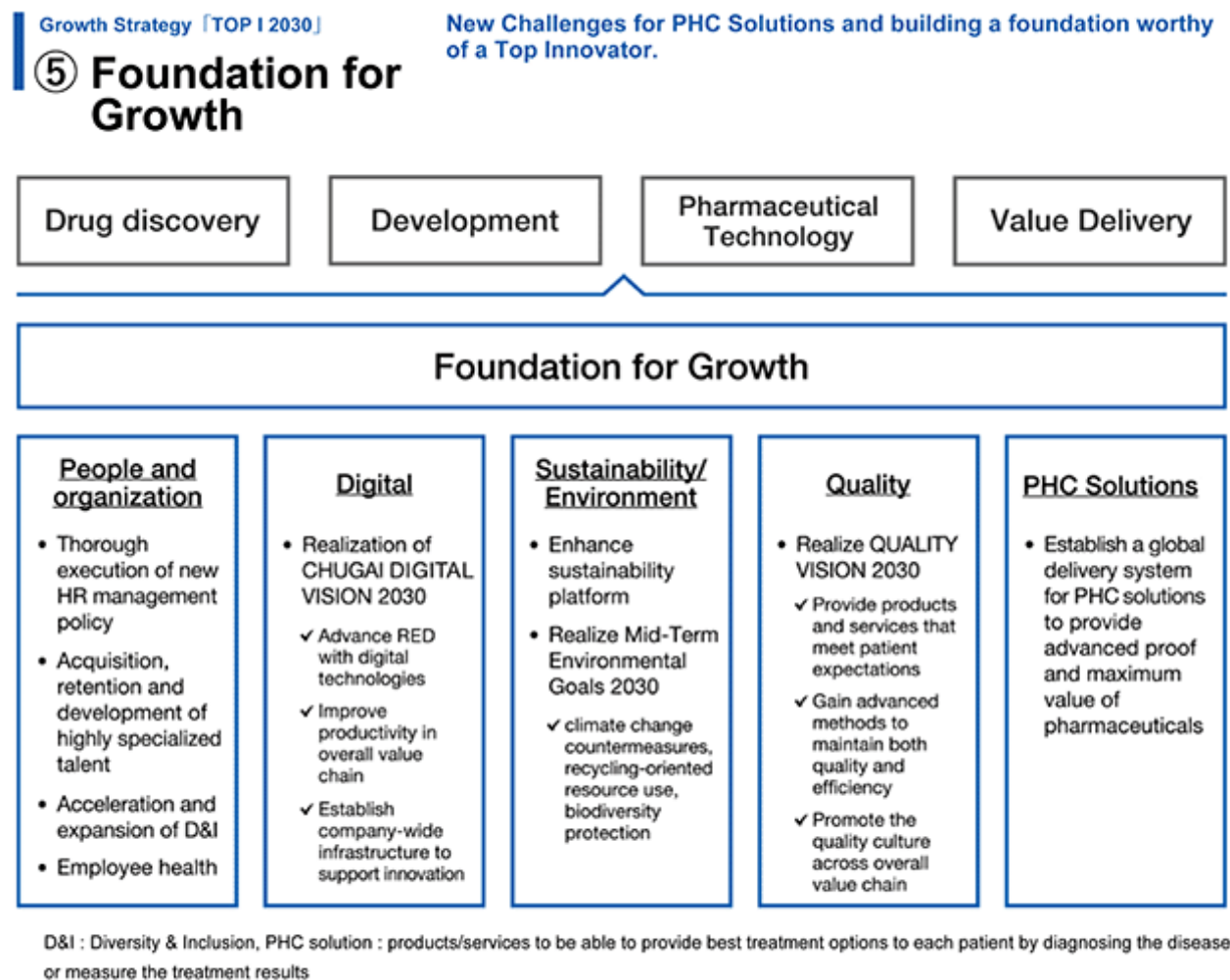
\* within Roche group

In terms of the Value Delivery function, we will pursue more than ever before “rapid evidence generation that contributes to optimal patient-centric treatment selection” and provide “advanced value with high productivity through the establishment of a customer engagement model.” Specific measures include collaborating with Roche and academia to implement high-quality clinical studies and post-marketing surveillance to provide high-value evidence at the earliest possible post-marketing stage. In addition, we will utilize clinical and translational research findings to predict adverse effects and avoid their increased severity in clinical trials, thereby promoting efforts for appropriate use aligned with individual patients.

As for the establishment of a new customer engagement model, in an environment where customer interactions have changed dramatically, we are rolling out multi-channel strategies combining real, remote, and digital channels. Chugai will continue to build a system that allows for a flexible system that is responsive to the increasingly diverse needs of customers to optimize the provision of value.

To improve the organization’s efficiency, we have been identifying operations in which investments should be prioritized and further promoting the shift of resources to growth and new areas. To this end, we will also continue to consider streamlining our operations, such as transferring mature products to third parties. We will also promote fundamental reforms that are not bound by conventional practices and processes, such as digitalization, outsourcing, and business consolidation.

## 5) Foundation for Growth



In parallel with the reforms of each value chain, the Group will continue to strengthen the following five areas, in particular, as the company-wide foundation that supports the generation of innovation and the realization of its growth strategy.

“People and Organization”:

We will strengthen our human capital by thoroughly implementing a human resources management policy based on our management strategy. In addition to fully operating an HR system that encourages employees to take on new challenges regardless of their age or other attributes, we will support each employee’s autonomous learning and growth, including career development, and focus on the acquisition and development of highly specialized human resources who will be key in implementing our business strategies. We will also foster an organizational culture that generates innovation through the promotion of D&I and aim for a higher level of measures and policies to promote the health of all employees.

“Digital”:

Under CHUGAI DIGITAL VISION 2030, we aim to transform our business by using digital technologies to make Chugai a Top Innovator in the provision of society-changing healthcare solutions. Specifically, we are working together with each organization to create innovative new drugs and optimize all value chains through the use of various digital technologies. Additionally, we will continue to promote the development of digital human resources and the enhancement of IT infrastructure that will lead to increased business value, with the aim of building a company-wide infrastructure that supports the creation of innovation.



**“Sustainability/Environment”:**

With sustainability at the core of our business activities, we aim to reduce our environmental impact on society through the continuation of our initiatives to achieve the challenging targets of Chugai’s Mid-Term Environmental Goals 2030. Specifically, we will continue to work on climate change countermeasures by reducing CO<sub>2</sub> emissions, energy consumption and fluorocarbons consumption, use of renewable and recycled resources along with reduce waste and water consumption, and protection biodiversity by reducing the use of hazardous waste. In addition to environmental initiatives, we will improve governance and enhance transparency through increased information disclosure.

**“Quality”:**

In terms of quality, we will lead the world with the quality of our products, information, and processes and the human resources to realize them, and we will promote and spread Chugai quality outside the company. To this end, we will ensure that our products and services meet the expectations of patients, acquire advanced methods that combine quality and efficiency, and promote collaboration with our partners. Additionally, we will instill a “quality culture,” which is the basis for all of these activities, in all of our value chains.

**“PHC Solutions”:**

Patient needs are becoming increasingly diverse and complex. In the creation and provision of innovative drugs, efforts to precisely diagnose pathologies and measure therapeutic effects will become increasingly important in order to show proof of value and maximize their efficacy. Based on the knowledge gained through the Insight Business initiative, PHC Solutions aims to establish a global delivery system that will advance and maximize the verification of values of pharmaceuticals.

**3. Basic Approach to the Selection of Accounting Standards**

The Group engages actively in international business with the aim of providing a continuous flow of innovative medical products domestically and internationally. These activities include sales of pharmaceuticals and research and development overseas. In light of this, International Financial Reporting Standards (IFRS) has been adopted from the first quarter of the fiscal year ended December 31, 2013 to improve the international comparability of financial information for investors and other users of the financial statements.

## 4. Consolidated Financial Statements and Major Notes

### (1) Consolidated income statement and consolidated statement of comprehensive income

#### 1) Consolidated income statement in millions of yen

	Year ended December 31	
	2024	2023
<b>Revenues</b>	<b>1,170,611</b>	<b>1,111,367</b>
Sales	997,901	974,493
Other revenue	172,710	136,874
Cost of sales	(339,409)	(413,306)
<b>Gross profit</b>	<b>831,201</b>	<b>698,061</b>
Research and development	(181,440)	(174,868)
Selling, general and administration	(110,098)	(112,580)
Other operating income (expense)	2,339	28,561
<b>Operating profit</b>	<b>542,002</b>	<b>439,174</b>
Financing costs	5	(27)
Other financial income (expense)	1,027	4,674
<b>Profit before taxes</b>	<b>543,034</b>	<b>443,821</b>
Income taxes	(155,717)	(118,349)
<b>Net income</b>	<b>387,317</b>	<b>325,472</b>
Attributable to:		
Chugai shareholders	387,317	325,472
Earnings per share		
Basic (yen)	235.39	197.83
Diluted (yen)	235.36	197.80

**2) Consolidated statement of comprehensive income** in millions of yen

	Year ended December 31	
	2024	2023
<b>Net income recognized in income statement</b>	<b>387,317</b>	<b>325,472</b>
Other comprehensive income		
Remeasurements of defined benefit plans	4,170	2,055
Financial assets measured at fair value through OCI	(330)	(168)
<b>Items that will never be reclassified to the income statement</b>	<b>3,840</b>	<b>1,886</b>
Financial assets measured at fair value through OCI	5	6
Cash flow hedges	12,906	(2,121)
Currency translation of foreign operations	4,587	7,012
<b>Items that are or may be reclassified to the income statement</b>	<b>17,499</b>	<b>4,897</b>
<b>Other comprehensive income, net of tax</b>	<b>21,338</b>	<b>6,783</b>
<b>Total comprehensive income</b>	<b>408,655</b>	<b>332,256</b>
Attributable to:		
Chugai shareholders	408,655	332,256



**(2) Consolidated balance sheet** in millions of yen

	December 31, 2024	December 31, 2023
Assets		
Non-current assets:		
Property, plant and equipment	433,129	409,939
Right-of-use assets	8,425	10,762
Intangible assets	17,868	19,860
Deferred tax assets	69,835	64,474
Defined benefit plan assets	13,978	7,481
Other non-current assets	59,094	53,605
<b>Total non-current assets</b>	<b>602,330</b>	<b>566,121</b>
Current assets:		
Inventories	240,067	273,480
Accounts receivable	334,256	318,892
Current income tax assets	896	1,456
Marketable securities	456,143	280,308
Cash and cash equivalents	540,202	458,674
Other current assets	34,479	33,616
<b>Total current assets</b>	<b>1,606,043</b>	<b>1,366,426</b>
<b>Total assets</b>	<b>2,208,373</b>	<b>1,932,547</b>
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(5,076)	(5,787)
Defined benefit plan liabilities	(3,935)	(3,146)
Long-term provisions	(2,188)	(2,593)
Other non-current liabilities	(5,319)	(7,224)
<b>Total non-current liabilities</b>	<b>(16,516)</b>	<b>(18,750)</b>
Current liabilities:		
Current income tax liabilities	(108,732)	(40,798)
Short-term provisions	(2,974)	(3,442)
Accounts payable	(65,353)	(112,468)
Other current liabilities	(113,298)	(131,510)
<b>Total current liabilities</b>	<b>(290,357)</b>	<b>(288,217)</b>
<b>Total liabilities</b>	<b>(306,873)</b>	<b>(306,967)</b>
<b>Total net assets</b>	<b>1,901,499</b>	<b>1,625,580</b>
Equity:		
Capital and reserves attributable to Chugai shareholders	1,901,499	1,625,580
<b>Total equity</b>	<b>1,901,499</b>	<b>1,625,580</b>
<b>Total liabilities and equity</b>	<b>2,208,373</b>	<b>1,932,547</b>

**(3) Consolidated statement of cash flows** in millions of yen

	Year ended December 31	
	2024	2023
Cash flows from operating activities		
Cash generated from operations	589,546	462,722
(Increase) decrease in working capital	(28,843)	130,634
Payments made for defined benefit plans	(2,680)	(2,887)
Utilization of provisions	(3,524)	(2,227)
Other operating cash flows	(6,422)	(2,244)
<b>Cash flows from operating activities, before income taxes paid</b>	<b>548,078</b>	<b>585,998</b>
Income taxes paid	(100,477)	(176,074)
<b>Total cash flows from operating activities</b>	<b>447,600</b>	<b>409,925</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(50,415)	(71,948)
Purchase of intangible assets	(3,974)	(2,310)
Disposal of property, plant and equipment	(510)	19,346
Disposal of intangible assets	2,289	15,160
Interest and dividends received	2,784	1,482
Purchases of marketable securities	(945,462)	(545,705)
Sales of marketable securities	771,015	546,620
Purchases of investment securities	(3,092)	(278)
Sales of investment securities	—	342
<b>Total cash flows from investing activities</b>	<b>(227,365)</b>	<b>(37,290)</b>
Cash flows from financing activities		
Interest paid	(94)	(81)
Lease liabilities paid	(8,148)	(7,868)
Dividends paid to Chugai shareholders	(133,249)	(131,594)
Exercise of equity compensation plans	168	217
(Increase) decrease in own equity instruments	(10)	(5)
Other financing activities	328	—
<b>Total cash flows from financing activities</b>	<b>(141,006)</b>	<b>(139,331)</b>
Net effect of currency translation on cash and cash equivalents	2,299	3,202
<b>Increase (decrease) in cash and cash equivalents</b>	<b>81,528</b>	<b>236,505</b>
Cash and cash equivalents at January 1	458,674	222,169
<b>Cash and cash equivalents at December 31</b>	<b>540,202</b>	<b>458,674</b>

**(4) Consolidated statement of changes in equity** in millions of yen

	Attributable to Chugai shareholders					Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	
<b>Year ended December 31, 2023</b>						
<b>At January 1, 2023</b>	<b>73,202</b>	<b>68,806</b>	<b>1,293,352</b>	<b>(10,973)</b>	<b>1,424,387</b>	<b>1,424,387</b>
Net income	—	—	325,472	—	325,472	325,472
Financial assets measured at fair value through OCI	—	—	—	(163)	(163)	(163)
Cash flow hedges	—	—	—	(2,121)	(2,121)	(2,121)
Currency translation of foreign operations	—	—	—	7,012	7,012	7,012
Remeasurements of defined benefit plans	—	—	2,055	—	2,055	2,055
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>327,527</b>	<b>4,729</b>	<b>332,256</b>	<b>332,256</b>
Dividends	—	—	(131,612)	—	(131,612)	(131,612)
Equity compensation plans	—	17	—	—	17	17
Own equity instruments	—	533	—	—	533	533
Transfer from other reserves to retained earnings	—	—	(529)	529	—	—
<b>At December 31, 2023</b>	<b>73,202</b>	<b>69,355</b>	<b>1,488,738</b>	<b>(5,715)</b>	<b>1,625,580</b>	<b>1,625,580</b>
<b>Year ended December 31, 2024</b>						
<b>At January 1, 2024</b>	<b>73,202</b>	<b>69,355</b>	<b>1,488,738</b>	<b>(5,715)</b>	<b>1,625,580</b>	<b>1,625,580</b>
Net income	—	—	387,317	—	387,317	387,317
Financial assets measured at fair value through OCI	—	—	—	(325)	(325)	(325)
Cash flow hedges	—	—	—	12,906	12,906	12,906
Currency translation of foreign operations	—	—	—	4,587	4,587	4,587
Remeasurements of defined benefit plans	—	—	4,170	—	4,170	4,170
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>391,487</b>	<b>17,168</b>	<b>408,655</b>	<b>408,655</b>
Dividends	—	—	(133,277)	—	(133,277)	(133,277)
Equity compensation plans	—	31	—	—	31	31
Own equity instruments	—	509	—	—	509	509
Transfer from other reserves to retained earnings	—	—	(14)	14	—	—
<b>At December 31, 2024</b>	<b>73,202</b>	<b>69,896</b>	<b>1,746,934</b>	<b>11,468</b>	<b>1,901,499</b>	<b>1,901,499</b>

**(5) Notes regarding the going concern assumption**

None

**(6) Notes regarding the consolidated financial statements****1) General accounting principles and significant accounting policies****a. Basis of preparation of the consolidated financial statements**

These financial statements are the annual consolidated financial statements (“Consolidated Financial Statements”) of Chugai, a company registered in Japan, and its subsidiaries (“the Group”). The common stock of Chugai is publicly traded and listed on the Tokyo Stock Exchange under the stock code “TSE: 4519.” The Consolidated Financial Statements were approved by Board of Directors on January 30, 2025.

Roche Holding Ltd. is a public company registered in Switzerland and the parent company of the Roche Group, which discloses its results in accordance with International Financial Reporting Standards (“IFRS”). The shareholding percentage of Roche Holding Ltd. in Chugai is 59.89% (61.11% of the total number of shares issued excluding treasury stock). The Group became principal members of the Roche Group after entering into a strategic alliance in October 2002.

The Group meets all of the requirements for a “Specified Company under Designated International Financial Reporting Standards” as stipulated under Article 1-2, Item (i) of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Ordinance No. 28, 1976, “the Ordinance”). Hence, in accordance with Article 312 of the Ordinance, the Consolidated Financial Statements have been prepared in accordance with IFRS.

The Consolidated Financial Statements are presented in Japanese yen, which is Chugai’s functional currency and amounts are rounded to the nearest ¥1 million. They have been prepared using the historical cost convention except for items that are required to be accounted for at fair value.

**b. Key accounting judgments, estimates and assumptions**

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and contingent amounts. Actual outcomes could differ from those management estimates. The estimates and underlying assumptions are reviewed on an on-going basis and are based on historical experience and various other factors. Revisions to estimates are recognized in the period in which the estimate is revised.

The information for judgment, estimates, and assumptions that have a material impact on the amount recognized in the Consolidated Financial Statements of the Group is principally the same for the prior fiscal year.

**c. Changes in accounting policies**

The Group applies the same significant accounting policies that were applied to the Consolidated Financial Statements of the previous fiscal year.

Although minor changes have been made to certain accounting standards, they do not have a material impact on the Group’s overall results and financial position.

**d. Future new and revised standards**

Of the material standards and interpretations newly issued or revised in the period up to the date of approval of the consolidated financial statements, those that have not been early adopted by the Group are as follows:

**IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces three new categories – operating, investing, and financing – to the income statement, and requires the presentation of operating profit, profit before financing and income taxes, and net income.

In addition, concerning management-defined performance measures, IFRS 18 requires the disclosure of the calculation method applied, the reason for its selection, and reconciliation.

This standard is mandatory for fiscal years beginning on or after January 1, 2027. The Group plans to adopt this standard from fiscal year 2027 but is currently assessing the potential impacts of this standard.

The Group is also currently assessing the potential impacts of other new standards and interpretations that will be effective from January 1, 2025 and beyond. Based on the analysis to date, the Group does not anticipate that these will have a material impact on the Group’s overall results and financial position.

**2) Operating segment information**

The Group has a single business of pharmaceuticals and does not have multiple operating segments. The Group's pharmaceuticals business consists of research and development of new prescription medicines and subsequent manufacturing, marketing and distribution activities. These functional activities are integrated and managed effectively.

**Information on revenues by geographical area in millions of yen**

	2024		2023	
	Sales	Other revenue	Sales	Other revenue
Japan	461,125	2,790	557,996	1,237
Overseas	536,776	169,920	416,496	135,637
of which Switzerland	506,336	168,491	389,151	122,729
<b>Total</b>	<b>997,901</b>	<b>172,710</b>	<b>974,493</b>	<b>136,874</b>

**Information by major customer in millions of yen**

	2024	2023
F. Hoffmann-La Roche Ltd.	652,725	511,881
Alfresa Corporation	72,722	85,542

**3) Other operating income (expense)**

The breakdown of other operating income (expense) is as follows.

	2024	2023
<b>Other operating income (expenses) (millions of yen)</b>		
Other operating income	2,839	29,182
Other operating expenses	(500)	(621)
<b>Total</b>	<b>2,339</b>	<b>28,561</b>

Among other operating income for the fiscal year under review, the major component was ¥2,289 of income from disposal of product rights.

Among other operating income for the previous fiscal year, the major components were ¥14,677 million of income from disposal of product rights and ¥13,910 million of gain on sales of non-current assets.

**4) Earnings per share****Basic earnings per share**

	2024	2023
<b>Net income attributable to Chugai shareholders (millions of yen)</b>	<b>387,317</b>	<b>325,472</b>
Weighted average number of common stock	1,679,057,667	1,679,057,667
Weighted average number of treasury stock	(33,611,653)	(33,848,851)
<b>Weighted average number of shares in issue</b>	<b>1,645,446,014</b>	<b>1,645,208,816</b>
<b>Basic earnings per share (yen)</b>	<b>235.39</b>	<b>197.83</b>

**Diluted earnings per share**

	2024	2023
<b>Net income attributable to Chugai shareholders (millions of yen)</b>	<b>387,317</b>	<b>325,472</b>
Weighted average number of shares in issue	1,645,446,014	1,645,208,816
Adjustment for assumed exercise of equity compensation plans, where dilutive	191,133	290,167
<b>Weighted average number of shares in issue used to calculate diluted earnings per share</b>	<b>1,645,637,147</b>	<b>1,645,498,983</b>
<b>Diluted earnings per share (yen)</b>	<b>235.36</b>	<b>197.80</b>

There were no stock options that were eliminated from the weighted average number of shares in issue used to calculate diluted earnings per share since they do not have dilutive effects.

**5) Statement of cash flows****Cash flows from operating activities**

Cash flows from operating activities arise from the Group's primary activities including research and development, manufacturing and sales in the Pharmaceuticals business. These are calculated by the indirect method by adjusting the Group's operating profit for any operating income and expenses that are not cash flows (for example depreciation, amortization and impairment) in order to derive the cash generated from operations. Operating cash flows also include income taxes paid on all activities.

**Cash generated from operations** in millions of yen

	2024	2023
Net income	387,317	325,472
Financing costs	(5)	27
Other financial income (expense)	(1,027)	(4,674)
Income taxes	155,717	118,349
<b>Operating profit</b>	<b>542,002</b>	<b>439,174</b>
Depreciation of property, plant and equipment	24,240	24,318
Depreciation of right-of-use assets	5,280	4,828
Amortization of intangible assets	2,145	2,594
Impairment of property, plant and equipment	1,555	706
Impairment of intangible assets	4,243	5,052
Operating expense for defined benefit plans	3,011	3,456
Operating expense for equity-settled equity compensation plans	383	338
Net (income) expense for provisions	2,615	3,366
Inventory write-downs	3,650	4,593
Net (gain) loss on disposal of property, plant and equipment	868	(12,479)
Net (gain) loss on disposal of intangible assets	(2,289)	(15,160)
Other adjustments	1,844	1,934
<b>Cash generated from operations</b>	<b>589,546</b>	<b>462,722</b>

**Cash flows from investing activities**

Cash flows from investing activities are principally those arising from the Group's investments in property, plant and equipment and intangible assets. Cash flows connected with the Group's portfolio of marketable securities and other investments are also included, as are any interest and dividend payments received in respect of these securities and investments.

**Interest and dividends received** in millions of yen

	2024	2023
Interest received	2,783	1,482
Dividends received	1	1
<b>Total</b>	<b>2,784</b>	<b>1,482</b>

**Cash flows from financing activities**

Cash flows from financing activities are primarily dividend payments to Chugai shareholders and lease liabilities paid.

**Significant non-cash transactions**

There were no significant non-cash transactions (2023: none).

**6) Related parties****a. Controlling shareholder**

Effective from October 2002, Chugai concluded a strategic alliance with Roche to become a leading research-based Japanese pharmaceutical company, which was formed by the merger of Chugai and Roche's Japanese pharmaceuticals subsidiary, Nippon Roche. Through the merger, Chugai became a principal member of the Roche Group as the surviving company.

Chugai has entered into certain agreements with Roche, which are discussed below:

**Basic Alliance Agreement:** As part of the Basic Alliance Agreement signed in December 2001, Roche and Chugai entered into certain arrangements covering the future operation and governance of Chugai. Amongst other matters, these cover the following areas:

- The structuring of the alliance.
- Roche's rights as a shareholder.
- Roche's rights to nominate members of Chugai's Board of Directors.
- Certain limitations to Roche's ability in transactions to buy or sell Chugai's common stock.

Chugai may issue additional shares of common stock in connection with its convertible debt and equity compensation plans, and for other purposes. If this occurs, Roche has the pre-emptive right to acquire the shares, in order to maintain its current and future shareholding ratio in Chugai.

**Licensing Agreements:** Under the Japan Umbrella Rights Agreement signed in December 2001, Chugai has exclusive rights to market the Roche Group's pharmaceutical products in Japan. Chugai also has the right of first refusal on the development and marketing in Japan of all development compounds held by Roche.

The Rest of the World Umbrella Rights Agreement (excluding Japan and South Korea) signed in May 2002 was revised and the Amended and Restated Rest of the World Umbrella Rights Agreement (excluding Japan, South Korea and Taiwan) was signed in August 2014. Under this Agreement, Roche has the right of first refusal on the development and marketing of Chugai's development compounds in markets outside Japan, excluding South Korea and Taiwan.

Further to these agreements, Roche and Chugai have signed a series of separate agreements for each development candidate. Depending on the specific circumstances and the terms of the agreement, this may result in payments on an arm's length basis between Roche and Chugai, for any or all of the following matters:

- Upfront payments, if a right of first refusal to license a development candidate is exercised.
- Milestone payments, dependent upon the achievement of agreed performance targets.
- Royalties on future product sales.

These specific product agreements may also cover the manufacture, supply etc. of the respective products to meet the other party's clinical and/or commercial requirements on an arm's length basis.

**Research Collaboration Agreements:** Roche and Chugai have entered into research collaboration agreements in the areas of small-molecule synthetic drug research and biotechnology-based drug discovery.

**Dividends:** The dividends distributed to Roche by Chugai in respect to its holdings of Chugai shares totaled ¥81,459 million (2023: ¥80,454 million).



**b. Material transactions and balances with related parties****Transactions with F. Hoffmann-La Roche** in millions of yen

	2024	2023
Revenues	652,725	511,881
Purchases	164,608	272,122

**Balances with F. Hoffmann-La Roche** in millions of yen

	December 31, 2024	December 31, 2023
Accounts receivable	201,957	164,696
Trade accounts payable	7,327	40,491

**c. Remuneration of key management personnel****Remuneration to the members of Board of Directors and Audit & Supervisory board** in millions of yen

	2024	2023
Board of Directors		
— Regular remuneration	286	265
— Bonuses	165	151
— Tenure-based restricted stock compensation	100	102
— Performance-based restricted stock compensation	74	74
<b>Total</b>	<b>624</b>	<b>591</b>
Audit & Supervisory Board		
— Regular remuneration	120	115
<b>Total</b>	<b>120</b>	<b>115</b>

**7) Subsequent events**

There were no subsequent events in the fiscal year under review.