CHUGAI
Roche Group

Annual Report 2021

Fiscal year ended December 31, 2021

CHUGAI PHARMACEUTICAL CO., LTD.

INNOVATION
BEYOND IMAGINATION

Chugai's Business Model

Two Revenue Bases

Products from Chugai research

Specialized in highly innovative drug discovery and addressing unmet medical needs

Out-licensing to Roche and global market development

Drives growth

Products in-licensed from Roche

Reins in R&D costs and enables efficient development

Exclusive domestic sales

Secures stable revenues

1 Global growth

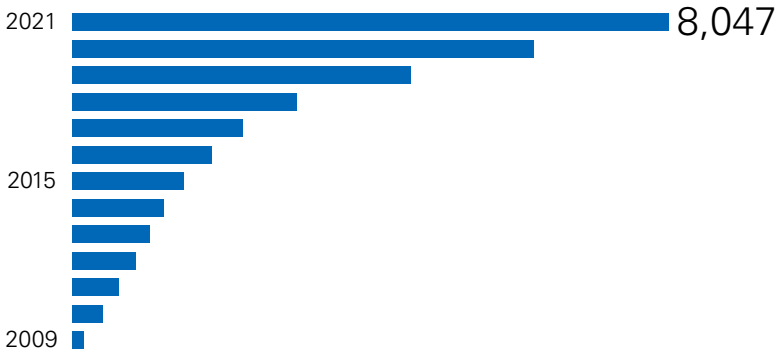
2 A well-stocked pipeline

3 Strong domestic presence in therapeutic antibodies

Performance in 2021 That Embodies This Business Model

1 Global growth

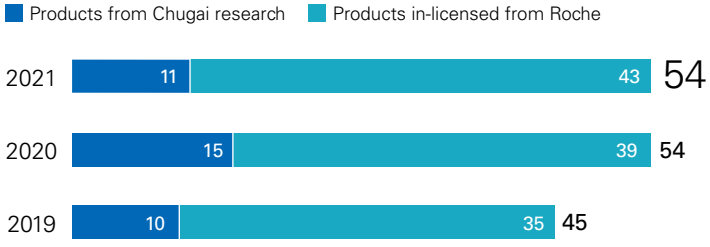
Global sales of products from Chugai research[1] (Millions of CHF)



Chugai achieved rapid global growth by delivering a constant stream of products from Chugai research via the Roche network to patients around the world. In 2021, there was steady market penetration by Hemlibra and increased demand for Actemra, mainly overseas, to treat patients with severe COVID-19, such that global sales of these products increased and drove growth by the Roche Group. This global growth creates a positive cycle whereby the Roche Group is able to increase investment of resources and Chugai is able to in-license additional enhanced products from Roche.

2 A well-stocked pipeline

Number of pipeline projects

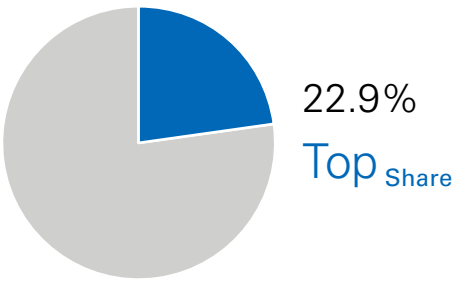


Note: Products from Chugai research in 2020 and 2021 included products in-licensed from a third party (one in 2020, one in 2021).

Development of products from Chugai research and of products in-licensed from Roche is progressing steadily, thanks to our focused allocation of business resources in innovative drug discovery and our highly efficient development activities, including the collaboration with Roche. This has allowed us to maintain a robust pipeline in terms of both quality and quantity. In 2021, we started clinical development on two in-house projects, including our first mid-size molecule drug LUNA18, and we also in-licensed three projects from Roche.

3 Strong domestic presence in therapeutic antibodies

Sales share in the Japanese therapeutic antibody market (excluding Ronapreve)[2]



Chugai has established a defined presence in Japan through its innovative products and the delivery of solutions for healthcare professionals and medical facilities (marketing, medical affairs, drug safety). In 2021, we maintained our top position in Japan for sales share in the Japanese therapeutic antibody market, sales share in oncology,[2] satisfaction ranking in oncology based on healthcare professionals' assessments,[3] and adequacy ranking for provision of safety information.[4]

1. Actemra (approved overseas in 2009), Alecensa (approved overseas in 2015), Hemlibra (approved overseas in 2017), and Enspryng (approved overseas in 2020)
2. Copyright © 2022 IQVIA. Source: JPM 2021 (calendar year). Reprinted with permission. The scope of the market is defined by Chugai.
3. Source: Multimedia White Paper on Physicians _ Autumn 2021 published by MCI, based on the survey of oncologists "owned media ranking (2nd), non-pharma medical websites ranking (1st)"
4. Source: Total results of all respondents of "INTAGE Healthcare Inc., 2021 questionnaire about safety information needs"

Themes of the Year (January to December 2021)

In February 2021, we announced TOP I 2030*, a 10-year growth strategy designed to realize our goal of becoming a top innovator by the year 2030.

In 2021, the first year of TOP I 2030, we progressed steadily with its individual strategies. As well as achieving marked progress in research and development, we were able to post record results in financial terms.

* TOP expresses our aspiration to become "the world's top innovator, not just in Japan." The "I" has two meanings: in addition to "innovator," it also expresses that each and every member of the Chugai Group plays an important role in our efforts to realize TOP I 2030.

TOP INNOVATOR TOP I 2030

R&D Results

Added to pipeline
8 projects

Number of academic papers and presentations on research findings at scientific conferences
75

New products launched and new indications
10

Financial Performance

Revenues
¥999.8 billion
(+27.1% YoY)

Operating profit (Core)
¥434.1 billion
(+43.4% YoY)

Market capitalization
(As of the end of March 2022)
¥6.9 trillion

Activity Themes

R&D

- Addition to pipeline of LUNA18 in the new modality of mid-size molecule drugs
- Out-licensing to Roche at the phase I stage of SOF10, an in-house developed therapeutic antibody that is expected to be effective in types of cancer resistant to immunotherapy
- Approval of Ronapreve for additional indication as a preventive treatment of symptomatic COVID-19, addition of subcutaneous injection as administration method
- Approval for expansion of Actemra indications to include COVID-19-associated pneumonia (EU, Japan; January 2022)
- Approval and market launch of Polivy and Evrysdi
- Service launch of FoundationOne Liquid CDx, a cancer gene panel test using blood samples

Pharmaceutical Technology and Solutions

- Construction of new facilities at the Fujieda and Ukima plants to enhance the supply system for small and mid-size molecules and biological active pharmaceutical ingredients (APIs)
- Start of rollout of eConsent, which uses images, videos, etc., to explain the content of clinical studies to patients in an easily accessible manner
- Launch of new customer database and information platform

Foundation for Growth

- Acceleration of digital transformation (DX) activities, continuation of listing as a DX Stock in 2021
- Setting of Mid-Term Environmental Goals 2030. Setting of associated goal of zero CO_2 emissions for 2050
- Continuation of listing in DJSI World, an index of top global companies for environmental, social, and governance (ESG) investment (2nd place globally in the Pharmaceutical Sector)

Contents

Forward-Looking Statements

This report may include forward-looking statements pertaining to the business and prospects of Chugai Pharmaceutical Co., Ltd. (the "Company"). These statements reflect the Company's current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's businesses.

Disclaimer

In this report, information on pharmaceutical products or drug candidates under development may be included, but such information is not intended for promotional or advertising purposes, or as medical advice, etc. The trademarks appearing in the report are protected by trademark rights, copyright, and other intellectual property (IP) rights.

About the Cover

Chugai's brand character ChuLabo observes people around the world as they engage in the ordinary routines of everyday life. The cover expresses Chugai's commitment to protecting that everyday life by working day by day to generate innovation through its R&D activities.

Vision

The Chugai Group aims to achieve its Mission Statement based on the strategic alliance with Roche as a platform to achieve further competitive advantage as well as sustained profit growth and an expansion in corporate value. At the same time, the Group will create shared value with society through innovation to help resolve social issues, with a focus on delivering innovative pharmaceuticals.

Mission Statement

The Chugai Group upholds its Mission Statement—which consists of its Mission, its Core Values, and its Envisioned Future—in order to meet a diverse array of stakeholder expectations as it realizes its corporate responsibility to society. It is on the basis of this Mission Statement that the Chugai Group conducts its business operations.

Mission

Dedicate ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world

Core Values

1. Patient Centric
   Make each patient's wellbeing our highest priority
2. Pioneering Spirit
   Pursue innovation by improving ourselves and thinking differently
3. Integrity
   Maintain the highest standards in all we do to create shared value with society

Envisioned Future

Become a top innovator for advanced and sustainable patient-centric healthcare, powered by our unique strengths in science and technology and the alliance with Roche

History to Date and Envisioned Future for 2030

From foundation to 2000

1925
Founded in response to shortages of medicine in Japan

Since 1930s
Import and sales of drugs
Manufacturing and sales of over-the-counter (OTC) drugs

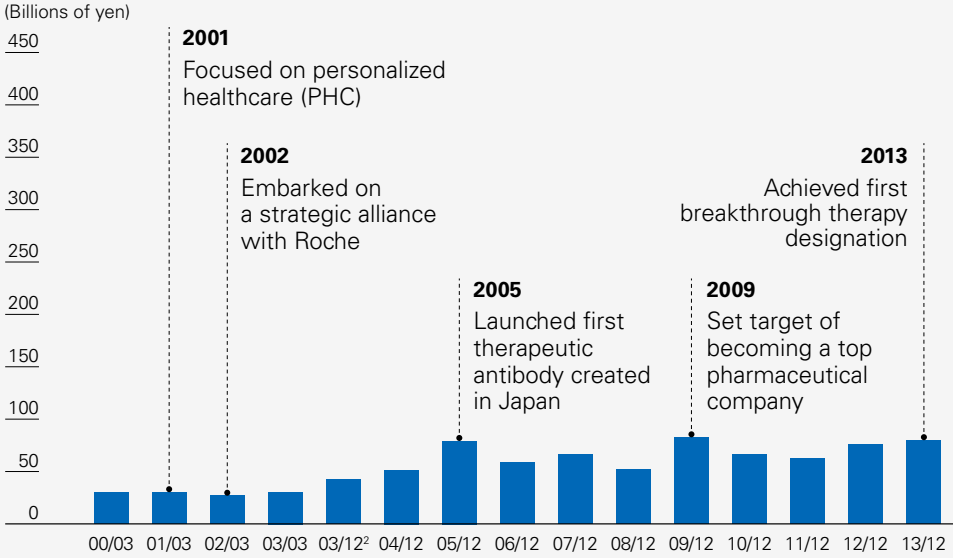
Since 1960s
Shift to prescription pharmaceuticals
Developed research strengths

Since 1980s
Stepped up development and marketing of drugs from Chugai research
Focused on research into biopharmaceuticals

2000

2010

Operating profit between 2000 and 2021[1]



Evolution of discovery technology

Mid-size molecule

Antibody

Technologies to create best-in-class antibodies[3]

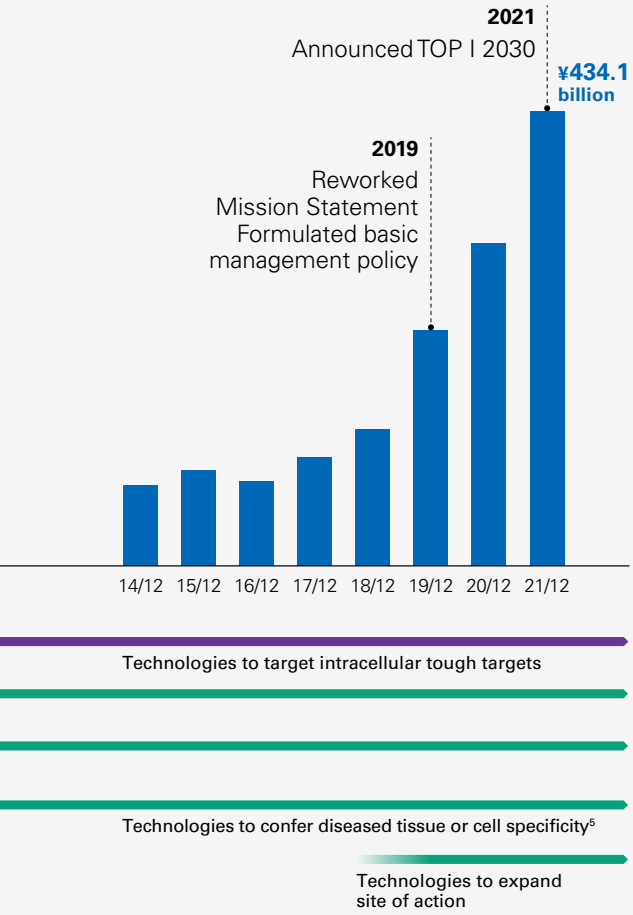
Technologies to create antibodies with unique mode of action[4]

Chugai was founded in 1925 in response to the shortage of medicine after the Great Kanto Earthquake. The business environment continued to change thereafter and Chugai ran its operations by adapting its business model accordingly. Since 2000, Chugai has decided the focus should be on accelerating innovation and contributing to patients around the world. The Company started its strategic alliance with the world-leading pharmaceutical company Roche in 2002. As we approach the 20th anniversary of this alliance, Chugai has a unique business model that has produced sustained growth. As an example, the Company has increased revenues 6.1-fold, operating profit 16.3-fold, and market capitalization 20.5-fold compared with pre-alliance figures.

Chugai has also taken its research and development to world-class levels, refining antibody engineering technologies and other unique drug discovery technologies, creating a series of innovative new drugs, and receiving breakthrough therapy designation from the U.S. Food and Drug Administration (FDA) for a total of six products/nine projects. Business plans over the past few years have generated a steady flow of results in both quantitative and qualitative terms such that the Company has been able to achieve the top pharmaceutical company target set in 2009. Given these results and the challenges facing society, Chugai declared in 2019 that it would work toward advanced and sustainable patient-centric healthcare based on the creation of shared value. In 2021, the Company defined a specific strategy aimed at becoming a top innovator in the healthcare industry in 2030. Chugai is pursuing the TOP I 2030 growth strategy to achieve this goal.

1. Chugai reports its results on a Core basis from 2013 in conjunction with its decision to adopt IFRS. Core basis results are the IFRS basis results adjusted by excluding non-Core items. The items regarded as non-Core by Chugai may differ from those considered as such by Roche due to differences in business scale and range as well as other factors.
2. The fiscal year-end was changed to December 31 at the General Meeting of Shareholders held on June 25, 2003, so the fiscal year ended December 2003 was a nine-month year running from April 1, 2003 to December 31, 2003. 3. With such attributes as improved stability and pharmacokinetics profile, or reduced immunogenicity 4. Such as bispecific antibodies, recycling antibodies, sweeping antibodies, or T-cell redirecting antibodies (TRABs) 5. Such as switch antibodies, next-generation TRABs, LINC-Ig, or PAC-Ig

2021



Envisioned Future for 2030

Top Innovator in the Healthcare Industry

Expectation from Patients All over the World

With world-class drug discovery capabilities, patients around the world expect that "Chugai will surely create new treatments."

Attracting Talent and Players from around the World

Attract passionate talent from all over the world and inspire players globally to think they can create something new by partnering with Chugai.

Role Model for the World

Recognized for ESG initiatives through its business activities, Chugai will become a global role model as a leader in resolving social issues.

Previous Mid-Term Business Plans

From 2008 to 2012

Sunrise 2012

Formulation and launch of the "top pharmaceutical company" goal

Strategies
- Strengthen portfolio management
- Exhibit strategic marketing functions
- Maximize Company-wide productivity

Results and issues
- Established high profitability
- Continuous stream of in-house candidates into clinical development
- Developed and established proprietary antibody engineering technologies
- Promoted PHC

From 2013 to 2015

ACCEL 15

Prepare the foundation for achieving the "top pharmaceutical company" goal

Strategies
- Increase marketing productivity
- Accelerate global development
- Continuously generate innovative projects
- Further strengthen management infrastructure

Results and issues
- Product growth exceeding market average
- Global development of products from Chugai research
- Strengthened R&D structure
- Enhanced functions for providing solutions

From 2016 to 2018

IBI 18

Realization of the "top pharmaceutical company" goal

Strategies
- Acquisition and implementation of competitiveness at a top global level
- Selection and concentration strategy to accelerate growth

Results and issues
- Achieved record-high results
- Continuously created therapeutic antibody projects and enhanced the mid-size molecule drug creation technology platform
- New products approved, prepared to accelerate growth
- Created a structure for providing solutions by region

From 2019 to 2020

IBI 21

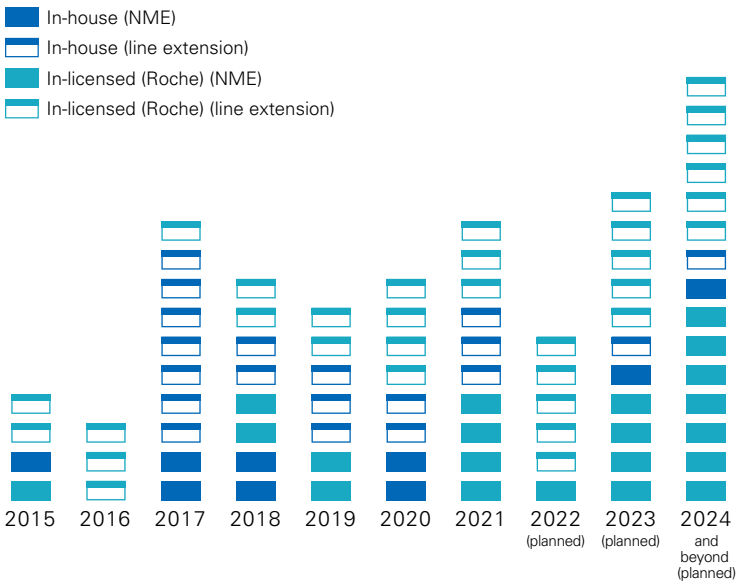
Creating shared value through innovation

Strategy
- Create global growth drivers and maximize value, and strengthen human resources and infrastructure that support Chugai's business

Results and issues
- Reached targets in two years, completed plan one year ahead of schedule
- Global growth of products from Chugai research, domestic growth of new products
- Made steady progress with in-house drug discovery themes including mid-size molecules
- Further development of products from Chugai research
- Enhanced the foundation for growth, including human resources and digital infrastructure

Expectation from Patients All over the World

Number of new products launched and additional indications to date / Projected submissions



"Double R&D output" &
"Launch in-house global products every year"

As part of our top innovator vision that we aim to achieve by 2030, we have set a goal of "expectation from patients all over the world" based on the idea of pursuing innovation for patients. With world-class drug discovery capabilities, patients around the world expect that "Chugai will surely create new treatments."

So many people around the world still suffer from diseases that have no cure or have many medical challenges. By pursuing patient-centric innovation, Chugai aims to solve unmet medical needs one step at a time, working to achieve new advances in existing modalities, develop completely new modalities, and strengthen technology platforms or artificial intelligence (AI) drug discovery. We will build advanced business models across the entire value chain and prioritize the investment of our resources in Research and Early Development (RED) functions, thereby generating innovation that offers true value for patients. By achieving our TOP I 2030 targets of "Double R&D output" and "Launch in-house global products every year", we will continue to share the results of our value creation with the world.

What Do We Expect of Chugai?

From a Patient Group Representative

What we would like Chugai to focus on is individual lives

I was a soprano back in 2016 when I experienced my first episode of neuromyelitis optica spectrum disorder (NMOSD). The lower half of my body became paralyzed during this first episode, but I was surrounded by all sorts of people, including healthcare professionals like doctors, physiotherapists, and pharmacists, who put a lot of thought into my future and my personality, as well as how to manage the disease. They helped me to get back on stage again.

NMOSD is designated as an intractable disease like multiple sclerosis (MS). The cause of NMOSD is not clearly understood and very few doctors are familiar with this disease. NMOSD is often regarded as the same as MS, even though it is a completely different disease, so this prompted us to set up NMOSD Patients' Organization in Japan (NMOJ) specifically for NMOSD. Patients want access to accurate information on this disease and to hear other patients' experiences to give an idea of what the future holds. There is very little information out there on NMOSD.

I understand that drugs that prevent relapses have a large role to play, but in my experience NMOSD patients are actually rather cautious about drug treatment. NMOSD can cause very different symptoms in different patients, such as visual impairment, paralysis, pain, or extreme fatigue, so individual patients have different treatment needs. We tend to think that pharmaceutical companies operate in their own world away from the experience of patients, but it should be possible to overcome these barriers and have a better understanding of medicines if patients get to know the engagement and intentions of individual company employees. I think that all the people working at Chugai really believe in what they are doing and I hope to talk with them a lot more in the future.

I hope that Chugai will develop new medicines with a focus on the lives of individual patients and will help us all to develop a better mutual understanding.

Mamiko Sakaida
Director, NMOSD Patients' Organization in Japan (NMOJ)
Soprano

Ready to Meet These Expectations

From the Enspryng Product Manager

Our goals are the same as Ms. Sakaida's. Our mission is to help healthcare professionals better understand this rare disease, especially as there are so few specialists with expertise in this area. At the same time, we think it is important to create an environment where patients can enjoy the life they lead, so we are working to make the general public more aware of this disease as well. Chugai creates short films and works on joint projects with fashion magazines so that the general public has a better understanding of what NMOSD patients experience. We plan to continue a dialogue with patient groups to understand the real needs of individual patients and be able to develop true solutions. We think getting feedback in this way is essential for what we do.

Takao Tori
Primary Marketing & Sales Promotion Department

WEB "I Wanted to Understand What I Didn't Understand When I Took That Child on a Trip," NMOSD disease awareness short film
https://youtu.be/j0APE3vep_o (in Japanese only)

Attracting Talent and Players from around the World

Some of the factors that attract talent and players

Drug Discovery	In-house projects in the development pipeline **11**	Academic papers and presentations on research findings at scientific conferences **75**[1]
Development	Breakthrough therapy designations **6** products, **9** projects	Number of pipeline projects **54**
Pharmaceutical Technology	**Technology platforms for next-generation antibodies or mid-size molecules**	**Initiatives to build smart factories**
Value Delivery	Sales share for therapeutic antibodies, oncology **No. 1**[2] in Japan	Adequacy ranking for provision of drug safety information **No. 1**[3] in Japan
Foundation for Growth	Employee awareness survey (2020) Employee engagement **Top level in global terms** All question categories **Above Japanese company average**	**Pursuing Mid-Term Environmental Goals 2030** **Pursuing CHUGAI DIGITAL VISION 2030**

Pharmaceutical companies and other industry players are tackling innovation in the field of global healthcare. The capabilities of our human resources are the source of value creation that will allow Chugai to become a top-class innovator. We aim to attract passionate talent from all over the world and inspire healthcare players globally to think they can create something new by partnering with Chugai.

For business partnering as well, we need to be a company that constantly creates new results and value, continues to take on completely new challenges, and inspires people so that they enjoy working with us. We aim to show leadership and strengthen our presence in the healthcare industry and global pharmaceutical business, working to evolve our functions in drug discovery, development, pharmaceutical technology, value delivery, and foundation for growth while also responding in an agile fashion to environmental change. In our partnerships, we will share our goals with academia and with organizations and companies working on new technologies, new modalities, AI drug discovery, and other advanced fields, with the aim of accelerating open innovation.

1. Total of drug discovery and pharmaceutical technology
2. Copyright © 2022 IQVIA. Source: JPM 2021 (calendar year). Reprinted with permission. The scope of the market is defined by Chugai.
3. Source: Total results of all respondents of "INTAGE Healthcare Inc., 2021 questionnaire about safety information needs"

What Do We Expect of Chugai?

From a Research Partner

Making the most of our partnership, plus a culture of friendly rivalry

The Immunology Frontier Research Center (IFReC) at Osaka University is a world-class research institution in immunology that aims to create cutting-edge research outcomes and return them to society. Our mission is to conduct basic research to understand the fundamental principles of life, so we have not used our resources in areas such as applied research that directly return outcomes to society.

We took a major step forward in addressing this issue with the comprehensive partnership agreed with Chugai in 2017. This partnership is building bridges between basic and applied research through joint research, conducted at our center, under a clear framework that divides roles into either basic research or applied research aimed at drug discovery. We are engaging in high-level discussions with Chugai's expert biology researchers and combining our diverse expertise and experience to come up with new ideas.

The time is past when companies simply followed the lead of academics on how to utilize research outcomes. Looking ahead, we hope Chugai researchers will be even more forthcoming in sharing their ideas so we can build a truly equal partnership. Industry and academia now need to collaborate and engage in a spirit of friendly rivalry, otherwise their research will not contribute to society. Having taken this first step of a comprehensive partnership with industry, I would like to see the scope for our collaborations further expand, and I believe it is also important for us in academia to create new systems such as joint research facilities for use by academia and companies alike. Let's all work together in this spirit of friendly rivalry.

Kiyoshi Takeda, M.D., Ph.D.
Director, WPI, IFReC, Osaka University

Ready to Meet These Expectations

From a research member of the Joint Research Chair of Innovative Drug Discovery in Immunology, the Collaboration Promotion Laboratory in the IFReC

We are honored that Prof. Takeda is interested in progressing our comprehensive partnership. For this, I understand how important it is to never stop working on our innovative research. We will continue to work with our collaborators to create groundbreaking new drugs and reach our common goal of contributing to both patients and society. To do this, we need to constantly improve our technologies and develop high-level expertise.

If we make the most of this comprehensive agreement, I am confident we will have the best opportunity to take the results of academic research and deliver them to patients and society. I want to push forward with cutting-edge research through honest communication with our collaborators.

Ryusuke Omiya
Group Manager, Discovery Pharmacology Department, Research Division

Role Model for the World

Taking the lead to resolve social issues

For Society

Identify expectations/ demands and respond at a high level

- Continuously monitor changing expectations / demands
- Earn top-level ESG ratings
- Be a company indispensable to society

Within Chugai

Create shared value through innovation

- Pursue innovation in both results and process
- Proactively adapt to changes in the business environment at the individual workplace level
- Continuously progress in terms of dialogue and disclosure

As management of ESG increasingly comes under the spotlight in the future, Chugai, which has declared its support for the United Nations Sustainable Development Goals (SDGs) in line with its basic management policy of creating shared value with society, aims to become a global role model for the creation of social value. Specifically, we aim to be recognized for our ESG initiatives through our business activities and the leading role Chugai takes to resolve social issues.

To achieve this, it is important to go through the plan-do-check-act (PDCA) cycle that involves society's evaluation and analysis of Chugai and the innovation we create at the company. We will work to further develop our reputation as a top-class company as demonstrated by various indices and will also analyze these indices and engage interactively with society to better understand ever-changing expectations and demands. We will pursue further innovation at all our workplaces in order to respond to these expectations and demands at a high level. By effectively moving through this PDCA cycle, we will be more proactive in our engagement with stakeholders and step up the disclosure of information on ESG.

What Do We Expect of Chugai?

From an Institutional Investor

Looking at issues head on and constantly moving forward

Chugai has long had a good reputation for its investor relations, and in recent years the Company has also made obvious progress with ESG. A good example is the specific focus on ESG as a business strategy at an ESG briefing in 2021. Other companies would benefit from taking a look at what Chugai did here. I think that Chugai has generated results from its honest efforts to address the expectations and demands of both society and capital markets, through dialogue and various types of research.

Now the challenges mostly lie with governance. There is still inadequate discussion on how Chugai will ensure the interests of minority shareholders given that it is part of a public listed parent/subsidiary pair. In order to ensure transparency over its dealings with Roche, Chugai needs to provide frank briefings by independent outside directors and set up monitoring systems by third-party committees. Looking at this from a long-term perspective, I want to know whether Chugai can engage in wide-ranging discussions, without narrowing the options available, with Roche's presence.

For executive remuneration, Chugai has recently included ESG targets in individual performance evaluations, but the Company now needs to work on actually achieving these targets. This will involve constant review, with in-depth discussions of Material Issues, testing of appropriate key performance indicators (KPIs), and use of the PDCA cycle. Chugai needs to make continuous efforts in this regard. I believe that ESG-focused activities will become well established if these targets are expanded down to activities at the division head level.

I hope Chugai will continue to draw on external views like this to keep moving forward. In addition, I hope Chugai will play a leading role in driving Japanese pharmaceutical companies to address those challenges where the industry as a whole must step up, such as access to healthcare, climate change, and circular economies.

Shinichiro Hyogo

Chief Fund Manager and Chief Analyst, Asset Management Division,
Mitsubishi UFJ Trust and Banking Corporation

Ready to Meet These Expectations

From the Secretariat of the Appointment Committee and Compensation Committee

We thank you for your valuable insights. As Mr. Hyogo's words express, continuous evolution is essential for our ESG initiatives, and we believe that improving effectiveness is the next step. Management executives as well as each employee need to continue debating the best approach to ESG from the viewpoint of individual company members, reflect ESG matters in their own work activities, and test effective KPIs that help Chugai address the company's Material Issues. I am responsible for corporate governance around executive appointments and compensation, and I will work to promote discussions at the Board of Directors and other committee meetings on how we can create shared value and increase corporate value.

Yumi Kuroiwa

Human Resources
Management Department,
HR Planning Group

Message from the CEO

Under our basic management policy of creating shared value with society, we are focusing business resources on the creation and delivery of innovative new drugs in a patient-centric manner. Our aim is to become a top innovator in the global healthcare industry.

Dr. Osamu Okuda
Representative Director,
President & CEO

Focusing on Value Creation through the Discovery and Delivery of Innovative Drugs

We are witnessing astonishing progress in science and medicine. Even so, there are still many intractable diseases, and countless patients around the world wait in hope that new treatments will be developed. Our vision is to create value by tackling unmet medical needs. This will promote social development and provide Chugai with opportunities for growth. Our Mission Statement includes the goal of becoming a "top innovator in the healthcare industry" that realizes advanced and sustainable patient-centric healthcare. Taking a medium- to long-term perspective through to 2030, we aim to focus on discovering and delivering innovative pharmaceuticals to create this value.

TOP I 2030, our growth strategy for achieving this goal, defines how we will become a top innovator by 2030, including a 10-year strategy backcasted from this vision. Based on the growth strategy pillars of global first-class drug discovery and a futuristic business model, we have set ambitious targets to double R&D output and launch in-house global products every year. Chugai has a track record of creating products that change patients' lives, such as Actemra, Alecensa, and Hemlibra. We are now preparing to step up our efforts even more. Another feature of TOP I 2030 is that every strategy is focused on our basic management policy of creating shared value with society. Our business activities link directly with solutions to social issues and are designed to help contribute to social sustainability. During discussions to formulate TOP I 2030, outside directors and Roche Board members expressed their support and endorsement of the strategic direction we were headed. It was extremely reassuring to see the entire management team take joint ownership of this vision.

One year has passed since we embarked on this growth strategy. The employee awareness surveys show that our people are also highly supportive and want to contribute to reaching our goals. The fact that the strategy has clarified our core business as the creation of innovative pharmaceuticals and adopts backcasting from a specific envisioned future seems to have increased the level of persuasion. The surveys also point to greater understanding of why we are aiming for lofty goals beyond anything we have done before, and the importance of being flexible and agile in response to changes in the business environment. In order to promote deeper comprehension of this strategy within the Company, we have run programs to foster proactive communication with employees, including online sessions run by myself called President's Live Talk (held five times with a total of approximately 2,500 employees participating). Since October 2021, when COVID-19 case numbers started to decline,

seven of the top executives, myself included, have visited 13 sites across the country, including research laboratories, plants, sales branches, and the Head Office, for a total of 16 face-to-face dialogues. It really makes a difference to talk with people in person. All the executives felt this was an important opportunity for us to better understand the situation in the workplace firsthand and feel the passion of the people there.

Worked to Generate Rapid Results in 2021

In 2021, the first year of TOP I 2030, we made good progress in our pursuit of reforms in five areas, namely Drug Discovery, Development, Pharmaceutical Technology, Value Delivery, and Foundation for Growth.

For research and development, we achieved results that surpassed our targets, with eight products starting clinical development, 10 products filed for regulatory approval, and nine products approved and launched. In the third drug discovery modality, mid-size molecule drugs, we not only moved our first mid-size molecule, LUNA18, to clinical development but also made progress with a number of other mid-size molecule projects at the drug discovery stage. What's more, in-house drug discovery and development activities that apply our proprietary antibody technologies have performed well, and we have made steady progress with each of the projects in our development pipeline.

In terms of our products, we achieved good market penetration for new entrants Enspryng, Polivy, and Evrysdi and maximized the value of our growth drivers Hemlibra and Tecentriq. In response to the pandemic, we worked as never before to combat COVID-19 in a flexible and speedy manner. The development of Ronapreve to treat COVID-19 involved ongoing consultations with the Japanese government and creating a supply system and distribution channels from the ground up. There was also a surge in global demand for Actemra to manage COVID-19-associated pneumonia, so we established systems that allowed us to more than double production compared with pre-pandemic levels.

Through these efforts, we grew both sales and profits in 2021 and achieved record-breaking earnings for the fifth consecutive year. Operating profit rose 41 percent year on year as earnings were driven by COVID-19 demand and overseas products, as well as steady growth by domestic products.

For 2022, although uncertainties remain, we aim to grow sales and profits and achieve record-breaking earnings for the

Growth Strategy TOP I 2030

TOP INNOVATOR TOP i 2030

"Double R&D output" & "Launch in-house global products every year"

Global First-Class Drug Discovery

- Expansion of existing technological bases and building a new technological foundation to materialize unique drug discovery ideas
- Launch in-house global products every year by doubling R&D output
- Acceleration of innovation opportunities by leveraging digital technologies and strengthening collaboration with leading global players

Futuristic Business Model

- Dramatic improvement in product/patient value by restructuring business model, having digital utilization as a core
- Improve productivity of entire value chain by leveraging digital technologies
- Commercialization of Insight Business with the aim of maximizing the value of pharmaceuticals and having a new business pillar

Key Drivers • DX • RED* Shift • Open Innovation

* RED: Research & Early Development

sixth consecutive year through new product launches and further expansion of mainstay products. We expect revenues to exceed ¥1 trillion for the first time in the Company's history.

Need for Paying Greater Attention to Future Changes in the Market, Science/Technology, and Customers

Our understanding of the future outlook remains the same: we expect the healthcare environment to converge on value-based healthcare (VBHC) in which only medicines and solutions that offer true value are pursued. Because the business climate is changing so rapidly, it is important to continuously monitor the situation and be agile in updating the various risk scenarios.

From a market perspective, healthcare and social structures are changing, and policies to curb healthcare and drug costs are accelerating. We expect COVID-19 to be a major burden on fiscal policy around the world and assume that measures to rein in drug costs will be stepped up even further.

In terms of scientific and technological change, even though we expect increasing diversity in new modalities such as gene therapies, cell therapies, and digital therapeutics, plus the arrival of new players, our core business remains pharmaceuticals and we consider it important to collaborate on these new technologies with new players.

Looking at changes with customers, patients are increasingly seeking healthcare options that offer true value and medical institutions are choosing medicines with an emphasis on healthcare economics. Also, as medical institutions become more accepting of digital applications, we must rework our communication and engagement models.

TOP I 2030 represents our long-cherished desire to be more agile in revising our plans in response to such changes in the business climate. In 2022, we will continue to visualize and prioritize risks on a regular basis, analyze their impact on our strategies, and reflect these in the verification of medium-term milestones, which are mid-term targets for strategy execution, and in the initiatives included in our single-year management plans. These medium-term milestones will be defined as targets over the next 3–5 years for each strategy and will be reviewed as necessary to determine whether they need to be changed or revised.

Accelerating Three Key Drivers, Implementing Reforms in Five Areas

Our highest priority under TOP I 2030 will remain the pursuit of innovation. In order to focus every effort of the Chugai Group in this direction, we are working to accelerate the key drivers of RED Shift, DX, and Open Innovation, while also pursuing reforms in five areas. (See Overview of Progress Reports on page 36 for more information on these reforms.)

Under RED Shift, we aim to strengthen R&D functions and increase drug discovery output by focusing our investment of business resources into the RED functions (research, early clinical development, and the portion of pharmaceutical technology functions related to early development) that we have defined as our value creation engine. In addition to further advancing mid-size molecule drugs and next-generation antibody engineering technologies, we are also strengthening drug discovery technology platforms that will enable us to materialize innovative drug discovery ideas using multi-modality drug discovery. In development, we aim to increase success rates and conduct early verification of patient QoL through the use of digital technologies and organoid research. To cope with this increase in drug discovery output, we have decided to invest in new facilities for pharmaceutical technology functions at our Fujieda and Ukima plants, with plans to build production lines that will help further accelerate product and technology development. The resources for this investment will be freed up by conducting a fundamental review of existing processes and cost structures, and by building a futuristic business model across all value chains. Through these steps, we will establish business structures that allow us to grow profits even if the market becomes increasingly severe in the future, and build systems that allocate sufficient resources for generating innovation.

For DX, we will pursue an operational model that utilizes digital technologies in all functions, starting with AI drug discovery. We are making good progress with an initiative called AI Machine Learning x Antibody (MALEXA®) to update antibody drug discovery processes using proprietary AI technology, and in the realization of digital plants to achieve a dramatic increase in productivity through the use of digital robotics. In addition, to build a new engagement model with our customers, we are developing an integrated platform that links the specialist functions of sales, medical affairs, and safety through the use of digital technology. I have high expectations that the benefits of these initiatives will enable an agile response to changes with customers and the healthcare delivery system.

In order to transform the fields of drug discovery, science, and digital technology, which are expected to undergo dramatic change in the future, Open Innovation is becoming increasingly important. Collaboration with academia and companies that possess new modalities or technologies will be essential to achieve our goal of world-class drug discovery. Thus, we have set up a new internal organization to expand Open Innovation for drug discovery. Our current DX initiatives are also creating value through partnerships with organizations that have little prior experience in the pharmaceutical industry, such as IT and robotics companies. We aim to step up these collaborations while constantly monitoring trends at partner companies and researching cutting-edge technologies and functions.

In terms of future profit growth, we assume that generics will start to impact our blockbuster products such as Actemra and Avastin over the short and medium term (through to 2025), but we expect to continue growing profits because in-house mainstay products and new products have substantial earnings potential. Over the medium and long term (through to 2030), we look to achieve further growth by maximizing earnings from new mainstay products such as Enspryng and crovalimab, generating stable earnings in Japan from products in-licensed from Roche, and bringing to fruition the many in-house drug discovery projects currently at the preclinical or early clinical phases of development.

In the End, It's Our People

Our human capital is actually what will determine whether we can execute these strategies. As I have said before, in the end, people make the difference when it comes to innovation.

The "I" in TOP I 2030 has two meanings: in addition to "innovator," it also expresses that each and every member of the Chugai Group plays an important role. We interpret this as reflecting an integrated value story that combines benefits for society and patients, Chugai's strategy, and individual activities. In other words, the key to success in the transformation targeted through TOP I 2030 comes down to each and every one of us taking action. One of the themes in our human resources strategy is therefore to evolve our approach from "workstyle reform" to "job satisfaction reform." To do this, we need to expand the ranks of effective employees* through changes to employee engagement and the workplace environment. In the employee awareness survey conducted in 2020, it became clear that we were not far off having a percentage of effective employees on a par with companies with a strong global performance, and we are now working to achieve this level.

To put this into practice, we need to step up our talent management and accelerate diversity and inclusion (D&I) initiatives so that a wide range of employees can play an active role regardless of their background or attributes. At Chugai, we believe that a workplace environment that respects diverse values and opinions is important for innovation. We identified diversity as a key management issue in 2010 and have worked to design systems and create an environment to promote D&I ever since. We are establishing a culture where female employees, non-Japanese employees, and mid-career recruits can make the most of their skills, but there is still a long way to go and I believe we need to accelerate such initiatives even more. We have monitored the ratios of female and non-Japanese employees in managerial roles thus far, but now we will focus on diversity at all levels of our organization, including in the executive team.

A Patient-Centric Approach Is Core to Our Business, Promoting Dialogue Leads to Value Creation

The top innovator vision we aim to achieve by 2030 encapsulates three concepts: expectation from patients all over the world, attracting talent and players from around the world, and becoming a role model for the world. Discussions among the management team on creating shared value with society have naturally coalesced around the perspectives of patients, talent and players, and society.

These discussions have reaffirmed that our priority core value is being patient centric. Chugai employees are focused on contributing to patient wellbeing and working to deliver to the market as soon as possible the treatments that patients are waiting for. These goals will drive our value creation now and in the future. In 2021, we engaged in various programs to work with patients as partners in drug development and interact with several organizations. While we have always worked to better understand patient needs through surveys and discussions with key opinion leaders, it was eye-opening to see just how much interesting feedback can be obtained from direct dialogue with patients themselves. Through this dialogue, we have come to understand that patients want more information on drug safety and quality, and that they want to be involved in drug research and development from the early stages. In the future, we will collaborate with patient organizations from the drug discovery research stage and find ways for our researchers to get a better understanding of real patient needs and reflect this in their drug discovery work.

We will also engage in similar proactive dialogue with society and capital markets. Under TOP I 2030, we have decided to stop releasing quantitative guidance on financial results for fear of providing inaccurate information or outlooks in our business assumptions as the business environment undergoes dizzying levels of change. Therefore, so that all shareholders and investors can accurately analyze and evaluate our corporate value and outlook for growth, we will clearly state the progress of each strategy as 3–5 year medium-term milestones and provide detailed updates on R&D and ESG initiatives that may have a substantial impact on corporate value over the medium and long term. Through these efforts, we hope to engage in constructive dialogue with all our stakeholders and apply this information to the management of our business.

In March 2022, we had changes in our executive team. Chairman Tatsuro Kosaka and Deputy Chairman Motoo Ueno retired, and Dr. Hisafumi Yamada and Toshiaki Itagaki were newly appointed as directors. Under this new management structure, we will make every effort to promote TOP I 2030. I look forward to your continued support.

* Effective employees: Human resources who act voluntarily and proactively to realize and achieve the Company's vision and targets. Defined as an indicator in the Employee Engagement and Environment for Utilizing Employees sections of the employee awareness survey

Initiatives

Chugai has established a basic policy for creating shared value with society and aims to become a top innovator in the healthcare industry in order to realize advanced and sustainable patient-centric healthcare.
Since 2021, the Company has been pursuing its 10-year growth strategy, TOP I 2030, to achieve this goal.

Value Creation Model

Our growth and development through increase in corporate value

=

Creation of shared value for Chugai and society

Realization of advanced and sustainable patient-centric healthcare

=

Social growth and development by resolving social issues

Envisioned Future

Top innovator in the healthcare industry

Growth strategy to achieve our vision of Chugai as a top innovator in 2030

TOP INNOVATOR TOP i 2030

Chugai's business model

Unique science and technologies

Focus on innovation

Creation of innovative drugs and services

Strategic alliance with Roche

Two Revenue Bases

Strategic Alliance with Roche

Products from Chugai research	Products in-licensed from Roche
Able to specialize in highly innovative drug discovery	Exclusive domestic sales of breakthrough therapies
Revenue base that drives growth (Out-licensing to Roche and global market development)	Stable revenue base (Efficient product launches through collaboration with Roche)

Material Issues

(26 issues across eight categories)

Be a Top Innovator in the Healthcare Industry to Create Shared Value

Chugai has adopted "creating shared value" as its basic management policy, in line with the philosophy of growing together with its various stakeholders by resolving social issues through business activities. The goal (outcome) of this shared value, which is also part of our Envisioned Future, is to realize advanced and sustainable patient-centric healthcare.

More sustainable healthcare systems are needed around the world due to world population growth and demographic aging, as well as the spread of COVID-19. Dramatic advances in life sciences and digital technology are expanding business opportunities, but governments are implementing more and more stringent policies to curb medical expenditures.

including drug costs. Given the limited resources available, we expect the medical community to converge even faster on value-based healthcare (VBHC), where only those solutions that deliver true value are adopted.

In light of this business environmental outlook, we have defined the steps we need to take to become a top innovator in the healthcare industry and realize our Envisioned Future for 2030. Chugai needs to be a company that generates expectations from patients all over the world, attracts healthcare-related talent and players, and is a global role model that resolves social issues. We have formulated TOP I 2030 as a value creation strategy in order to realize this vision.

Business Model for Value Creation Based on Material Issues

Focus on innovation will continue to be the key to value creation by Chugai as we pursue our TOP I 2030 strategy. To create new drugs that satisfy unmet medical needs, we must explore new therapeutic targets and achieve further advances in drug discovery technologies. We believe that value creation through such innovation is achievable because of our strategic alliance with Roche. Based on this unique business model, Chugai has established two revenue bases—products from Chugai research and products in-licensed from Roche. The model allows Chugai to use the stable revenues from products in-licensed from Roche to make a concentrated investment in innovation, which leads to more innovative in-house products that can be out-licensed to Roche to generate more revenues for investment and the next round of innovative product development.

In addition, we have established 26 Material Issues across eight categories to be given priority in our efforts to create shared value. We are convinced that these efforts will contribute to enhancing the sustainability of society as a whole, while laying a foundation for the long-term development of Chugai.

26 Material Issues across Eight Categories

Group classification | Category | Material Issue

Value Provided

Sustainable Healthcare

- Creation of innovative drugs and services
- Quality assurance and stable supply of products
- Provision of solutions for patients
- Fair marketing
- Adverse event management
- Fair pricing

Environment

Global Environment

- Climate change countermeasures (energy, etc.)
- Use of renewable/recycled resources (water, waste, etc.)
- Protection of biodiversity (environmental burden mitigation)
- Environmental management system

Society

Human Rights

- Human rights
- Safety of clinical trial subjects

Human Resources

- Employee job satisfaction
- Development of employee potential
- Diversity and inclusion (D&I)
- Occupational health and safety

Social Contribution

- Social contribution activities
- Access to healthcare

Governance

Governance

- Corporate governance
- Risk management
- Disclosure and engagement
- Personal information protection and information security

Ethics and Compliance

- Compliance
- Code of conduct
- Fair transactions

Supply Chain Management

- Supply chain management

Overview of TOP I 2030

TOP INNOVATOR TOP i 2030

"Double R&D output"
&
"Launch in-house global products every year"

Global First-Class Drug Discovery

- Expansion of existing technological bases and building a new technological foundation to materialize unique drug discovery ideas
- Launch in-house global products every year by doubling R&D output
- Acceleration of innovation opportunities by leveraging digital technologies and strengthening collaboration with leading global players

Futuristic Business Model

- Dramatic improvement in product/patient value by restructuring business model, having digital utilization as a core
- Improve productivity of entire value chain by leveraging digital technologies
- Commercialization of Insight Business with the aim of maximizing the value of pharmaceuticals and having a new business pillar

Key Drivers • DX • RED[1] Shift • Open Innovation

1. RED: Research & Early Development

Business Environmental Outlook

Change in the Market

- Increasing fiscal pressures around the world, acceleration of controls on drug costs, and continued shift to value-based healthcare (VBHC)
- United States is a market driver, with China becoming increasingly important

Change in Science & Technology

- New modalities will not compete against pharmaceuticals but play a complementary role
- Digital technologies will become a key requirement for business model evolution and competitive advantage

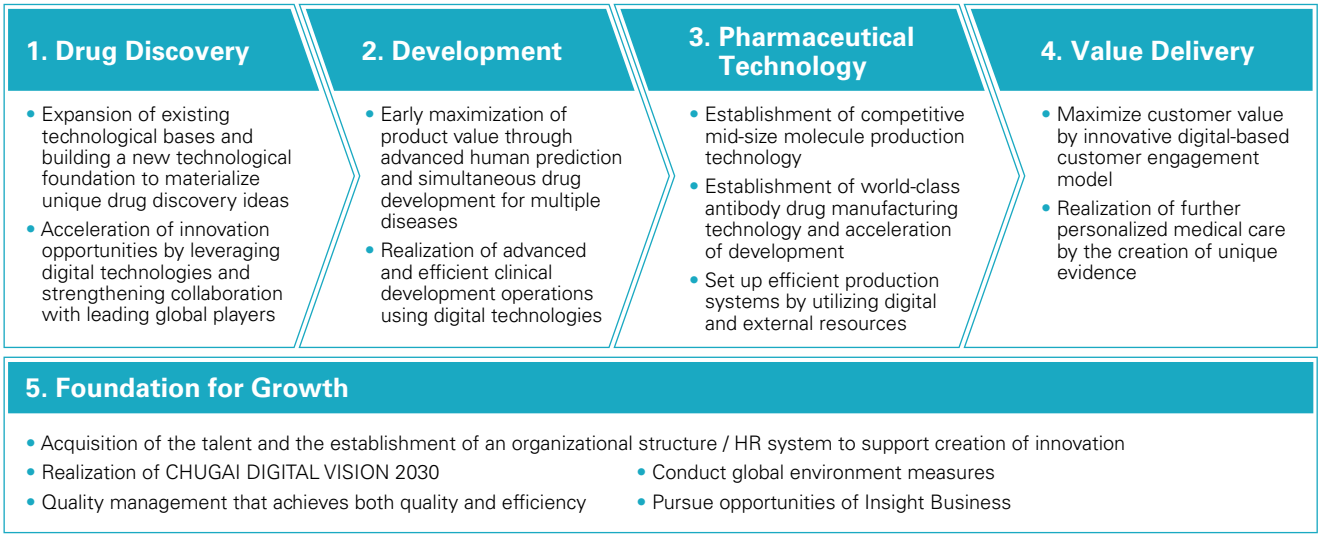
Change in Customers

- Increased influence of informed patients and payers[2]
- Evolution of DX at customers
- Difficulties in transforming healthcare into an information-based industry

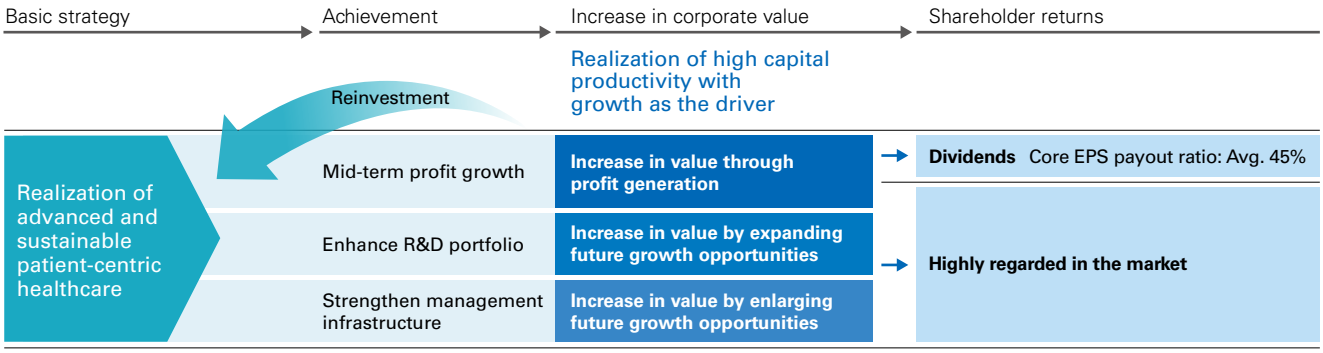
Above, we summarize the changes anticipated in the business environment through 2030 based on medium- to long-term scenario analyses. Measures to contain drug costs are likely to accelerate around the world because of fiscal pressures from the impact of population growth, demographic aging, or COVID-19, for example. We are entering an era when only products or solutions that offer true value will succeed. Informed patients and payers will have an increasingly important presence, as we are starting to see already through payers moving to merge and expand business scope. More than ever, we must demonstrate value to patients and society in terms of QoL and lifetime value. Cell therapies, nucleic acid drugs, and other new modalities need to be developed alongside existing pharmaceuticals in a mutually complementary fashion, and we need to embrace DX to evolve each value chain, including drug discovery, and restructure customer engagement models. In light of this outlook, we conclude that innovative drug discovery is our core business, and that Chugai needs to continue providing value across society and earning the expectations of patients and other stakeholders through innovation that creates new treatments and the continued evolution of technologies and platforms.

2. Organizations that provide funds to cover healthcare costs based on fixed contracts and using revenues from insurance premiums

Five Reforms



Basic Principles of Increasing Corporate Value and Shareholder Returns



Summary of Strategy

Taking into account this business environmental outlook and the progress made with our strategies thus far, the new growth strategy, TOP I 2030, is based on two pillars—global first-class drug discovery and a futuristic business model—and includes three key drivers and five reforms to achieve this strategy. Our targets for 2030 are to double R&D output and to develop systems that allow us to launch innovative in-house global products every year.

To achieve global first-class drug discovery, we will continue to expand our existing technological bases and establish new ones, which should allow us to create even more innovative drugs with higher success rates, thereby achieving the quantitative targets described above. To build a futuristic business model, we will utilize digital technologies to fundamentally rebuild our business model in order to secure resources for investing in RED, with the goal of achieving a dramatic increase in productivity across the entire value chain and delivering greater value to patients.

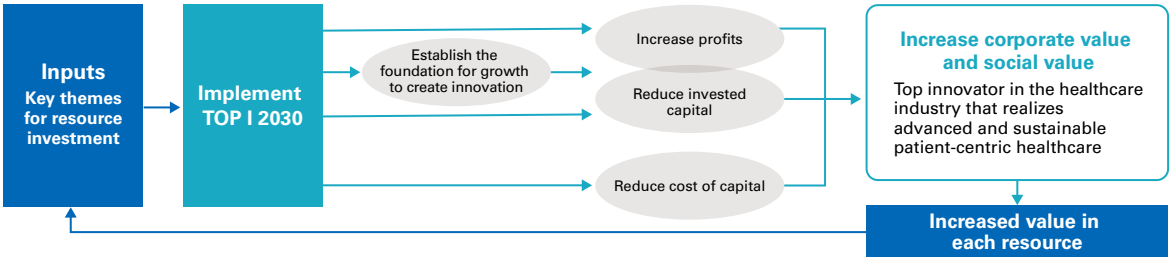
As for the three key drivers, under RED Shift we will focus the resource investments in the processes involved from drug discovery through early development in order to create a continuous cycle of innovation in the future. Under DX, we will enhance our digital infrastructure and improve productivity across all value chains, with the goal of utilizing digital applications for innovative new drug discovery. Under Open Innovation, we will step up collaborations with external partners, focus on the application of external technologies, take a flexible approach to the adoption of new advances in science and technology, and work to create new opportunities for innovation.

For shareholder returns, we aim to provide stable dividends with a dividend payout ratio of 45 percent on average based on Core EPS, taking into account the balance between shareholder returns and the internal reserves necessary for increasing corporate value.

Capital Investment under TOP I 2030

Chugai needs a wide range of resources (capital) in order to become a top innovator in the healthcare industry. Decisions on how to invest these resources require inputs corresponding to the key themes for resource investment, as shown in the table below. Through this process of strategic capital investment, we aim to establish the foundation for growth to create innovation, increase profits, and reduce invested capital and cost of capital, with the goal of increasing corporate value and creating value for patients and society. These initiatives will lead to an increase in the value of our resources, thereby enabling further value creation.

Resources	Key themes for resource investment (Inputs)	Scenarios for contributing to increased corporate value and value creation	
		Establish the foundation for growth to create innovation	Increase profits
Human resources (Human capital)	• Thoroughly implement new HR system and manage human resources, assigning the right people to the right positions • Acquire, develop, and fulfill highly competent specialists • Reform workstyles / Enhance job satisfaction • Continuously pursue diversity and inclusion (D&I)	• Develop a culture that encourages bold challenges • Foster active and strategically consistent participation by human resources, ensure appropriate compensation	• Create innovation in each function in the value chain
Technology and IP (Intellectual capital)	• Strengthen antibody- and small and mid-size molecule-related technology platforms • Create new modalities • Use AI and other innovative approaches to the drug discovery process • Deepen our understanding of biology research • Expand portfolio of patents for highly competitive technology platforms	• Progress multi-modality approach • Strengthen and expand drug discovery platforms using digital technologies	• Create innovative new drugs that break through limitations of existing modalities • Use digital technologies to accelerate opportunities for innovation • Progress to secure rights for products
Collaborations with Roche and external partners (Social capital)	• Develop products from Chugai research globally via the Roche Group and other networks • Utilize the Roche Group's information and research infrastructure • Collaborate with cutting-edge companies and academia on DX and state-of-the-art technologies and science • Engage in dialogue with various stakeholders	• Create new value through collaborations with the Roche Group and realization of Open Innovation and digital technologies	• Grow innovative products developed in-house in global markets • Secure revenue bases by in-licensing promising Roche products
Pharmaceutical technology and facilities (Manufacturing capital)	• Build research facilities and production systems suited to continuously evolving modalities and technologies • Achieve digital plants using digital applications and robotics • Develop systems for flexible and rapid development and next-generation production • Evolve contract manufacturing organization (CMO) management systems to ensure stable supply and rigorous quality assurance	• Build research infrastructure that can accelerate innovation • Build development and production infrastructure that can handle drugs of high difficulty	• Shorten development timeframes and reduce manufacturing costs • Flexibly respond to changing demand in product supply and sale
Environment and energy (Natural capital)	• Invest in new technologies and new facilities to switch energy sources and reduce greenhouse gas (GHG) emissions • Reduce resource use, including energy and water • Recycle resources consistent with a circular economy	• Design and plan facilities and equipment for reduced environmental burden, lower costs, and greater productivity	• Build foundations for sustainable growth
Financial related (Financial capital)	• Increase cash flows to ensure a growth trajectory • Continuously evolve revenue structures • Increase cash to enable strategic investments	• Raise funds for innovation • Actively invest in digital technologies • Investment in RED	• Establish a cash position enabling flexible investment

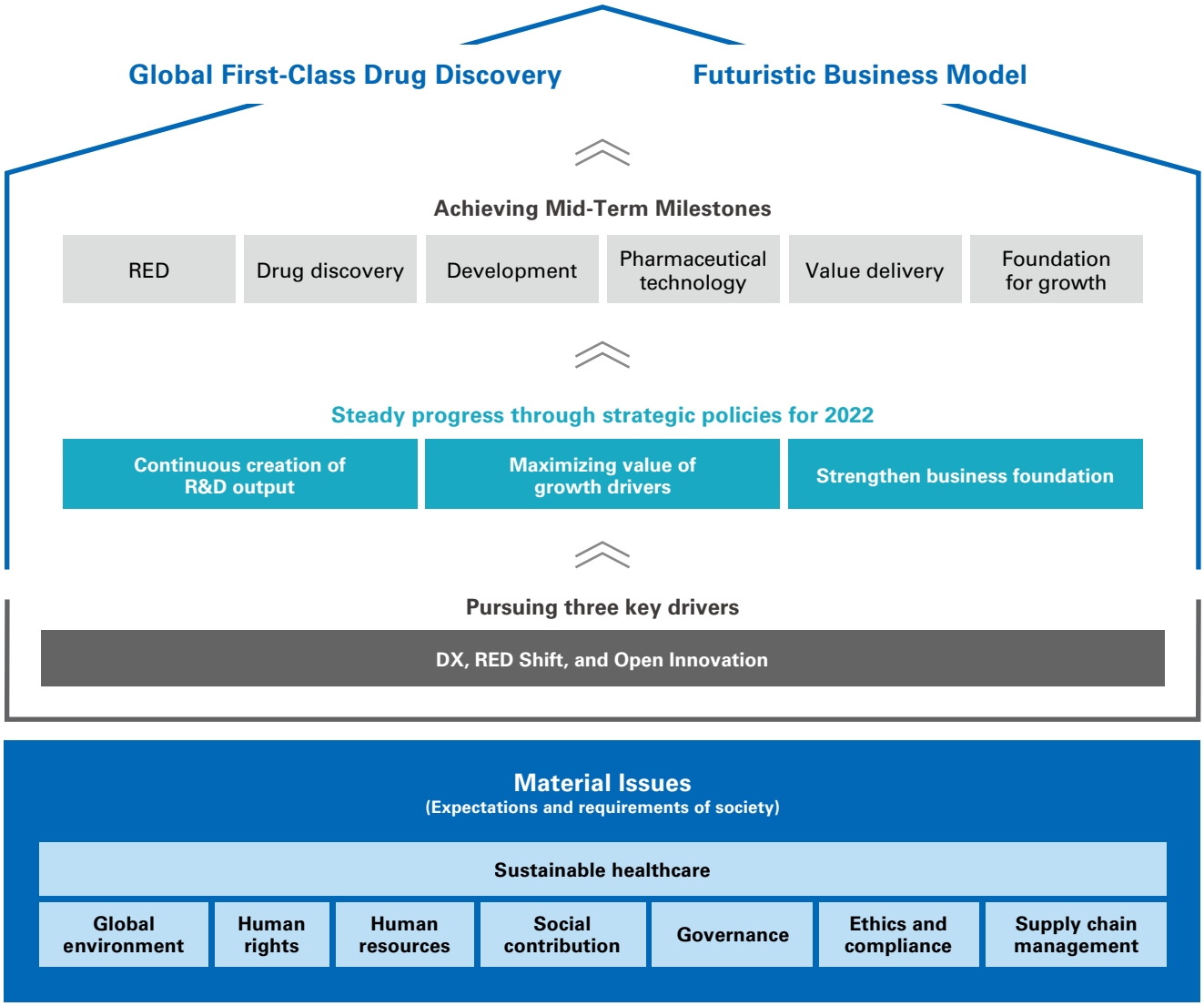


	Reduce invested capital	Reduce cost of capital	Increased value in each resource
	• Secure and develop diverse, high-caliber talent • Use digital technologies to make business processes more efficient	• Maintain a culture that prioritizes compliance • Reduce the risk of high-caliber talent leaving the Company	**Human resources** • Increase employees' job satisfaction, improve sense of fulfillment • Improve employees' capabilities and skills **Technology and IP** • Solve unmet medical needs • Advance global drug discovery technologies • Increase the level of science in the healthcare industry **Collaborations with Roche and external partners** • Pursue cocreation of innovation • Create added value in all functions **Pharmaceutical technology and facilities** • Develop more advanced, next-generation facilities and equipment **Environment and energy** • Reduce environmental burden • Promote circular economies **Financial related** • Increase cash flows
	• Create technology and research outcomes that attract external parties • Use digital technologies to build a futuristic business model	• Respond to the emergence of new modalities and solutions • Reduce IP risk	
	• Improve resource efficiency through global development • Use digital technologies to build a futuristic business model	• Reduce supply risk and supply chain risk • Improve external evaluation of ESG	
	• Use digital technologies to improve the efficiency of business processes	• Reduce quality and reliability risk • Reduce supply risk	
	• Reduce costs in the future	• Reduce risks from climate change, water, etc. • Reduce risk from waste materials	
	• Improve capital efficiency through cash management	• Continuously build up reputation in capital markets • Reduce credit risk	

Material Issues and TOP I 2030

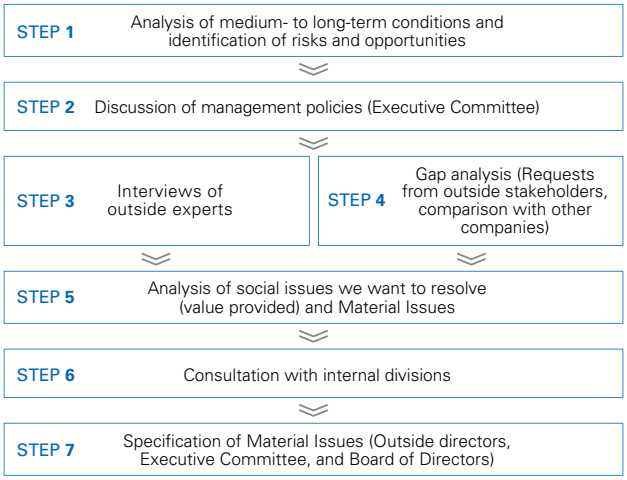
Positioning of Material Issues

Chugai has adopted creating shared value with stakeholders as its basic policy and identified Material Issues that should be given priority. These Material Issues provide a basis on which Chugai can fulfill its responsibilities while meeting the expectations and requirements of society. In establishing Material Issues, we analyzed the future business environment, referred to the SDGs and other external initiatives and guidelines, and comprehensively identified the issues that society expects Chugai to address. Our growth strategy, TOP I 2030, also positions materiality as the foundation for corporate activities in the rollout of strategy toward our goal of becoming a top innovator. Through these activities and strategies, Chugai will work appropriately as a corporate citizen to meet the expectations of society.



Process to Formulate Material Issues

Chugai first formulated the Material Issues in 2019, following the processes outlined on the right. We identified a comprehensive list of expectations and requirements of society, based on future business environmental outlook and its analysis and by examining and referring to the SDGs, Global Reporting Initiative (GRI), and Sustainability Accounting Standards Board (SASB) reports. We also scrutinized items for which Chugai is not sufficiently meeting expectations. We conducted an objective analysis that incorporated outside views, and narrowed the list of issues to those for realizing Chugai's Envisioned Future. These Material Issues are an integral part of business strategy and we will update them in the most appropriate manner from time to time in light of progress with our strategies and requirements from society.



Verifying and Reassessing Material Issues

We periodically review and verify Material Issues against the business environment and external expectations and requirements. In 2021, we confirmed that there were no major changes required in the content of the existing Material Issues, but we added content on one issue to reflect business environment trends. We added personal data protection and information security as a Material Issue for governance, in light of the increased pressure on companies to be responsible for rigorous risk management, both internally and externally, for all the different sorts of information a company holds, including personal data. In January 2021, Chugai formulated the mid- to long-term CHUGAI CYBER SECURITY VISION 2030 and established the Information Security Committee as a new management structure. Now that information security has been clearly defined as a Material Issue, we will work to expand information security initiatives further across the entire organization and step up the use of the PDCA cycle. At the same time, we have revised the wording of a number of Material Issues to ensure the issues are all expressed in a uniform fashion. We will continue to review the Material Issues periodically, focusing on external trends and feedback from external dialogue.

26 Material Issues across Eight Categories

Group classification | Category | Material Issue

Value Provided

Sustainable Healthcare

- Creation of innovative drugs and services
- Quality assurance and stable supply of products
- Provision of solutions for patients
- Fair marketing
- Adverse event management
- Fair pricing

Environment

Global Environment

- Climate change countermeasures (energy, etc.)
- Use of renewable/recycled resources (water, waste, etc.)
- Protection of biodiversity (environmental burden mitigation)
- Environmental management system

Society

Human Rights

- Human rights
- Safety of clinical trial subjects

Human Resources

- Employee job satisfaction
- Development of employee potential
- Diversity and inclusion (D&I)
- Occupational health and safety

Social Contribution

- Social contribution activities
- Access to healthcare

Governance

Governance

- Corporate governance
- Risk management
- Disclosure and engagement
- Personal information protection and information security

Ethics and Compliance

- Compliance
- Code of conduct
- Fair transactions

Supply Chain Management

- Supply chain management

During the 2021 review, we confirmed there were no major changes in the direction being pursued in the "Issues for Chugai to resolve" (upper row) and "ESG issues to pursue as a corporate citizen" (lower row), and we organized all content as 26 Material Issues across eight categories in four group classifications.

Tohru Takikawa
Chugai Pharma Manufacturing Co., Ltd. (CPMC)
Manufacturing Group 7, Utsunomiya Plant
Group Manager

STORY 1

Improving Patient Value through Stable Supply

Material Issue: Quality assurance and stable supply of products

It is the end of February 2020. The U.S. FDA has completed the regulatory review of Enspryng and the pressure has eased somewhat. A call comes in from the plant manager. "They are looking at Actemra as a potential treatment for COVID-19-associated pneumonia." For COVID-19? We needed to get ready for a sudden rise in global demand. We were taken by surprise, but immediately got to work drafting plans to ramp up production and identify any potential issues. We had already been increasing production for the rheumatoid arthritis (RA) indication, but still.

There would be nothing left for COVID-19. The only way we could increase production would be to increase overtime/holiday operations and shorten maintenance periods. We reviewed our plans for securing additional staff, coordinating with production lines for other products, and the immediate maintenance schedule. We needed to act quickly to solve multiple issues in parallel, even though we still did not have the full picture.

The biggest issue at that time was that the Utsunomiya Plant was the only place manufacturing Actemra Intravenous Infusion anywhere in the world. We had to work out some way of getting this product to patients. The entire Pharmaceutical Technology Division mobilized to help us with this mission. Some staff members even stayed at hotels near the plant to minimize the risk from commuting during the pandemic. Business partners, staff, and their families—everyone worked together to help us maintain a stable product supply.

Looking back, we were successful in calculating staff shortages and establishing production patterns because of the experience we had previously gained from running various simulations on rapidly changing demand. Looking ahead, we will continue to assess risk and review action plans to address not only rapid changes in demand but also problems with materials or parts procurement and other issues.

As long as there are patients who need our products, we have to avoid product shortages.

STORY 2

Shintaro Harada
Medical Representative (MR), Ibaraki Branch, Marketing & Sales Division

Improving Patient Value through Consulting Initiatives

Material Issue: Provision of solutions for patients / Adverse event management

Due to the spread of COVID-19, in March 2020 the medical facility that I was covering decided to suspend MR visits. The hospital that I am responsible for was under pressure to put COVID-19 measures in place at a very early stage.

In this situation, what could we do to help? It is the patients who suffer when information is not readily available. This is particularly true when doctors are using drugs with new mechanisms of action, such as Hemlibra or Tecentriq.

We therefore focused on helping the hospitals' drug information centers (DICs) so that patients being treated with Chugai products could continue their treatment with peace of mind. We felt there was not enough "live" information available to them. We ran briefings with dispensing pharmacies external to the hospitals and worked to get a true understanding of the patients' situation. Based on this understanding, we came up with potential scenarios that we shared with the hospital DICs. Through this close communication, we identified additional needs of the DICs, and worked together with the Medial Affairs and Drug Safety divisions at Chugai in order to find solutions. Through this process, we were able to set up systems that allowed the hospital pharmacists and doctors to reach out to their hospital's DIC as the first point of contact to organize access to the information they needed. By May 2020, three months had passed since the restrictions on visits were introduced.

We continued to work every day to improve the systems we had created. We really felt we were generating results in the early detection and reporting of adverse events through the use of adverse event databases and training for online adverse event management. As an MR, I feel blessed to be in this position when I get feedback on how happy patients are with the initiatives we have set up. Here at Chugai, I will vigorously continue working as a member of the patient-centric healthcare team.

Executive Officers (As of April 1, 2022)

Top Executives and Executive Officers in Their Area of Responsibility

Dr. Osamu Okuda

Representative Director,
President & CEO
Supervisory responsibility for Corporate Planning, Partnering, External Affairs, and Audit
In charge of Corporate Planning Dept., External Affairs Dept., and Audit Dept.

Dr. Hisafumi Yamada

Director, Executive Vice President
Supervisory responsibility for Project & Lifecycle Management (R&D), Research, Translational Research, Clinical Development, and Pharmaceutical Technology

Toshiaki Itagaki

Director, Executive Vice President & CFO
Supervisory responsibility for Finance & Accounting, Corporate Communications, and Procurement
Head of Finance Supervisory Div.

Tetsuya Yamaguchi

Executive Vice President
Supervisory responsibility for Project & Lifecycle Management (Marketing), Drug Safety, Medical Affairs, and Foundation Medicine
Head of Project & Lifecycle Management Unit

Junichi Ebihara

Executive Vice President
Supervisory responsibility for Legal Affairs, Intellectual Property, General Affairs, Risk Management, Compliance, and Quality and Regulatory Compliance
In charge of Legal Dept., Intellectual Property Dept., and General Affairs Dept.

Shinji Hidaka

Executive Vice President
Supervisory responsibility for Marketing & Sales
Head of Marketing & Sales Div.

Yoshiyuki Yano

Executive Vice President
Supervisory responsibility for Human Resources and Environment, Health, and Safety
Head of Human Resources Management Dept.
In charge of Sustainability Dept.

Satoko Shisai

Executive Vice President
Supervisory responsibility for Digital Transformation
Head of Digital Transformation Unit

Membership of Committees

Name	Committees (● Chair ■ Participating member)								
	Executive Committee	Enlarged Executive Committee	Corporate Management Committees				RDPM Committees		
			Corporate Communications Committee[1]	Risk Management Committee[2]	Compliance Committee[3]	EHS Committee[4]	Portfolio Management Committee[5]	Strategic Marketing Committee[6]	Digital Strategy Committee[7]
Dr. Osamu Okuda	●	■	■				■	■	■
Dr. Hisafumi Yamada	■	■					●	■	
Toshiaki Itagaki	■	■	●	■			■	■	■
Tetsuya Yamaguchi	■	■	■		■		■	●	■
Junichi Ebihara	■	■		●	●				
Shinji Hidaka	■	■	■		■	■		■	■
Yoshiyuki Yano	■	■		■	■	●			
Satoko Shisai	■	■					■	■	●
Mark Noguchi		■					■	■	
Dr. Minoru Watanabe		■			■		■	■	■
Tsukasa Kusano		■			■		■	■	■
Dr. Kaori Ouchi		■			■		■	■	■
Shinya Takuma		■			■	■	■	■	■
Dr. Hitoshi Iikura		■			■	■	■		■
Masayoshi Higuchi		■			■		■	■	■
Dr. Tomoyuki Igawa		■			■		■		■

1. Committee members also include the general managers of the following departments: Corporate Communications, Corporate Planning, Finance & Accounting, Sustainability, and General Affairs. 2. Committee members also include the general managers of the following departments: Corporate Planning, Corporate Communications, General Affairs, Legal, and Sustainability. 3. Committee members also include the general managers of the following departments: Corporate Planning, Legal, General Affairs, Finance & Accounting, Corporate Communications, IT Solution, Sustainability, and the heads of other relevant department managers. 4. Committee members also include the general managers of the following departments: Corporate Planning, General Affairs, Finance & Accounting, Corporate Communications, and Sustainability. 5. Committee members also include the general managers of the following departments: R&D Portfolio Management, Regulatory Affairs, Corporate Planning, and External Affairs.

Mark Noguchi
Executive Vice President
General Manager of Partnering Dept.

Dr. Minoru Watanabe
Vice President
Head of Drug Safety Div. and Head of Foundation Medicine Unit

Tsukasa Kusano
Vice President
Head of Clinical Development Div.

Dr. Kaori Ouchi
Vice President
Head of Medical Affairs Div.

Shinya Takuma
Vice President
Head of Pharmaceutical Technology Div. and Representative Director & President of Chugai Pharma Manufacturing Co., Ltd. (CPMC)

Dr. Hitoshi Iikura
Vice President
Head of Research Div.

Masayoshi Higuchi
Vice President
Head of Quality & Regulatory Compliance Unit

Dr. Tomoyuki Igawa
Associate Vice President
Head of Translational Research Div.

Areas of Supervisory Responsibility and Areas in Charge of

Name	Areas of supervisory responsibility (●) and areas in charge of (□)										
	Research	Development / TR	Pharmaceutical Technology	Marketing & Sales / MA / Safety	Cross-divisional functions: Human Resources	Digital	EHS	Quality & Regulatory Compliance	PLCM[8]	Business Development	Other Corporate Functions[9]
Dr. Osamu Okuda										●	●
Dr. Hisafumi Yamada	●	●[10,11]	●						●		
Toshiaki Itagaki											●
Tetsuya Yamaguchi				●[13,14]					●		●
Junichi Ebihara								●			●
Shinji Hidaka				●[12]							
Yoshiyuki Yano					●		●				
Satoko Shisai						●					
Mark Noguchi										□	
Dr. Minoru Watanabe				14							□
Tsukasa Kusano		10									
Dr. Kaori Ouchi				13							
Shinya Takuma			□								
Dr. Hitoshi Iikura	□										
Masayoshi Higuchi								□			
Dr. Tomoyuki Igawa		11									

6. Committee members also include the general managers of the following departments: Regulatory Affairs, Corporate Planning, External Affairs, and Marketing & Sales Planning. 7. Committee members also include the general managers of the following departments: Corporate Planning, Digital Strategy, Science & Technology Intelligence, and IT Solution. 8. PLCM: Project & Lifecycle Management 9. Corporate Planning, General Affairs, Risk Management, Compliance, Audit, Intellectual Property, External Affairs, Finance & Accounting, Corporate Communications, Procurement, Foundation Medicine 10. Development 11. Translational Research 12. Marketing & Sales 13. MA: Medical Affairs 14. Safety

Sustainability Initiatives and Challenges

Making Progress in Creating Shared Value

Chugai adopted "creating shared value" as a basic management policy in 2019, in line with its philosophy of growing together with all stakeholders and resolving social issues through business activities. The goal (outcome) of creating shared value is to realize advanced and sustainable patient-centric healthcare. The basic concept is to share this goal of value creation with our stakeholders and then work together to grow value. Efforts began in 2021 to implement the TOP I 2030 growth strategy, which has been designed with this basic policy in mind. TOP I 2030 defines our vision of Chugai as a top innovator in 2030 and integrates both sustainability and growth into a single management strategy to achieve this vision.

Two years have passed since committing to the creation of shared value. Even in the first year of TOP I 2030, we felt a definite change in the progress of creating shared value. All our employees across all divisions are coming up with specific ideas on how to deliver advanced and sustainable patient-centric healthcare. We are seeing the first programs emerge with the aim of creating value with stakeholders. For example, we are moving forward with initiatives to make our clinical development projects more flexible and optimized for patients and healthcare professionals as part of our philosophy of being patient centric. This includes having patients involved in the entire clinical study process and working together on protocol design. At the same time, we are focusing on better systems for study and safety information that will support healthcare professionals to select treatment options and use our drugs properly after launch in view of other drugs. Our divisions have always developed strategies to contribute to patients and healthcare. Now, however, they are directly linked to targets and divisional performance evaluations to ensure that each employee can reflect these strategies in their own action plans and execute them. Sustainability initiatives are a central feature in all Chugai functions, and we support employees to take autonomous actions for them.

We are also seeing progress in terms of our flexibility and responsiveness to external changes in the business environment. In 2021, we had to adapt our business activities to the ever-evolving COVID-19 situation. All our divisions came up with ingenious new ideas and were agile in their implementation. Chugai was able to accelerate various reforms in response to external changes in the business environment, including risk management programs, such as the introduction of enterprise risk management (ERM) processes, DX through AI-based drug discovery and digital plant concepts, and HR initiatives to develop new ways of working.

As we promote RED Shift, one of the key drivers for achieving our vision of a top innovator, I am also proud of the changes made in other areas by various departments and functions. Initially, there were concerns over the loss of motivation among employees not involved in RED functions, but everyone recognizes the value that our business provides in delivering medicines to patients, and so we are working to create further added value and greater efficiencies in order to accelerate RED outcomes. Good examples are initiatives to build new customer engagement models and update MR activities through digital applications.

Toward Becoming a Global Role Model

Envisioned Future for 2030

Top Innovator in the Healthcare Industry

- Expectation from Patients All over the World
- Attracting Talent and Players from around the World
- **Role Model for the World**

Recognized for ESG initiatives through its business activities, Chugai will become a global role model as a leader in resolving social issues.

For Society

Identify expectations/ demands and respond at a high level

- Continuously monitor changing expectations/demands
- Earn top-level ESG ratings (e.g., DJSI inclusion, surveys)
- Be a company indispensable to society

Within Chugai

Create shared value through innovation

- Pursue innovation in both results and process
- Proactively adapt to changes in the business environment at the individual workplace level
- Continuously progress in terms of dialogue and disclosure

Future Challenges and Increasing Dialogue

New challenges are starting to emerge. The expectations and demands of society continue to increase, and the vision of what we want our business to achieve in the future has become clearer. To achieve this vision, we cannot rely on in-house innovation alone. Collaboration with external organizations and different industries is increasingly important. It is vital that we engage in open innovation with academia, while also partnering with external organizations and different industries with advanced technologies and expertise for multi-modality drug discovery and DX. For climate change measures as well, we have designed a roadmap to reduce our Company's Scope 1 and Scope 2 CO_2 emissions, but the next challenge will be cutting Scope 3 emissions. We therefore need to work with a wide range of partners and develop innovative programs if we are to manage emissions across the entire product lifecycle as part of measures to combat climate change.

As I said at the start, if we are to innovate through collaboration with external partners, it is important to share program values as well as the goals for value creation. Thus far, Chugai has been sharing management policies and conducting comprehensive due diligence on a select few suppliers. In the future, we will share management policies and Material Issues with various business partners and expect partner management to also play an important role.

Becoming a Role Model for the World

Our top innovator vision for 2030 includes the goal of being a role model for the world in terms of sustainability. To achieve this, it is essential not only to be self-reliant but also to work together with external partners who share the same aspirations and values as us. Through our unique partnerships, we will attain our mid-term environmental goals, accelerate innovation, and respond at a high level to the expectations and requirements of our patients and other stakeholders. We believe this will allow us to build a reputation for taking the lead in resolving social issues. To achieve our goal of becoming a company that is indispensable to society, we need to work to understand ever-changing expectations and requirements, and also prioritize our employees working together in pursuit of innovation across all activities.

As the director previously in charge of sustainability, I was extremely committed to our focus on innovation and pursued sustainability with the aim of achieving shared value with society in our mission to deliver solutions to patients around the world. Prioritizing dialogue with stakeholders throughout also provided valuable opportunities to access new insights. In order to be a company that is indispensable to society, we look forward to your candid input in the future so we can continue to build trust through the delivery of innovative medicines and services. Now that I have stepped down as director, I would like to express my heartfelt thanks for your support.

Progress

TOP I 2030 is based on the two pillars of "Global first-class drug discovery" and a "Futuristic business model." As such, the Company is reforming five areas to achieve this strategy, namely Drug Discovery, Development, Pharmaceutical Technology, Value Delivery, and Foundation for Growth. In 2021, the first year of the TOP I 2030, Chugai made steady progress with reforms in all five areas.

Overview of 2021 and Strategic Policies for 2022

Overview of Strategic Policies for 2021

Continuous creation of R&D output

- With the contribution of projects not anticipated at the beginning of the fiscal year, regulatory filings, approvals, and launches exceeded the plan
  - Approval/Launch (9 items) ····· Polivy, FoundationOneLiquid CDx Cancer Genomic Profile, Evrysdi, Actemra (COVID-19), Ronapreve (supply to government), and others
  - Application for approval (10 items) ····· faricimab, Tecentriq (NSCLC[1] adjuvant), and others
- Acquired Proof of Concept (PoC) in 2 projects, steady progress in early- and late-stage development projects
  - Phase III ····· Start of global phase III studies in 10 projects including products in-licensed from Roche and products from Chugai research
  - PoC ····· Obtained PoC by the licensee for in-house developed projects CKI27 and OWL833
  - Phase I ····· Started phase I studies of in-house proprietary technology projects for mid-size molecule LUNA18 and antibody SOF10

Maximizing value of growth drivers

- Tecentriq ····· Market penetration accelerated by additional indication for hepatocellular carcinoma
- Enspryng ····· Approved in a total of 62 countries (as of December 2021). Domestic sales grew more than expected.
- Polivy, Evrysdi ····· Market penetration exceeded expectations as a new product
- Hemlibra ····· The delay in global market penetration due to COVID-19 has gradually resolved and is now on a sustainable growth trend
- Actemra ····· Increase global demand and strengthen/expand supply system with COVID-19
- Distribution policy ····· Implemented an efficient distribution policy

Acceleration of DX

- Established antibody design technology (LI/LO[2]) utilizing AI technology
- Improved efficiency of clinical trial operations
- Started building a production system by utilizing robotics
- Evolution of a new customer engagement model
- Selected as a DX brand for the second consecutive year

Strengthen business foundation

- Promoted proper operation of the new personnel system (revised the position profile based on the new growth strategy)
- Achieved single-year environmental targets (waste recycling ratio, final disposal ratio, whole effluent toxicity (WET) tests conducting ratio, chemical substances in wastewater)
- Continued selection to major ESG indices (DJSI World, FTSE4Good, MSCI ESG Leaders)
- Established and built an internal system for the execution of Insight Business
- Prepared Company-wide risk map/Risk Appetite Statement

Strategic Policies for 2022

Continuous creation of R&D output

- Expansion and steady progress in mid-size molecule projects (progress of LUNA18 and subsequent projects, construction of manufacturing system)
- Continuous creation of in-house new projects (accelerating drug discovery with new antibody technology and exploring new modalities)
- Proof of the value of in-house Pre-PoC projects (PoC acquisition and phase I study progress)
- Leveraging of in-house-developed products as growth drivers (accelerated development of crovalimab, Enspryng, and Alecensa including additional indications)
- Steady fulfillment of application and approval plans: Applications filed including Tecentriq (four cancer types), tiragolumab, and Herceptin/Perjeta fixed-dose combination

Maximizing value of growth drivers

- Successful introduction of new products to the market
  faricimab (DME/nAMD[3]), Tecentriq (NSCLC[1] adjuvant), Polivy (1L DLBCL[4]), and others
- Accelerating market penetration of growth drivers in Japan and overseas
  Hemlibra, Tecentriq, Polivy, Enspryng, Evrysdi, and others
- Establishment of the new distribution system (further penetration of product value)

Strengthen business foundation

- Streamlining and strengthening the entire value chain (production, development, global regulatory, etc.)
- Further strengthening of the ESG foundation (environmental investment, governance)
- Development of foundations for creating innovation (human resources strategy, digital utilization)

1. Non-small cell lung cancer 2. LI: Lead identification, LO: Lead optimization 3. DME: Diabetic macular edema; nAMD: Neovascular age-related macular degeneration
4. Previously untreated diffuse large B-cell lymphoma

Overview of Progress Reports

We disclose comprehensive and wide-ranging information on the progress of TOP I 2030 as indicated below. In this way, we aim to keep stakeholders up to date with the situation on the ground.

Progress in R&D P. 37

This holistic data enables stakeholders to evaluate and analyze progress and projections relating to the cultivation of growth drivers using the overview of project transition, the Chugai product R&D portfolio, projected timing of approval application, and estimates of project potential.

We also share information on the progress of Open Innovation and DX, which are the key drivers of TOP I 2030.

Progress in Open Innovation P. 40

Progress in DX P. 41

Strategy Implementation 1–5 P. 42–

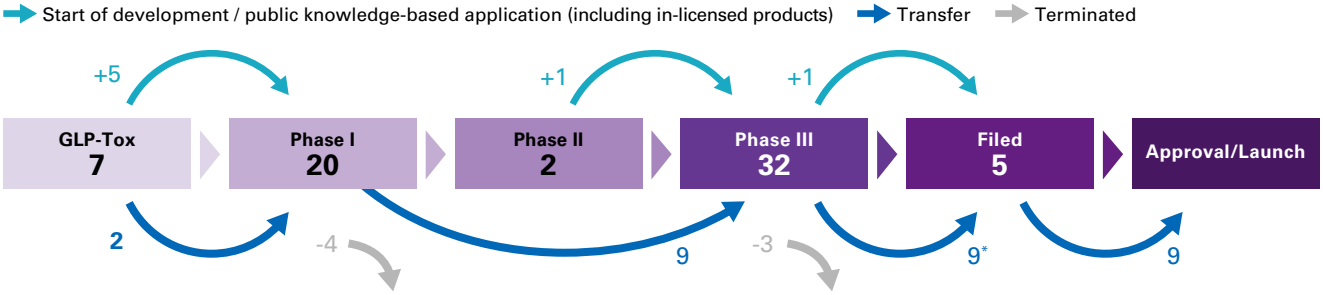
Stakeholders can check progress with the five reforms and the mid-term milestones. The milestones reflect goals and roadmaps in each area of reform and are reviewed when appropriate in line with environmental changes and the progress of reforms.

Financial and Pre-Financial Indicators P. 66 P. 87–

This is designed to allow stakeholders to examine progress in terms of both financial and pre-financial indicators, including profit and cost structure reflecting RED Shift.

Progress in R&D

Progress of R&D Projects (January 1, 2021 to February 3, 2022)



* Including one project filed at the phase I stage

	Number of projects	Main progress
Start of phase I studies	Products from Chugai research ----- 2 Products in-licensed from Roche --- 4 Other in-licensed products ---------- 1	Start of studies in a total of seven projects including Chugai's first mid-size molecule development candidate LUNA18 and antibody SOF10, a product from Chugai research with potential efficacy in cancers not responsive to immune checkpoint inhibitors
Start of phase III studies	Products from Chugai research ----- 2 Products in-licensed from Roche --- 8	Start of studies in a total of 10 projects including Enspryng (gMG[1]), crovalimab (aHUS[2]), and the selective estrogen receptor degrader giredestrant
Filed (including public knowledge-based applications)	Products from Chugai research ----- 4 Products in-licensed from Roche --- 6	Submissions filed for a total of 10 projects, including Ronapreve and faricimab, the first bispecific antibody in the ophthalmology field
Approval (additional indication) and launch (including public knowledge-based applications)	Products from Chugai research ----- 4 Products in-licensed from Roche --- 5	Approval and launch of a total of nine projects, among them four new products including Polivy, Evrysdi, and Ronapreve, as well as Actemra (COVID-19, EU and Japan) and Enspryng (NMOSD,[3] EU)
Termination	Products from Chugai research ----- 3 Products in-licensed from Roche --- 4	Development terminated in seven projects including AT-527

1. gMG: Generalized myasthenia gravis 2. aHUS: Atypical hemolytic uremic syndrome 3. NMOSD: Neuromyelitis optica spectrum disorder

Development Status of Treatments for COVID-19

Drug	Development status	
Actemra (Moderate II to Severe)	Japan	• Additional indication for SARS-CoV-2 pneumonia (limited to patients requiring oxygen intervention) (Filed in December 2021, Approved in January 2022)
	Overseas	• United States: FDA Emergency Use Authorization granted (June 2021) • Europe: Approved for severe COVID-19 treatment (December 2021) • WHO: Recommends Actemra and other IL-6 receptor blockers for the treatment of severe or critical COVID-19 in patients receiving corticosteroids (July 2021). Indicates potential efficacy of IL-6 receptor blockers in the management of patients with severe COVID-19 symptoms in response to the emergence of the Omicron variant (November 2021).
Ronapreve (Asymptomatic to Moderate I)		• SARS-CoV-2 infection and prevention of symptomatic SARS-CoV-2 infection (First approval in July, additional indications in November 2021, respectively) • Neutralizing activity against Omicron variant (B.1.1.529 / BA.1) was confirmed to be diminished, and revised the package insert based on the data (December 2021) • On the other hand, Ronapreve has shown to retain its efficacy against other variants of concern, including Delta. Efficacy against future emerging variants has not been denied.
AT-527		• Decision was made to discontinue development in December 2021

R&D Portfolio (As of February 3, 2022)

Drug discovery research—Lead optimization	GLP-Tox	Clinical trial	Launched
Therapeutic antibody			
20 and above	6	AMY109 GYM329 SOF10 ERY974 NXT007 STA551 GC33 nemolizumab[1] crovalimab Enspryng (gMG) Hemlibra (AHA[2])	Enspryng Hemlibra Actemra
Small molecule drug			
Hit identification 5 Lead optimization 4		SPYK04 EOS789[1] OWL833[1] CKI27[1] Alecensa (NSCLC, adjuvant)	Alecensa Edirol Oxarol Deberza[1]
Mid-size molecule drug			
Lead identification 16 Lead optimization 10		LUNA18	

1. Outsourced to a third party other than Roche 2. Acquired hemophilia A

Projected Submissions (Post PoC NMEs and Products) (As of February 3, 2022)

In-house (NME) In-house (line extension) In-licensed (Roche) (NME) In-licensed (Roche) (line extension)
New entry Changes in submission year

FDC: Fixed-dose combination
NSCLC: Non-small cell lung cancer
DLBCL: Diffuse large B-cell lymphoma
PNH: Paroxysmal nocturnal hemoglobinuria
MIBC: Muscle-invasive bladder cancer
nAMD: Neovascular age-related macular degeneration
aHUS: Atypical hemolytic uremic syndrome
DMD: Duchenne muscular dystrophy
gMG: Generalized myasthenia gravis

2022	2023	2024 and beyond
Filed: Hemlibra (ACE910 / RG6013) Acquired hemophilia A	crovalimab (SKY59 / RG6107) PNH	
Tecentriq (RG7446) NSCLC (adjuvant)	faricimab (RG7716)[3] nAMD	
Polivy (RG7596) 1L DLBCL	faricimab (RG7716)[3] DME	
3. Approved in March 2022		
	Avastin (RG435) Small-cell lung cancer	faricimab (RG7716) Retinal vein occlusion
	Avastin (RG435) Hepatocellular carcinoma (adjuvant)	gantenerumab (RG1450) Alzheimer's disease
Tecentriq (RG7446) Ovarian cancer	Tecentriq (RG7446) Hepatocellular carcinoma (adjuvant)	tiragolumab (RG6058) NSCLC
Tecentriq (RG7446) Renal cell carcinoma (adjuvant)	Tecentriq (RG7446) 2L RCC	Alecensa (AF802 / RG7853) NSCLC (adjuvant)
Tecentriq (RG7446) Urothelial carcinoma	Tecentriq (RG7446) NSCLC (neoadjuvant)	ipatasertib (RG7440) Prostate cancer
	Avastin (RG435) HCC (intermediate stage)	giredestrant (RG6171) Breast cancer (adjuvant)
	Tecentriq (RG7446) HCC (intermediate stage)	giredestrant (RG6171) Breast cancer
	Tecentriq (RG7446) Early breast cancer	tiragolumab (RG6058) Esophageal cancer
	Tecentriq (RG7446) MIBC (adjuvant)	tiragolumab (RG6058) NSCLC (Stage III)
	Tecentriq (RG7446) NSCLC (Stage III)	Tecentriq (RG7446) Esophageal cancer
Tecentriq (RG7446) Head and neck carcinoma (adjuvant)	RG6264 (FDC, sc) Breast cancer	
		SRP-9001 (RG6356) DMD
		crovalimab (SKY59 / RG6107) aHUS
		Enspryng (SA237 / RG6168) gMG
		pralsetinib (RG6396) NSCLC
		mosunetuzumab (RG7828) Follicular lymphoma

Post-PoC[4] Project Potential (As of February 3, 2022)

Peak sales period envisaged by product ● From 2022 to 2029 ● 2030 and beyond

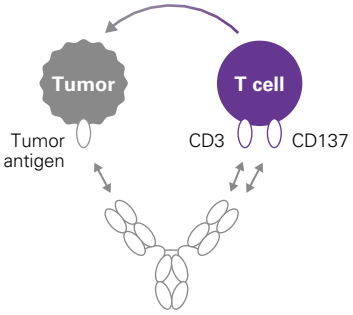
	Global over ¥400 billion	Global over ¥200 billion	Global over ¥100 billion	Global below ¥100 billion
In-house	● **Hemlibra** (Hemophilia A, acquired hemophilia A)	● **Enspryng** (NMOSD, gMG, etc.) ● **nemolizumab[5]** (Prurigo nodularis, atopic dermatitis)	● **Alecensa** (NSCLC, NSCLC adjuvant, ALCL, etc.) ● **crovalimab** (PNH, aHUS, sickle cell disease, etc.)	
	Domestic over ¥60 billion	**Domestic over ¥30 billion**	**Domestic over ¥15 billion**	**Domestic below ¥15 billion**
In-licensed (Roche)	● **Tecentriq** (Over ¥100 billion) (NSCLC, SCLC, urothelial carcinoma, RCC, prostate cancer, HCC, triple negative breast cancer, ovarian cancer, head and neck carcinoma, esophageal cancer, pancreatic adenocarcinoma, etc.)	● **Polivy** DLBCL ● **faricimab** (nAMD, DME, RVO) ● **gantenerumab** (Alzheimer's disease)	● **Evrysdi** (Spinal muscular atrophy) ● **HER/PER fixed-dose combination** (Early breast cancer, metastatic breast cancer) ● **tiragolumab** (NSCLC stage III, NSCLC (1L), SCLC (1L), esophageal cancer) ● **giredestrant** (Early breast cancer, metastatic breast cancer)	● **Gazyva** (Follicular lymphoma, etc.)

Note: Expected indications based on peak-sales forecast are noted in brackets. 4. Proof of Concept: Confirmation that the therapeutic effect conceived in the research stage is effective in humans 5. Licensed out to Galderma (global) and Maruho (domestic), respectively. Based on the forecasts by Galderma and Maruho.

Key Points of New Technology

Dual-Ig® Next-Generation T cells Bispecific Technology

TRAB™[6] is designed to guide T cells to the target cancer cells by activating and engaging T cells through its binding to CD3 on T cells. One of its challenges, however, is that it has limited antitumor killing ability against poorly T-cell infiltrated tumors. Dual-Ig® is a novel technology providing antibodies with the ability to induce CD137 signalling, one of co-stimulate molecules, in addition to CD3 signalling. This property potentially results in more potent antitumor effect against poorly T-cell infiltrated tumors than conventional T-cell engagers. In the preclinical stage, Dual-Ig® demonstrated enhanced Th1 cytokine production and increased the number of T cells in the tumor microenvironment with the more potent antitumor effect compared to TRAB™. By utilizing this technology, we expect to develop novel drug candidates against poorly T-cell infiltrated tumors with high unmet medical needs.



LINC-Ig®
Agonistic Activity Enhancing Technology

Although development of agonist antibodies has been reported, their agonist activity is not always sufficient. LINC-Ig® is an antibody engineering technology which enables an antibody to dimerize target receptors more effectively. LINC-Ig® induces stronger agonist activity than conventional agonist antibodies by restricting the highly flexible movement of the fragment antigen-binding (Fab) region through introduction of mutations into the region. It opens the prospect of creating drugs with superior agonist activity, which cannot be achieved with previous technologies.

PAC-Ig®
Disease/Tissue Specific Protease Activatable Antibody Technology

PAC-Ig® is a technology designed to specifically work in tissues or organs of interest by utilizing proteases which are upregulated specifically in particular organs or pathological states. In normal tissues or organs, PAC-Ig® hinders pharmacological effect of the antibody by inhibiting its binding activity to target cells. On the other hand, in the target tissues or organs where the specific protease is expressed, the active moiety of the antibody is cleaved by the protease and binds to the target antigen, resulting in the induction of its pharmacological effect. This novel technology enables us to expand the target of druggable space by spatiotemporally controlling pharmacological effect of the antibody.

6. Directs T cells to cancer cells and activates them to specifically attack and kill neighboring cancer cells

Progress in Open Innovation

Approach to Collaboration with Stakeholders

Chugai emphasizes collaboration with stakeholders as part of its aim to realize advanced and sustainable patient-centric healthcare founded on its basic policy of creating shared value with society. With science and technology evolving at a dizzying pace, it has become increasingly difficult for a company working in isolation to generate innovation. We have therefore set Open Innovation as one of the three key drivers of TOP I 2030. In our quest to realize global first-class drug discovery, we are accelerating collaborations with leading organizations and companies, including joint research with academia, on new technology and modality development, AI-based drug discovery, and other advanced areas. In parallel, we are pursuing initiatives with healthcare companies, hospitals, medical device manufacturers, and digital-related companies toward the goal of building a futuristic business model.

Our relationship with these external collaboration partners goes beyond simply taking on and commissioning technology-related contracts; in our view, it is only by holding in common the goals we wish to attain and the value we aim to deliver and thereby maintaining the necessary collaboration that we can consistently achieve innovative outcomes. We will therefore extend the reach of our supply chain framework, which has until now focused on suppliers and contract manufacturing organizations (CMOs), to include business partners of all kinds, with whom we will in the future share our basic management policy and Material Issues in order to address social challenges together.

Main Developments in Open Innovation

	Area	Main collaboration partners	Innovation key points
Research organizations/ academia	Drug discovery/ biology	IFReC, The University of Tokyo, National Cancer Center Japan, RIKEN, Yokohama City University, Yamaguchi University	Joint research in the immunology field, oncology field, genome databases, etc.
	Research technology	New modalities, cell science research institutes	Innovation in research technology platforms, development of new modalities, organoid research, etc.
Healthcare companies	In- and out-licensing	Roche, Regeneron, Eli Lilly, Galderma, Maruho	Project in-licensing, out-licensing of Chugai products, allocation of licenses for next-generation antibody technologies, etc.
	Formulation/devices	Medical device manufacturers, equipment manufacturers	New formulation containers, new formulation manufacturing equipment, etc.
Hospitals/clinical study companies	Clinical study	Clinical investigators, key opinion leaders (KOLs,)[1] patients	Innovative clinical studies, decentralized clinical trial (DCT)[2] initiatives, etc.
	Data-related	Major hospitals, clinicians, academic research partners	Creation of data utilization environments, utilization of real-world data (RWD,)[3] achievement of True Endpoints, etc.
Supply chain companies	Pharmaceutical technology	Ajinomoto, Cytiva, Chitose Laboratory, and other raw material and equipment manufacturers, engineering companies	Development of continuous production and other next-generation production technologies/equipment, development of production facilities with advanced containment technologies for active pharmaceutical ingredients (APIs) for small and mid-size molecule drugs, etc.
	Environment, health, and safety (EHS)	Construction companies, equipment and device manufacturers	Reduction of CO_2 emissions (Scope 1), reduction of waste emissions/transition to a circular economy, chlorofluorocarbon (CFC)-free technology development, etc.
Digital-related companies	Research/ development/ production	Preferred Networks, FRONTEO, Biofourmis, IBM Japan	AI-based drug discovery, innovation in research processes, digital biomarker (dBM) development, digital plant development, etc.
	Platforms/human resources	Amazon Web Services, NTT DATA, ALBERT, LINE WORKS, Welby	Creation of data utilization platforms, increased efficiency in clinical studies, joint development of data scientist training programs, new two-way communication tools

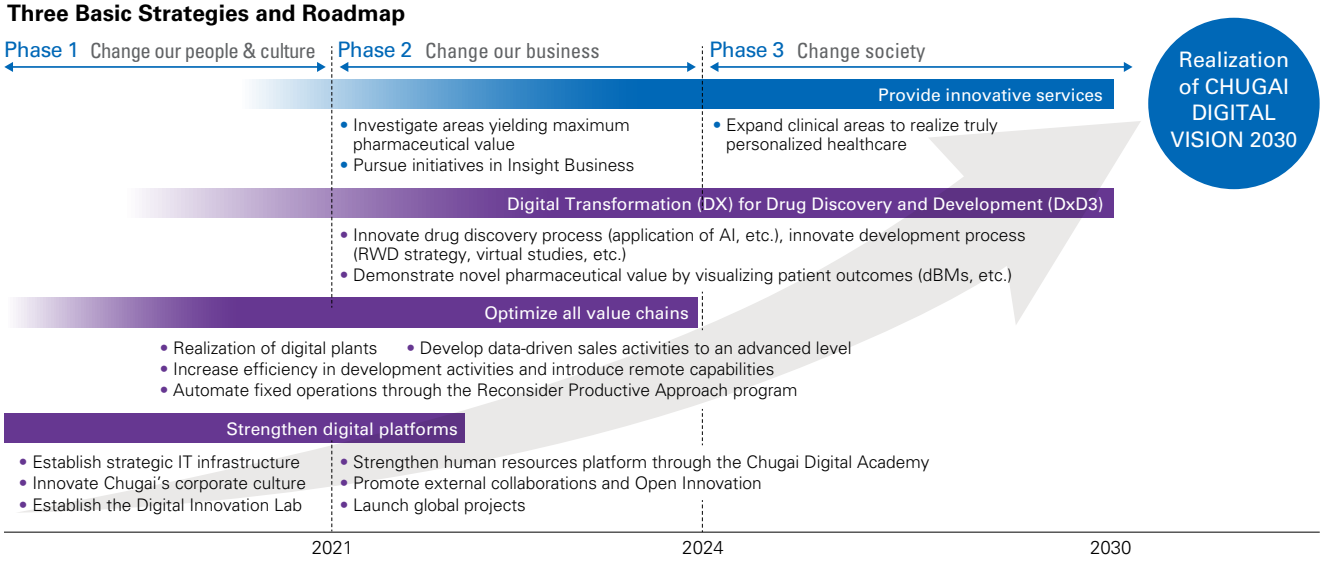
1. Key opinion leaders: Doctors and other experts with wide-ranging influence in the healthcare industry
2. Decentralized clinical trial: Clinical trial in which participants are not required to attend a medical institution
3. Real-world data: General term for medical data gathered in the course of everyday clinical practice

Progress in DX

CHUGAI DIGITAL VISION 2030

Transform our business by using digital technologies to make Chugai a top innovator in the provision of society-changing healthcare solutions

Three Basic Strategies and Roadmap



Outline of CHUGAI DIGITAL VISION 2030 and Progress to Date

In October 2019, Chugai set out a roadmap in the form of CHUGAI DIGITAL VISION 2030 to draw together the digital measures that had until then been pursued on an individual divisional basis. The roadmap sets out three basic strategies. First, to strengthen digital platforms we will work on intangible measures such as reforming our corporate culture and enhancing digital talent, while tangible measures will include reinforcing data utilization and security platforms. Second, to optimize all value chains we will build on this basis to move forward with improved productivity in existing operations using a range of digital technologies. Third, to realize DX for DxD3, we will build on the management resources generated by the above strategies, using AI, RWD, and dBM in a way unique to Chugai to create innovative drugs and realize truly personalized healthcare. On the investment front, we aim to drive active digital investments. These will be categorized under Transformation, which, alongside Operation and Maintenance as well as Growth, is one of the three major categories of the total digital and IT budget.

In 2021, in recognition of the progress achieved with the measures listed below, Chugai was selected as a DX Stock for the second consecutive year* by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Although we did not quite meet our ambitious target in the highly competitive field of digital talent recruitment, we are taking measures to improve by continuing to accelerate the in-house development of human resources. Additionally, we newly established the Digital Transformation Unit in January 2022, giving increased momentum to our overall digital and IT strategy for the future.

* Chugai was the only pharmaceutical company selected for a second consecutive year.

Progress of Main Strategies

DX for DxD3	• Increased efficiency in the antibody drug discovery process using the proprietary AI tool MALEXA®, and advanced analytical technology for pathology images • Advanced technologies for predicting human pharmacokinetics using modeling and simulation • Progressed toward demonstrating true patient value in dBM development, enhanced the use of RWD to support internal decision-making and drug approval applications
Optimize all value chains	• Accelerated process transformation and the deployment of a range of digital tools and systems to realize digital plants, which are designed to transform production operations and provide greater added value in human resources • Rolled out a Company-wide digital marketing system and launched its full-scale operation for customer-centric marketing • Drove the automation of operational processes through rollout of Chugai's Reconsider Productive Approach program
Strengthen digital platforms	• Put in place infrastructure to promote internal and external data utilization, stepped up development and recruitment of digital talent, implemented company-wide reform of the corporate culture, etc. (See page 57 for information on the main DX strategies for enhancing the foundation for growth.)

Strategy Implementation 1

Drug Discovery

Realizing innovative drug discovery ideas. Aiming to double output by strengthening digital capabilities, promoting external collaboration, and enhancing drug discovery technology platforms.

With TOP I 2030, we aim to build on the strengths of our in-house capabilities accumulated over the years to realize innovative drug discovery ideas as part of our goal to achieve global first-class drug discovery.

For the third modality, mid-size molecule drugs, we will prioritize the investment of business resources in technology development, the creation of development programs, and clinical projects, while also investigating clinical effects, in order to develop a core drug discovery platform that will drive growth over the medium and long term. In 2021, our first mid-size molecule project, LUNA18, moved into the clinical phases. We will make steady progress with this project and effectively use the trial data on pharmacokinetics/pharmacodynamics and safety for subsequent mid-size molecule projects. Currently, multiple mid-size molecule projects are progressing in the drug discovery and preclinical phases, and we will accelerate research and development, including through collaboration with external partners.

For small-molecule drugs and therapeutic antibodies, we are working to further expand our technology platforms. In 2021, we unveiled a number of antibody engineering technologies, including the Dual-Ig® next-generation T-cell bispecific antibody technology. We have made steady progress in projects that apply these technologies or our switch antibody™ technology and will continue to focus on the development of next-generation antibody technologies to respond to Drug-Wants*.

In addition, we are leveraging our expertise in protein engineering technologies, working to establish new modalities and flexibly incorporating technologies from Roche and other external parties in order to evolve to a world-class level of multi-modality drug discovery.

For drug discovery platforms, we are applying digital technologies, including AI, to advance drug discovery technology and transform the drug discovery process. We have multiple initiatives underway, such as experimental automation and use of digital technologies for pathology imaging analysis, as well as the application of AI in antibody and mid-size molecule design, and we are working to expand and accelerate these programs. Other areas of focus are next-generation laboratory automation and a smooth transition to Chugai Life Science Park Yokohama, which is scheduled to officially start operations in 2023.

* Profiles and mechanisms of action wanted in drug discovery

Mid-Term Milestones and Progress

★ Internal quantitative target set ● Progressing to schedule

Milestone		Timing (year)	Progress
Acquisition of ePoC[1] for LUNA18		2024	●
Continuous creation of drug discovery projects utilizing mid-size molecule technology ★		2023–2025	● (PC transition: 0[2] (2021))
Establishment of new technologies that enhance competitive advantage (Acquisition of new MOA[3])		2023–2025	●
Developing next-generation antibody technologies to solve Drug-Wants	• PC transition[4] of new antibody engineering technologies that work selectively with tissue and cells following Switch-Ig™	2023	●
Establishment of a technology platform and new modality research platform comprising of multiple modalities with competitive advantages	• PoC of new technologies through combination of protein engineering technologies and new modalities	2023	●
	• Project creation and PC transition[4] by combining antibody engineering technologies and new modalities	2025	●
Strengthening the drug discovery process by utilizing digital technology	• Antibodies: Efficiency of the discovery process through machine learning technology	2023	●
	• Implementation of lab automation at Yokohama site	2024	●
	• Improve drug discovery productivity by establishing a digital infrastructure ★	2024	●
Creation and promotion of innovative drug discovery projects by strengthening biology	• Development of a system for utilizing human clinical samples to improve the accuracy of non-clinical research	2024	●
	• Creation of a platform for drug discovery approaches that target continuous innovation from a biological perspective	2024	●
Capturing external innovation	• Incorporation of new modalities, technologies, and molecules ★	2024	● (In-licensed: 2 (2021))

1. In addition to safety, signs of efficacy or pharmacological effect have been confirmed in a limited number of cases.
2. Preclinical (PC) transition for antibody/small-molecule drug projects: A total of 3 3. Mode of Action 4. Transition to GLP-TOX studies (non-clinical safety studies)

Main Progress

Innovation in the drug discovery process using AI technology

We are moving forward with innovation in the drug discovery process using AI technology centered on machine learning. In addition to using machine learning in the selection and optimization of lead compounds for the development of antibody- and mid-size molecule-based drugs, we are working on the use of image analysis and related technologies to digitalize pathology analysis (digital pathology) and to conduct digital platforms for next-generation laboratories with high levels of research productivity.

One of our projects in this area is known as Machine Learning x Antibody (MALEXA®), which uses machine learning to select the most suitable antibodies. This technology has delivered results in both identification and optimization of lead antibodies and is expected to contribute to raising the speed and productivity of research. Compared to the conventional method of design by human researchers, MALEXA® has been demonstrated to identify antibodies with superior characteristics in terms of binding activity, inhibitory activity, and antibody production volume. Going forward, we will be developing it as an optimization system that covers additional characteristics such as immunogenicity and physical properties.

Evolution of next-generation antibody engineering technologies

Chugai is continuously developing proprietary antibody engineering technologies, and currently we are working on a number of drug discovery projects using these novel technologies. Some of these projects have already progressed to market launch and are being used by patients, including a drug applying our recycling antibody technology SMART-Ig®, and another applying ART-Ig® technology to raise the manufacturing productivity of bispecific antibodies. Both have received breakthrough therapy designation from the U.S. FDA. Sweeping antibody technology, made by combining in-house-developed recycling antibody technology with TwoB-Ig®[1] and pI-Fc®,[2] is a further evolution of the recycling antibody principle and is expected to deliver superior pharmacological efficacy. Meanwhile, we are making steady progress with projects based on other technologies developed in recent years, including the next-generation bispecific antibody technology FAST-Ig™ and our switch antibody technology Switch-Ig™. Alongside the next-generation T-cell bispecific antibody technology Dual-Ig®, we also announced a number of other novel antibody technologies in 2021, including the agonist activity-enhancing technology LINC-Ig® and the disease/tissue specific protease activatable antibody technology PAC-Ig®. (See page 39 for details on our novel antibody engineering technologies.) By applying these and our previously developed antibody engineering technologies, we aim to continue creating innovative drugs by adding drug discovery targets and unique mechanisms of action that were previously unattainable.

1. Fc γ RIIb-mediated enhancement of intracellular uptake of antigen-antibody complex
2. Enhancement of intracellular uptake of antigen-antibody complex through introduction of a positive electric charge to the Fc region

Main Initiatives and Progress

Antibody x AI	• Acquisition of appropriate lead antibody sequence groups following AI recommendations • Acquisition of development candidate antibodies with optimal characteristics following AI recommendations • Exploration of AI application to the immunogenicity reduction process
Mid-size molecule x AI	• Enhancement of structural analysis technology (introduction of cryogenic electron microscopy) • AI technology-based compound structural development and prediction of binding sites • AI technology-based multi-aspect optimization
Image analysis x AI	• Automation of pathological analysis, extraction of quantitative data • Automated determination of cell count and cell morphology • Selection, measurement, and assessment of organs in pharmacology and safety studies
Utilization of robotics	• Development of robotic transport between automated devices • Development of robots to mimic researcher actions

Projects Using Proprietary Antibody Engineering Technology

	Drug discovery	Preclinical	Clinical	Launched
Recycling antibodies®, sweeping antibodies®, etc.	2	1	nemolizumab★, crovalimab, AMY109, GYM329, and SOF10	Enspryng★
Bispecific antibodies (non-oncology)	4	1	NXT007	Hemlibra★
Bispecific antibodies (oncology, Dual-Ig®, etc.)	5	2	ERY974	–
Switch antibody™	4	1	STA551	–
PAC-Ig®, and other novel technologies	5	1	–	–

★: Breakthrough therapy designation from the U.S. FDA

Focus

Mid-Size Molecule Drug Discovery

Importance and Direction of Mid-Size Molecule Drug Discovery

Discovery of pharmaceuticals against **intracellular tough targets** unreachable with small molecules or antibodies

- Antibodies target only extracellular molecules (approx. 20% of all proteins)
- Small molecules target only molecules with pockets (approx. 20% of all proteins)

Estimates suggest that of the approximately 30,000 types of proteins in the body, some 2,000 may be involved with disease, but new drugs that have been launched over the past 10 years only target around 50 of these proteins. In our quest to help patients with diseases for which treatment methods have yet to be established, it is important to engage in drug discovery for "tough targets" that have been difficult to reach thus far. Mid-size molecules are the third pillar in our drug discovery efforts, after small molecules and antibodies. They have the potential to form a new modality that can reach tough targets because of their ability to enter the cell where antibody drugs cannot reach and bind in a targeted fashion even where the molecules do not have pockets suited to small-molecule drug binding. We have chosen to focus on mid-size cyclic peptides because (1) they have a molecular weight that allows binding even to targets with no pockets, (2) the establishment of chemical synthesis methods means multiple test samples can be synthesized, and (3) we can therefore build a library of a diverse range of compounds.

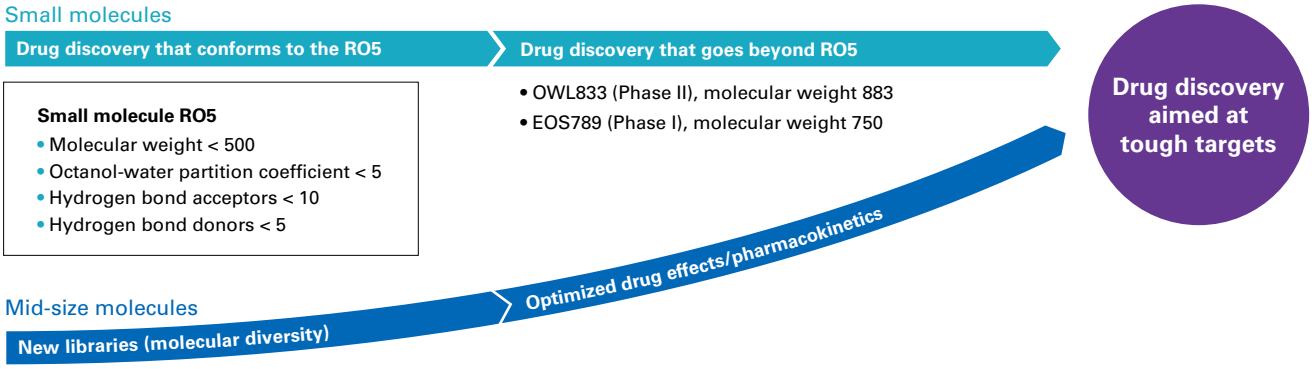
Conventional approaches to mid-size molecule drug discovery (peptide drug discovery) have run up against a dilemma in that the introduction of non-natural amino acids to non-drug-like hit compounds to increase membrane permeability or metabolic stability causes marked structural changes that reduce pharmacological activity. Our approach at Chugai is to identify the criteria for drug-likeness in mid-size molecules and then find hit compounds that meet these criteria and introduce tiny structural changes to create a drug. Our goal was to establish a mid-size molecule version of the Rule of 5 (RO5), which was established for the development of small-molecule drugs. The RO5 is a rule of thumb to determine whether a compound has properties (such as molecular weight and lipid solubility) suitable for oral drugs. The RO5 has contributed to higher success rates in small-molecule drug discovery around the world. In recent years, Chugai has engaged in drug discovery aimed at tough targets that goes beyond the RO5. One example is the OWL833 project that has progressed to phase II clinical trials. Our extensive experience has been of enormous help when defining the drug-like properties of mid-size molecules.

Overcoming Two Challenges

As part of this work, Chugai has tackled two challenges in its mid-size molecule drug discovery programs. The first involves imparting drug-likeness to mid-size molecules and defining drug-likeness (semi)quantitatively. The second involves constructing a library of non-natural peptides that meets our established definition of drug-likeness.

For the first challenge, we were able to leverage our experience in medicinal chemistry research to synthesize and evaluate an enormous number of different types of cyclic peptides, which then allowed us to develop our own definitions of drug-like properties for mid-size molecules. For the second challenge, we applied the biotechnology platforms

Evolution of Chugai Drug Discovery toward Tough Targets



Challenges with Mid-Size Molecule Drug Discovery

(1) Defining drug-likeness (semi)quantitatively

(2) Constructing a library of non-natural peptides that meets our established definition of drug-likeness

Chugai's Approach

Establish definitions, build libraries	**Chemistry:** Identify criteria for drug-likeness **Biotechnology:** Construct libraries, obtain hits
Pharmaceutical creation	**Chemistry:** Create and optimize lead compounds as well as create development projects **Biotechnology:** Conduct conformational analysis of target proteins and hit compounds

we had developed during our antibody drug discovery research and utilized an mRNA display process with reprogrammed genetic codes, which allowed us to build a diverse library of 10^{12} cyclic peptides, including peptides containing high levels of unnatural amino acids (UAAs).

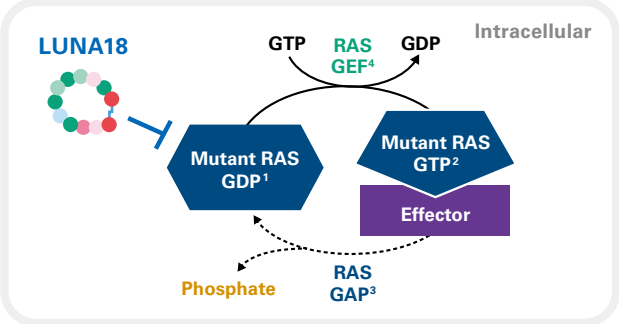
By tackling these challenges, we were able to establish a platform for mid-size molecule drug discovery that involved identifying hit compounds in the drug-like library and progressing lead compound creation and optimization with reference to conformational analyses of the target protein and hit compound. We attribute our success to our ability to combine extensive knowledge and technical expertise in both medicinal chemistry and biotechnology. We have now established systems at Chugai Pharmabody Research in Singapore that allow us to screen more than 20 targets a year.

Future Research and Development

In October 2021, our first mid-size molecule drug, LUNA18, progressed to clinical development. LUNA18 has been developed as an oral agent to block the activity of RAS, which plays a significant role in cell differentiation and proliferation. LUNA18 acts to block proliferation of tumor cells with various RAS gene abnormalities and is expected to exhibit antitumor effects against cancers with abnormal RAS genes for which there are currently no treatment options. Chugai also has a number of other projects in the research phases, as shown in the figure below. Non-clinical studies have confirmed cellular activity and efficacy in animals for multiple projects and we are now accelerating research and development including through collaboration with external parties.

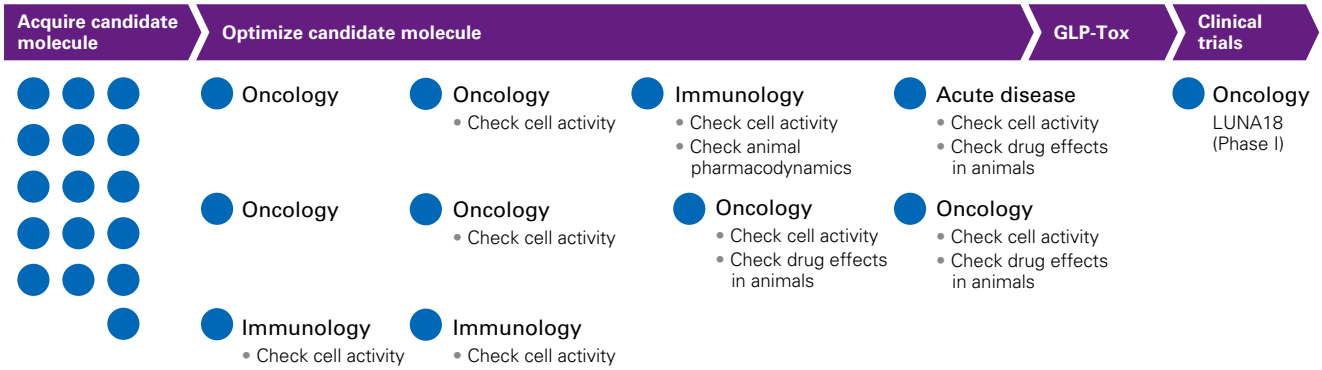
We are also preparing to conduct X-ray crystal structural analyses and cryo-electron microscopy as the technological basis for research into this activity. In our production facilities as well, we will build integrated in-house supply systems for everything from process development to early commercial production, after the decision was made in 2021 to construct new facilities at the Fujieda Plant.

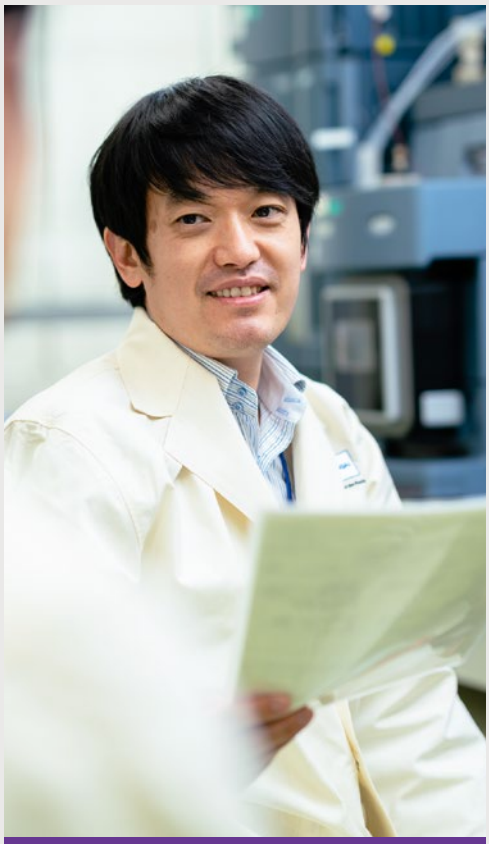
LUNA18 Mechanism of Action



1. GDP: Guanosine diphosphate 2. GTP: Guanosine triphosphate
3. GAP: GTPase-activating protein 4. GEF: Guanine nucleotide exchange factor

Research Portfolio for Mid-Size Molecule Drug Discovery





Mikimasa Tanada
Deputy Head of Discovery
Chemistry Department
(Mid-Size Molecule Medicinal Chemistry)

STORY 3

Improving Patient Value through Mid-Size Molecule Research

Material Issue: Creation of innovative drugs and services

I put my hand up without hesitation. The Company was looking for researchers to start a project on mid-size molecules. At that time, I was a chemistry researcher with little experience. Despite this, my curiosity and sense of anticipation beat out any nervousness. We would be looking at "tough targets" that are difficult to reach with small molecule drugs or antibodies. If we could produce mid-size molecule drugs, they would definitely be of benefit to patients.

Once the project started, there was a constant stream of challenges to tackle. Define drug-likeness of mid-size molecules and construct a library of compounds that meet our established definition of drug-likeness. Overcome the lack of knowledge outside of the Company. Transport cyclic peptides into cells. Demonstrate oral absorption in animal models. As we made progress in each of these steps, we felt more confident.

We gradually established the platform technology and progressed to the phase of testing intracellular pharmacological activity. However, the really hard work was yet to come. None of the derivatives we produced exhibited any pharmacological effects. We started to wonder whether the compounds could penetrate the cell in the way we had assumed. The only way forward was to investigate all possibilities. Our biology research colleagues improved the compound library and repeated the hit compound generation processes. We continued with all sorts of experimental work. It took every ounce of energy I had to finally prove activity in the cell. It was the interaction with researchers from different fields that led to our success.

Today, this mid-size molecule project has grown into a business that draws on resources from across the Company. Our research pipeline has also expanded. We are looking to progress these projects to help deliver products to patients as soon as we can. At the same time, we are exploring new themes and working to develop more advanced technologies. The world's best. That's what we are developing our mid-size molecules to be.

Strategy Implementation 2

Development

Realizing a world-class clinical development model that leverages digital technology to achieve higher success rates and maximum product value

In early-stage clinical development through to PoC, our focus is on improving clinical study success rates and maximizing product value to build a world-class clinical development model. Specifically, we are developing an intricate understanding of biological responses in the non-clinical and clinical stages. Through the application of innovative mathematical models and culture technologies, combined with the full use of real-world data (RWD) and a wealth of data on diseases and treatments that we have accumulated, we will improve the predictability of dosage and administration, efficacy, and safety as well as increase the success rates of clinical trials. In addition to the work done thus far, we are utilizing the most up-to-date technologies, such as modeling and simulation (M&S)[1] and human organoid construction,[2] to build a platform for clinical predictability. This platform will be applied to a wide range of clinical development projects.

Combining this with an understanding and analysis of biological responses, we will focus on the development of digital biomarkers (dBMs) and digital devices for objective evaluation and quantification of pain or emotions, for example, while identifying healthcare issues for each disease and linking the results to appropriate diagnosis and treatment. Furthermore, by combining the data obtained in this way with RWD, we will demonstrate the True Endpoints at the early stages, thereby contributing to improved QoL for patients.

In late-stage clinical development, we are positioning patients as clinical trial partners and building a patient-centric operational model aimed at maximizing shared value with patients. We will also implement fundamental reforms to improve productivity and actively use digital technologies to improve the efficiency of monitoring and management tasks. At the same time, we will incorporate RWD in study designs to reduce the size and duration of studies and make operations more efficient. Our goal is to double productivity in late-stage clinical development by 2030.

When developing the COVID-19 treatment Ronapreve in 2021, we obtained Special Approval for Emergency very rapidly, even in the absence of clinical data on Japanese patients, and then started product deliveries to the government. Looking ahead, we will implement development strategies that can be adapted to these types of business environment changes in a flexible and agile manner.

1. Technology that integrates computer-based mathematical simulations with biological sciences. Supports key decision-making during pharmaceutical development.
2. Tissue structures designed to have similarities to organs in the human body

Mid-Term Milestones and Progress

★ Internal quantitative target set ● Progressing to schedule

Milestone		Timing (year)	Progress
Strengthening the clinical predictability platform and implementing M&S projects	• Improving clinical predictability through M&S and implementing clinical trials based on M&S★	2025	●
	• Implementation of patient segmentation based on pathological biomarkers	2025	●
Accelerating value expansion of in-house-developed products through simultaneous development of multiple diseases	• Multiple projects for simultaneous development of multiple diseases based on science and commerciality	2023	●
Proof of value of in-house projects	• Establishing general-purpose indicators that lead to True Endpoint assessment of patients	2025	●
Evolution of late-stage development operations★	• Increase in workforce productivity	2023	●
	• Implementation of clinical/regulatory applications utilizing RWD, control group data, disease registry data, etc.	2023	●

Main Progress

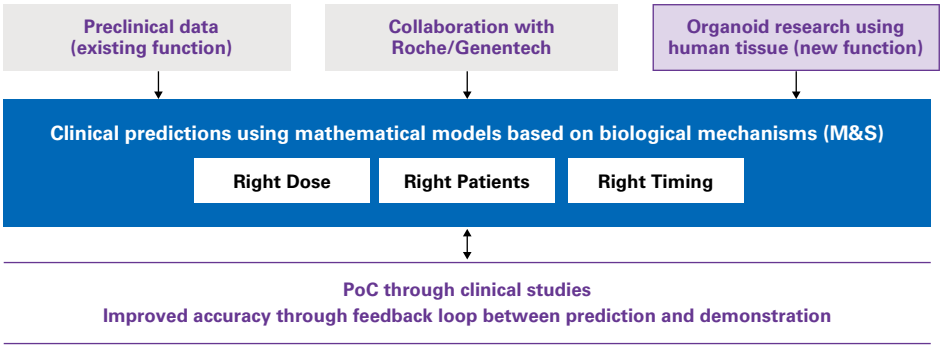
Improved predictability and success rate

Chugai uses M&S activities to improve its development success rate. M&S, an innovative technology to support optimal dosing and personalized healthcare (PHC), gathers a wide range of observed data and applies AI analysis to work out a formula, or model, that indicates pharmacokinetics and biological response. Organoid research is one example of data collection to raise predictive accuracy. Here, cutting-edge stem cell research technology is used to generate cells that can be cultured in vitro to help raise accuracy in the prediction of drug absorption and metabolism. This approach is already being applied in the analysis of drug action and toxicity mechanisms. In addition, we have successfully constructed an AI model that uses molecular structure data to predict the absorption rate of development candidates in the human digestive tract. Analysis and verification of this model is progressing in multiple projects.

Early demonstration of True Endpoints

Several projects are advancing the use of dBMs to enable objective diagnosis and outcome evaluation by measuring patient biological data. One of these is a global multicenter observational research study focused on an evaluation method to objectively measure pain over time, the main symptom of endometriosis. The pain evaluation method developed jointly with Biofourmis uses a pain index based on analysis of biological data collected through a wearable device. Verification through comparison with patients' own pain assessment will be carried out with a view to future clinical studies and diagnostic applications. We are also constructing platforms that will enable us to use the dBM data gathered in this way in a wide range of uses.

Using M&S for Enhanced Prediction of Pharmacological Efficacy

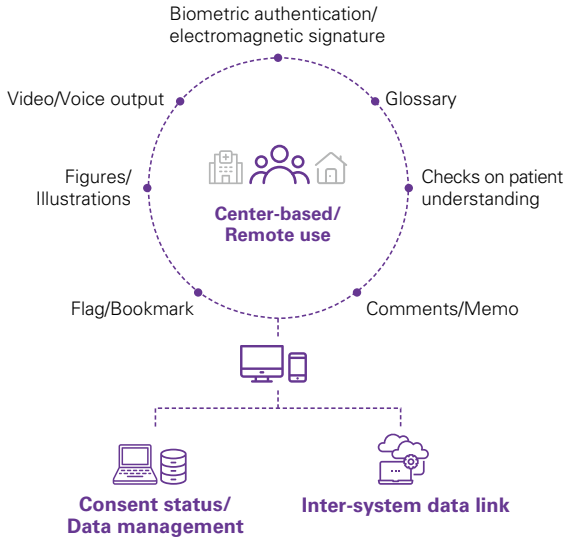


Patient-centric operational model

Chugai clinical trials are designed according to its core value of being "patient centric." The objective is to maximize shared value with patients. This includes surveying patient wishes before the start of the clinical trial, evaluating safety and efficacy from the patient perspective during the trial, and preparing a report for patients after the conclusion of the trial. This not only secures patient acceptance and commitment but also promotes appropriate trial conduct and greater productivity. In 2021, we introduced eConsent, which uses videos, images, and other media to explain clinical trial content to patients in an easy-to-understand manner. Going forward, we plan to link this approach to initiatives related to decentralized clinical trials*, in which medical examination, evaluation, and other procedures take place online.

* Clinical trial in which participants are not required to attend a medical institution

eConsent Functions



STORY 4

Kiyotaka Nakano
Group Manager,
Micro PhysioMimic Research Group

Improving Patient Value through Human Prediction Research

Material Issue: Creation of innovative drugs and services

I am working to better understand disease pathology and pharmacokinetics by using miniature human organs cultured in test tubes that we call organoids. I aim to increase patient value by unraveling complex biological processes at the molecular level using advanced culture technologies.

I embarked on this research some 10 years ago, prompted by the interest of my colleagues at Forerunner Pharma Research*. Compared with normal cultured cancer cells, the cancer organoids used to investigate drug resistance in cancer show the same kind of stubborn persistence seen with real cancers, and this has led to a number of discoveries.

In 2021, I transferred to Chugai's satellite laboratory within the National Cancer Center Japan. Using human digestive tract or liver organoids, I am conducting prediction research to investigate drug absorption and metabolism. We can improve prediction accuracy by exploring culture conditions that mimic those in the human body and building culture models that allow quantitative analyses. Drawing on many years of trial and error in cell biology research, I am now applying this experience in a number of drug discovery projects and starting to see results.

I see enormous potential for this type of research. I think organoids could be used for all sorts of different drug discovery processes, including for screening and safety assessment. I would also like to tackle the development of pathology models, for chronic diseases for example. Cutting-edge research is stimulating, but it often does not go the way you expect. I have faith in my work and hope to build a team of experts in cell biology and continue adapting to all sorts of challenges.

* Wholly owned subsidiary of Chugai, established with the aim of exploring seeds for innovative new drugs and diagnostics. Dissolved on May 31, 2021.

Strategy Implementation 3

Pharmaceutical Technology

Realize pharmaceutical technology functions befitting a top innovator by combining high cost competitiveness with world-class technologies for turning drug discovery ideas into drugs

In the area of early-stage technology development for pharmaceutical technology, which is a component of the Research & Early Development (RED) function, we are pursuing world-class pharmaceutical technologies in terms of both technological sophistication and development speed in order to ensure the commercialization of innovative pharmaceuticals while responding to the significant expansion of R&D output. We will further strengthen collaboration with drug discovery and development and accelerate the establishment of systems linking investigational drug development and early-stage production. Our aim is to develop active pharmaceutical ingredient (API) manufacturing and formulation methods for drugs of high difficulty, such as mid-size molecules, next-generation antibodies, and highly active substances, which will directly provide competitive advantage. We made the decision in 2021 to construct two new facilities: the FJ3 building at the Fujieda Plant to produce APIs for highly active small and mid-size molecules (from late-stage clinical development through initial commercial production) and the UK4 building at the Ukima Plant to produce biopharmaceutical APIs for early-stage development. We expect these facilities to establish a more flexible and rapid supply system for APIs.

In our production functions, we are establishing new systems that balance enhanced functions with low-cost operations. We are making steady progress in the use of digital plants and robotics, including installation of IT infrastructure for greater efficiency, and plan to accelerate efforts to improve production efficiency in the future. For digital plants, we are currently implementing various measures using the Ukima Plant as a model case and expect to roll out new operational systems and digital infrastructure during 2022. For antibody API production, we are building next-generation biopharmaceutical plants that will help reduce plant size and the amount of resources invested.

In commercial production operations, simulations of past demand fluctuations were successfully used to step up production and meet the surge in demand for Actemra to treat COVID-19-associated pneumonia in 2021. Going forward, we will work to build not only flexible supply systems that can cope with rapid changes in demand but also materials or parts procurement. As a second-site strategy, we are also working to optimize the balance of internal and external production. We will actively utilize contract manufacturing organizations (CMOs) for products that can be outsourced to external partners in pursuit of world-class cost competitiveness and cost reduction.

Mid-Term Milestones and Progress

● Progressing to schedule

Milestone		Timing (year)	Progress
Establishment of manufacturing systems and processes for mid-size molecules	• Establishment of mid-size molecule CMC[1] technologies and production bases for API and formulations	2024	●
	• Shortening the time to PoC in collaboration with non-clinical functions	2024	●
Establishment of biopharmaceutical API development and manufacturing systems in response to doubling of R&D output	• Establishment of a manufacturing system with dedicated FIH[2] (UK4)	2024	●
	• Establishment of cost reduction technologies for in-house production	2024	●
	• Develop antibody pharmaceutical technologies to become the world's forerunner	2027	●
	• Shortening the time to IND[3] in collaboration with non-clinical functions	2024	●
Establishment of an efficient manufacturing system for CPMC[4]	• Strengthen core manufacturing technologies, establish a cost-competitive CPMC system, and firmly establish operations	2023	●
	• Establishment of a CMO management system for future product portfolio	2023	●
	• Launch of a new operational model at other sites through the development of digital and IT infrastructure	2023	●
	• Reflecting the use of robotics in the design of new facilities	2025	●

1. Chemistry, manufacturing, and controls data for API and drug product formulations needed for approval submissions
2. First-in-human (FIH) studies where the first doses are administered to humans
3. Investigational new drug (IND) application system for clinical study
4. Chugai Pharma Manufacturing Co., Ltd.

Main Progress

Selection and concentration in capital investment and production functions

Under TOP I 2030, we are putting in place a new production system that will support technology innovation, increased production capacity, and speedier investigational drug manufacturing to match increased R&D output. In parallel, we are reorganizing our collaboration and division of roles with CMOs. In line with this strategy, we committed in 2021 to establishing two new facilities: at the Fujieda Plant we will build FJ3, an API-manufacturing facility for the production of highly active small and mid-size molecule-based drugs; and at the Ukima Plant we will build UK4, a facility for the manufacture of biopharmaceutical APIs for early-stage development. These specialist facilities will not only enable the stable manufacture of high-potency drugs, which involves extremely high levels of technological difficulty, but will also significantly boost speed and flexibility in reaching the FIH stage of early-stage clinical development. Meanwhile, in order to spread supply risk in commercial production, we will work with CMOs to explore a second-site strategy whereby production is dispersed across a number of manufacturing sites.

Construction of API supply system

	Phase I to phase II		Phase III to initial commercial production	Full-scale commercial production
Small/mid-size molecules	FJ1 FJ2		Small molecules: Outsourcing to CMOs Mid-size molecules: FJ3	Outsourcing to CMOs
Biopharmaceuticals	UK4	UK1 UK2	UK3	Utsunomiya Plant/ Outsourcing to CMOs

Digital plant initiative

For digital plants, we are collaborating with IBM Japan in both planning and in direct and indirect operations to achieve productivity improvement by linking and optimizing human and operational data.

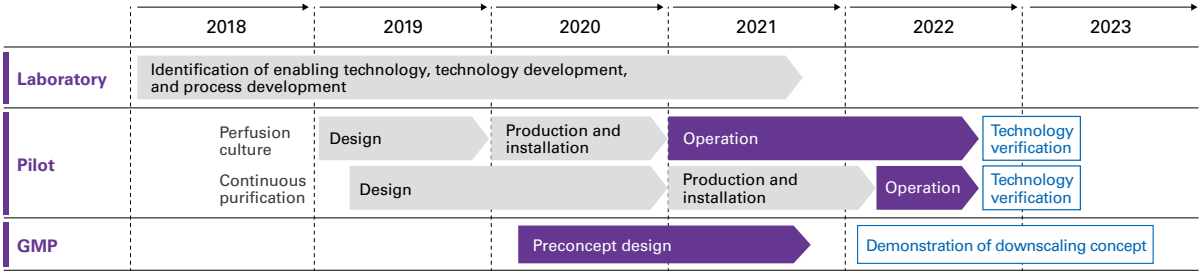
In the first stage, using the Ukima Plant as a model case, we are collating a range of data on manufacturing, quality, staffing, and other variables, and using this data in various initiatives in areas such as draft planning, progress monitoring, coordination of education, certification, personnel assignment, AI-driven searches of Good Manufacturing Practice (GMP) documents, and remote support to frontline operations using mobile devices and other tools. By the end of 2022, we plan to put in place a digital platform to support the new operations. In the second stage, having verified the platform and related measures, we will successively roll them out to other facilities. Additionally, the use of robotics is progressing, where, for instance, we are looking into the use of the Internet of Things (IoT) for predictive maintenance and the introduction of pilot equipment using industrial robots and linear transport systems.

Realizing next-generation plants for biopharmaceuticals

With a view to reducing the cost and environmental impact of antibody-based API manufacturing, Chugai is pursuing initiatives to build next-generation biopharmaceutical plants using a continuous production approach to improve productivity and reduce the scale of facilities. In the perfusion culture of cells*, we have overcome technology issues to improve antibody production efficiency and are now looking into trial operation and upscaling of capacity. In the purification process also, we are working toward improved manufacturing efficiency by developing continuous processing in a number of steps such as chromatography and filtration. We plan to introduce a prototype facility in 2022.

* A cell culture method in which antibodies are harvested from a culture vessel that has antibody-producing cells maturing at high density under a continuous nutrient supply. It promises improved production efficiency compared to the conventional method where antibodies are not collected until culture is terminated.

Roadmap for Construction of Next-Generation Biopharmaceutical Plants



Strategy Implementation 4

Value Delivery

Achieving sophisticated Value Delivery by generating evidence for personalized healthcare (PHC) and building an innovative customer engagement model

Against the backdrop of the development of digital tools and the impact of COVID-19, we are building an innovative customer engagement model to reflect the dramatic change in how we engage with healthcare customers, such as physicians and pharmacists. Specifically, by optimizing the use of in-person, remote, and digital means and coordinating specialized sales, safety, and medical functions, we will build a solution system that accurately and promptly delivers information truly valuable to customers and patients while maintaining a high level of expertise. To achieve this end, our sales, safety, and medical personnel are expanding the flexible use of remote and digital means tailored to their customers' circumstances. In 2021, we launched an integrated platform that combines customer databases with information on various solutions. This system uses an AI-based decision support engine to assist our representatives in their activities. In the future, we will incorporate this system in targeted activities in order to improve operational results.

We aim to achieve a new phase of PHC. By comprehensively analyzing and using various databases as well as real-world data (RWD) accumulated through drug discovery and clinical development, we will advance the generation of evidence to promote PHC. We are currently conducting research to visualize QoL and clinical symptoms in various diseases, including hemophilia, and will accelerate the development of biomarkers that accurately predict efficacy and safety for each patient. Furthermore, we are developing algorithms to support the identification of rare driver genes through AI-based histopathological image analysis to facilitate detection of gene mutations.

In line with future changes in our product portfolio, we are planning a bold shift in resource allocation to new and growth areas, and focusing on optimizing personnel and sites. We will implement drastic reforms to our back-office operations, including digitalization, outsourcing, and consolidation of operations.

Mid-Term Milestones and Progress

★ Internal quantitative target set ● Progressing to schedule

Milestone		Timing (year)	Progress
Building an engagement model to meet diversifying customer needs	• Implement a precise individual strategy that combines in-person, remote, and digital channels	2023	● (2021)
	Customer satisfaction (cancer): No. 1 in obtaining information other than MRs		No. 2/No. 1[1]
	Customer satisfaction (MA Priority Activity Disease Area Assessment): Top 3 in all areas		Top 2[2] in all disease areas where products are sold
	Customer satisfaction (providing safety information): No. 1		No. 1[3]
Creation of unique evidence contributing to personalized healthcare (PHC)	• Realization of integrated use of internal and external data for predicting effectiveness and safety	2024	●
Functional reforms through resource shifts and digital utilization, etc.	• Systematically withdraw from mature areas and invest resources in new areas ★	2023	●
	• Establishment of a business execution system that does not interfere with remote work, and the realization of assignments of employees with specialized knowledge from all over the country, regardless of their location	2025	●
Contribute to further advancement of PHC by expanding new portfolio (monitoring the efficacy of therapies)		2024	●

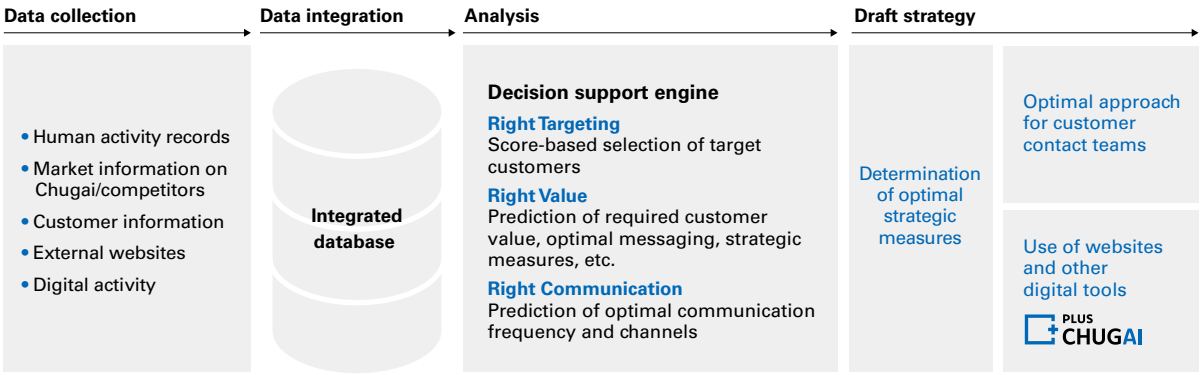
1. Source: Multimedia White Paper on Physicians _ Autumn 2021 published by MCI, based on the survey of oncologists "owned media ranking (2nd), non-pharma medical websites ranking (1st)"
2. Source: INTAGE Healthcare Inc., survey results
3. Source: Total results of all respondents of "INTAGE Healthcare Inc., 2021 questionnaire about safety information needs"

Main Progress

Establishment of a new customer engagement model

To put in place an engagement model that responds flexibly to the needs of healthcare professionals, Chugai is constructing an integrated interface through the cross-departmental project 0C (Organic Communication, or Zero C). This project brings together a wide range of data, from daily sales reports to customer information, in an integrated database and applies an AI-based decision support engine to realize sophisticated selection of target customers, identification of customer needs, and other operations. Thus, it supports our customer contact teams to present solutions across their range of touchpoints. Moreover, information collated in this way promotes high levels of accuracy and efficiency in our customer response. The database will also be used in information provision, online seminars, and other functions on PLUS CHUGAI, Chugai's website for healthcare professionals (average monthly unique users approx. 180,000).

Digital Marketing via an Integrated Interface



Generating evidence for PHC

To take PHC to an advanced level, Chugai is working on sophisticated evidence generation that draws on a wide range of data categories and RWD. As one example, the medical affairs function requires different True Endpoints to be identified for different patients and diseases. We are therefore working on seamless data generation from the clinical development phase to the actual clinical phase and conducting research into visualization of QoL and clinical symptoms through the use of wearable devices. In the area of hemophilia, for example, our TSUBASA prospective study is engaged in a detailed survey of physical activity, QoL, bleeding events, and other variables in hemophilia patients receiving regular administration of Hemlibra. In this survey, hemophilia patients wear a wristwatch-type device that measures their physical activity (strength, duration, step count, etc.). Simultaneously, they use a dedicated online app, developed in-house in collaboration with Welby, to complete survey forms on their physical exercise, bleeding events, QoL, and everyday activities. The survey data is then subjected to detailed evaluation. From this study of 129 enrolled patients, interim analysis results have been presented at scientific meetings with a view to contributing at an early stage to advancing medical care. Going forward, we will utilize the valuable data obtained from the study to explore wide-ranging research into clinical questions. Research themes will include investigating the background characteristics and the everyday life and activity of hemophilia patients treated with Hemlibra, and evaluating bleeding risk relative to the activity levels recorded by wearable devices.

Actigraph's CentrePoint Insight Watch (activity meter)

Foundation for Growth

Enhancing the foundation for growth needed for innovation and evolving all value chains

People and organization The Chugai Group will promote the assignment of the right person to the right position through further advances in position and talent management, and enhance its corporate culture to encourage personnel to boldly take on challenges. The Group will also focus on the acquisition, nurturing, and provision of the highly specialized human resources who will be key in implementing business strategies, such as in the fields of science and digital technology, and will strive to foster a culture of innovation through promotion of diversity and inclusion (D&I).

Digital Under CHUGAI DIGITAL VISION 2030, we will focus on innovative drug discovery by applying digital technologies. We will also promote DX in each part of the value chain to improve efficiency. The Group will build a digital platform for both software and hardware as well as establish a global-level IT infrastructure by integrating various in-house data and building an analysis platform in collaboration with the Roche Group.

Environment The Group will contribute to realizing a sustainable global environment by implementing advanced initiatives to achieve our Mid-Term Environmental Goals 2030 for the three issues identified as material: climate change countermeasures, use of renewable/recycled resources, and protection of biodiversity. For climate change countermeasures in particular, the Group will work on long-term programs aimed at achieving the goal of zero CO_2 emissions by 2050.

Quality In addition to measures implemented thus far to ensure product quality, we are also working to advance quality management across all business processes and in our responses to pharmaceutical affairs. Furthermore, the Group will also step up the development and implementation of quality management methods that balance both quality and efficiency suited to changing business processes, including responding to regulatory affairs matters that address challenges brought about by new modalities and diverse technological evolution, enhancing digital compliance, and developing a quality assurance system in anticipation of expanded collaboration with external parties.

Insight Business Working in partnership with other Roche Group companies, Chugai will collect external data, including real-world data (RWD) and data obtained at each stage of drug discovery, development, pharmaceutical technology, and value delivery, and perform advanced analysis to extract and utilize various insights that contribute to in-house drug discovery and development and maximizing the value of pharmaceuticals.

Mid-Term Milestones and Progress

★ Internal quantitative target set ● Progressing to schedule

		Milestone	Timing (year)	Progress
People and organization	Increase in active employees based on awareness survey results	• Percentage of active employees: Achieved the same level as companies with strong global performance	2024	(No survey conducted in 2021)
	Acceleration and penetration of D&I	• Positive response rate for employee awareness survey innovation questions★	2024	(No survey conducted in 2021)
		• Ratio of female managers / Ratio of female managers with subordinates: 17%/17% achieved	2023	15.9%/15.0%
Digital	Improvement in efficiency of all value chains	• Improved productivity of targeted operations based on the impact of digital investment projects★	2025	●
Environment	Strengthening of the foundation for sustainability at the global level	• Continued selection for Dow Jones Sustainability World Index	2025	● (Selected in 2021)
		• Scope 1 + 2 CO_2 emissions: Achieved 40% reduction (compared to 2019)	2025	●
		• Use of CFCs: Achieve 25% reduction (compared to 2020)	2025	●
Quality	Next-generation quality management that balances quality and efficiency with an eye toward new modalities and new business processes	• Productivity improvement: Personnel and costs per product and development projects★	2024	●
		• Establishment of a Chugai Quality System for Total Assurance of Products in New Domains	2024	●
Overseas	Strengthening of overseas business foundation to drive growth and maximize Chugai products' global value	• Launch of six global products from Chugai research (Actemra, Alecensa, Hemlibra, Enspryng, crovalimab, and nemolizumab)	2025	● (Four products in 2021)
		• Establishment of early development and regulatory systems at U.S. and European subsidiaries in response to an increase in early-stage projects	2025	●
Insight Business	Search for commercialization of insight business	• Establishment of an Insight Business promotion system (infrastructure development, capabilities, and information aggregation as a hub)	2024	●
		• Start using data assets aggregated through in-house projects or use case related to the FMU business	2025	●

Main Progress People and Organization

Effective implementation of the HR system

The HR system introduced in April 2020 establishes a competitive remuneration structure based not on the individual's capabilities or past contribution, but on the value of the position's professional duties, moving thus from a system based on the individual to one based on duties and roles. To support self-directed career development and promote employee mobility, a profile of each position is advertised Company-wide along with appointment and dismissal conditions. The evaluation system assigns to each individual a target performance level and an additional "stretch target." This is designed to increase satisfaction with the system and further motivate employees to challenge themselves. To promote effective implementation of the HR system, we provide regular training for managers to enhance the skills needed in feedback and dialogue with junior staff. Additionally, we emphasize providing support for growth to junior staff through one-on-one "check in" sessions with their managers.

Acquiring highly specialized talent

Under TOP I 2030, visualization of the required HR profile and implementation of the recruitment strategy have resulted in steady progress with HR recruitment in the medical science and digital fields, where competition for human resources is particularly intense. In digital human resources, identification of relevant talent through internal surveys and the creation of CHUGAI DIGITAL ACADEMY mean that we are now able to train more than 100 digital staff each year. In this HR training, we support career planning by utilizing a wide range of strategies and programs to deepen and expand employee expertise and enhance their skills. In 2021, we additionally introduced a new learning management system ("I Learning") based around online programs to promote self-directed learning and career development.

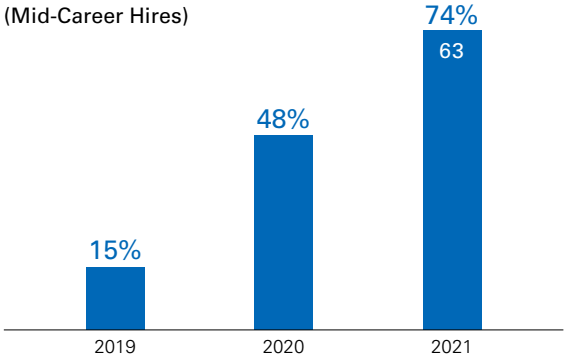
New ways of working

Chugai has designed new workstyles through a process involving employee surveys, discussions within each corporate organization, dialogue between labor and management, and deliberation at the management level. To put the new work practices into operation, we introduced a telework system based on working from home and satellite offices, and each worksite has identified the optimal workstyles depending on job categories, work characteristics, and other relevant factors. In addition to promoting individual and organizational productivity improvement, we are now working on an IT environment appropriate for teleworking and the digitalization of operations. At our office facilities, we are optimizing space to match the level of physical attendance and upgrading them to put in place an environment for value creation based on a sense of organizational unity and collaboration. The renewal of our Head Office was completed in October 2021. We have also set about reinforcing management by introducing a system of performance-based HR evaluation adapted to the telework system.

Ongoing promotion of D&I

Promoting diversity and inclusion (D&I) requires the active participation of diverse human resources. We therefore provide e-learning on the subject of unconscious bias to managers, who play a key role in this area. We also hold training for manager and leader candidates, and for managers with junior staff facing significant life events, we provide task management training so managers can help their staff develop their careers and grow. We will continue our focus on promoting the success of women, with a target for the end of 2023 of achieving 17 percent for both female manager with subordinates ratio and female manager ratio. Elsewhere, we have offered seminars and e-learning on improving nursing care literacy to all employees to enable them to combine work with nursing care responsibilities. As another measure to generate an inclusive organizational culture that drives innovation, we held Chugai Diversity DAYS again in 2021 as an opportunity for management and employees to come together and reflect on D&I.

Fulfillment Rate of Three-Year Digital HR Recruitment Plan (Cumulative) (Mid-Career Hires)



Examples of initiatives by executives and department managers to promote the success of women

- Messages from senior management on the importance and significance of D&I and female success delivered in the annual New Year's address and at diversity-related events
- Commitment to activities for female success, with KPIs established to drive the appointment of women to managerial positions, and set up an annual meeting of senior management, executives with supervisory responsibility, and all departmental managers to check progress toward female advancement, discuss issues toward achieving the KPIs, and investigate career development plans and other relevant measures
- Nomination of women as successor candidates for all key positions in talent management (division head or equivalent)

WEB Sustainability > Environment
https://www.chugai-pharm.co.jp/english/sustainability/environment/

Mid-Term Environmental Goals 2030

In 2020, Chugai analyzed the results of the previous mid-term environmental goals and conducted scenario analysis based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This enabled us to reconfirm environmental issues in the framework of materiality. Based on this reconfirmation of issues, we formulated a comprehensive plan from a longer-term perspective in the form of our Mid-Term Environmental Goals 2030, which also set a goal of zero CO_2 emissions for the year 2050. As part of our response to climate change, we introduced a goal to reduce direct (Scope 1[1]) CO_2 emissions from fuel consumption through the renewal and upgrading of facilities and equipment and cutting Scope 2[1] emissions by switching to sustainable electricity. We also set a reduction target for Scope 3[2] CO_2 emissions, based on the view that reducing emissions throughout the supply chain is essential. To promote the use of renewable and recycled resources, we are working toward zero waste emissions and reduced water consumption. For protection of biodiversity, meanwhile, we are introducing stricter management of hazardous chemical substances and designing improved manufacturing processes.

Material Issues	Item	KPI (Base year 2019)		
Climate change countermeasures (Prevention of global warming)	Scope 1+2[1] CO_2 emissions reduction	40% reduction by 2025	60–75% reduction by 2030	Zero emissions by 2050
	Scope 1+2[1] energy reduction	5% reduction[3] by 2025	15% reduction[3] by 2030	
	Sustainable electricity ratio	100% by 2025		
	Fuel consumption by MR vehicles	35% reduction by 2025	75% reduction by 2030	
	Halogenated hydrocarbons (Base year 2020)	25% reduction by 2025	100% reduction by 2030	
	Scope 3[2] CO_2 emissions		30% reduction by 2030	
Use of renewable/ recycled resources (Resource conservation, waste management)	Industrial waste reduction	5% reduction[3] by 2025	10% reduction[3] by 2030	
	Plastic waste reduction	5% reduction[3] by 2025	10% reduction[3] by 2030	
	Water resource conservation (water withdrawal)		15% reduction[3] by 2030	
Protection of biodiversity (Reduction of environmental load)	Chemical substance management (SVHCs[4])	After 2021, manufacturing processes without using SVHC-listed chemicals are established for all Chugai original candidate molecules by commercial productions.		
	Hazardous waste reduction	5% reduction[3] by 2025	10% reduction[3] by 2030	

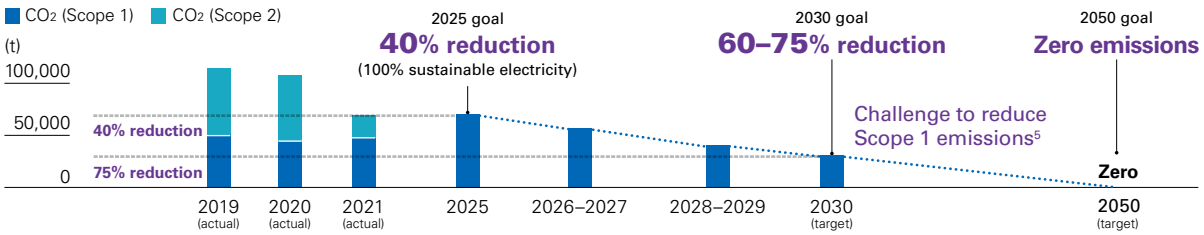
1. Scope 1: Direct emissions, Scope 2: Indirect emissions from the generation of purchased energy
2. Scope 3: Indirect emissions not included in Scope 1 and 2, target added in 2021 3. Per total floor area (excluding leased properties)
4. Substances of Very High Concern

Specific initiatives and progress

In 2021, we analyzed environmental issues relevant to the implementation of TOP I 2030 and formulated a roadmap for climate change countermeasures. The roadmap identifies issues such as renewal of facilities and equipment, design of an energy conservation plan, sourcing of sustainable electricity supplies, technological challenges in the reduction of Scope 1 emissions, and investigation and testing of alternative technologies required for the elimination of fluorocarbons. To resolve these challenges, we are advancing initiatives based on a concrete action plan. As part of the capital investment in new facilities at the Fujieda and Ukima plants (FJ3 and UK4), which we committed to in 2021, we plan to introduce advanced energy-saving and CO_2-reducing equipment, fluorocarbon-free design, environmental impact reduction focused on single-use equipment, and other relevant measures.

In recognition of our goal and initiatives and associated information disclosure, in 2021 Chugai was included in the A List, the CDP's highest evaluation, in the two categories of climate change and water security. Meanwhile, in November 2021 the GHG reduction targets of our Mid-Term Environmental Goals 2030 were validated as science-based targets (SBT) consistent with the Paris Agreement.

CO_2 Emissions Reduction Roadmap



5. Reduce environmental burden in conjunction with updating of equipment (including switching to electric power)

Main Progress Digital

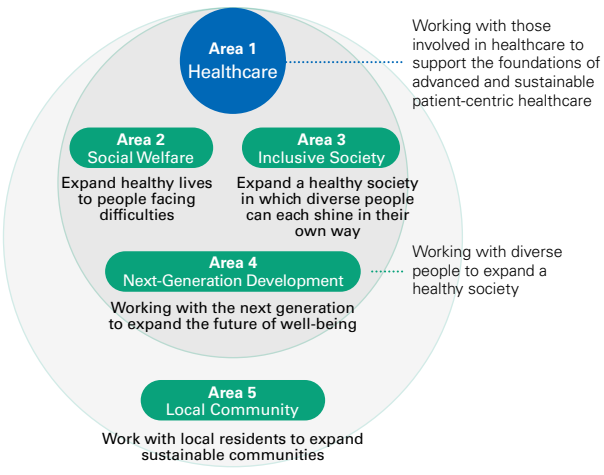
Overview of the main DX measures to enhance our foundation for growth

Foundations: Establish digital/ IT infrastructure	• Expanded operation of Chugai Scientific Infrastructure (CSI), an integrated data utilization platform for secure management of large amounts of data, with the aim of promoting Company-wide data utilization. Promotion of cloud utilization through the shared analytics platforms Teradata and SageMaker. • Setup and operational launch of the in-house agile development team Tech Kobo. Cost and time savings in app creation and development toward higher quality. • Construction of the Chugai-dBM DataCollection Platform, a shared platform for digital biomarker (dBM) data collected through any device or app; creation of a dBM data collection method for exploratory purposes using Apple HealthKit/ResearchKit • Opening of potential for data link with Roche and start of access to real-world data (RWD) held by Roche
Foundations: Reform awareness and culture	• Promotion of reformed awareness and culture in-house including: Production and publication of vision video; holding of digital summits presenting internal examples of good practice with participation of more than 1,000 employees at each event; Company-wide rollout of workshops for generating and realizing ideas based on Design Thinking; and utilization of DigiTube for in- and out-of-house information sharing • Processing of 270 proposals in 2021 by the Digital Innovation Lab (DIL), which supports the generation and realization of employee ideas. Ten of these proposals were adopted for full-scale development as DIL-originated digital projects. • Holding of CHUGAI DIGITAL DAY 2021—Shaping the Future of Healthcare, a digital event open to external participants, with over 1,300 participants from in and out of house
Human resources	• Establishment of the CHUGAI DIGITAL ACADEMY in April 2021 to systematically strengthen digital human resources. Training approximately 100 staff as human resources to lead digital projects and data scientists. Setting a vision of dispatching trained human resources and providing training program content outside the Company. • Holding of Pharma x Data Science Meet up, the pharmaceutical industry's first event of its kind for data scientists, in partnership with four other pharmaceutical companies with the aim of attracting more human resources from outside the industry
Partnering	• Setup of a communication hub function using Teams software as a forum for rapid consultation and discussion with external partner companies. Creation of permanent virtual technology exhibition space with more than 20 partner enterprises to promote open innovation.

Other Topics

Resetting of framework for social contribution activities

Chugai incorporates social contribution activities as one of the items in the Chugai Group Code of Conduct and has set priority areas for these activities. In 2021, Chugai reorganized the framework of its social contribution activities by issuing a clear statement of the goals it aims to achieve. The objective is to promote the creation of shared value by presenting its activities to stakeholders through a narrative consistent with its corporate philosophy. In order to support the foundation for advanced and sustainable patient-centric healthcare and building a healthy society, we will focus on highly socially relevant initiatives in five priority areas: Healthcare, Social Welfare, Inclusive Society, Next-Generation Development, and Local Community.



Setsuko Inamura
Diversity Office, Human Resources Management Department

STORY 5

Improving Patient Value by Promoting Workforce Diversity

Material Issue: D&I

Diversity and inclusion (D&I) takes time. An organization's culture does not change overnight. Ten years have passed since Chugai set up the Diversity Office. The Office's first task was to promote a better understanding of D&I concepts. We ran a wide range of D&I initiatives, including programs on female participation, a multinational workforce, and inclusion. I was mostly responsible for the programs on multinational workforce and LGBTQ themes, but at that time I did not have a good understanding of the true needs of Chugai employees. I agonized over this, but never gave up on making progress with these programs.

For LGBTQ themes, we created consultation desks and set up various systems as the first steps in human rights training. For multinational workforce themes, we focused on training programs for employees in managerial roles. We then started to promote inclusion, but I believe that only now are people starting to really understand the relationship between D&I and the ability to generate business results. Even looking at employee awareness surveys, we can see an increase in the number of positive opinions on D&I programs and the results they generate. We still have more work to do, but I can see that people are responding.

Although there are initiatives to promote hiring people with disabilities across all Group companies, I feel that our programs to help employees fully understand the issues involved have yet to bear fruit. It is difficult to overcome barriers created by value systems, but I think that the honest approach taken by Chugai will soon generate results. If we do not respect diverse values and opinions or create a lively and collaborative organizational culture, we will not be able to continuously innovate to deliver patient value.

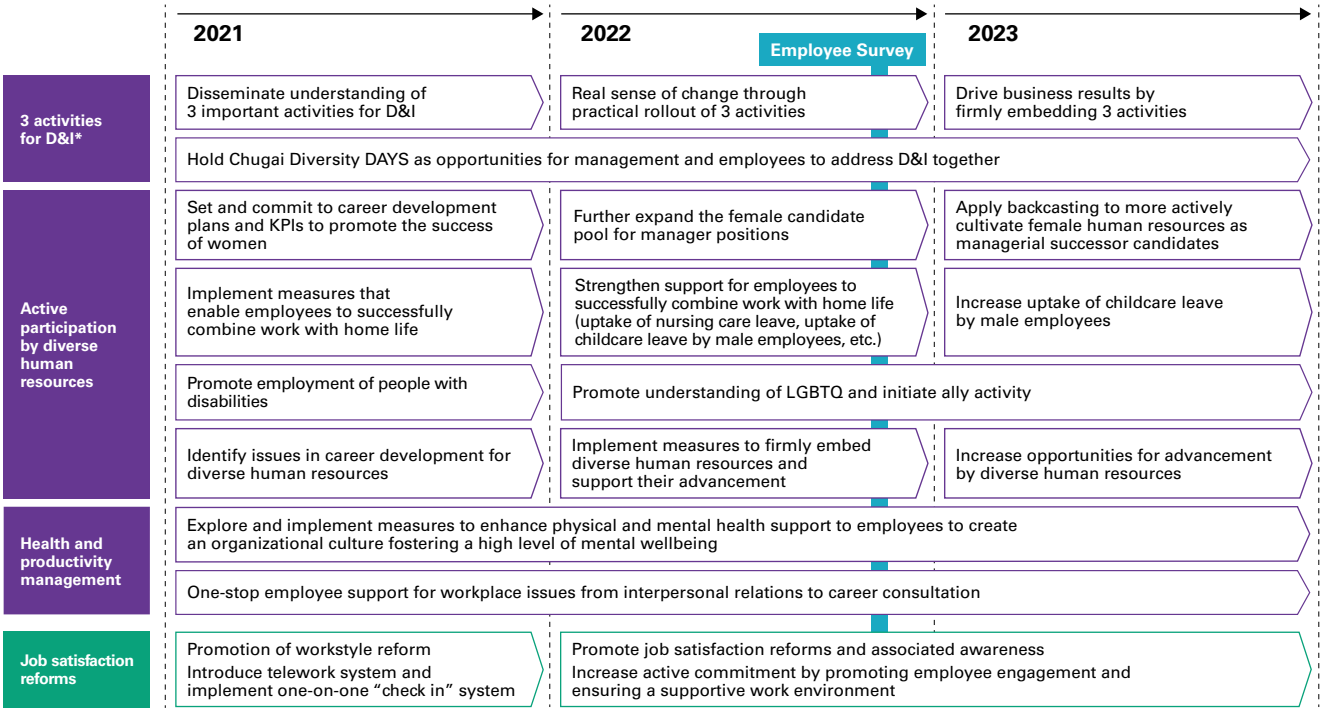
When I think about the emphasis of late on creating an inclusive society, I believe this points to a society where D&I is truly practiced. The first step is for us to drive change. We aim to be role models for society.

Reference Data on Human Resources

Roadmap for Implementing D&I

Envisioned Future

We will drive innovation by nurturing an inclusive organizational culture in which innovation is generated by diverse human resources working together in an atmosphere that embraces different values and ideas.



* Communicate, discuss, and accept

Establishing Systems and Environments to Promote the Success of Diverse Employees

More flexible workplaces	• Introduction of the Telework System • Introduction of free address workspace • Introduction of satellite offices
More flexible work schedules	• Super-flextime system (no core time) (including for MRs and other remote workers) • Discretionary work system (for researchers) • Paid leave system in units of half-days or hours
Support for employees combining work with home life	• Support plan for living with spouse who is transferred (MRs) • Consortium-managed childcare center • Leave system to nurse sick children (preschool age) • Use of Company vehicles to take children to/from childcare • Leave system for employees whose partner gives birth • Introduction of concierge for finding nursery care • Introduction of assessment and learning tools to support employees combining work with nursing care • Employee support during cancer treatment, handbook for employees living with cancer treatment
Support for career planning	• Career consulting service • Career reporting • In-house job posting system • Out-of-house job posting system • In-house internships • Alumni system • Re-employment system (transfer from contract to regular employment) • Joint or secondary employment (where certain criteria are met) • Leave for education and acquisition of qualifications • Volunteer leave system • Interviews and e-learning offered before childbirth leave and after childcare leave

The All-Employee Survey

Chugai carries out regular employee surveys to identify organizational issues requiring reform and to support the formulation and implementation of strategy. The survey consists of two parts: Employee engagement, an indicator of employee commitment to performance and self-motivation; and environment for utilizing employees, an indicator of whether the right people are in the right positions and whether there is a supportive work environment. The survey results for 2020, shown on the right, indicate further improvement over the previous survey in all question categories.

Employee engagement	Top level in global terms (3-point improvement over the previous survey)
Supportive work environment	Global average (3-point improvement over the previous survey)
All question categories	Above Japanese company average

Approach to Improving Healthcare Access and Related Initiatives

Basic Approach

Chugai believes that sustainable business growth requires companies to show genuine engagement with social issues and work toward their solution. The basic policy of our business activity is therefore to develop hand-in-hand with society by resolving social issues through the creation of innovative drugs and services. TOP I 2030, our growth strategy in the approach to 2030, sets out in concrete terms our vision of Chugai as a top innovator. As part of this, we declare our ambition to be a role model for the world, recognized for ESG initiatives through our business activities and leading the way in addressing social issues.

Improving access to healthcare is an important social issue for Chugai, whose Mission is to dedicate itself to adding value by creating and delivering innovative products and services for the medical community and human health around the world. We therefore work to promote pharmaceutical development in response to unmet medical needs, expand access through appropriate pricing and other measures, and achieve sustainable improvement of the healthcare foundation in low- to middle-income countries.

Promoting Pharmaceutical Development in Response to Unmet Medical Needs and Expanding Access

Chugai's mission is to generate a steady stream of innovative products to address unmet medical needs and benefit the medical community and human health around the world. Based on this principle, we aim to create new drugs with first-in-class (FIC) or best-in-class (BIC) potential.

One strength of ours in promoting drug development and expanding access is our strategic alliance with Roche. With this alliance, the stable revenues from products in-licensed from Roche enables us to make a concentrated investment in innovation. Conversely, the products from Chugai research are able to serve a worldwide patient base through Roche's global network.

Pharmaceutical products can only serve their purpose if they reach the people who need them. It is therefore important to improve access to drug therapies not only in developed countries but also in emerging countries. The barriers preventing sustainable access to drugs vary greatly by country and region. After identifying local needs and specific regional barriers, mainly in low- to middle-income countries, Chugai coordinates with public institutions, NGOs, patient groups, and other pharmaceutical companies and then works for sustainable improvement of the healthcare system.

Creating Innovative New Drugs

Powered by its unique strengths in science and technology and working in partnership with Roche, Chugai focuses all its business resources on innovation through the utilization of digital technologies and the active promotion of external collaborations. This approach has already brought us success in the continuous creation of innovative products from Chugai research with Actemra, Alecensa, Hemlibra, and Enspryng, each of which has been designated as a breakthrough therapy by the U.S. FDA.

Developing Orphan Drugs

At Chugai, we first develop proprietary technologies that are applicable to drug discovery, and then apply them to drugs that target disease-causing molecules. With this approach, we aim to create FIC and BIC new drugs. Establishing new technologies can generate a completely novel approach to addressing diseases that still have no treatment. In addition, we are selecting drug discovery targets by uncovering disease-causing molecules and utilizing global research networks such as academic institutions in both Japan and overseas. As a result, during the last 10 years we have secured orphan drug designation for a total of 13 projects in diverse areas of disease. Five of these projects involve products from Chugai research. Going forward, in order to address the diseases with limited treatment options, including rare diseases, as a research-focused pharmaceutical company, Chugai will continue working to develop innovative drugs using its own unique and innovative drug discovery technologies.

Orphan Drugs Brought to Market over the Past 10 Years

Year approved/ marketed*	Product name	Indication(s)
2012	Pulmozyme	Cystic fibrosis (improves lung function)
2013	Avastin	Malignant glioma
2014	Alecensa	Metastatic/unresectable *ALK*-positive NSC lung cancer
2015	Zelboraf	Malignant melanoma with *BRAF V600* gene mutation
2016	Avastin	Cervical cancer
2017	Actemra	Large-vessel vasculitis
2018	Hemlibra	Suppression of bleeding in hemophiliacs without factor VIII inhibitors
2019	Tecentriq	Small-cell lung cancer
2019	Rozlytrek	Locally advanced or metastatic *NTRK* gene fusion-positive solid tumors
2020	Alecensa	*ALK*-positive anaplastic large-cell lymphoma
2020	Enspryng	Neuromyelitis optica and related diseases
2021	Evrysdi	Spinal muscular atrophy (SMA)
2021	Polivy	Diffuse large B-cell lymphoma (DLBCL)

* Year in which the drug was approved and first marketed with an orphan drug designation. For products not yet on the market when approved, the year is the year the drug was first marketed.

Research and development for COVID-19 drugs

In response to the COVID-19 pandemic, Chugai is taking maximum advantage of the Roche Group network in its activities to research and develop drug therapies. In July 2021, Japan became the first country in the world to approve Ronapreve, an antibody cocktail therapy in-licensed from Roche, based on Special Approval for Emergency. Ronapreve is the first treatment for mild to moderate COVID-19. To provide patient access in Japan at the earliest possible date, we worked closely with the Japanese government and relevant business operators to put in place a supply system.

At the same time, we collaborated with Roche to conduct multiple clinical trials of Actemra, a Chugai-origin product, for the treatment of severe COVID-19 pneumonia. With the recommendation of Actemra in WHO guidelines and emergency use authorization by the U.S. FDA, we faced a surge in global demand. In response, we strengthened our manufacturing network, transferred technology to third parties, and undertook other steps to put in place increased production capacity to ensure a stable supply. For low- to middle-income countries, we announced that we would waive the patent rights owned by Chugai and Roche in order to meet our responsibility to provide access to pharmaceuticals.

Meanwhile, Actemra was granted WHO prequalification in February 2022. This will support efficient pharmaceutical supply based on guaranteed safety and quality, mainly in low- to middle-income countries. In addition to activities of this kind to improve access, the Roche Group supplies Actemra at cost to the WHO and partners in the Access to COVID-19 Tools Accelerator (ACT-A) initiative.

Drug pricing for expanded access

Products from Chugai research are marketed by Roche through appropriate pricing adapted to the respective economic situation of a wide range of countries and regions, ensuring that our drugs reach patients around the world who need them. To ensure sustainable patient access to innovative pharmaceuticals, we work together with stakeholders to set more flexible methods of reimbursement in line with disease characteristics and other factors. For example, under the Roche Group's International Differential Pricing (IDP) model, applied to all innovative pharmaceuticals, prices are adjusted according to the relevant country's per capita GDP, United Nations Human Development Index score, and level of investment in public healthcare. We are using the IDP model to provide wider and faster access to drugs in emerging markets.

Achieving Sustainable Improvement of the Healthcare Foundation in Low- to Middle-Income Countries

There are still many people around the world who suffer from diseases without a cure, or who, despite the availability of treatment, are denied access due to poverty or institutional reasons, etc. Chugai supports continuous improvement in access to healthcare in low- to middle-income countries with fragile healthcare systems. After first identifying local needs, Chugai leverages its strengths, technologies, and expertise in initiatives—including cooperative activities with public institutions, NGOs, industry associations, and other bodies—that are designed to both enhance corporate value and to contribute to resolving social issues.

Activities to support child cancer treatment (Cambodia)	Multidisciplinary team care workshop held every year for more than 20 local healthcare professionals at the Children's Medical Center of the Cambodia-based NPO Japan Heart
Support for high-quality patient-centric cancer treatment (emerging countries in Asia)	Conference in partnership with the City Cancer Challenge Foundation with the participation of more than 300 cancer care and other professionals from 17 countries was held. In order to promote multidisciplinary team care, an executive summary for development of guidelines matched to local resources was presented.
Support for safer hospital-based childbirth and health camps against NCDs (Myanmar)	In partnership with NGO AMDA-MINDS: establishment of a fund to transport expectant and nursing mothers to the hospital in rural areas of Myanmar; and operation of mobile clinics to combat non-communicable diseases (NCDs) (no. of patients handled in 2020: Approx. 4,000)
World Federation of Hemophilia (WFH) Humanitarian Aid (emerging countries)	Supply of Hemlibra, a product from Chugai research to approximately 1,000 people living with hemophilia A in emerging countries where access to medical treatment is extremely limited
Global Health Innovative Technology Fund	Public-private partnerships to support and implement research and development for drugs and other infectious disease treatments in emerging countries
Access Accelerated	Partnership with more than 20 global pharmaceutical companies worldwide and the World Bank in initiatives for prevention, diagnosis, and treatment of NCDs in low- to middle-income countries

Please see the links below for details on project targets and progress achieved.

WEB Sustainability > Activity Reports
https://www.chugai-pharm.co.jp/english/sustainability/activity/

WEB Sustainability > Global Health > Projects We Have Joined
https://www.chugai-pharm.co.jp/english/sustainability/globalhealth/project.html

Policy and Progress in Material Issues

Material Issues	Policy	Progress and Major Initiatives in 2021
		★Indicators and related items are included in mid-term milestones, etc.
Sustainable Healthcare		
Creation of innovative drugs and services	Create innovative drugs	★**Number of major product filings, approvals, and launches:** 10 filings, 9 approvals and launches (2021) ★**Proof of value for in-house projects:** PoC for in-house products CKI27 and OWL833 established by licensees • Above-target achievement in regulatory filings, approvals, and launches, including COVID-19-related projects not anticipated at the beginning of the fiscal year • Start of global phase III in a total of 10 projects, including products in-licensed from Roche and from Chugai research • Start of phase I in proprietary technological projects such as mid-size molecule LUNA18 and antibody SOF10 • Establishment of AI-based antibody design technology for LI/LO[1]
Provision of solutions for patients	Realize patient-centric healthcare	★**Use of digital and related technology to contribute to maximizing value provided:** Joint development of digital solution to objectively evaluate pain associated with endometriosis ★**Customer satisfaction:** 1) Obtaining information other than MRs (Cancer): No. 2/No. 1[2] 2) MA Priority Activity Disease Area Assessment: Top 2 in all disease areas where products are sold[3] 3) Providing safety information: No. 1[4] • Actemra: Increased global demand due to COVID-19 and strengthening/expansion of supply system • Polivy, Evrysdi: Above-target market penetration as new products • Enspryng: Approved in a total of 62 countries (as of December 2021) • Tecentriq: Market penetration accelerated by additional indication of hepatocellular carcinoma • Dialogue between patient group representatives and Chugai CEO • Evolution of new customer engagement model • Improved efficiency in clinical trial operations • Implementation of efficient distribution policy
Adverse event management	Perform appropriate pharmacovigilance activities and promote proper drug use	• Start of collaboration with Roche on development of safety biomarkers • Exploration of new safety information channels with active use of digital technology • Development of advanced safety consultancy utilizing adverse event database
Quality assurance and stable supply of products	Ensure quality and stable supply of products and services	★**Establishment of efficient production and supply system (resilient to risk of sudden demand fluctuations):** Maintenance of stable product supply system, including for Actemra, under COVID-19 pandemic conditions Maintenance and strengthening of quality at the global level through collaboration with contract manufacturing organizations (CMOs) and service providers • Start on building of a production system integrating robotics to support productivity improvement and stable operation
Fair marketing	Marketing in compliance with national guidelines	• Strengthening of functions to monitor compliance by healthcare professionals (building of Company-wide unified management system through establishment of the Healthcare Compliance Department) • Enhancement of the Chugai Code of Practice • Review of the Guidelines for Cooperation between Chugai and Patient Groups • Compliance with the Guidelines for Provision of Marketing Information on Ethical Drugs (Rollout of educational curriculum to all Chugai Group domestic employees)
Fair pricing	Pricing that reflects drug and service value	• Strengthening of communication with Roche to expand the number of countries where products from Chugai research are covered by health insurance • Strengthening of coordination with Roche from the discussion stage on global market access strategy for products from Chugai research in late-stage development

1. LI: Lead identification, LO: Lead optimization
2. Source: Multimedia White Paper on Physicians _ Autumn 2021 published by MCI, based on the survey of oncologists "owned media ranking (2nd), non-pharma medical websites ranking (1st)"
3. Source: INTAGE Healthcare Inc., survey results
4. Source: Total results of all respondents of "INTAGE Healthcare Inc., 2021 questionnaire about safety information needs"

★Indicators and related items are included in mid-term milestones, etc.

Material Issues	Policy	Progress and Major Initiatives in 2021
Global Environment		
Climate change countermeasures (energy, etc.)	Minimize impact on global environment	★Scope 1+2 CO_2 emissions reduction: 40% reduction by 2025 and 60–75% by 2030 compared to 2019 2021: 39.9% reduction ★Scope 1+2 energy reduction: 5% reduction by 2025 and 15% by 2030 compared to 2019 2021: 11.4% reduction ★Sustainable electricity ratio: 100% by 2025 2021: 63.2% ★Fuel consumption by MR vehicles: 35% reduction by 2025 and 75% by 2030 compared to 2019 2021: 51.5% reduction ★Halogenated hydrocarbons: 25% reduction by 2025 and 100% by 2030 compared to 2020 2021: 0.5% reduction ★Scope 3 CO_2 emissions: 30% reduction by 2030 compared to 2019 2021: 28.4% reduction • Formulation of draft policies and roadmaps for reducing CO_2, eliminating fluorocarbons, and introducing sustainable electricity • Review of electric power contracts and opening of contract negotiations for sustainable electricity supply • Introduction of Scope 3 CO_2 emissions reduction target: 30% reduction by 2030 compared to 2019 • SBT[5] validation of Scope 3 CO_2 emissions reduction targets and Scope 1+2 CO_2 emissions reduction targets • Award of highest rating from CDP[6]—inclusion in the A List—in two categories: climate change and water security
Use of renewable/ recycled resources (water, waste, etc.)		★Industrial waste reduction: 5% reduction by 2025 and 10% by 2030 compared to 2019 2021: 13.5% reduction ★Plastic waste reduction: 5% reduction by 2025 and 10% by 2030 compared to 2019 2021: 16.8% reduction ★Water resource conservation (water withdrawal): 15% reduction by 2030 compared to 2019 2021: 10.3% reduction • Formulation of draft policy for reducing industrial and plastic waste emissions based on actual emissions • Formulation of draft water consumption reduction policy based on actual consumption (water withdrawal)
Protection of biodiversity (environmental burden mitigation)		★Chemical substance management (SVHCs) ★Hazardous waste reduction: 5% reduction by 2025 and 10% by 2030 compared to 2019 2021: 15.5% increase • Development of draft guidelines for SVHC use • Formulation of draft policy for reducing hazardous waste emissions based on actual emissions • Implementation of whole effluent toxicity (WET) tests at all domestic plants and laboratories
Environmental management system	Third-party assurance of performance data	• Designation of target indicators for third-party assurance and target scope, securing of third-party assurance
Human Rights		
Human rights	Respect human rights of all persons involved in business	• Consent to the Supplier Code of Conduct obtained from 398 operators • Human rights due diligence for suppliers conducted on 109 operators
Safety of clinical trial subjects	Conduct clinical trials under high ethical and scientific standards with safety	• Alignment of corporate regulations with enactment and revision of related laws and regulations and rollout to domestic and overseas development departments • Training of domestic and overseas development department employees • Gathering of opinions from patient groups and reflection in clinical trial protocols

5. SBT (Science Based Targets): Five- to 15-year corporate targets for GHG emissions reduction consistent with the level required by the Paris Agreement
6. CDP: Non-governmental organization founded in the United Kingdom in 2000. It promotes engagement in global environmental challenges by sending questionnaires to major corporations worldwide, requesting disclosure of information on initiatives to deal with environmental issues, and evaluating those initiatives.

Material Issues	Policy	Progress and Major Initiatives in 2021

★Indicators and related items are included in mid-term milestones, etc.

Human Resources

Employee job satisfaction	Improve employee engagement and create an environment that utilizes employees	★**Percentage of effective employees[7] in employee awareness survey** • Identification of personnel and organizational issues and development and implementation of action plans in each division based on employee awareness survey • Management support for self-directed career development through one-on-one "check in" sessions between supervisors and subordinates • Appropriate operation of new personnel system (revision of position profiles based on new growth strategy)
Development of employee potential	HR recruitment and training to realize strategic targets and accelerate innovation	• Introduction of "I Learning" to support employee self-directed learning and growth (50% uptake rate at Chugai Pharmaceutical (non-consolidated)) • Establishment of program to select and nurture next-generation leader candidates • Introduction of new recruitment methods, such as direct recruitment and referral recruitment, targeting digital human resources in particular
Diversity and inclusion (D&I)	Create new value through diverse talents	★**Ratio of female managers: 17% (end of 2023);** as of end of December 2021: 15.9%[8] ★**Ratio of female managers with subordinates: 17% (end of 2023);** as of end of December 2021: 15.0%[9] • Meetings between top management and division heads to promote appointment of female managers • Implementation of e-learning on unconscious bias for newly appointed managers
Occupational health and safety	Maintain and enhance safe work environment and employee health	• Publication of health and productivity management map • Review of priority items and KPIs (formulation of targets and KPIs for each priority item—oncology, lifestyle-related diseases, mental health, health literacy, workplace safety, and organizational culture—as mid-term health and productivity management targets for 2030) • Formulation of staged targets on the way to zero smoking rate in 2030

Social Contribution

Social contribution activities	Develop networks in key areas	• Holding of events centered on para-sports to promote an inclusive society • Holding of biology lab classes to develop scientific human resources • Continued donation of para-transit vehicles to improve access to welfare services for the elderly and people with disabilities
Access to healthcare	Improve access to healthcare including drug development	• Participation in the GHIT Fund[10]/AA[11] and AMR Action Fund (support for development of drugs for neglected tropical diseases, non-communicable diseases (NCDs), and drug-resistant bacteria) • Waiving of Actemra patent rights in low- and middle-income countries for treatment of COVID-19 pneumonia • Provision of Hemlibra as a prophylactic treatment in emerging countries through World Federation of Hemophilia Humanitarian Aid Program • Promotion of multidisciplinary team cancer care in developing Asian countries and support for related guideline development

7. Defined as human resources who act voluntarily and proactively to realize and achieve the Company's vision and targets.
8. Calculated based on Chugai (non-consolidated) employees.
9. Calculated based on employees of Chugai (non-consolidated) and its affiliates in Japan.
10. GHIT Fund: Global Health Innovative Technology Fund
11. AA: Access Accelerated

★Indicators and related items are included in mid-term milestones, etc.

Material Issues	Policy	Progress and Major Initiatives in 2021
Governance		
Corporate governance	Realize sustained growth and increased corporate value	• Adaptation to the revised Corporate Governance Code and smooth transition to the Prime Market of the Tokyo Stock Exchange
Risk management	Perform risk assessment and evaluate responses	• Company-wide risks are divided into strategic and operational risks, and then identified, classified, and visualized in a unified manner • Formulation of Risk Appetite Statement • Updating of risk maps, identification of risk issues, and drafting of annual risk countermeasure plan by each division • Periodic monitoring of progress with risk countermeasures and retrospective evaluation of effectiveness of countermeasures (four times a year) • Designation of important issues to be addressed Company-wide as Chugai Group risk issues and reporting to management on progress of measures at the Company-wide level
Disclosure and engagement	Earn market trust through appropriate information disclosure	★**Selection as component of Dow Jones Sustainability World Index (DJSI World):** Selected for two consecutive years (2020, 2021) • Enhancement of disclosure in response to investor needs identified through dialogue • 2021 Awards for Excellence in Corporate Disclosure: No. 2 in Pharmaceutical Sector • Continued selection to major ESG indices (FTSE4Good, MSCI ESG Leaders, etc.) • Strong external rating of ESG-related and IR information websites
Personal information protection and information security	Thorough risk management for all types of information held, including personal information	• Launch information governance project
Ethics and Compliance		
Compliance	Appropriately manage compliance risks	• Implementation of compliance monitoring (compliance awareness survey, compliance self-check: Carried out once)
Code of conduct	Promote understanding and awareness of the Chugai Group Code of Conduct (CCC)	• Number of CCC and human rights training courses held: 3 (average number of participants: 7,399, average participation rate: 97.2%)
Fair transactions	Ensure compliance with trading laws and regulations and build fair and transparent business relationships	• Implementation of ongoing awareness-raising activities concerning bribery risk assessment • Monitoring of compliance with purchasing procedures and implementation of awareness-raising activities
Supply Chain Management		
Supply chain management	Perform comprehensive supplier evaluation	• Number of EHS and compliance risk assessments: 109 • Establishment of new Supplier Management Guidelines to strengthen management of indirect material suppliers • Formulation of policy for strengthening of monitoring system for various evaluation guidelines

Message from the CFO

We aim to further enhance our ability to execute strategies through planning methods, management indices, and resource allocation optimized for our unique business model. This will allow us to generate solid results as we work to achieve our top innovator vision. We are also devoted to tackling ESG issues as we focus on creating shared value with society.

Toshiaki Itagaki
Director, Executive Vice President & CFO

On Course to Becoming a Top Innovator

We raised our 2021 earnings forecasts during the year, but even these were exceeded by extremely strong results. Earnings reached all-time highs for the fifth consecutive year, with revenues totaling ¥999.8 billion (up 27.1 percent year on year, 25.0 percent above the initial forecast, and 3.1 percent above the revised forecast) and Core operating profit amounting to ¥434.1 billion (up 41.0 percent, 35.7 percent above the initial forecast and 8.5 percent above the revised forecast).

The therapeutic antibodies Ronapreve and Hemlibra were the main drivers of revenue growth.

On July 19, 2021 Japan became the first country in the world to approve Ronapreve, after which we started delivering the drug to the government. Ronapreve is playing a significant role in preventing the aggravation of symptoms in patients with COVID-19. The drug was initially approved for intravenous administration to treat COVID-19-positive patients with mild to moderate level I disease. Additional approvals were then granted in November for use to prevent development of symptomatic COVID-19 and for administration by subcutaneous injection.

Hemlibra is penetrating markets around the world. As a result, inventories delivered to Roche ahead of schedule at the initial supply price have been used up, and price settlement (Royalty II) that we receive from Roche when local sales are made has increased. We have also stepped up exports to replenish inventories, such that we recorded a 4.4-fold increase in export sales year on year. We have achieved steady growth in sales of other mainstay products and new drugs, thereby absorbing the impact of National Health Insurance (NHI) drug price revisions and market penetration by generics.

In terms of costs, we have improved efficiencies, including downsizing offices and promoting robotic process automation (RPA), while also increasing investments for the future, including more digital marketing programs and a shift of resources into RED functions. Overall, we got off to a good start in 2021, the first year of the TOP I 2030 strategy.

For 2022, we aim to achieve record-high earnings for the sixth consecutive year and forecast revenues exceeding ¥1,150 billion and Core operating profit of ¥440 billion.

Domestic sales will be led by a significant increase in sales of Ronapreve as well as new products such as Polivy, Enspryng, and Evrysdi. Overseas, we forecast continued growth in sales of Hemlibra and a recovery in exports of Actemra to build up currently low channel inventory levels. With this growth in

product sales, we expect to overcome the "Royalty II cliff" caused when inventory at the initial supply price to Roche runs out. We expect to grow total revenues by 15.0 percent.

For costs, we will increase research and development by just over 15.0 percent in order to bolster our growth engine, but we expect to keep SG&A expenses on a par with 2021 by further improving productivity and cost efficiencies, allowing us to continue growing Core operating profit.

The business climate remains highly volatile with numerous uncertainties persisting including COVID-19, but we expect 2022, the second year of TOP I 2030 to be a year when we manage to ride these waves of change and continue on our trajectory toward becoming a top innovator.

Abolishing Fixed-Period Mid-Term Business Plans, Assumptions on Ongoing Uncertainty Prove Correct

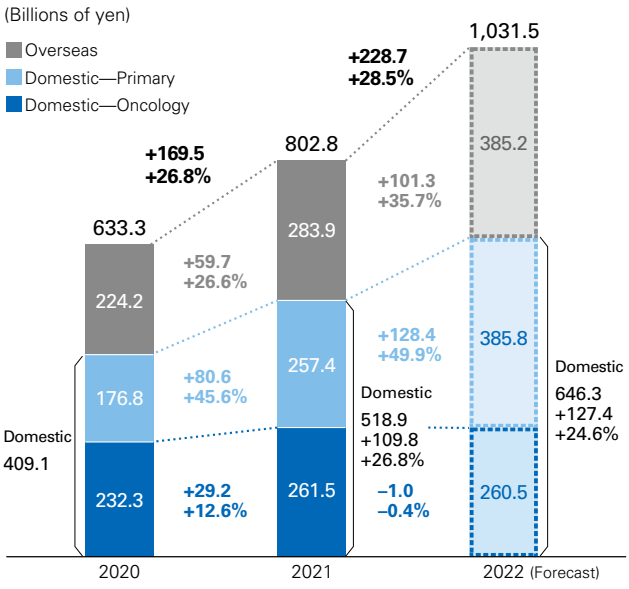
It feels as though we have been racing down a ski jump with our sights set on a spot further down the landing slope. However, we have not been able to travel as far as hoped, which, for others, could have resulted in giving up. Despite these difficulties, we have spent many hours preparing for the next challenge. Happily, time and again we have managed to land way past our minimum targets. I think that doubting our ability to make it through difficult times would have the same outcome as actually failing.

We have decided to manage our business using the most up-to-date information in an event-driven and agile manner, rather than sticking to mid-term business plans that can be frustratingly inconsistent with the actual situation inside and outside the Company. Having made this decision, we went on to develop our new TOP I 2030 growth strategy, which was announced last year. Now, when deciding what we need to achieve over the next few years, we will backcast plans from 2030, the year we aim to become a top innovator in the healthcare industry. The timing of key milestones will obviously vary according to the issue or theme. We will revise plans as needed based on the status of implementation and changes in the business environment.

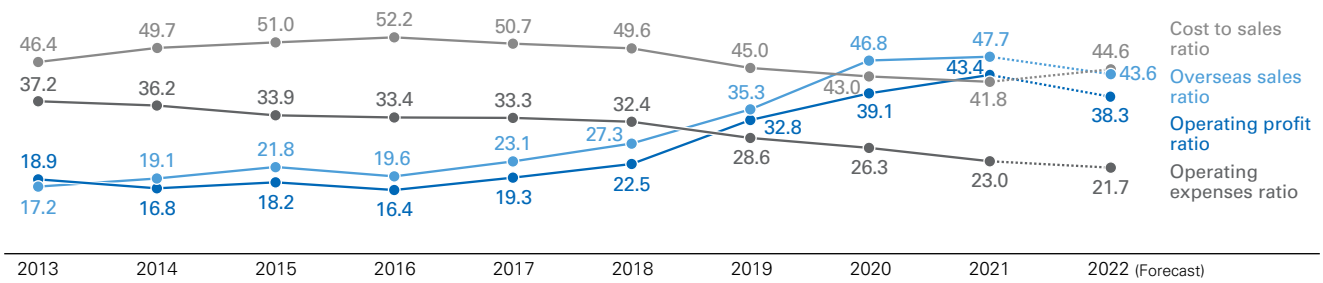
A year has passed since we made this decision. As mentioned earlier, we had to revise our earnings forecasts during the first year of our new growth strategy. Earnings were impacted substantially by a number of events we could not have foreseen when we formulated our plans, including production problems at generic drug makers; slow market penetration by rival biosimilars; the approval of Actemra for the additional indication of COVID-19-associated pneumonia; and the sudden in-licensing of Ronapreve and subsequent development, approval, and contract to supply the government. If we had been working with a mid-term business plan with a fixed three-year term, we probably would have had to make revisions during the first year!

Instead, the issues that were set based on backcasting from a longer-term perspective have not been affected significantly, and we have made steady progress toward the milestones defined for each individual strategy. We will now continue quality dialogue with our stakeholders, providing progress reports and interim milestones for these strategic issues.

Sales Comparison



Earnings Structure (Core Basis)



Optimizing Planning Methods, Management Indices, and Resource Allocation for the Chugai Model

Research suggests that drug discovery and development requires an investment of approximately ¥300 billion* and takes nearly 10 years, with success rates of only one in 30,000. Our mission is to bring groundbreaking new medicines and services to the world, so our main threats are short-termism, rigidity, and over-generalization. Having abolished mid-term business plans and moved to a long-term vision with purpose-led backcasting and a rolling plan, we believe we get a bird's-eye view from above and a worm's-eye view from below, as well as a fish-eye view to move freely with the flow.

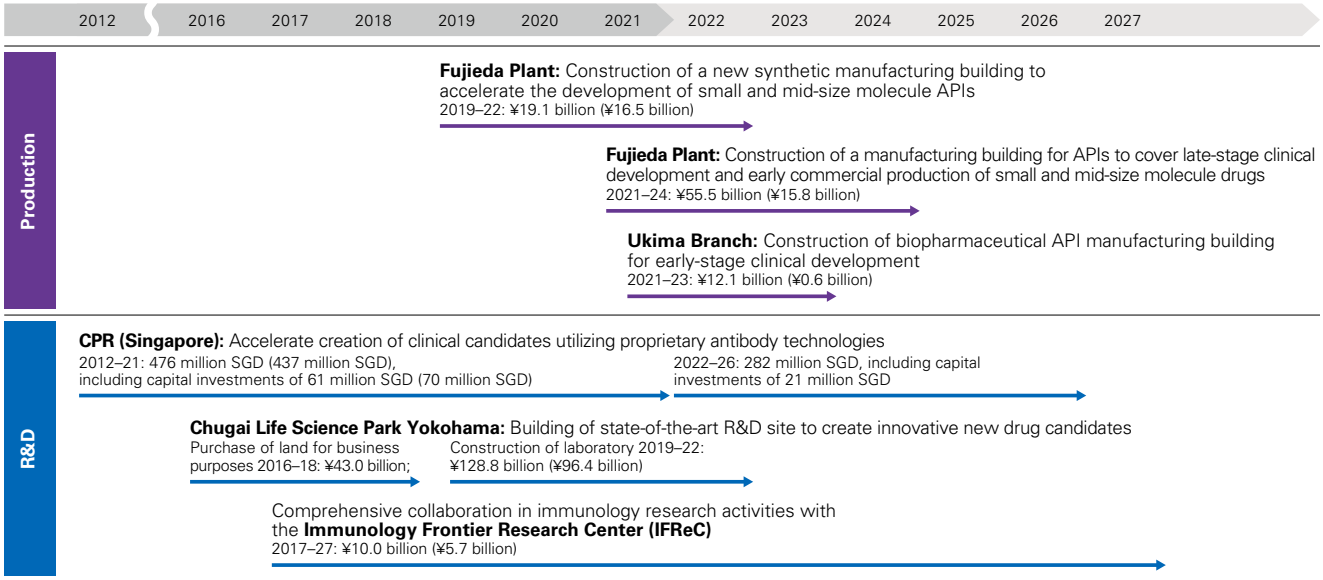
The financial KPIs differ for each of these views. Short-term (worm's eye) KPIs are revenues and Core operating profit, while the medium-term (fish eye) KPI is Core earnings per share (EPS) growth rate, and the long-term (bird's eye) KPI is Core return on investment capital (ROIC).

Multiple products in Chugai's portfolio command high market shares, and we have a social responsibility to ensure that inventories for those products are maintained at a certain stable level. From an autonomy perspective, we also have an obligation to ensure that Roche's shareholding is maintained at a certain level and that Chugai remains a listed company. As a result, there are limitations on how much we can control total asset turnover rates and financial leverage. Therefore, to improve return on equity (ROE), we must improve the profit margin. On this basis, we believe that Core EPS and compound annual growth rate (CAGR), which demonstrate sustained margin growth, are appropriate financial KPIs for the medium term. We also manage capital efficiency using ROIC as a long-term indicator, based on the view that it is essential to quantify investment efficiency over the long term in the pharmaceutical business, where activities are conducted in timeframes of a decade or more. This explains why Chugai uses Core ROIC, despite many other companies using ROE as an indicator of capital efficiency. Our internal business decision-making processes and mechanisms also take into account cost of capital, including discounting present value with weighted average cost of capital (WACC) when assessing the business feasibility of investments and development projects.

Our business strategy is selection and concentration. In 2004, we sold our OTC and other businesses in order to focus on pharmaceuticals. With an eye on efficiency, we entrusted late-stage clinical projects and overseas sales to Roche in principle. As a result, we have two business pillars: Our own marketing operations, where we market in-house products and products in-licensed from Roche in Chugai sales territories (mainly Japan, South Korea, and Taiwan); and out-licensing, in which products from Chugai research are mainly delivered to the world through the Roche global network. Our strategic alliance with Roche is a win-win relationship for both companies because we have achieved a good balance between both these business pillars. We think it is vital to invest resources in the creation of innovative new drugs and the ongoing discovery of new drugs that will serve as the seeds for our out-licensing business, which is why we have positioned RED Shift as our priority strategy. To this end, we are using DX to drive more efficient, optimized use of resources for this strategy, and are pursuing Open Innovation through collaboration with other companies to supplement areas where we lack resources.

* Estimates from the Tufts Center for the Study of Drug Development

Current Status / Plan for Major Investments



Note: Figures in parentheses indicate cumulative amount at the end of December 2021.

A 20-Year Cycle of Decisions and Outcomes: The Work We Do Today Creates Our Future in 20 Years' Time

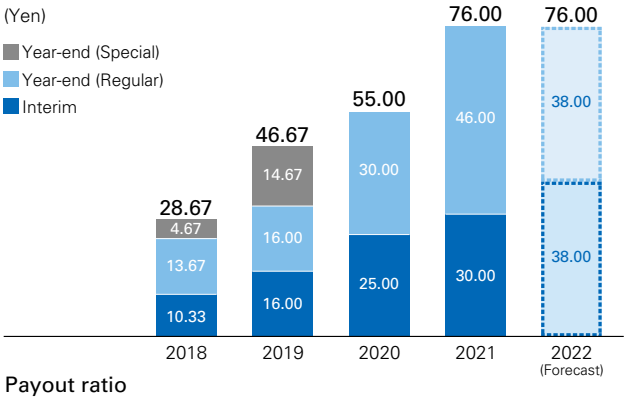
The shift to prescription pharmaceuticals, the focus on biopharmaceuticals, our efforts in antibody engineering technologies, and our strategic alliance with Roche. These seeds planted 20 years ago allowed us to launch the first biopharmaceuticals in Japan and the first Japan-made therapeutic antibody, and also resulted in the development of our unique business model. Our determination and persistence have created the Company you see today. The decisions we take now and the efforts we make going forward will determine what takes root at Chugai and what flourishes in 20 years' time.

Ten or so years have passed since we started mid-size molecule discovery research, and in 2021, LUNA18 was the first mid-size molecule project to enter clinical development. Further progress has been made in the development of antibody engineering technologies. We have started partnering with external organizations on programs to discover innovative new drugs and transform processes using AI and digital technologies. We will increase investment even further with a focus on RED Shift, DX, and Open Innovation to create the future Chugai. Regarding shareholder returns, we have set a target payout ratio of approximately 45 percent on average based on Core EPS, with the aim of maintaining a stable dividend that can withstand short-term fluctuations in profit levels.

From the perspective of increasing corporate value, social investment is an important theme alongside the strategic business investment discussed above. ESG initiatives may put pressure on profits over the short term, but they will also reduce future cost of capital and invested capital, so we need to implement and control such programs in an integrated fashion, while also monitoring priorities. For example, we were quick to set the environmental goal of zero CO_2 emissions by 2050. To achieve this, we will need to make substantial investments in equipment, facilities, and technologies. However, we believe that this will create a positive cycle whereby society recognizes Chugai as a corporate citizen that takes the lead in efforts to address social issues and endorses these activities, resulting in an increase in Chugai's social value.

In 2021, we received a great deal of feedback from analysts and investors. By developing various methods to communicate, including remote briefing sessions and socially distanced meetings that were also broadcast live to provide specific information on financial results, new products, ESG initiatives, and research and development, we managed to continue our dialogue with stakeholders as we had done before the pandemic. In 2022, we will continue to disclose information in a transparent and fair manner and actively create opportunities for two-way dialogue so that we can hear what others have to say. We very much look forward to hearing your views.

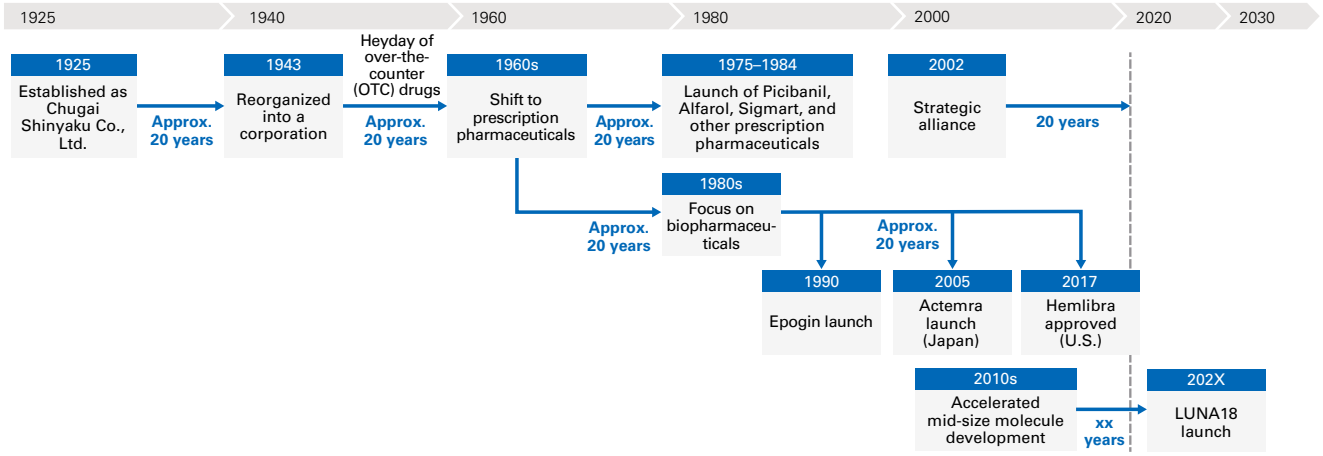
Changes in Dividends and Payout Ratio



Payout ratio					
5-year average	48.6%	47.4%	44.9%	42.9%	41.9%
Single year	48.7%	45.8%	41.2%	40.1%	40.0%

Note: Chugai conducted a three-for-one stock split of common stock effective July 1, 2020. Dividends are calculated based on the assumption that the stock split was conducted at the beginning of 2018.

20-Year Cycle of Decisions and Outcomes



Governance

Chugai is constantly working to review and improve corporate governance in order to appropriately and fairly fulfill the mandate of the Company's many stakeholders. We operate as a member of the Roche Group while maintaining autonomy and management independence as a separate listed company. Chugai actively seeks to introduce outside perspectives to ensure the rights and equality of shareholders, a more effective Board of Directors, and business decisions that reflect more diverse shareholder viewpoints.

Message from the Chairman

Tatsuro Kosaka

Senior Advisor
Former Representative Director and Chairman
Former Chairman of the Board of Directors

Looking Back on 2021

In 2021, as COVID-19 continued to spread, we worked in collaboration with the Roche Group to ensure stable supplies of our global products and better access to medicines. Initiatives included the establishment of a system to expand production of Actemra to meet the surge in demand to treat patients with severe COVID-19, and the rapid development and launch of Ronapreve in Japan as a treatment for COVID-19.

In terms of our executive organization, I stepped down as CEO in March 2021 and the new executive team, headed by Dr. Osamu Okuda, who became the new CEO, took over and has achieved results beyond the initial plan. The ambitious targets in the TOP I 2030 strategy are a clear indicator of the direction the Company is heading, with the entire organization working together in pursuit of innovation. At management meetings as well, I got the impression that the new executive team has stimulated more lively debate, underlining the fact that we had achieved the succession planning goal of a smooth transfer of leadership in 2021.

Evolution of Governance and Creation of Shared Value

At Chugai, we believe that corporate governance must continuously evolve if we are to achieve our goal of creating shared value with society. To this end, we run the Board of Directors as an effective forum for lively discussion.

We think the current makeup of the Board of Directors is the right one, with one-third internal directors, one-third Roche representatives, and one-third outside directors. This reflects our unique business model, where Roche is the major shareholder, but Chugai maintains autonomy and management independence. We are also focusing on the diversity of our directors and Audit & Supervisory Board members and think the current skills matrix shows we have got the balance right. At the same time, we recognize the need to constantly review the makeup of officers to strengthen governance. It is also essential to bring in external perspectives on how to improve our effectiveness. In order to help outside officers truly understand our business, I worked to provide commentary on industry trends in my capacity as Chairman of the Board of Directors, and we have also set up opportunities for the different divisions to give presentations on our business and programs. We also need to weave in feedback from society and the capital markets, so we use Board meetings as a forum to share the questions and requests for information disclosures received through meetings, individual briefings, and other events. We have invited external specialists to evaluate whether these efforts to strengthen governance are effective and are feeding this information into the PDCA cycle to allow ongoing improvements to the Board of Directors. In light of the revisions to the Corporate Governance Code, we have engaged in more debate over our governance systems. It is particularly important for a company like Chugai with a controlling shareholder to be able to ensure the rights and equality of minority shareholders, so we have created a special new committee to deliberate and investigate transactions with our parent company.

Turning now to the outside world, the unprecedented COVID-19 pandemic has reminded us of the importance of the healthcare industry. We have been given an opportunity to reevaluate our mission and how we provide value to patients. Through dialogue with the business community and pharmaceutical industry, we have come to understand the growing expectations for Chugai as a company with advanced scientific and technological capabilities. In order to respond to these expectations, we are concentrating on innovation, with the creation of innovative new drug discovery at the core to help patients struggling with diseases for which there are no treatments. Looking ahead, we will continue to make the most of our human capital to drive innovation and contribute to social development by responding to specific unmet medical needs.

Finally, I stepped down as Representative Director and Chairman and Chairman of the Board of Directors, effective at the General Meeting of Shareholders held on March 29, 2022. President & CEO Dr. Okuda took over the reins as Chairman of the Board of Directors. I will continue to contribute to the enhancement of Chugai's corporate value, mainly through activities in business communities and external activities in a senior advisor role. I hope that the Company's stakeholders continue providing their support to Chugai into the future.

Message from the Chairman of the Appointment Committee

Masayuki Oku

Independent Outside Director
Chairman of the Appointment Committee

Role and Approach of the Appointment Committee

There is no question that talented executives and management teams are indispensable if we are to increase Chugai's corporate value. As the business climate becomes more complex and uncertain, the Appointment Committee plays an increasingly important role in providing objectivity, transparency, and accountability in the appointment of directors, including director candidates and the CEO, and the selection and development of successor candidates for executive directors, including the CEO.

To fulfill this role, the Appointment Committee functions as an advisory body to the Board of Directors, submitting agenda items on the selection or dismissal of directors and deliberating over plans for the development of successors for executive directors including the CEO. The Committee places particular emphasis on the selection and development of successors for the CEO and other management roles. As well as monitoring development plans for executives and referring to external assessments, the Committee also works to get to know successor candidates from multiple perspectives in terms of what they say or how they conduct themselves, through the exchange of opinions and discussions in various settings.

The Appointment Committee is chaired by me in my capacity as an Independent Outside Director. The other committee members are Dr. Mariko Y Momoi, an independent outside director, William N. Anderson from Roche, and Dr. Osamu Okuda, President & CEO of Chugai. The Committee therefore features a diverse lineup of members with different career paths and cultural backgrounds, who bring a wide array of perspectives to our open discussions.

Activities in 2021 and Future Outlook

In 2021, the Appointment Committee met three times to discuss proposals for director candidates and the selection and development of successor candidates to the CEO. When selecting candidates for management roles or developing successors, we mainly focus on two perspectives: diversity and the continued evolution of our distinctive business model. Chugai's business is founded on a unique strategic alliance with Roche, so we develop and secure talent who understand the essence and the practicalities of Roche's philosophy and thinking. We also look to develop and steadfastly execute succession plans that take into account our vision for directors and the management team in the future as well as diversity perspectives.

As such, we are focusing on the post-Okuda era and the development of leaders for the future. In order to achieve our top innovator vision for 2030, we need to identify the best candidates for future executive roles and develop them through exposure to various opportunities. The Appointment Committee is therefore actively engaged in various discussions to support the development of Chugai's next leaders.

Message from the Chairman of the Compensation Committee

William N. Anderson
Non-Executive Director
Chairman of the Compensation Committee

Role and Approach of the Compensation Committee

The purpose of Chugai's officer remuneration plan is to attract and appropriately motivate outstanding people who can put the Company's corporate philosophy into practice and thereby continuously increase the corporate value of the Chugai Group. This will support Chugai in realizing its Mission and Envisioned Future to deliver advanced and sustainable patient-centric healthcare.

The Compensation Committee is composed of four members, all of whom are non-executive or independent outside directors. These members meet for Committee deliberations with no representation by internal directors, which ensures that the process of deciding officer remuneration is transparent and objective. During the decision-making for officer remuneration and other matters, the Compensation Committee deliberates on the individual remuneration of each director. The final amounts are set through a resolution of the Board of Directors within the scope of the total amount resolved by the General Meeting of Shareholders. To ensure appropriate and market-competitive levels of remuneration and other compensation for directors, the Committee may refer to the results of surveys by external expert organizations and other factors for benchmarking purposes. Discussions also focus on the formulation of original policies and the design of systems to further clarify the link between remuneration and the Company's business performance and shareholder value, and to raise the motivation and morale of directors to further improve performance.

Activities in 2021 and Future Outlook

In 2021, the Compensation Committee met twice to discuss director bonus amounts for 2020 (paid in March 2021); Chugai remuneration levels in 2020; the appropriateness of compensation ratios and compensation at benchmarked companies; methods used to determine director remuneration; and proposed amounts for director remuneration in 2021.

In particular, policy formulation and system design for officer remuneration need to continuously evolve in order to link them to increased corporate value and business strategies. In 2017, Chugai introduced restricted stock compensation to provide a greater incentive for executive directors to increase earnings over the medium and long term. In the TOP I 2030 strategy announced in 2021, the Company determined the factors that will help Chugai achieve its newly defined vision of becoming a top innovator, and these factors were reflected in the indices for performance-linked remuneration. For example, achievement of ESG-related objectives was included in individual performance evaluations from 2021.

However, there has been a rapid change in Chugai's business environment as well as industry practices regarding officer remuneration. Looking ahead, we will continue to strengthen our remuneration governance by improving the effectiveness of the Compensation Committee even further based on continuous discussion on system design and decision-making processes while closely monitoring the latest trends.

Directors / Audit & Supervisory Board Members (As of April 1, 2022)

Executive Directors

Dr. Osamu Okuda

Representative Director,
President & CEO

Executive Director

(Shares of the Company owned: 71,558 shares)

1987 Joined the Company
2008 Department Manager of Lifecycle Management Dept. II
2009 Department Manager and Lifecycle Leader of Lifecycle Management Dept. II
2011 President of Roche Products (Ireland) Limited
2013 Head of Oncology Unit, Marketing & Sales Div. of the Company
2014 Executive Officer, Head of Oncology Unit, Marketing & Sales Div.
2015 Executive Officer, Head of Corporate Planning Dept.
2017 Executive Vice President, Head of Corporate Planning Dept.
2018 Executive Vice President, Co-Head of Project & Lifecycle Management Unit
2020 Representative Director, President & COO
2021 Representative Director, President & CEO (to present)

Dr. Hisafumi Yamada

Director,
Executive Vice President

Executive Director

(Shares of the Company owned: 82,300 shares)

1991 Joined Nippon Roche K.K. ("NR")
2002 Head of Cancer Drugs Research Dept. 1, Research Division of NR
Head of Pharmaceutical Research Dept. 4 of the Company
2006 Head of Research Planning & Coordination Dept.
2009 Vice President, Head of Research Div.
2016 Executive Vice President, Head of Research Div.
2018 Executive Vice President, Head of Translational Clinical Research Div.
2021 Executive Vice President
2022 Director, Executive Vice President (to present)

Toshiaki Itagaki

Director, Executive Vice President
& CFO

Executive Director

(Shares of the Company owned: 14,101 shares)

1983 Joined the Company
2007 Head of Finance & Accounting Dept.
2010 Head of Planning & Research Dept.
2012 Head of Marketing & Sales Planning Dept.
2015 Vice President, Head of Finance & Accounting Dept.
2018 Executive Vice President, CFO, Head of Finance Supervisory Div., Head of IT Supervisory Div., and Head of Finance & Accounting Dept.
2022 Director, Executive Vice President & CFO (to present)

Non-Executive Directors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Audit & Supervisory Board Members


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Non-Executive Directors

1 Masayuki Oku — Outside, Independent

(Shares of the Company owned: 1,900 shares)
Outside Director of TV TOKYO Holdings Corporation
Outside Director of Rengo Co., Ltd.
Outside Director of The Royal Hotel, Ltd.
Non-Executive Director of The Bank of East Asia

1968 Joined The Sumitomo Bank, Ltd. ("SB")
1994 Director of SB
1998 Managing Director of SB
1999 Managing Director and Managing Executive Officer of SB
2001 Senior Managing Director and Senior Managing Executive Officer of SB
Senior Managing Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC")
2002 Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. ("SMFG")
2003 Deputy President and Executive Officer of SMBC
2005 Chairman of SMFG
President and Chief Executive Officer of SMBC
2015 Director of the Company (to present)
Non-Executive Director of The Bank of East Asia (to present)
2017 Director of SMFG
Honorary Advisor of SMFG (to present)
2019 Outside Director of Rengo Co., Ltd. (to present)
Outside Director of The Royal Hotel, Ltd. (to present)
2021 Outside Director of TV TOKYO Holdings Corporation (to present)

2 Yoichiro Ichimaru — Outside, Independent

(Shares of the Company owned: 3,000 shares)
Outside Director of Seino Holdings Co., Ltd.

1971 Joined Toyota Motor Sales Co., Ltd.
2001 Member of the Board of Directors of Toyota Motor Corporation ("TMC")
2003 Managing Executive Officer of TMC
2005 Senior Managing Director of TMC
2009 Representative Director, Executive Vice President of TMC
Corporate Auditor of Aioi Insurance Co., Ltd.
2010 Corporate Auditor of Aioi Nissay Dowa Insurance Co., Ltd.
2011 Senior Corporate Auditor of TMC
2015 Executive Advisor of TMC
Representative Director, Chairman of Aioi Nissay Dowa Insurance Co., Ltd.
2017 Director of the Company (to present)
Senior Advisor of Aioi Nissay Dowa Insurance Co., Ltd.
2019 Outside Director of Seino Holdings Co., Ltd. (to present)

3 Dr. Mariko Y Momoi — Outside, Independent

Professor Emeritus of Jichi Medical University
Visiting Professor of School of Medicine, Shinshu University
Regent of Tokyo Medical University (part-time)

1994 Head of Department of Pediatrics, Jichi Medical University
2006 Director of Jichi Children's Medical Center Tochigi
2010 Dean of School of Medicine, Jichi Medical University
2012 Visiting Professor of School of Medicine, Shinshu University (to present)
2013 Professor Emeritus of Jichi Medical University (to present)
Vice President of International University of Health and Welfare
2014 Director of Japanese Medical Specialty Board (part-time)
2015 Vice President of International University of Health and Welfare and Head of IUHW Hospital
2017 Chief Medical Officer of Ryoumou Seishi Ryogoen, Kiryu Ryoiku Futabakai Social Welfare Corporation
2018 Regent of Tokyo Medical University (part-time) (to present)
2020 Director of the Company (to present)

4 Dr. Christoph Franz

Chairman of the Board of Directors of Roche Holding Ltd.
Vice-Chairman of the Board of Directors of Zurich Insurance Group Ltd. (Switzerland)
Member of the Board of Directors of Stadler Rail Ltd. (Switzerland)

1990 Joined Deutsche Lufthansa AG
1994 Member of the Executive Board and CEO of Passenger Transport Division of Deutsche Bahn AG
2004 CEO of Swiss International Air Lines AG
2009 Deputy Chairman of the Executive Board of Deutsche Lufthansa AG
2011 Chairman of the Executive Board and CEO of Deutsche Lufthansa AG
2014 Chairman of the Board of Directors of Roche Holding Ltd. (to present)
2017 Director of the Company (to present)

5 William N. Anderson

CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee

1997 Joined Biogen Idec
1999 Managing Director, United Kingdom and Ireland of Biogen Idec
2001 Vice President of Finance, Business Planning of Biogen Idec
2004 Vice President and General Manager of Neurology Business Unit of Biogen Idec
2006 Senior Vice President of Immunology & Ophthalmology Business Unit of Genentech
2010 Senior Vice President of BioOncology Business Unit of Genentech
2013 Head of Global Product Strategy, Chief Marketing Officer of Roche
2017 CEO of Genentech
2019 CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee (to present)
Director of the Company (to present)

6 Dr. James H. Sabry

Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee

1997 Co-founder, President and CEO of Cytokinetics
2008 President and CEO of Arete Therapeutics
2010 Global Head and Vice President of Genentech Partnering
2013 Global Head and Senior Vice President of Genentech Partnering
2018 Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee (to present)
2019 Director of the Company (to present)

Audit & Supervisory Board Members

7 Atsushi Sato (Full-time)

(Shares of the Company owned: 3,265 shares)

1981 Joined the Company
2009 Head of Risk Management & Compliance Dept.
2011 Head of Corporate Social Responsibility Dept.
2015 Head of Corporate Social Responsibility Dept. and General Affairs Dept.
Head of Corporate Social Responsibility Dept.
2016 Associate Vice President, Head of Corporate Social Responsibility Dept.
2019 Associate Vice President
Audit & Supervisory Board Member (to present)

8 Dr. Yoshiaki Ohashi (Full-time)

(Shares of the Company owned: 35,523 shares)

1988 Joined the Company
2004 Department Manager, Quality & Regulatory Compliance Dept.
2009 Department Manager, Drug Safety Coordination Dept.
2013 Head of Drug Safety Div. and Department Manager of Drug Safety Coordination Dept.
2015 Vice President, Head of Drug Safety Div.
Vice President, Head of Quality & Regulatory Compliance Unit, and Head of Drug Safety Div.
2018 Senior Vice President, Head of Quality & Regulatory Compliance Unit and Head of Drug Safety Div.
2021 Senior Vice President
Audit & Supervisory Board Member (to present)

9 Takaaki Nimura — Outside, Independent

Representative of Nimura Certified Public Accountant Office

1974 Joined Arthur Young & Co., Tokyo Office
1980 Seconded to Asahi & Co., Osaka Office
1983 Seconded to Arthur Young & Co., Los Angeles Office
1989 Partner, Asahi Shinwa & Co.
1993 Joined Showa Ota & Co.
1997 Senior Partner, Showa Ota & Co.
2008 Executive Board Member, Ernst & Young ShinNihon LLC
2010 Established Nimura Certified Public Accountant Office
2012 Outside Director, Sony Corporation
2016 Outside Audit & Supervisory Board Member of the Company (to present)

10 Dr. Yuko Maeda — Outside, Independent

Director, CellBank Corp.
External Director, KOSÉ Corporation
Outside Director of Asahi Kasei Corporation
Auditor (part-time), Japan Agency for Marine-Earth Science and Technology
Executive Vice President (part-time), Kyushu University
Director (part-time), Nagano University

1984 Joined Bridgestone Corporation
1998 CFO of BTR Power Systems Japan
2001 Vice President of Tokyo University of Agriculture and Technology TLO Co., Ltd.
2003 Director, Technology Transfer Center of Tokyo Medical and Dental University
2009 Project Coordinator of Innovation Initiative Network Japan
Visiting Professor of Tokyo Medical and Dental University
2011 Specially Appointed Professor of Kyoto Prefectural University of Medicine
2013 Executive Officer of Bridgestone Corporation
2014 Auditor (part-time) of Japan Agency for Marine-Earth Science and Technology (to present)
2017 Director of CellBank Corp. (to present)
2019 Outside Audit & Supervisory Board Member of the Company (to present)
2020 External Director, KOSÉ Corporation (to present)
Executive Vice President, Kyushu University (part-time) (to present)
2021 Director (part-time), Nagano University (to present)
Outside Director of Asahi Kasei Corporation (to present)

11 Kenichi Masuda — Outside, Independent

Partner of Anderson Mōri & Tomotsune
Outside Director of Bridgestone Corporation
Outside Audit & Supervisory Board Member of Mercuria Holdings Co., Ltd.

1988 Registered as an attorney-at-law (Daini Tokyo Bar Association)
Joined Anderson Mōri & Tomotsune
1993 Registered as an attorney-at-law in the state of New York
1997 Partner of Anderson Mōri & Tomotsune (to present)
2007 Outside Corporate Auditor of LIFENET INSURANCE COMPANY (to present)
2010 Part-time Lecturer at School of Law, The University of Tokyo
2011 Outside Corporate Auditor of Bridgestone Corporation
2016 Outside Director of Bridgestone Corporation (to present)
Outside Audit & Supervisory Board Member of Mercuria Investment Co., Ltd. (to present)
2019 Visiting Professor of School of Law, The University of Tokyo (to present)
2020 Outside Audit & Supervisory Board Member of the Company (to present)
2021 Outside Audit & Supervisory Board Member of Mercuria Holdings Co., Ltd. (to present)

Independent Independent officer pursuant to Article 436-2 of the regulations of Tokyo Stock Exchange, Inc.
Note: Outside Audit & Supervisory Board members do not own Company shares.

Corporate Governance

Toward Realizing Our Mission

Chugai's Mission is to dedicate itself to adding value by creating and delivering innovative products and services for the medical community and human health around the world. Under this Mission, Chugai aims to achieve the advanced and sustainable patient-centric healthcare set forth in its Envisioned Future through the creation of shared value with its various stakeholders.

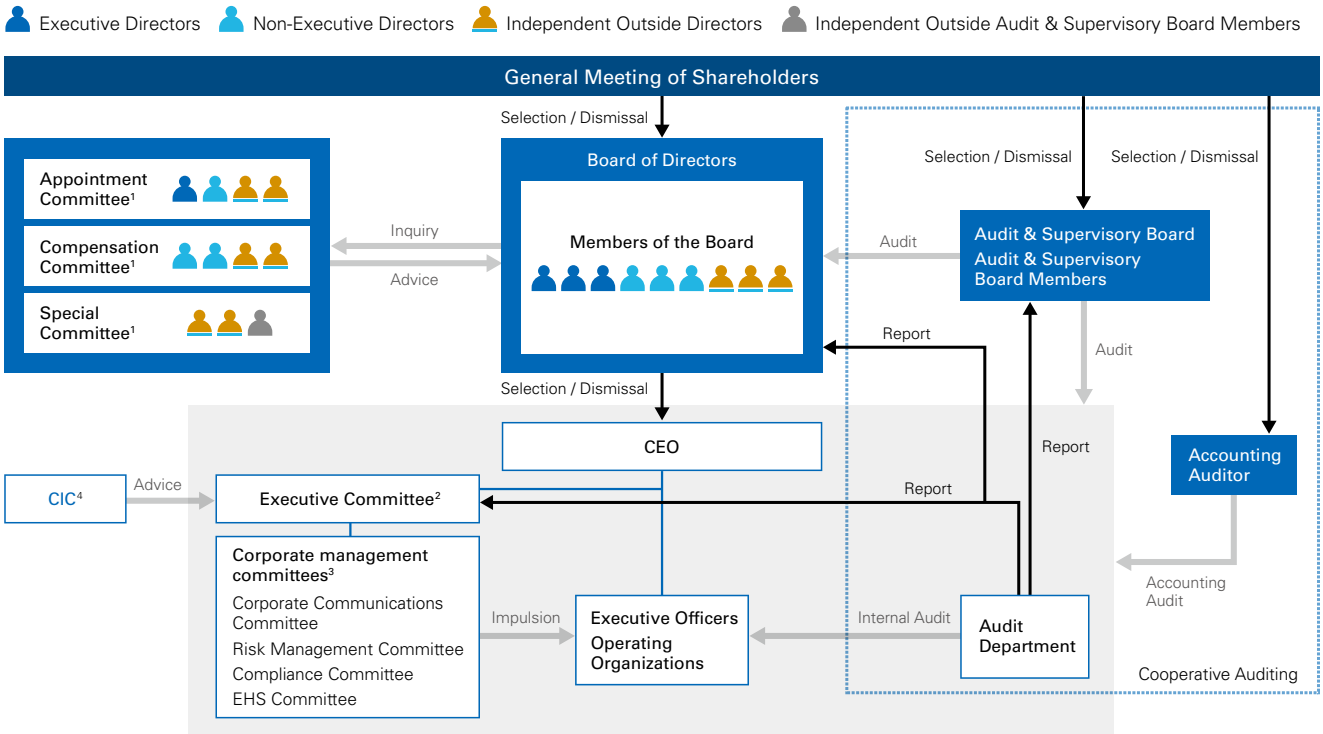
To create this value on an ongoing basis, Chugai believes that putting in place and evolving a unique corporate governance system is also important. Under its strategic alliance with Roche, Chugai is a member of the Roche Group, but at the same time maintains autonomy and management independence as a separate listed company. Chugai pursues management that fulfills the mandate of its many stakeholders appropriately and fairly. The composition of the Board of Directors and the associated monitoring mechanisms are also based on this approach, which is designed to generate innovation by leveraging the essential value of our unique business model with its emphasis on diversity.

In response to the June 2021 revision of the Corporate Governance Code of the Tokyo Stock Exchange, we reconfirmed our compliance with each of its principles. In the case of non-compliance, the item and the reason are indicated below as well as on our website and elsewhere.

Principle 4.10.1
Establishment of independent advisory committees
Chugai's Compensation Committee consists solely of non-executive directors, including one or more independent outside directors. Therefore, Chugai believes that the current mechanism enables transparent and objective deliberation on compensation.

WEB Corporate Governance
https://www.chugai-pharm.co.jp/english/ir/governance/index.html

Corporate Governance System (As of April 1, 2022)

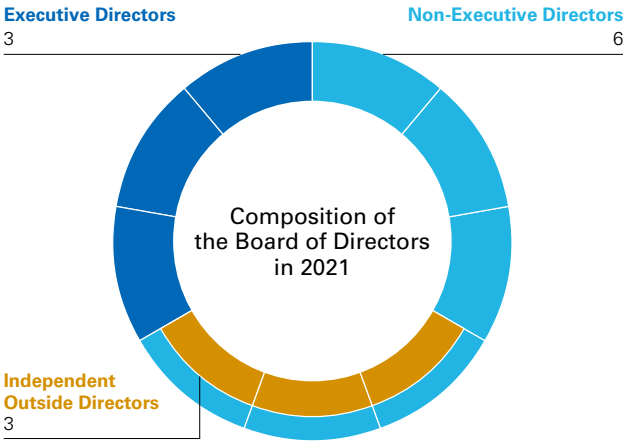


1. Appointment Committee / Compensation Committee / Special Committee: Advisory bodies to the Board of Directors. The Appointment Committee deliberates on the selection of director candidates, succession plans for executive directors, and the dismissal of directors. The Compensation Committee deliberates on remuneration policy for directors and the remuneration of individual directors. The Special Committee, meanwhile, deliberates on and reviews important transactions involving a potential conflict of interest between the parent company (Roche) and minority shareholders.
2. Executive Committee: Makes decisions on Company-wide management strategy and important matters concerning business execution.
3. Corporate management committees: Subcommittees of the Executive Committee. The Corporate Communications Committee makes decisions and oversees promotion of activities regarding information disclosure and dialogue with stakeholders; the Risk Management Committee oversees risk management and promotes activities to identify and measure major risks; the Compliance Committee reinforces the PDCA cycle for compliance activities and monitors the implementation of countermeasures and the status for particular items; and the EHS Committee works to integrate management of environment and occupational health and safety issues by making decisions, formulating strategies and overseeing the activities of each department.
4. Chugai International Council

A Governance Structure Supporting Chugai's Unique Business Model

In order to promote Chugai's unique business model while ensuring its effectiveness, we separate management decision-making (Board of Directors) and business execution (Executive Committee and others), thereby expediting business execution and clarifying executive responsibility.

To demonstrate the true value of its unique business model, the Board of Directors comprises three types of directors: Executive directors, independent outside directors, and non-executive directors. The balance of experience among directors of each type enables effective corporate governance that ensures management autonomy as an independent publicly listed company within the Roche Group, and helps to increase corporate value.



Expertise and Experience of Directors and Audit & Supervisory Board Members (As of April 1, 2022)

	Positions, Responsibilities	Name	Roles	Expertise and experience expected of directors and Audit & Supervisory Board members						
				Corporate management	R&D	Sales, Marketing	Finance, Accounting, Taxation	Legal, Risk management	Medical science, Pharmaceutical sciences	International experience
Executive Directors	Representative Director, President & CEO	Dr. Osamu Okuda	Appointment Committee	●	●	●			●	●
	Director Executive Vice President	Dr. Hisafumi Yamada		●	●				●	●
	Director Executive Vice President & CFO	Toshiaki Itagaki		●		●	●			●
Independent Outside Directors	Outside Director*	Masayuki Oku	Chairman of the Appointment Committee Compensation Committee Special Committee	●		●	●	●		●
	Outside Director*	Yoichiro Ichimaru	Compensation Committee Chairman of the Special Committee	●		●		●		
	Outside Director*	Dr. Mariko Y Momoi	Appointment Committee						●	●
Non-Executive Directors	Director (Chairman of the Roche Board of Directors)	Dr. Christoph Franz	Compensation Committee	●						●
	Director (CEO of Roche Pharmaceuticals)	William N. Anderson	Appointment Committee Chairman of the Compensation Committee	●		●				●
	Director (Global Head of Roche Pharma Partnering)	Dr. James H. Sabry		●	●				●	●
Audit & Supervisory Board Members	Full-Time Audit & Supervisory Board Member	Atsushi Sato				●		●		
	Full-Time Audit & Supervisory Board Member	Dr. Yoshiaki Ohashi			●			●	●	●
	Outside Audit & Supervisory Board Member*	Takaaki Nimura					●			●
	Outside Audit & Supervisory Board Member*	Dr. Yuko Maeda		●	●					
	Outside Audit & Supervisory Board Member*	Kenichi Masuda	Special Committee					●		●

* Designated as an independent officer pursuant to the regulations of Tokyo Stock Exchange, Inc., to which notification has been made.

Executive directors are responsible for business execution and supervision, report on and explain business execution matters, and hold discussions on management. They execute the strategies decided in Board of Directors' meetings. Independent outside directors are non-executive directors appointed based on their knowledge and expertise as outside corporate executives or as medical, academic, and other professionals. Their role is to provide advice concerning management, exercise supervisory functions, and participate in discussions and decision-making at Board of Directors' meetings from an objective, outside perspective. Other non-executive directors are appointed from the management team of the Roche Group. They provide an objective, expert perspective from a standpoint that is independent from business execution, offer recommendations and advice regarding strategies and management, and participate in discussions at Board of Directors' meetings.

In the appointment of directors, we believe that it is important to achieve a smooth generational change in the management team. Accordingly, following continuous discussion and consultation on the succession plan by the Appointment Committee, Dr. Osamu Okuda was appointed Representative Director, President & CEO effective March 23, 2021. Additionally, to establish a new structure for the implementation of the TOP I 2030 growth strategy, the following changes were made with effect from March 29, 2022: Dr. Hisafumi Yamada and Toshiaki Itagaki were appointed as directors, while outgoing Representative Director and Chairman Tatsuro Kosaka and outgoing Representative Director and Deputy Chairman Motoo Ueno retired as directors and each assumed the role of senior advisor.

Chugai continuously reviews options for support of various external international initiatives.

In 2020, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are now engaged in ongoing analysis and verification of scenarios based on the recommendations.

Relationship with Roche and Securing the Rights and Equality of Shareholders

In accordance with the strategic alliance between the two companies, Chugai's parent company Roche holds 59.89% of Chugai's outstanding shares. Chugai and Roche have further agreed to cooperate to maintain Chugai's common stock listing on the Prime Market of the Tokyo Stock Exchange (TSE). As an independently listed company, Chugai bases all decision-making on the principle of self-governance. Chugai believes that autonomy and diversity are key to generating innovation, that maintaining its independent management brings diversity to the Roche Group, and that the pharmaceuticals it creates as a result contribute to all stakeholders, including patients and minority shareholders. Chugai recognizes that the various benefits from being listed on the Prime Market of the TSE—such as its solid credit rating, flexible fund procurement, name recognition, and social presence—are supported by the understanding of shareholders other than Roche, i.e., minority shareholders and investors who are potential shareholders. That is why in its business dealings with the Roche Group, Chugai conducts all transactions fairly using third-party prices. Furthermore, the Special Committee was established on March 29, 2022, to deliberate on and review important transactions involving potential conflict of interest between the parent company Roche and minority shareholders as part of efforts to gain the latter's trust by ensuring due consideration of their interests.

To ensure substantially equal treatment of shareholders, Chugai emphasizes the importance of giving due consideration to minority and foreign shareholders and maintaining an environment that allows them to exercise their rights. We therefore undertake timely, appropriate, and fair information disclosure activities in accordance with relevant laws and regulations.

Restrictions on Roche's Shareholding

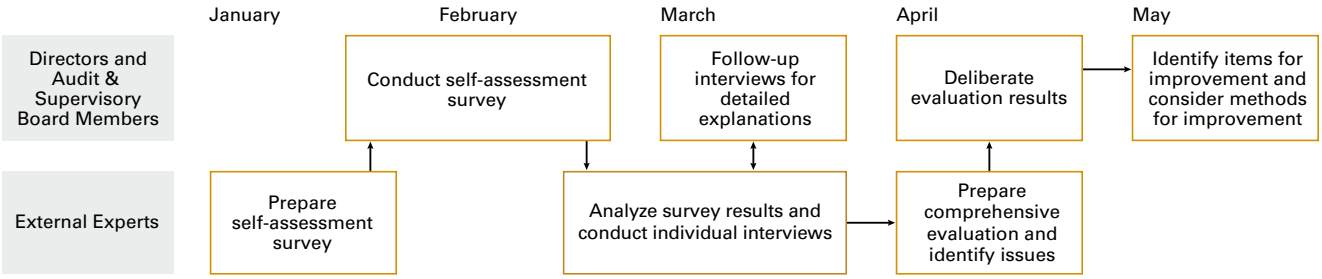
Period	Maximum shareholding
Oct. 1, 2002–Sep. 30, 2007	50.1%
Oct. 1, 2007–Sep. 30, 2012	59.9%
Oct. 1, 2012 and thereafter	Cooperate in maintaining Chugai's listing

Improving the Effectiveness of the Board of Directors

Chugai has focused on evaluation of the effectiveness of the Board of Directors and improvement activities based on evaluation results since 2015.

Effectiveness evaluation is carried out from February to March of every year through a self-assessment survey of currently serving directors and Audit & Supervisory Board members who were in office during the applicable period. The Board of Directors discusses the survey results after receiving a relevant report from the Secretariat. Starting with the 2019 effectiveness evaluation, we made changes to further enhance outside perspectives and objectivity. Under the new system, external experts formulate the survey items and analyze the grounds for the respective self-assessments and the logical basis for reaching the self-assessment results, as well as other matters. They then make a comprehensive evaluation after conducting individual interviews if necessary, and report issues and propose effective countermeasures to the Board of Directors.

Process for Evaluating the Effectiveness of the Board of Directors



Status of Improvements Identified through Evaluation of the Effectiveness of the Board of Directors

Applicable year	Main items for improvement	Main new initiatives implemented after analysis and evaluation
2015	• Review structure of self-evaluation survey and answer options • Assiduously provide materials for Board of Directors' meetings at least four business days prior to the event • Enhance content of reports provided to Board of Directors and make materials easily understood	• Began providing information on industry environment trends and other information to outside directors in a CEO message at the beginning of the Board of Directors' meetings • Provided Board of Directors' meeting schedule for the coming year at an early date • Implemented factory tours
2016	• Change the procedure for providing materials to outside officers • Enhance topics for reports to the Board of Directors	• Held lectures (information on trends of general shareholders meetings) by external experts (attorneys)
2017	• Conduct prior and additional explanations on agenda items with complex content such as governance and legal matters	• Issued the Chugai IR Activities Report to outside officers (every quarter) • Provided a glossary of technical terms, abbreviations, and the like to outside officers
2018	• Ensure greater diversity of the Board of Directors • Provide more information to outside directors and outside Audit & Supervisory Board members	• Deliberation by the Appointment Committee • Convened a Board of Directors' meeting and conducted a tour at the Fujieda Plant • Held briefings on departmental operations
2019	• Oversight of transactions with the parent company • Enhanced Group company oversight and Group internal control	• Conducted briefings through liaison meetings for outside officers to enhance understanding of the content of the basic agreement with the parent company • Presented regular and timely reports on the internal control status of overseas subsidiaries at Board of Directors' meetings
2020	• Compliance with the revised Corporate Governance Code	• Revised our Basic Corporate Governance Policy

Principal Matters Deliberated by the Board of Directors

Matters Concerning the General Meeting of Shareholders	• Calling of the General Meeting of Shareholders and determination of the agenda items • Approval of the business report, financial statements, and other documents • Selection of director and Audit & Supervisory Board member candidates
Matters Concerning Directors and Audit & Supervisory Board Members	• Directors' remuneration • Selection and dismissal of executive officers and advisors • Selection of Appointment Committee and Compensation Committee members • Selection and dismissal of representative directors and executive directors
Matters Concerning Stock	• Payment of interim dividends • Allocation of restricted stock
Matters Concerning Management in General	• Formulation of plans and policies and relevant progress reports (Formulation of reports related to TOP I 2030, stable supply of Actemra, the HR system, and of Mid-Term Environmental Goals 2030, etc.) • Discussion of new business plans, alliances, and related matters (e.g., research and development, DX, and other open innovation-related items) • Discussion of decision-making structure and organizations • Matters concerning finance and assets (construction plans for new production facilities, restructuring plans for research facilities, etc.)
Other Matters	• Approval and reporting of competing transactions • Approval and reporting of conflict of interest transactions • Reporting on internal control, risk management, and investor relations (IR) activities • Implementation and reporting of evaluation of the effectiveness of the Board of Directors • Status of voting on proposals at the General Meeting of Shareholders • Verification of cross shareholdings

Principal Matters Deliberated by the Executive Committee and Corporate Management Committees (2021)

Executive Committee	• Management policy, medium- to long-term strategy, and other key policies • Medium- to long-term and annual business plans • Key policies relating to Company-wide business execution • Policy on issues of management strategy • Key matters in Company-wide control and coordination • Key policy matters relating to HR development, appointment, individual personnel matters, and allocation • Matters relating to organizational performance evaluation systems • Other key matters relating to general corporate management
Corporate Communications Committee	• Formulation of policy on corporate information disclosure (Company-wide communications) to internal and external stakeholders • Decision on corporate communications strategy and policy on risks impacting corporate value and reputation
Risk Management Committee	• Deliberation and proposal of risk management policy • Maintenance and monitoring of risk management system • Submissions and reports on risk management to the Board of Directors and Executive Committee • Deliberation and decision on the establishment of risk response subcommittees and the Emergency Headquarters
Compliance Committee*	• Formulation and evaluation of key measures relating to compliance promotion and monitoring of their progress • Assessment of compliance risk and formulation of countermeasures • Analysis of cause of compliance infringements or other compliance issues and exploration of measures to prevent recurrence (in cooperation with the Risk Management Committee) • Revision of compliance-related regulations
EHS Committee	• Key policies and measures relating to environmental protection and health and safety activities

* Made up of the Corporate Meeting, Healthcare Meeting, and GxP Meeting

Case Study Formulation of Mid-Term Environmental Goals 2030

The formulation of mid- to long-term environmental goals for 2030 was informed by wide-ranging dialogue with internal and external parties to reflect contemporary social requirements and expectations. The policy direction was determined with reference to analyses of the external environment, discussions with outside directors and external experts, and other indicators. Goals appropriate for Chugai were then set at an ambitious level following coordination with the various corporate divisions and the Roche Group. In addition to the exhaustive advance discussions and deliberations by internal committees, the announcement of the goals in 2021 was followed by further activity within each division to work out its own concrete targets, which were presented in detail at the Chugai ESG meeting and on other occasions. (Please see page 56 for details on our Mid-Term Environmental Goals 2030.)

Analyze and discuss
Review mid-term environmental plan 2020

Survey/analysis
- Gap analysis vs. external evaluations
- Scenario analysis based on TCFD recommendations
- Reassessment of Material Issues
- Environmental technology survey

Gathering of external input/discussion
- Input from external experts
- External workshops
- Discussions with independent outside directors

Deliberate and set specific directions and items for environmental issues

Set policies Assess goals

Formulation of policies
- Policy of individual corporate divisions and discussion of target values
- Coordination with Roche's environmental compliance staff
- Commitment by senior management

Approach to goals
- Longer-term timeline
- Focus on Material Issues' comprehensiveness
- Goal-setting based on ambitions, not attainability

Finalize environmental goal-setting policy

Forward to EHS and Executive committees for deliberations

Bodies that deliberated on policies/plans
- EHS Promotion Committee (4 times)
- Executive Committee (4 times)
- Board of Directors (Twice)
- Meetings with senior management (4 times)
- Sustainability Advisory Committee (Twice)

Finalize plan's core content (partially disclosed)

Assess milestones

Disclose Mid-Term Environmental Goals 2030

Disclosures
- Financial results briefings
- News releases
- Annual Report 2020
- Website

Feedback/ recommendations
- Need for disclosure of milestones
- Need for engagement on specific initiatives

Specifically explain milestones

Officer Remuneration Emphasizing Linkage with Performance and Stock Price

Chugai has designed its remuneration plan for directors and Audit & Supervisory Board members to attract outstanding people and appropriately motivate them in order to continuously increase the Chugai Group's corporate value.

In order to further clarify the link between remuneration and the Company's business performance and shareholder value, and to raise directors' ambition and motivate them to improve performance, executive director remuneration consists of bonuses paid according to performance and other factors in each fiscal year as a short-term incentive and restricted stock compensation linked to medium- and long-term performance (tenure-based and performance-based) as a long-term incentive, in addition to fixed regular compensation. The guideline for the composition of CEO remuneration is 35 percent regular compensation, 30 percent bonuses, and 35 percent restricted stock compensation, and the composition for other executive directors is determined in consideration of duties and other factors (see table below).

Bonuses are determined by multiplying the standard amount set for each position by an evaluation coefficient reflecting an overall assessment based on Company and individual performance targets set with reference to the published forecasts for the relevant fiscal year. For restricted stock compensation, 50 percent is tenure-based restricted stock with a transfer restriction period of three to five years, and 50 percent is performance-based restricted stock.

Remuneration of non-executive directors, including outside directors, and Audit & Supervisory Board members consists solely of fixed regular compensation.

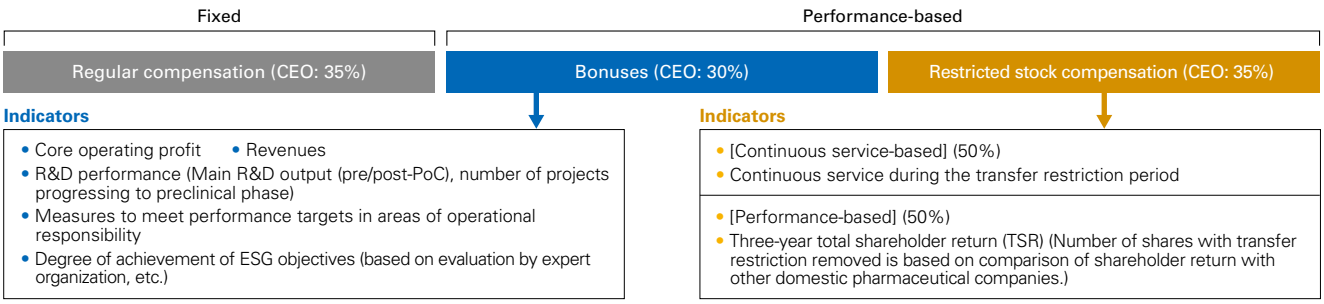
Individual remuneration is determined within the total amounts approved at the General Meeting of Shareholders via the following respective processes: Remuneration is decided for executive directors by the Board of Directors following deliberation by the Compensation Committee; for non-executive directors, including outside directors, by the CEO acting on request from the Board of Directors and based on a report by the Compensation Committee; and for Audit & Supervisory Board members through deliberation among the members themselves. So that the relevant deliberations take place with expert input on officer remuneration systems and with due consideration of other factors, including the wider changes affecting corporate executive remuneration, the Compensation Committee—which is appointed by the Board of Directors and consists of three or more external members, at least one of whom is an independent outside director—bases its discussion on the results of a survey by an external expert organization, thus ensuring the transparency and objectivity of the decision-making process.

WEB **Notice of Convocation of the 111th Annual General Meeting of Shareholders (Page 49)**
https://www.chugai-pharm.co.jp/english/ir/share/agm/files/220328eChugai_111thAGM_Convo.pdf#page=50

System for Remuneration of Directors and Audit & Supervisory Board Members

Type of remuneration			Eligible officers: Executive directors	Eligible officers: Non-executive directors (including outside directors)	Eligible officers: Audit & Supervisory Board members	Payment criteria	Payment method
Fixed Regular Compensation	Regular compensation		●	●	●	Paid according to position, duties, and other factors	Monthly (Cash)
Performance-Based Remuneration	Bonuses		●	—	—	Paid according to performance in each fiscal year	Yearly (Cash)
	Long-term incentive (Stock-based compensation)	Tenure-based restricted stock	●	—	—	Paid according to fixed length of service	Yearly (Common stock)
		Performance-based restricted stock	●	—	—	Paid according to performance over fixed period in addition to above	Yearly (Common stock)

Reference Indicators for Performance-Based Remuneration of Executive Directors



Results in 2021: Amount of Remuneration Paid to Directors and Audit & Supervisory Board Members

Position	Total remuneration, etc. (Millions of yen)	Total amount by type of remuneration, etc. (Millions of yen)				Number of eligible officers
		Regular compensation	Bonuses	Restricted stock compensation		
				Tenure-based	Performance-based	
Directors (Excluding Outside Directors)	637	229	197	117	94	3
Outside Directors	45	45	—	—	—	3
Total	683	471		212		6
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	63	63	—	—	—	3
Outside Audit & Supervisory Board Members	36	36	—	—	—	3
Total	99	99		—		6

Notes: 1. Amounts are rounded to the nearest million yen.
2. The above table includes one Audit & Supervisory Board member who retired during 2021 and two directors who retired as of the close of the Annual General Meeting of Shareholders of March 29, 2022.
3. The amounts of "restricted stock compensation (tenure-based and performance-based)" shown in the table above are the amounts projected as expenses for the fiscal year under review as each respective restricted stock compensation.

Results in 2021: Amount of Remuneration Paid to Representative Directors

Name	Consolidated remuneration total by type (Millions of yen)				Total consolidated remuneration (Millions of yen)
	Regular compensation	Bonuses	Restricted stock compensation		
			Tenure-based	Performance-based	
Tatsuro Kosaka	87	67	47	45	246
Motoo Ueno	57	34	24	24	139
Dr. Osamu Okuda	85	96	46	25	252

Notes: 1. Amounts are rounded to the nearest million yen.
2. Figures show the total amount of remuneration, etc., for representative directors.
3. Other than the representative directors in the table above, no director or Audit & Supervisory Board member received total remuneration of more than ¥100 million.

Compliance

Rooted in its belief that corporate ethics take priority over profit, Chugai places paramount importance on respect for life, and strives for fair and transparent corporate activities based on high ethical standards, along with sincere scientific initiatives. Chugai strictly complies with laws, regulations, and voluntary industry standards and proactively takes part in the compliance activities of various associations and organizations. Chugai has also established its own guidelines for transparency, helping to ensure a high level of ethics, morality, and transparency in its various business activities including collaboration with medical institutions and other parties and cooperation with patient groups.

In response to the changing business environment and the diversification of our business activities, we consolidated compliance oversight functions in the Compliance Committee to create a compliance management system more directly linked to management. At the same time, we established functions within the Sustainability Department's Quality & Regulatory Compliance Unit to monitor, lead, and support compliance across the Chugai Group. We conduct monitoring surveys and introduce improvement initiatives every six months and enhance compliance education through training programs. In addition, each division appoints a Compliance Manager and Compliance Officer who work to ensure thorough legal compliance in the workplace.

The internal and external consultation desks have been established to receive inquiries and reports from Chugai Group employees concerning laws, Company rules, the Chugai Group Code of Conduct, and other related matters.

WEB **Chugai's Transparency Guidelines**
https://www.chugai-pharm.co.jp/english/sustainability/transparency/

Risk Management

Main Risks and Countermeasures (Strategic Risk and Operational Risk)

Based on a confirmation of the main risks and corresponding countermeasures, no changes have been made from 2021.
For detailed information on business and other risks, please refer to the securities report (available on the Chugai website).

Main risks[1]		Specific risk scenarios	Impact on corporate value
Strategic Risk	Technology and Innovation	• Delay or failure in in-house drug discovery or technology development • Underperformance in development of mid-size molecule drugs • Development of innovative products and solutions by competition • Emergence of disruptive new technologies and solutions • Infringement of IP rights by Chugai or competitor	• Delays in creating in-house products, rise in R&D expenditures • Revision of development and investment plans • Decline in value of in-house technologies and projects • Weakening of in-house technology and product value, decrease in revenues, lawsuits by other parties, suspension of manufacturing and sales or of technology utilization, incurring of utilization fees
	Healthcare System / Pharmaceutical Laws and Regulations	• Further strengthening of policy of National Health Insurance (NHI) drug price reduction • Expansion of policy of promoting generics • Sudden regulatory change or delay in awareness thereof (especially overseas)	• Decrease in revenues • Decline in product volume or worsening of cost to sales ratio • Amendment or delay of development or regulatory plans
	Markets and Customers	• Accelerated emergence of innovative products from competitors and generics • Sudden change in customer contact points • Relative decline in value of medical treatments	• Decline in market position or product competitiveness, decrease in revenues • Underperformance in information provision activities, excessive number of staff • Decline in number of target patients
	Business Platforms	• Change in content of alliance with Roche • Underperformance of Roche's drug discovery and global networks • Underperformance in HR development or securing of strategic human resources • Stagnation of challenge-oriented organizational culture • Delay or underperformance in implementation of DX • Impact on earnings structure of surging R&D expenditures and other cost increases	• Revision of management strategy or business model • Decline in products in-licensed from Roche as a stable revenue source, decrease in value of products out-licensed to Roche • Stagnation in innovation • Failure to meet strategic goals, revision of business plans • Staff mismatch, shortage, or surplus due to change in operations or quality levels required
Operational Risk	Quality and Side Effects (→)	• Emergence of product quality issue, emergence of side effects of unexpected seriousness	• Decrease in revenues due to product recall, sales suspension, etc., product liability litigation, compensation for damages, loss of public trust
	IT Security and Information Control (↗)	• Operational impairment, suspension of external service delivery, interference with the content of information provided, the leakage of trade secrets relating to research and development or other areas, or of personal or other information, as a result of cyberattack or incident in-house or in supply chain	• Suspension or delay of business activities, revision of business plans, loss of competitive advantage, loss of public trust, compensation for damages, incurring of expenses for urgent response and related measures
	Large-Scale Disasters (→)	• Damage to business site or supplier from earthquake, typhoon, fire, or other large-scale disaster, COVID-19 and other infectious diseases	• Suspension of drug supply, incurring of costs for facility repair, etc., restriction of business activities, decrease in revenues
	Human Rights (→)	• Delay in taking action on occupational health and safety, or other human rights issues	• Deterioration in employee physical or mental health or HR capabilities, loss of public trust due to harassment, or other human rights issues
	Supply Chain (↗)	• Delay or slowing of delivery from suppliers, environment, health, and safety (EHS)-related risk at suppliers	• Decrease in revenues or market share, loss of public trust
	Global Environmental Issues (→)	• Delay in technology- and facility-related response to climate change • Unexpected environmental contamination or damage by harmful substances • Insufficient response to social expectations and requirements relating to environmental protection • Further strengthening of environment-related regulations	• Revision of capital investment plans, incurring of additional expenses • Incurring of expenditures for remedial measures or compensation for damage, loss of public trust • Reputational decline among customers and capital markets • Increase in expenditures for environmental measures, limitation of business activities

1. Operational risks are classified into the two following types:
(↗) Risks whose probability of materializing and degree of impact have increased rapidly and (→) important long-standing risk
2. This table presents only the principal risks whose degree of impact on corporate value would be relatively great in the case of the risk materializing. Risks whose degree of impact is extremely great are marked ★★★; those whose degree of impact is great are marked ★★.

WEB Securities report for the fiscal year ended December 31, 2021, page 16
https://www.chugai-pharm.co.jp/cont_file_dl.php?f=FILE_1_57.pdf&src=[%0],[%1]&rep=127,57#page=19 (in Japanese only)

Degree of impact at time of occurrence[2]	Related Material Issues[3]	Risk appetite framework	Main countermeasures
★★★	1, 2, 14, 15, 20, 22	• Accept risk and aggressively seek opportunities to generate innovation • Reduce risk that hinders innovation	• Seek access to latest science and technologies • Diversify by strengthening external collaborations • Strengthen alliances for drug discovery, development, and pharmaceutical technology • Pursue a multi-modality strategy • Further strengthen IP strategy, respond actively to generics with IP measures
★★★	1, 2, 4, 5, 6, 18, 20, 21, 23, 24, 25	• Continuously demonstrate new value by pursuing innovation	• Visualize and demonstrate high patient value • Enhance revenue structure through cost reform, etc., develop next-generation products, put in place IP measures • Strengthen advocacy activities • Enhance overseas intelligence functions
★★★	1, 2, 3, 4, 5, 11, 12, 18, 20, 21, 22, 23, 25, 26	• Continuously deliver new value by pursuing innovation	• Strengthen customer engagement • Diversify product range • Build organizational structure able to respond flexibly to fluctuations in demand
★★★	1, 2, 13, 14, 15, 16, 19, 20, 22	• Accept risk and implement reform for continuous evolution of business model • Reduce all risks that are factors hindering innovation	• Ongoing contribution to value creation of the entire Roche Group • Clear definition of strategic human resources and plan-based securing and development • Increase investment in organization and human resources • Build organizational structure and recruitment plans based on careful monitoring of trends in the business environment • Strengthen DX strategy and capabilities, deploy external competent human resources • Minimize operational costs through business model reform
★★★	3, 4, 12, 20, 21, 22, 23, 26	• Avoid or reduce risk that hinders efficacy, safety, and quality assurance	• Strengthen quality assurance activities and ensure comprehensive rollout • Strengthen safety information provision activities to strengthen and ensure comprehensive rollout of pharmacovigilance activities and to promote proper use
★★★	4, 20, 21, 22, 23, 26	• Reduce information security risk by implementing comprehensive countermeasures	• Strengthen security management system and system robustness and availability, strengthen functions to detect cyberattacks and viruses and upgrade monitoring systems, strengthen system for responding to information security incidents, enhance employee security training, monitor status of countermeasures
★★★	4, 20, 21, 26	• Reduce risk that hinders stable supply	• Maintain operation of business continuity plan (BCP) and earthquake resilience strategy, strengthen safety stock and related systems
★★	11, 12, 20, 22, 23, 24, 25, 26	• Reduce risk by working to eliminate discrimination in society and human rights infringements	• Continue implementation of in-house training, promote health and productivity management, provide internal reporting hotlines, conduct enhanced human rights due diligence on suppliers
★★	4, 11, 20, 23, 24, 25, 26	• Reduce risk that hinders stable supply	• Establish stable drug supply system for whole supply chain, strengthen EHS activities
★★	7, 8, 9, 10, 17, 20, 21	• Reduce risk by taking positive action on global environmental issues	• Planned medium- to long-term environmental investment • Strengthen access to latest environmental technology • Enhance dialogue with external experts and evaluation organizations • Ongoing monitoring and analysis of latest trends

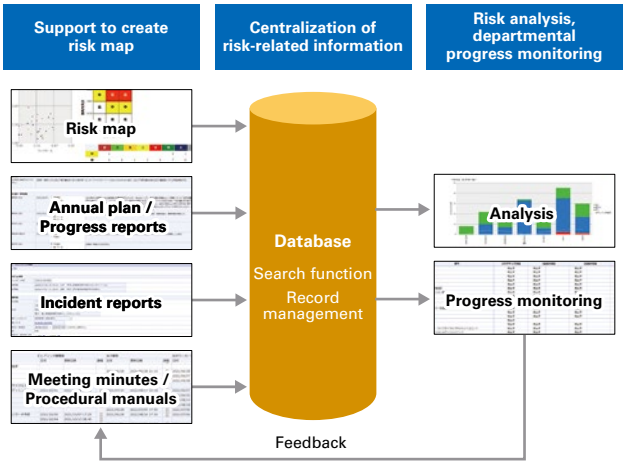
3. Chugai's Material Issues are listed below. (See page 62 for details.)
1: Creation of innovative drugs and services 2: Provision of solutions for patients 3: Adverse event management 4: Quality assurance and stable supply of products 5: Fair marketing 6: Fair pricing 7: Climate change countermeasures 8: Use of renewable/recycled resources 9: Protection of biodiversity 10: Environmental management system 11: Human rights 12: Safety of clinical trial subjects 13: Employee job satisfaction 14: Development of employee potential 15: Diversity and inclusion 16: Occupational health and safety 17: Social contribution activities 18: Access to healthcare 19: Corporate governance 20: Risk management 21: Disclosure and engagement 22: Personal information protection and information security 23: Compliance 24: Code of conduct 25: Fair transactions 26: Supply chain management

Risk Management System and Initiatives

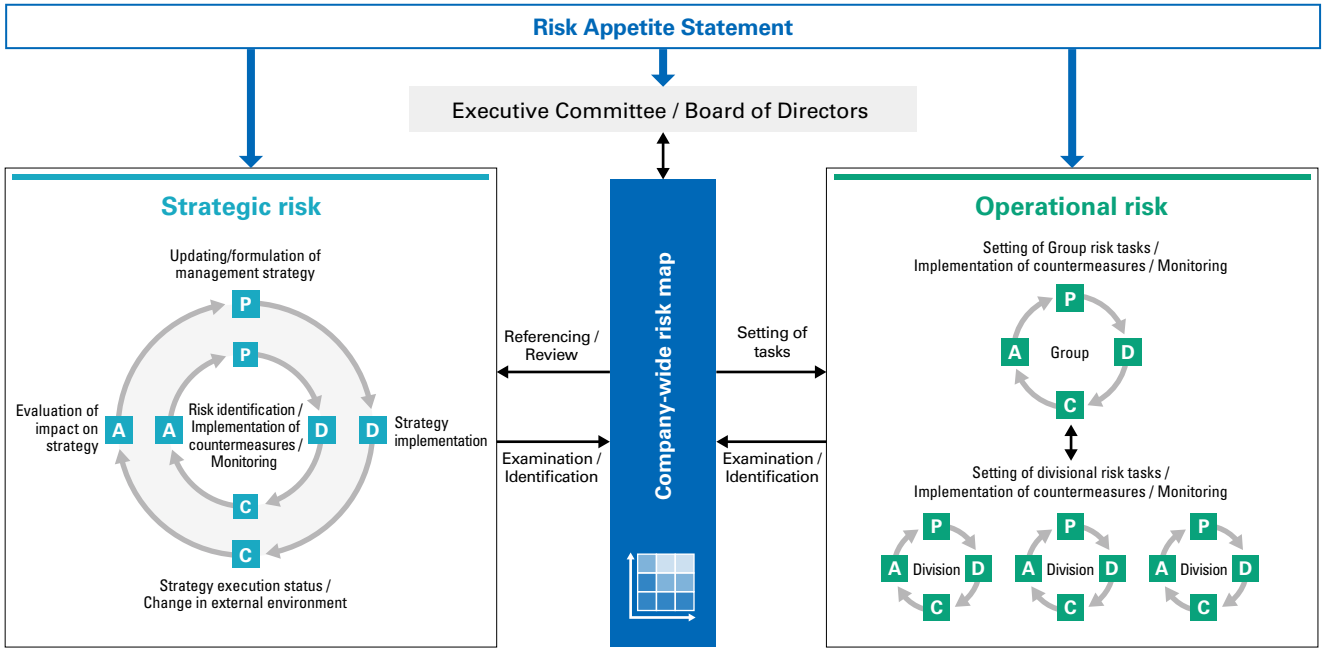
To maximize corporate value, Chugai implements initiatives for enterprise risk management (ERM) based on visualization and integrated management of risk. In 2021, we put in place and began operation of a new ERM framework designed to realize advanced risk management. The new ERM sets out policy on risk preferences in a Risk Appetite Statement, divides the risks to be addressed into strategic risk and operational risk, and systematizes these risks by identifying, classifying, and visualizing them in a centralized fashion. By sharing and discussing this system on a Company-wide basis, we will not only promote effective and efficient risk management but also further strengthen our accountability to external stakeholders. To drive efficient gathering, analysis, and feedback of risk information, we have developed and implemented a unique risk management system. Using a database for centralized management, divisions can record their risk maps, annual risk response plans, incident reports, business continuity plan (BCP) manuals, and other relevant information. This enables us to analyze risks for the Group as a whole, and monitor countermeasures at each division.

Meanwhile, with the advance of the digital society, risks related to IT and information are increasingly serious. Specifically, the acceleration of DX in promoting our TOP I 2030 strategy has expanded the range of risk to be addressed in the area of IT security and information control. Accordingly, in January 2021 we formulated CHUGAI CYBER SECURITY VISION 2030 to address cybersecurity in the medium to long term and began implementing cyberattack response drills. Taking three perspectives—organizational operation, human resources and corporate culture, and technology—the vision sets out target milestones and corresponding strategies and measures marking the way to 2030. In parallel, it puts in place a system under the overall direction of the Digital Strategy Committee through which the Digital Transformation Unit, General Affairs Department, Legal Department, and other individual corporate organizations implement a PDCA cycle based on their own specific security countermeasures.

Centralized Control of Risk Information Using IT Systems

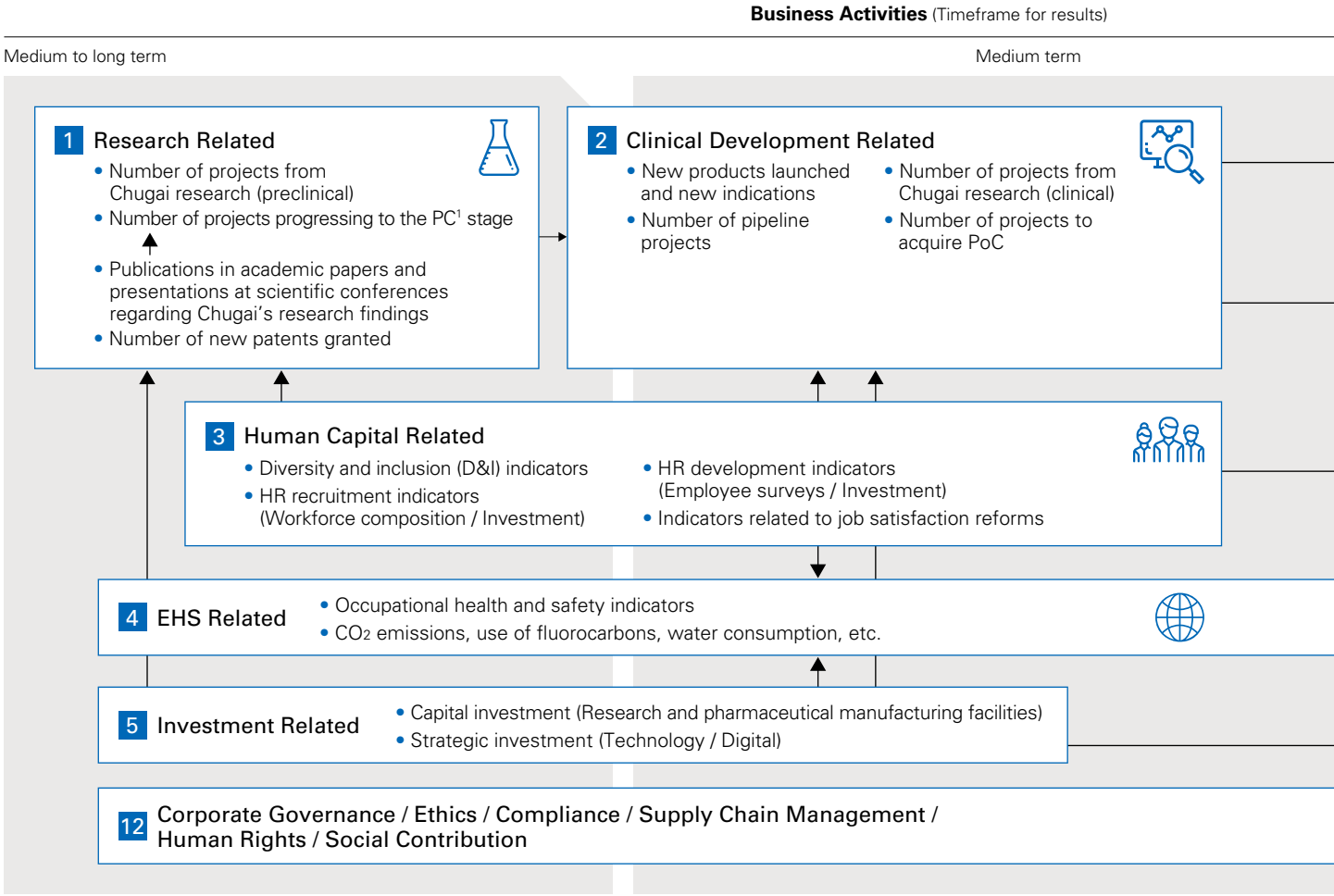


Operational Outline of ERM



Performance Data

Relationships of Indicators



1. Preclinical

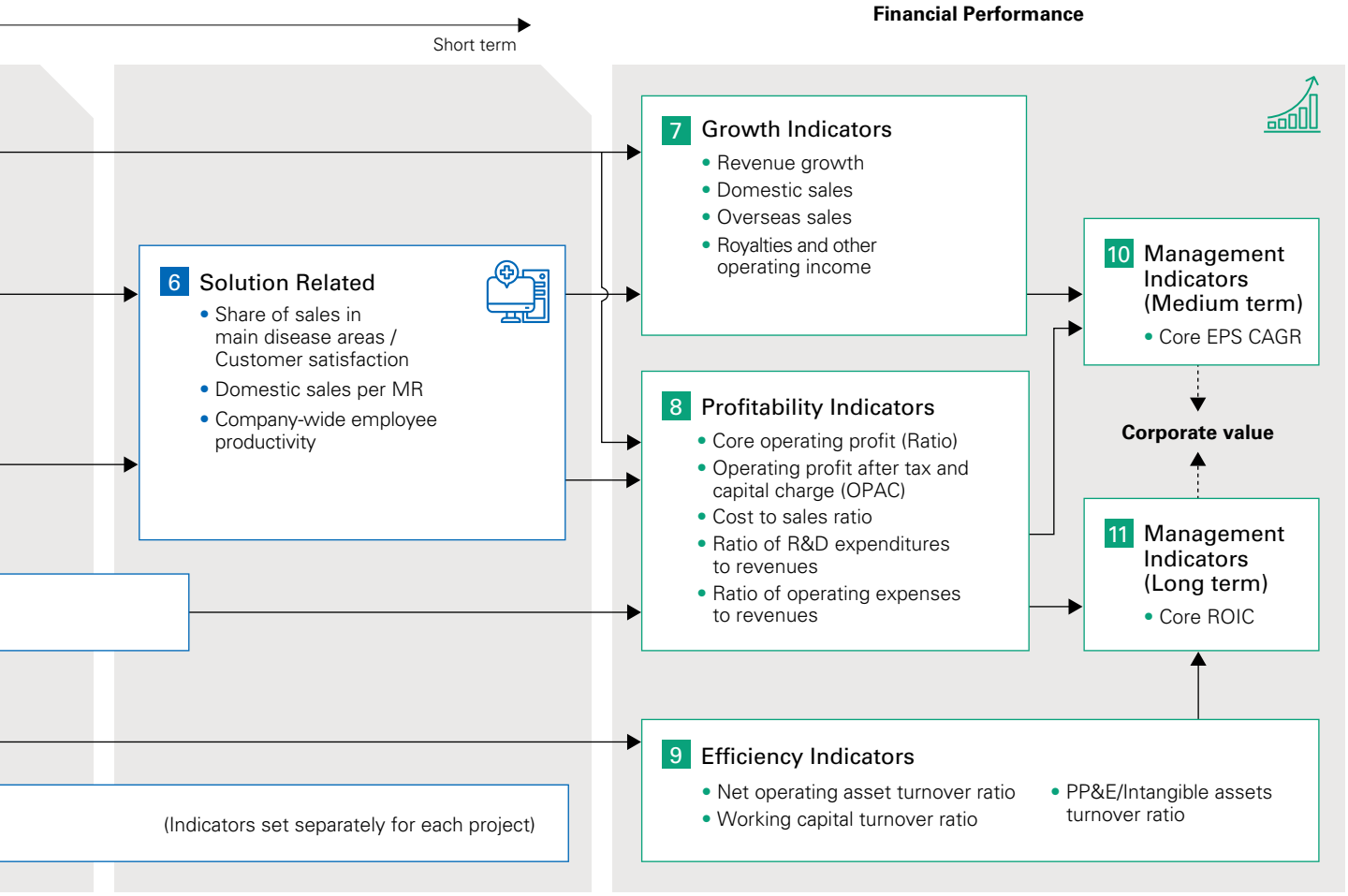
	Types of pre-financial indicator (1–6)		Non-disclosed indicators
Company-wide and division-specific management indicators	• New products launched and new indications • Number of projects progressing to the PC stage • Number of projects from Chugai research (clinical) • Number of projects to acquire PoC • D&I indicators • HR development indicators (Employee surveys / Investment)[2]	• CO_2 emissions, use of fluorocarbons, water consumption, etc. • Capital investment (Research and pharmaceutical manufacturing facilities) • Strategic investment (Technology / Digital) • Share of sales in main disease areas • Customer satisfaction • Domestic sales per MR	• HR recruitment indicators (Workforce composition / Investment) • Indicators related to job satisfaction reforms • Company-wide employee productivity
Monitoring indicators	• Number of projects from Chugai research (preclinical) • Publications in academic papers and presentations at scientific conferences regarding Chugai's research findings	• Number of new patents granted • Number of pipeline projects • Occupational health and safety indicators[2]	

2. Partly non-disclosed

The above diagram sets out Chugai's view of the relationship between financial results that lead to an increase in corporate value and key indicators of the business activities that impact on these financial results, taking into account the timeframes for achievement of results in each case. These indicators are divided into management indicators based on set target values and supported by PDCA cycle activities, and monitoring indicators for monitoring progress based on established plans and qualitative targets.

1 Research Related 2 Clinical Development Related

The time taken for research projects to yield results in business performance is normally a medium- to long-term timeframe of 4–10 years, while for technological infrastructure and pathological research, the management timeframe is still longer. These research results are reflected in the development pipeline, which is decisive in generating revenue, profit, and corporate value. Accordingly, indicators focus on the number and quality of projects and the state of progress.



3 Human Capital Related

At Chugai, it is human resources who generate innovation, and we therefore recognize them as our most important asset and believe strongly that corporate results are influenced by factors such as HR recruitment, allocation and development, and the organizational culture. We therefore set detailed targets for items such as employee awareness surveys and HR management indicators.

4 EHS Related 5 Investment Related

Environment, health, and safety (EHS), which is the foundation of business activities, is also associated with high levels of risk, and must be managed from a medium- to long-term perspective. Also essential for generating results is investment in research platforms for innovative drug discovery as well as in pharmaceutical technology functions, new technology, and digital applications.

6 Solution Related

We use these indicators to monitor the successful execution of our strategies from a short-term (one year) perspective. Those indicators relating to share of sales, domestic sales per MR, and customer satisfaction are regarded as key indicators with relevance for financial performance.

7 Growth Indicators 8 Profitability Indicators 9 Efficiency Indicators

Growth indicators measure the value provided by products and services. A particularly important aspect is the global contribution to patient wellbeing as reflected in overseas revenues. As profitability indicators, we give the greatest weight to operating profit and the ratio of Core operating profit to revenues, and also see indicators relating to cost structure as important. As efficiency indicators, the turnover ratios of working capital and intangible assets are the key focus.

10 Management Indicators (Medium term) 11 Management Indicators (Long term)

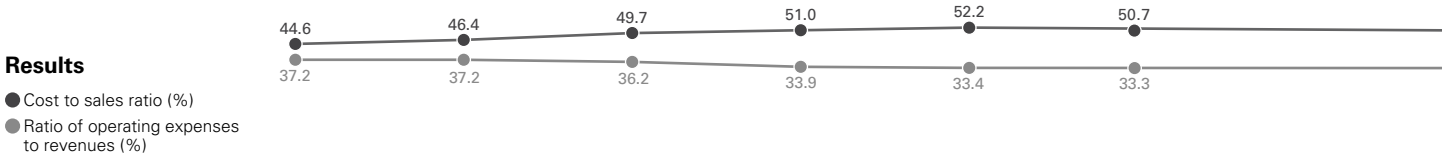
For an increase in corporate value, the most important indicators are growth in the profit margin of our core business and in the absolute profit figure. We therefore set Core EPS CAGR as a medium-term KPI for internal management. Additionally, for the pharmaceutical business, where business projects are rolled out with a perspective of 10 years or longer, we believe that measurement of investment efficiency over the long term is essential and focus on Core ROIC accordingly.

Financial and Pre-Financial Highlights (IFRS)

Chugai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries / Years ended December 31

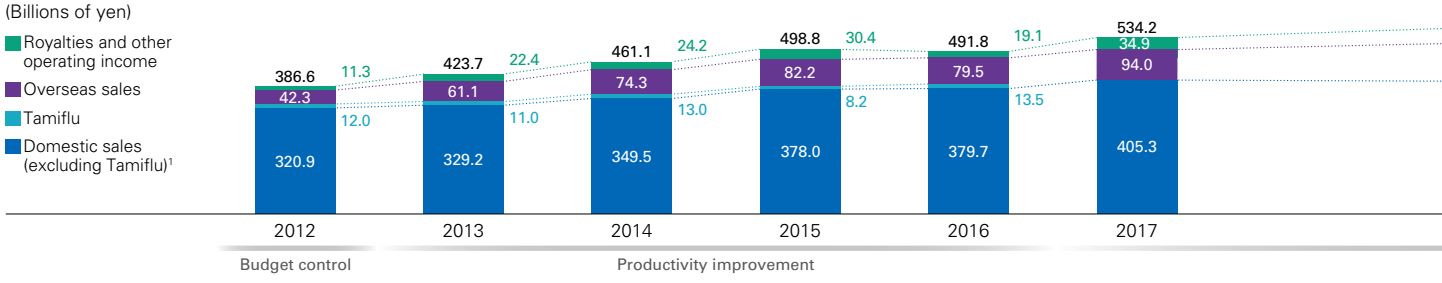
Financial Indicators (Core Basis)

Results



Revenues

(Billions of yen)

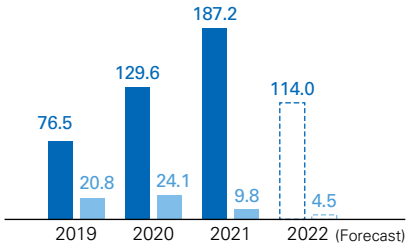


	2012	2013	2014	2015	2016	2017
Launch of main products in Japan		Perjeta ★Actemra (subcutaneous injection) Bonviva	Kadcyla ★Alecensa	Zelboraf		Alaglio
Approval of main products overseas		★Actemra (subcutaneous injection / U.S.)	★Actemra (subcutaneous injection / EU)	★Alecensa (U.S.)		★Hemlibra (with inhibitors / U.S.) ★Alecensa (EU)

★ Chugai product 1. From 2017, domestic sales include Tamiflu.

Royalty and Profit-Sharing Income / Other Operating Income

(Billions of yen)

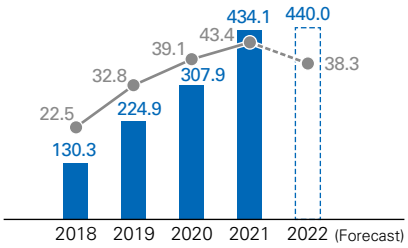


Royalty and profit-sharing income
Other operating income

Royalty and profit-sharing income, which is linked to overseas sales of products from Chugai research through Roche, showed a sustained increase. In 2022, we expect this income stream to decline with the end of initial-stock royalties on Hemlibra. Other operating income, which consists of non-recurring income, is dependent on development milestones and other events, and is therefore subject to a relatively high degree of fluctuation.

Core Operating Profit / Ratio of Core Operating Profit to Revenues

(Billions of yen / %)

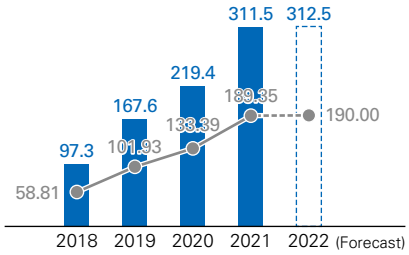


Core operating profit
Ratio of Core operating profit to revenues

We have one of the highest levels of performance in the industry for the ratio of Core operating profit to revenues. This is due to the low ratio of operating expenses to revenues and the trend of recent years to increasing ROOI[2] and declining the cost to sales ratio. In 2022, a lower profit margin is expected due to an increase in the cost to sales ratio and a decrease in ROOI. Core operating profit, however, is expected to reach a record-high level for the sixth consecutive year on expanding sales of new products in Japan, increasing exports to Roche of Hemlibra and Actemra, and other positive factors.

Core Net Income / Core EPS[3]

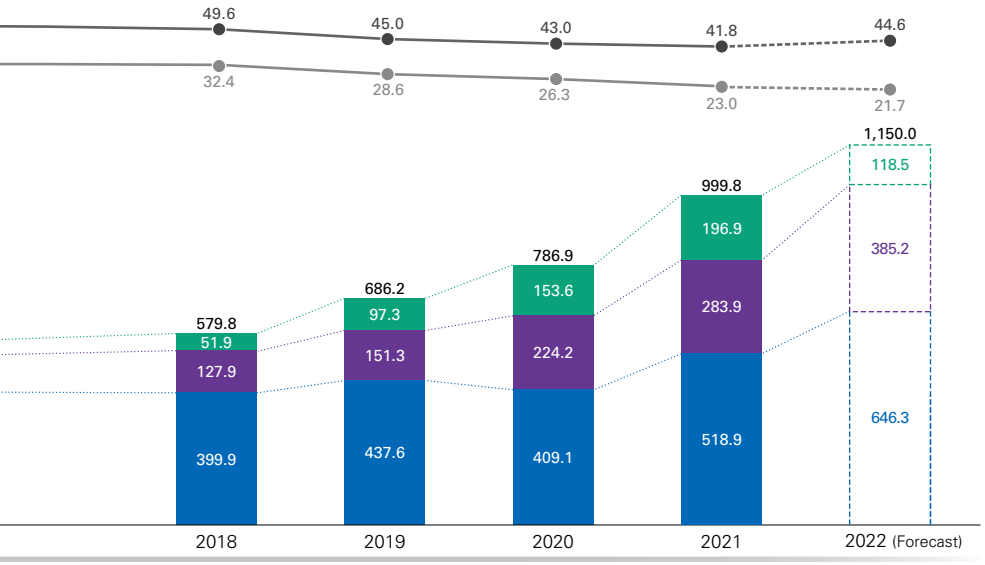
(Billions of yen / Yen)



Core net income
Core EPS

In 2021, the record-high profit level we achieved resulted in Core EPS rising by a significant 42.0 percent from the previous year to ¥189.35. In 2022, net income, like operating profit, is forecast to reach a record-high level, with Core EPS of ¥190.00 expected.

2. Royalties and other operating income
3. Effective July 1, 2020, Chugai has implemented a three-for-one stock split of its common stock. Calculated based on the assumption that the stock split was implemented at the beginning of 2018.
4. Return on invested capital: Indicates how efficiently a company uses capital invested for business activities (invested capital) to generate profit.
5. Core ROIC is calculated using average NOA.



Global sales of Chugai products

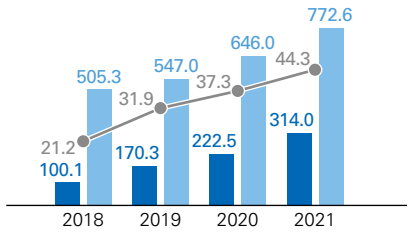
★Hemlibra (with/without inhibitors)	FoundationOne CDx Cancer Genomic Profile	★Enspryng	Polivy
Tecentriq	Rozlytrek		Evrysdi
Gazyva			Ronapreve
			FoundationOne Liquid CDx Cancer Genomic Profile

★Hemlibra (with inhibitors / EU)	★Hemlibra (with inhibitors / EU)	★Enspryng (U.S.)	★Enspryng (EU)
★Hemlibra (without inhibitors / U.S.)		★Edirol (China)	

Chugai has substantially improved its cost structure in view of the increase in the cost to sales ratio due to the increase in products in-licensed from Roche following the signing of the strategic alliance between the two companies. As a result, we have now secured high profitability by continuously achieving a ratio of operating expenses to revenues of a level that compares favorably with the world's leading pharmaceutical companies. In addition, global products from Chugai research, which have a low cost to sales ratio, have performed solidly in recent years and become a revenue base driving growth. Results for 2021 showed record-high revenues for the fifth consecutive year. While sales revenues were impacted by the NHI drug price revision and market penetration by generics, we benefited from a significant increase in domestic sales due to the strong performance of mainstay products Tecentriq and Hemlibra and favorable penetration of new products including the supply of Ronapreve to the government. Overseas, although exports of in-house product Actemra to Roche decreased as expected, exports of Hemlibra expanded considerably and royalty and profit-sharing income related to Hemlibra also increased. For 2022, new products such as Ronapreve and mainstay products are expected to drive domestic sales growth, while overseas we expect major expansion in exports to Roche of Actemra and Hemlibra. As these factors are expected to outweigh the impact from the end of initial-stock royalties on Hemlibra and increases in R&D and other expenses, we project a further increase in revenues and profits for the year.

Core Operating Profit after Taxes / NOA / Core ROIC

(Billions of yen / %)

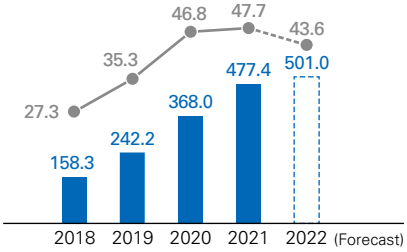


Core operating profit (after taxes)
NOA
Core ROIC

Chugai has been using Core ROIC[4] as a financial KPI since 2019 to give greater consideration to long-term investment efficiency. Net operating assets (NOA)[5] (2) increased due to strategic investments such as Chugai Life Science Park Yokohama and new synthetic manufacturing buildings. With the continued growth in Core operating profit after taxes (1), Core ROIC [(1) divided by (2)] for 2021 rose to 44.3 percent.

Overseas Revenues / Overseas Revenues Ratio

(Billions of yen / %)

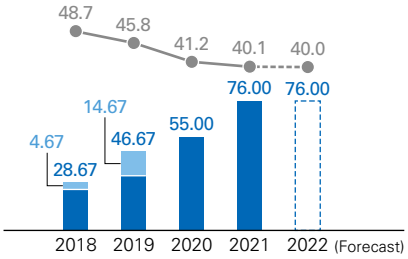


Overseas revenues
Overseas revenues ratio

Overseas revenues are projected to grow again in 2022. Actemra, which has seen increased demand due to COVID-19, and Hemlibra, which has achieved good market penetration, each reached global sales through the Roche Group in excess of CHF 3 billion in 2021. However, with the domestic market seeing a large increase in the supply of Ronapreve to the government, the overseas revenues ratio is expected to fall year on year.

Dividends per Share / Core Payout Ratio

(Yen / %)



Annual dividends per share[3]
Special dividends
Core payout ratio (Core EPS basis)

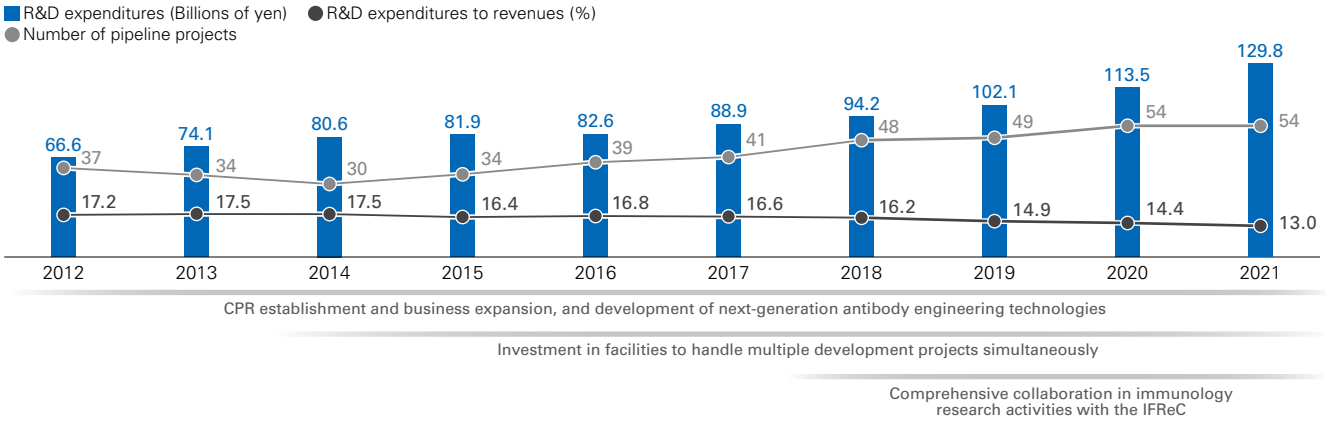
Our shareholder return target reflects business results forecasts and the developing demand for strategic investment funds in light of evolving drug discovery technology and the advancing digitalization of the healthcare industry. Accordingly, with the aim of maintaining a stable dividend into the future, since 2020 we have adopted an approximate target payout ratio of 45 percent on average as a proportion of Core EPS.

About Core Basis Results

Chugai reports its results on a Core basis from 2013 in conjunction with its decision to adopt IFRS. Core basis results are the IFRS basis results adjusted by excluding non-Core items. The items regarded as non-Core by Chugai may differ from those considered as such by Roche due to differences in business scale and range as well as other factors. Core basis results are used by Chugai as internal performance indicators for representing recurring profit trends both internally and externally, and as indices for establishing profit distributions such as returns to shareholders. No items have been excluded from the IFRS balance sheet and cash flows, as the Core basis results concept only applies to the income statement.

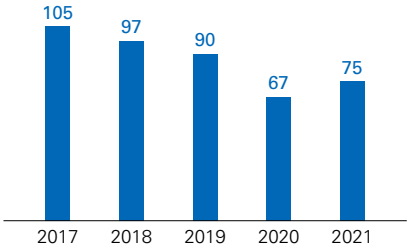
R&D and the Environment

R&D Expenditures / R&D Expenditures to Revenues / Pipeline Projects



With growing sales revenues, Chugai has increased R&D investment, generating research findings that have created innovative drugs and contributed to the development of healthcare and the pharmaceutical industry worldwide. Moreover, we have been promoting efficient development of new drugs with high success rates under our strategic alliance with Roche, which enables us, for instance, to consider and decide on in-licensing Roche products on the basis of early-stage clinical trial results. A number of in-house projects based on next-generation antibody engineering technology and mid-size molecule technology have progressed to the clinical phase in recent years, helping to maintain a robust pipeline in terms of both quality and quantity. Going forward, in addition to concentrating Company-wide management resources in Research & Early Development (RED) as a source of value creation, we will also seek to rapidly expand our drug discovery output by applying AI-based drug discovery and other digital technologies and actively driving Open Innovation.

Academic Papers and Presentations on Research Findings at Scientific Conferences[1]

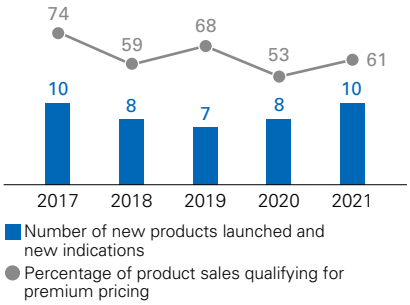


Chugai develops innovative medicines that allow it to differentiate itself from competitors by continuously establishing proprietary drug discovery technologies and applying them to development candidates while developing production technology for mid-size molecules, next-generation antibodies, and other drug types where there are strong challenges to overcome. We will continue to successively generate research findings that may contribute to the overall advancement of healthcare, presenting those findings at scientific conferences and publishing them in academic papers.

1. Total of drug discovery and pharmaceutical technology

Number of New Products Launched and New Indications / Percentage of Product Sales Qualifying for Premium Pricing

(Number / %)

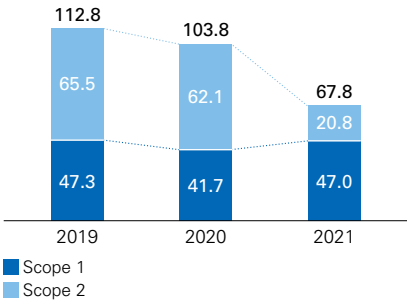


In 2021, we maintained a high level of both new product launches and new indications. Among these were the sales launch of new products Polivy, FoundationOne Liquid CDx, and Evrysdi, the addition of COVID-19-associated pneumonia to the indications of mainstay product Actemra, and the start of supply to the government of Ronapreve. Meanwhile, the sales share of products qualifying for premium pricing showed a great improvement due to the steady growth in mainstay products and new products.

Notes: 1. Products subject to special market-expansion repricing (2017: Avastin) are counted as products qualifying for premium pricing because they were assumed to meet the conditions for such pricing in the relevant fiscal years.
2. Ronapreve was excluded from the calculation of sales share for 2021 due to its not yet being listed in the NHI drug price tariff (supply to government).

Scope 1 and Scope 2 Emissions

(Thousands of tons)

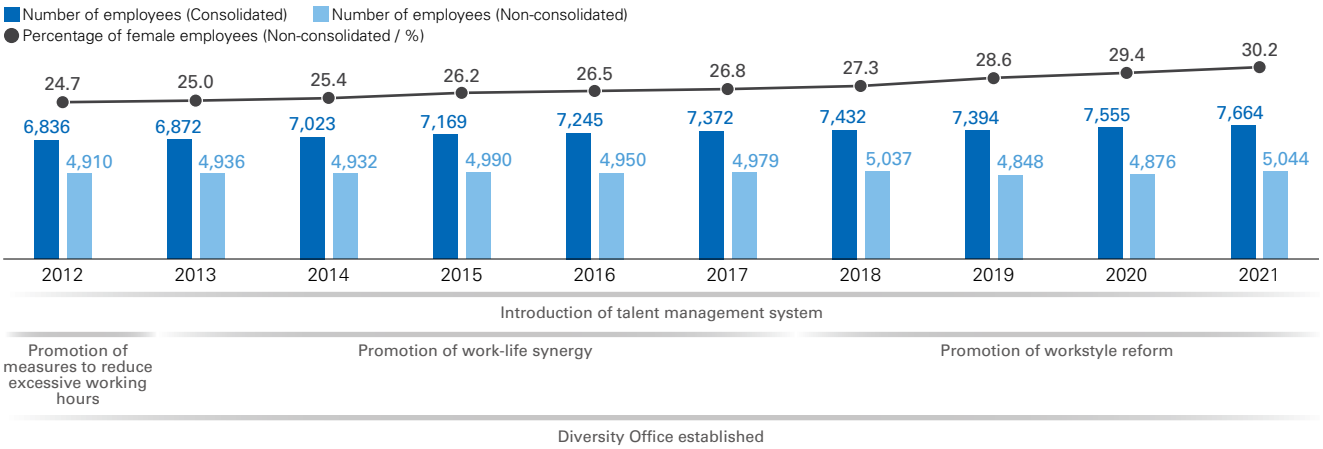


In 2021, Scope 1 and Scope 2[2] emissions according to the market-based method[3] were reduced 39.9 percent compared to the base year of 2019. Mid-Term Environmental Goals 2030 include a target for 2025 of achieving a 40 percent reduction in Scope 1 and Scope 2 emissions, which we are within close reach of achieving. These mid-term goals also call for the sustainable electricity ratio to reach 100 percent by 2025. Toward that goal, we began the introduction of sustainable electricity sources in April 2021, which enabled a 68.3 percent reduction in Scope 2 emissions compared to 2019. The target for Scope 1 and Scope 2 emissions is a 60 percent to 75 percent reduction in 2030 and zero emissions by 2050.

2. Scope 1: Direct emissions, Scope 2: Indirect emissions from the generation of purchased energy
3. Calculation method based on the CO_2 emissions coefficient of the electric power supply specifically contracted by the Company

HR Management

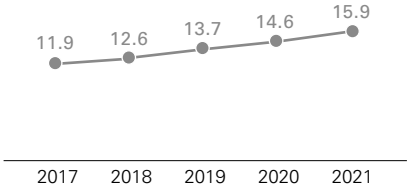
Employees / Ratio of Female Employees



The basic philosophy of Chugai's HR strategies is that people are an invaluable asset that drives the Company's growth and progress. Therefore, our policy is to promote the hiring, development, and use of diverse human resources regardless of gender or nationality. To deliver innovative drugs to patients around the world, Chugai emphasizes the value of innovation and creativity. Accordingly, we have identified diversity and inclusion as a key management issue and promote it in the shared recognition that innovation arises from diverse values and diverse forms of expertise. In January 2021, we introduced the Telework System to realize more flexible workstyles through "smart working," which we envisage will increase productivity and promote balanced work-life synergy. Going forward, we will maintain an environment that enables each of our diverse employees to exercise their capabilities to the fullest and foster an organizational culture that generates innovation. At the same time, we will promote enhanced work satisfaction in order to increase the level of active commitment among our employees.

Ratio of Female Managers[4] (Non-consolidated employee basis)

(%)

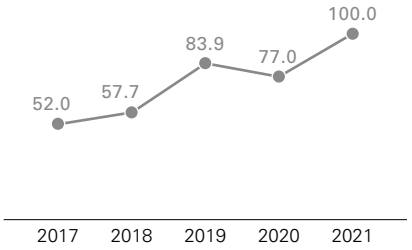


Envisioning a future situation where male and female employees are equally active in workplace decision-making, we are promoting the success of women. In connection, we have set a numerical target of achieving a female manager ratio of 17 percent by the end of 2023 (on a non-consolidated employee basis[4]). The ratio of female managers is increasing, but we are aiming for further success by implementing measures to support career development among women, and we plan to further accelerate our initiatives to develop female leaders.

4. Number of female managers as a percentage of the total number of managers. Calculated based on Chugai (non-consolidated) employees.

Percentage of Male Employees Taking Childcare Leave[5] (Non-consolidated)

(%)

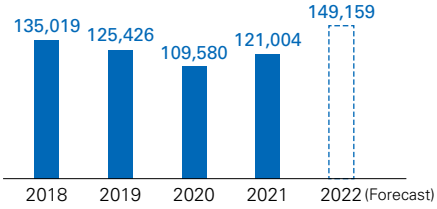


Reflecting our efforts to improve work-life synergy, the percentage of eligible male employees taking childcare leave reached 100 percent in 2021. This demonstrates that male employees across all our workplaces can now take childcare leave as a matter of course. Going forward, we will not only promote childcare leave but also raise awareness and take other steps to create an environment that supports men to take an active role in childcare. In this way, we will build a workplace that empowers both male and female staff on the basis of greater mutual understanding.

5. Calculated by dividing the number of employees starting childcare leave during the year by the number who had a child born during the year

Education and Training Expenditures per Employee[6] (Non-consolidated employee basis)

(Yen)



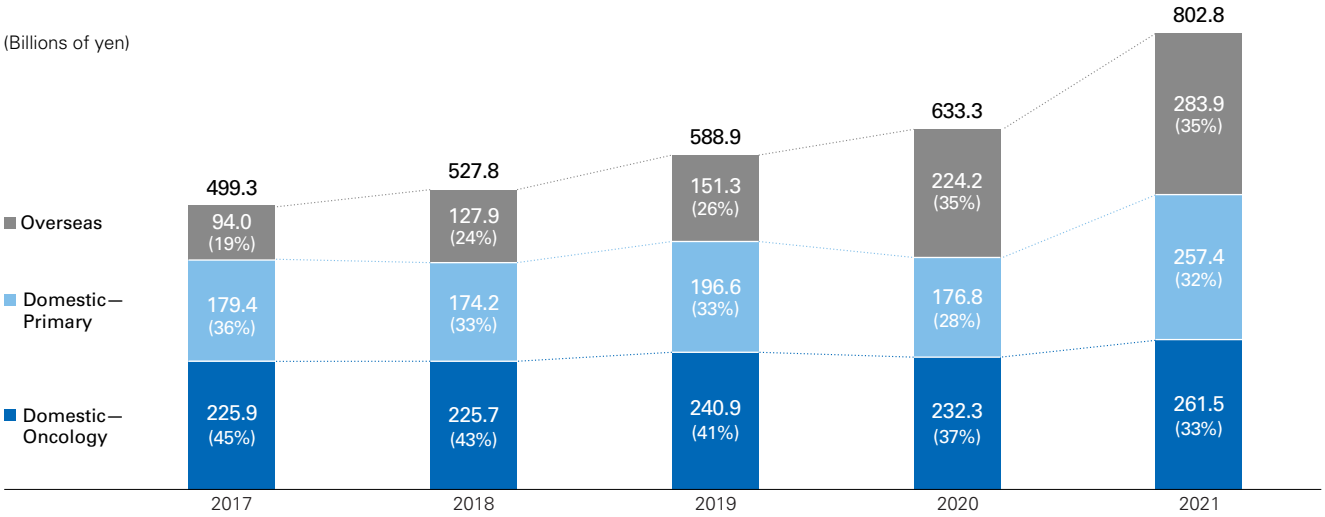
To realize advanced and sustainable healthcare from a patient-centric approach, we aim to cultivate innovation-oriented human resources that can deliver new value to patients by creating innovative drugs and proposing other creative solutions. Our education and training system is structured into Company-wide education and training[7] and specialized education and training provided on a departmental basis.[8] In addition to cultivating the right mindset for the required roles and strengthening business skills, the system also supports career development and other objectives. By also focusing on the acquisition of advanced specialist knowledge and skills relevant to the specific department, we encourage the development of self-motivated human resources dedicated to the pursuit of innovation.

6. Calculated based on Chugai (non-consolidated) employees. (As of January 1 of each year)
7. Grade-specific training, career independence training, Leadership Competency Program, English-language training, next-generation managerial HR training, self-directed learning support, etc.
8. Department-specific specialist knowledge and skill improvement training, specialized English-language training, etc.

Review by Product

Sales

Although sales have been impacted in the domestic market by the NHI drug price revisions and the market penetration of generics, growth across all areas in both mainstay and new products, combined with a major increase in exports of Chugai products, has resulted in overall sales growth of approximately 70% over the last five years.



Review by Disease Area

Domestic—Oncology

Opportunities

- Disease areas with a high level of unmet medical needs[1]
- Advances in personalized healthcare (PHC) based on analysis of gene alterations

Risks

- Intensified global competition in cancer immunotherapy
- Market entry of competitor drugs and biosimilars

Review of 2021 Performance

Sales in the Oncology area rose 12.6 percent year on year to ¥261.5 billion. Although Herceptin and other products saw sales decrease under the impact of market penetration by generics and the NHI drug price revision, Avastin maintained the previous year's sales level, partly due to additional indications.

Sales performance was favorable for the mainstay products Tecentriq and Kadcyla, which expanded their indications in 2020, while further contributions came from Polivy, launched in 2021, and a newly marketed software for gene variant analysis offering a gene panel testing service using blood samples.[2] As a result, overall sales increased.

Domestic—Primary

Opportunities

- Hemophilia A: Challenges relating to emergence of inhibitors and frequent administration
- Neurology: High level of unmet medical needs reflecting complex range of pathologies and syndromes

Risks

- Neurological treatments may have a small number of target patients

Review of 2021 Performance

In the Primary area, sales increased 45.6 percent year on year to ¥257.4 billion. While sales of the osteoporosis drug Edirol and other products fell due to the market penetration of generics and the NHI drug price revision, there were solid performances by two mainstay products, the hemophilia A agent Hemlibra and the rheumatoid arthritis (RA) treatment Actemra. New products also made a contribution. Alongside the neuromyelitis optica spectrum disorder (NMOSD) therapy Enspryng and the spinal muscular atrophy (SMA) drug Evrysdi, revenues also came on stream from Ronapreve, which began supply to the government following its Special Approval for Emergency for COVID-19 in July.

Overseas

Opportunities

- Actemra: Rollout to other countries of indication for COVID-19, prequalification from the WHO
- Hemophilia A: Challenges relating to emergence of inhibitors and frequent administration

Risks

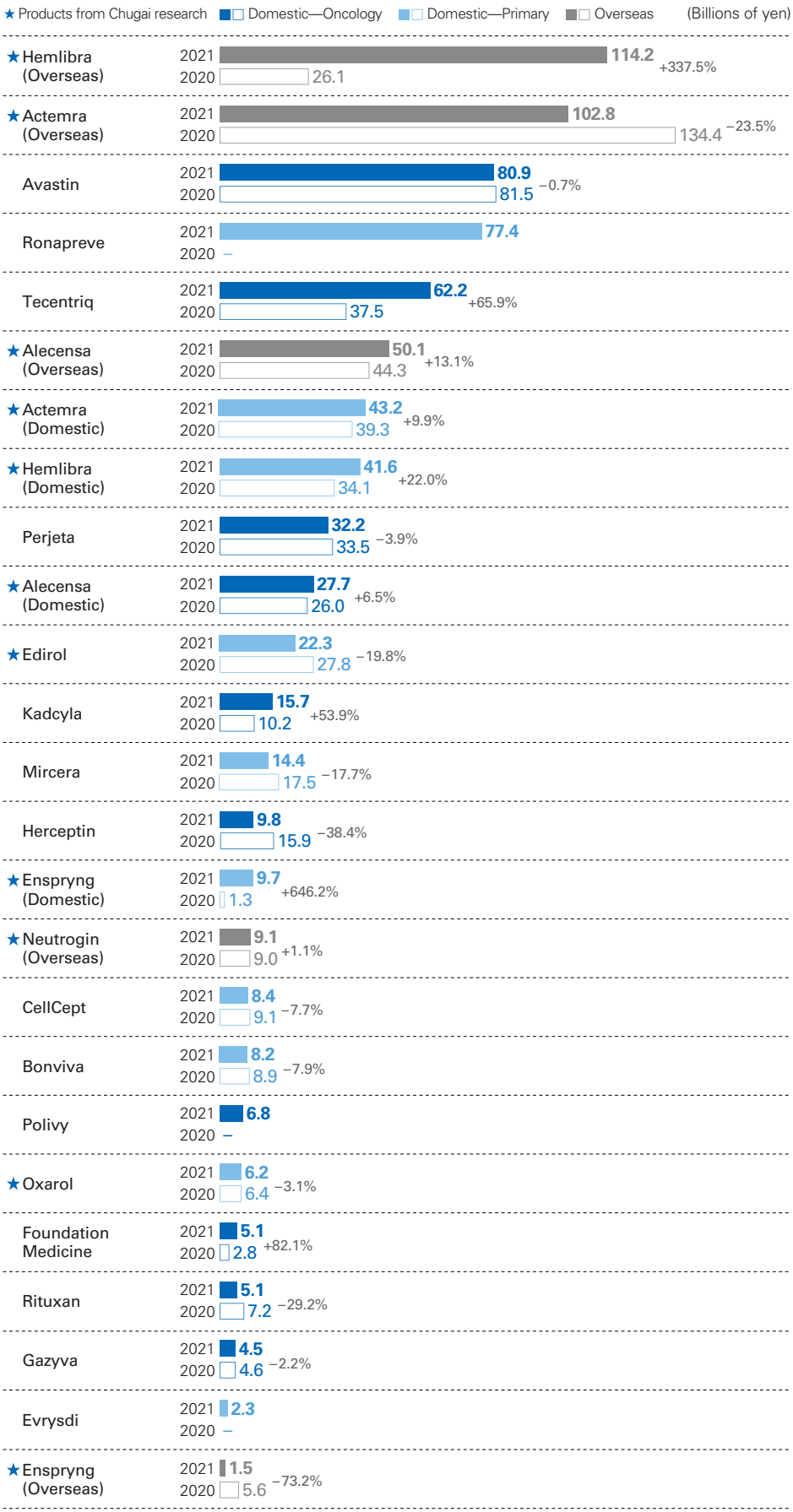
- Market entry of competitor drugs and biosimilars
- Off-label use and expanded indications of existing drugs

Review of 2021 Performance

Overseas sales totaled ¥283.9 billion, a major year-on-year increase of 26.6 percent due partly to the lower exchange rate of the yen. Exports to Roche were boosted on the one hand by a significant expansion in sales revenue from Hemlibra, which began full-scale export at the regular shipment price, and by the solid performance of Alecensa. On the other hand, sales of Actemra fell significantly from the previous year, when exports to Roche increased due to COVID-19-related demand worldwide.

1. Unmet medical needs: Medical treatment needs that are not adequately met due to a lack of effective therapies
2. "FoundationOne Liquid CDx Cancer Genomic Profile" and "FoundationOne CDx Cancer Genomic Profile"

Sales of Major Products



Hemlibra (Overseas)

Export sales posted a year-on-year increase of ¥88.1 billion or 337.5 percent to ¥114.2 billion. The two main factors in the major growth were the start of full-scale exports to Roche at the regular shipment price from the second quarter of 2021 and the growing switch from existing drugs, especially in Europe and the United States.

Actemra (Overseas)

After the third quarter of 2021, the Actemra export sales forecast announced at the start of the year was revised upwards due to the worldwide COVID-19 pandemic. Sales fell ¥31.6 billion or 23.5 percent year on year to ¥102.8 billion, following the large increase in exports in 2020 fed by COVID-19-related demand and temporary supply bottlenecks in 2021.

Avastin

Sales remained at roughly the previous year's level, decreasing ¥0.6 billion or just 0.7 percent year on year to ¥80.9 billion. This was due partly to solid sales for the indication of hepatocellular carcinoma, which helped balance the impact of the 2020 and 2021 NHI drug price revisions and market penetration by biosimilars for some indications.

Ronapreve

Ronapreve received Special Approval for Emergency for the treatment of moderate COVID-19 in July 2021 and supply to the government began. In November 2021, it also received approval for the additional indication of prevention of symptomatic COVID-19 infection. Sales, at ¥77.4 billion, fell short of the full-year forecast due to the carrying forward of supply to the government.

Tecentriq

Sales grew ¥24.7 billion or 65.9 percent year on year to ¥62.2 billion. This increase was attributable to sales well above forecast for hepatocellular carcinoma and solid sales for breast cancer and lung cancer, which outweighed the impact of an NHI drug price revision in August 2021 based on special market-expansion repricing.

Alecensa (Overseas)

Export sales increased ¥5.8 billion or 13.1 percent year on year to ¥50.1 billion. In addition to healthy sales growth in China and emerging markets, high market share among new patients in the United States and Europe was also a factor in the increased export volume for 2021, which outweighed the impact of a reduced export unit price.

Development Pipeline (As of February 3, 2022)

Development Code (*Additional Indication)	Origin (Collaborator)	Indication	Status
Oncology			Phase I / Phase II / Phase III / Filed / Approved
RG7596*	Roche / Seagen	Diffuse large B-cell lymphoma (DLBCL)	
RG7446*	Roche	Non-small cell lung cancer (NSCLC) (adjuvant)	
		NSCLC (neoadjuvant)	
		NSCLC (Stage III / in combination with RG6058)	
		Urothelial carcinoma	
		Muscle-invasive bladder cancer (adjuvant)	
		Renal cell carcinoma (adjuvant)	
	Roche (Takeda Pharmaceutical)	Renal cell carcinoma [2nd line] (in combination with cabozantinib)	
	Roche	Early breast cancer	
		Ovarian cancer (in combination with RG435)	
		Hepatocellular carcinoma (adjuvant / in combination with RG435)	
		Hepatocellular carcinoma (intermediate stage / in combination with RG435)	
		Head and neck carcinoma (adjuvant)	
		Esophageal cancer (in combination with RG6058)	
		Pancreatic adenocarcinoma (in combination with RG1569 or RG6058)	
RG435*	Roche	Hepatocellular carcinoma (adjuvant / in combination with RG7446)	
		Hepatocellular carcinoma (intermediate stage / in combination with RG7446)	
		Small cell lung cancer (in combination with RG7446)	
RG7440	Roche / Array BioPharma	Prostate cancer	
RG6264	Roche	Breast cancer	
AF802 / RG7853*	In-house (Roche)	NSCLC (adjuvant)	
RG6058	Roche	Small cell lung cancer (in combination with RG7446)	
		NSCLC (in combination with RG7446)	
		NSCLC (Stage III / in combination with RG7446)	
		Esophageal cancer (in combination with RG7446)	
RG6171	Roche	Breast cancer	
		Breast cancer (adjuvant)	
RG7828	Roche	Follicular lymphoma	
RG6396	Roche / Blueprint Medicines	NSCLC	
OBP-301	Oncolys BioPharma	Esophageal cancer[1]	
		Hepatocellular carcinoma (in combination with RG7446 and RG435)[2]	
GC33	In-house	Hepatocellular carcinoma	
ERY974	In-house	Solid tumors	
RG7421	Roche / Exelixis	Solid tumors	
RG7802	Roche	Solid tumors	
RG6026	Roche	Hematologic tumors	
STA551	In-house	Solid tumors	
SPYK04	In-house	Solid tumors	
RG6194	Roche	Solid tumors	
SOF10 / RG6440	In-house (Roche)	Solid tumors	
LUNA18	In-house	Solid tumors	
Autoimmune Diseases			
RG7880	Roche	Inflammatory bowel disease	
Neurology			
RG7916	Roche / PTC Therapeutics	Spinal muscular atrophy (SMA)	
SA237 / RG6168*	In-house (Roche)	Generalized myasthenia gravis (gMG)	
RG1450	Roche / MorphoSys	Alzheimer's disease	
RG6042	Roche / Ionis Pharmaceuticals	Huntington's disease	
RG7906	Roche	Schizophrenia	
RG7935	Roche / Prothena	Parkinson's disease	
GYM329 / RG6237	In-house (Roche)	Neuromuscular disease	
RG6100	Roche / AC Immune	Alzheimer's disease	
RG6102	Roche / MorphoSys	Alzheimer's disease	
Other Diseases			
RG6413 / RG6412*	Roche / Regeneron Pharmaceuticals	Prevention of symptomatic COVID-19	
MRA / RG1569*	In-house	COVID-19 pneumonia	
ACE910 / RG6013*	In-house	Acquired hemophilia A	
RG7716	Roche	Diabetic macular edema	
		Neovascular age-related macular degeneration	
		Retinal vein occlusion	
SKY59 / RG6107	In-house (Roche)	Paroxysmal nocturnal hemoglobinuria (PNH)	
		Atypical hemolytic uremic syndrome (aHUS)	
NXT007	In-house	Hemophilia A	(I/II)
AMY109	In-house	Endometriosis	
RG7992	Roche	Non-alcoholic steatohepatitis	

Designates change in status in 2021 and thereafter

1. To be handed over to Oncolys BioPharma Inc. by October 2022
2. To be discontinued by October 2022

	Approved / Filing Date [Planned Year of Filing]	Generic Name / Product Name	Mode of Action
	2021/12	polatuzumab vedotin / Polivy	Anti-CD79b antibody-drug conjugate (Injection)
	2021/7	atezolizumab / Tecentriq	Engineered anti-PD-L1 monoclonal antibody (Injection)
	[2023]		
	[2024 or later]		
	[2022]		
	[2024 or later]		
	[2022]		
	[2023]		
	[2024 or later]		
	[2022]		
	[2023]		
	[2024 or later]		
	[2022]		
	[2024 or later]		
	[2023]	bevacizumab / Avastin	Anti-vascular endothelial growth factor (VEGF) humanized monoclonal antibody (Injection)
	[2024 or later]		
	[2023]		
	[2023]	ipatasertib / Product name undetermined	AKT inhibitor (Oral)
	[2022]	trastuzumab, pertuzumab / Product name undetermined	Anti-HER2 humanized monoclonal antibody / HER2 dimerization inhibitory humanized monoclonal antibody (Injection, fixed-dose combination)
	[2023]	alectinib / Alecensa	ALK inhibitor (Oral)
	[2022]	tiragolumab / Product name undetermined	Anti-TIGIT human monoclonal antibody (Injection)
	[2023]		
	[2024 or later]		
	[2024 or later]		
	[2024 or later]	giredestrant / Product name undetermined	Selective estrogen receptor degrader (SERD) (Oral)
	[2024 or later]		
	[2024 or later]	mosunetuzumab / Product name undetermined	Anti-CD20 / CD3 bispecific antibody (Injection)
	[2024 or later]	pralsetinib / Product name undetermined	RET inhibitor (Oral)
		Generic and product names undetermined	Oncolytic type 5 adenovirus (Injection)
		codrituzumab / Product name undetermined	Anti-Glypican-3 humanized monoclonal antibody (Injection)
		Generic and product names undetermined	Anti-Glypican-3 / CD3 bispecific antibody (Injection)
		cobimetinib / Product name undetermined	MEK inhibitor (Oral)
		cibisatamab / Product name undetermined	Anti-CEA / CD3 bispecific antibody (Injection)
		glofitamab / Product name undetermined	Anti-CD20 / CD3 bispecific antibody (Injection)
		Generic and product names undetermined	Anti-CD137 agonistic switch antibody (Injection)
		Generic and product names undetermined	— (Oral)
		Generic and product names undetermined	Anti-HER2 / CD3 bispecific antibody (Injection)
		Generic and product names undetermined	Anti-latent TGF-β1 monoclonal antibody (Injection)
		Generic and product names undetermined	RAS inhibitor (Oral)
		efmarodocokin alfa / Product name undetermined	Human IL-22 fusion protein (Injection)
	2021/6	risdiplam / Evrysdi	SMN2 splicing modifier (Oral)
	[2024 or later]	satralizumab / Enspryng	pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody (Injection)
	[2023]	gantenerumab / Product name undetermined	Anti-amyloid-beta human monoclonal antibody (Injection)
		tominersen / Product name undetermined	Antisense oligonucleotide targeting HTT mRNA (Injection)
		ralmitaront / Product name undetermined	Partial TAAR1 agonist (Oral)
		prasinezumab / Product name undetermined	Anti-α-synuclein monoclonal antibody (Injection)
		Generic and product names undetermined	Anti-latent myostatin sweeping antibody (Injection)
		semorinemab / Product name undetermined	Anti-tau humanized monoclonal antibody (Injection)
		Generic and product names undetermined	Anti-amyloid beta / TfR1 fusion protein antibody (Injection)
	2021/10 (Filed), 2021/11 (Approved)	casirivimab / imdevimab / Ronapreve	SARS-CoV-2 neutralizing antibody cocktail antibody (Injection)
	2021/12 (Filed), 2022/1 (Approved)	tocilizumab / Actemra	Humanized anti-human IL-6 receptor monoclonal antibody (Injection)
	2021/11	emicizumab / Hemlibra	Anti-coagulation factor IXa / X bispecific antibody (Injection)
	2021/6	faricimab / Product name undetermined	Anti-VEGF / Ang2 bispecific antibody (Injection)
	2021/6		
	[2023]		
	[2023]	crovalimab / Product name undetermined	Anti-C5 recycling antibody (Injection)
	[2024 or later]		
		Generic and product names undetermined	Anti-coagulation factor IXa / X humanized bispecific monoclonal antibody (Injection)
		Generic and product names undetermined	— (Injection)
		Generic and product names undetermined	Anti-FGFR1 / KLB bispecific antibody (Injection)

Note: In principle, completion of first dose is regarded as the start of clinical studies in each phase.

Consolidated Financial Indicators

Chugai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
Years ended December 31

International Financial Reporting Standards (IFRS)	2021		2020		2019		2018	
	IFRS	Core[1]	IFRS	Core	IFRS	Core	IFRS	Core
Results								
Revenues[2]	999.8		786.9		686.2		579.8	
Sales	802.8		633.3		588.9		527.8	
Royalties and other operating income	196.9		153.6		97.3		51.9	
Cost of sales	(338.1)	(335.5)	(273.5)	(272.3)	(266.1)	(265.1)	(262.8)	(261.9)
Operating expenses	(239.7)	(230.2)	(212.3)	(206.7)	(209.5)	(196.2)	(192.6)	(187.6)
Marketing and distribution	(76.6)	(75.8)	(72.6)	(71.5)	(77.2)	(73.5)	(73.7)	(73.7)
Research and development	(137.3)	(129.8)	(117.9)	(113.5)	(107.9)	(102.1)	(99.2)	(94.2)
General and administration	(25.8)	(24.6)	(21.8)	(21.7)	(24.4)	(20.6)	(19.7)	(19.7)
Operating profit	421.9	434.1	301.2	307.9	210.6	224.9	124.3	130.3
Profit before taxes	419.4	431.6	298.2	304.9	207.9	222.2	121.4	127.5
Net income	303.0	311.5	214.7	219.4	157.6	167.6	93.1	97.3
Attributable to Chugai shareholders	303.0	311.5	214.7	219.4	157.6	167.6	92.5	96.7
Core EPS (Yen)[3]	—	189.35	—	133.39	—	101.93	—	58.81
Cash dividends per share (Yen)[3]	76.00		55.00		46.67		28.67	
Core payout ratio	—	40.1%	—	41.2%	—	45.8%	—	48.7%
Financial Position								
Net operating assets (NOA)	772.6		646.0		547.0		505.3	
Total assets	1,538.7		1,235.5		1,058.9		919.5	
Total liabilities	(350.7)		(255.5)		(204.9)		(163.0)	
Total net assets	1,188.0		980.0		854.0		756.5	
Investments in property, plant and equipment	72.0		75.2		54.0		71.8	
Depreciation	21.0		22.0		17.8		14.6	
Main Indicators								
Cost to sales ratio	42.1%	41.8%	43.2%	43.0%	45.2%	45.0%	49.8%	49.6%
Ratio of operating profit to revenues	42.2%	43.4%	38.3%	39.1%	30.7%	32.8%	21.4%	22.5%
Ratio of R&D expenditures to revenues	13.7%	13.0%	15.0%	14.4%	15.7%	14.9%	17.1%	16.2%
Core return on invested capital (Core ROIC)[4, 5]	43.1%	44.3%	36.5%	37.3%	30.1%	31.9%	20.3%	21.2%
Ratio of net income to equity attributable to Chugai shareholders (ROE)[6]	28.0%	—	23.4%	—	19.6%	—	12.8%	—
Ratio of profit to total assets (ROA)[7]	21.8%	—	18.7%	—	15.8%	—	10.5%	—
Equity per share attributable to Chugai shareholders (BPS) (Yen)[3]	722.50	—	596.16	—	519.91	—	460.42	—
Ratio of equity attributable to Chugai shareholders	77.2%	—	79.3%	—	80.6%	—	82.2%	—
Number of employees	7,664		7,555		7,394		7,432	

1. Core basis results are the IFRS basis results adjusted for items recognized by Chugai as atypical-recurring. Core basis results are used by Chugai as internal performance indicators for representing recurring profit trends both internally and externally, and as indices for establishing profit distributions such as returns to shareholders.
2. Revenues do not include consumption tax.
3. Effective July 1, 2020, Chugai has implemented a three-for-one stock split of its common stock. Calculated based on the assumption that the stock split was implemented at the beginning of 2012.

(Billions of yen)

2017		2016		2015		2014		2013		2012	
IFRS	Core	IFRS	Core	IFRS	Core	IFRS	Core	IFRS	Core	IFRS	Core
534.2		491.8		498.8		461.1		423.7		386.6	
499.3		472.7		468.4		436.9		401.3		375.2	
34.9		19.1		30.4		24.2		22.4		11.3	
(254.2)	(252.9)	(247.9)	(246.7)	(240.2)	(238.9)	(218.1)	(217.0)	(187.0)	(186.1)	(168.2)	(167.3)
(181.1)	(178.1)	(167.0)	(164.5)	(171.8)	(169.3)	(167.2)	(166.8)	(157.9)	(157.7)	(143.7)	(143.7)
(72.8)	(72.8)	(69.8)	(69.8)	(74.8)	(74.7)	(71.7)	(71.7)	(71.6)	(71.5)	(67.9)	(67.9)
(92.9)	(88.9)	(85.0)	(82.6)	(83.8)	(81.9)	(80.8)	(80.6)	(74.3)	(74.1)	(66.6)	(66.6)
(15.3)	(16.3)	(12.2)	(12.1)	(13.2)	(12.8)	(14.6)	(14.6)	(12.1)	(12.1)	(9.2)	(9.2)
98.9	103.2	76.9	80.6	86.8	90.7	75.9	77.3	78.7	79.9	74.7	75.6
97.0	101.3	74.4	78.1	87.3	91.2	76.2	77.6	76.9	78.1	72.7	73.6
73.5	76.7	54.4	56.8	62.4	64.9	52.1	53.0	51.9	52.6	46.8	47.4
72.7	75.9	53.6	56.1	61.1	63.7	51.0	51.9	50.9	51.6	46.1	46.6
—	46.23	—	34.17	—	38.81	—	31.68	—	31.56	—	28.55
20.67		17.33		19.33		16.00		15.00		13.33	
—	44.7%	—	50.7%	—	49.8%	—	50.5%	—	47.5%	—	46.7%
440.2		431.1		380.4		357.7		325.2		307.9	
852.5		806.3		787.4		739.5		697.2		645.3	
(159.6)		(159.8)		(160.1)		(141.8)		(124.0)		(116.2)	
692.9		646.5		627.3		597.8		573.2		529.2	
34.3		19.4		28.7		16.3		13.0		14.2	
14.5		14.8		14.0		13.7		13.5		13.3	
50.9%	50.7%	52.4%	52.2%	51.3%	51.0%	49.9%	49.7%	46.6%	46.4%	44.8%	44.6%
18.5%	19.3%	15.6%	16.4%	17.4%	18.2%	16.5%	16.8%	18.6%	18.9%	19.3%	19.6%
17.4%	16.6%	17.3%	16.8%	16.8%	16.4%	17.5%	17.5%	17.5%	17.5%	17.2%	17.2%
17.3%	18.1%	—	14.6%	—	—	—	—	—	—	—	—
10.9%	—	8.4%	—	10.0%	—	8.7%	—	9.3%	—	9.0%	—
8.9%	—	6.8%	—	8.2%	—	7.3%	—	7.7%	—	7.6%	—
421.82	—	393.89	—	382.06	—	364.30	—	349.82	—	323.36	—
81.2%	—	80.1%	—	79.5%	—	80.6%	—	82.0%	—	81.8%	—
7,372		7,245		7,169		7,023		6,872		6,836	

4. ROIC = Net operating profit after taxes / Average NOA balances
5. Core return on invested capital (Core ROIC) = Core net operating profit after taxes / Average NOA
6. Ratio of net income to equity attributable to Chugai shareholders (ROE) = Net income attributable to Chugai shareholders / Capital and reserves attributable to Chugai shareholders (average of beginning and end of fiscal year)
7. Ratio of profit to total assets (ROA) = Net income / total assets

Management Policy

Chugai's Mission is to dedicate itself to adding value by creating and delivering innovative products and services for the medical community and human health around the world based on its strategic alliance with Roche. Aiming at becoming a top innovator for advanced and sustainable patient-centric healthcare, we set up our fundamental management policy of growing together with society.

In 2021, we launched our TOP I 2030 growth strategy, which gives concrete form to our vision of becoming a top innovator in the healthcare industry by 2030 and sets out a path to its realization.

In recent years, all aspects of our business environment, from the evolution of science and technology to government healthcare policy and market trends, have been drastically changing, which has made it all the more important to review and implement strategy in a more flexible manner. We have reflected this need in the structure of TOP I 2030; instead of being staged in three-year phases like a conventional business plan, it sets out provisional interim milestones for each strategy based on a three- to five-year cycle as well as TOP I 2030 goals. This will result in a more agile response by enabling us to adjust the milestones in line with changes in the business environment and the progress of the strategy. In parallel, we will formulate a series of single-year plans focused on the 2030 goals and the interim milestones. The growth strategy has two pillars: Realizing global first-class drug discovery and building a futuristic business model. To firmly implant these pillars, in addition to concentrating Company-wide management resources on research and early development, which is the source of our value creation, Chugai will utilize AI-based drug discovery and other digital technologies to energetically drive Open Innovation. Additionally, as specific initiatives within the growth strategy, we have announced five areas of reform: Drug discovery, development, pharmaceutical technology, value delivery through our various value chains, and foundation for growth supporting each of these areas.

The aim of our shareholder return policy is to provide shareholders with stable dividends on a continuous basis after taking into account financial forecasts and strategic funding requirements. For payout ratio, we have adopted an approximate target of 45 percent on average as a proportion of Core EPS. Internal reserves will be used to increase corporate value through investments for further growth in existing strategic areas and to explore future business opportunities.

Overview of Results

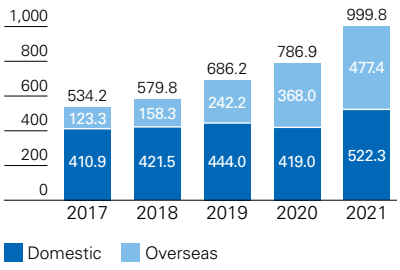
Revenues

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Revenues	686.2	786.9	**999.8**	+27.1%
Sales	588.9	633.3	**802.8**	+26.8%
Royalties and other operating income (ROOI)	97.3	153.6	**196.9**	+28.2%

- Revenues in 2021 showed a significant year-on-year increase. This was the result of the solid performance of mainstay and new products in the Japanese market combined with expanding exports to Roche of in-house product Hemlibra and an increase in ROOI related to this product due to its strong overseas sales.
- Overseas revenues increased steadily with the growth of global products from Chugai research.

Revenues



Domestic Sales by Area

(Billions of yen)

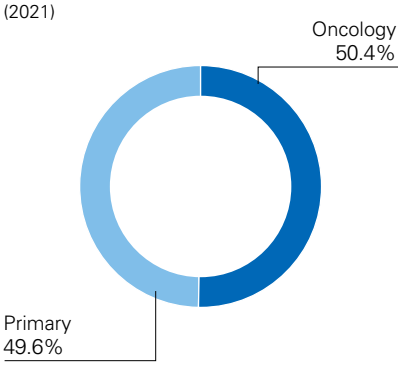
	2019	2020	2021	2020/2021 Change
Domestic sales	437.6	409.1	**518.9**	+26.8%
Oncology	240.9	232.3	**261.5**	+12.6%
Primary	196.6	176.8	**257.4**	+45.6%

- In 2021, domestic sales were impacted by the NHI drug price revisions of 2020 and 2021 and the market penetration of generics. Nevertheless, the solid market performance of mainstay products and favorable market penetration by new products enabled us to post growth of 26.8 percent in this area.
- In the Oncology area, although market penetration by generics impacted sales of Herceptin, Rituxan, and other products, sales revenues increased overall due to the favorable performance of mainstay products Tecentriq and Kadcyla and the new product Polivy and an increase in the number of tests provided by the Foundation Medicine genomic mutation analysis program.*
- In the Primary area, sales were impacted by generics and the NHI drug price revisions. On the other hand, the mainstay products Hemlibra and Actemra performed well, revenues rose from the supply to the government of the new product Ronapreve, and Enspryng and Evrysdi also made contributions.

* "FoundationOne Liquid CDx Cancer Genomic Profile" and "FoundationOne CDx Cancer Genomic Profile"

Percentage of Total Sales

(2021)



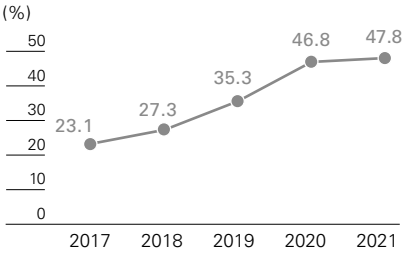
Overseas Sales

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Overseas sales	151.3	224.2	**283.9**	+26.6%
Hemlibra (exports to Roche)	3.3	24.6	**112.0**	+355.3%
Actemra (exports to Roche)	86.5	132.0	**100.1**	–24.2%
Alecensa (exports to Roche)	44.6	43.0	**48.2**	+12.1%
Enspryng (exports to Roche)	—	5.6	**1.5**	–73.2%

- Overseas sales in 2021 were impacted by a considerable year-on-year decrease in exports to Roche of Actemra. However, Hemlibra sales grew significantly with the start of full-scale export at the regular shipment price. As Alecensa also performed solidly, overseas sales showed a large increase overall.

Overseas Sales Ratio



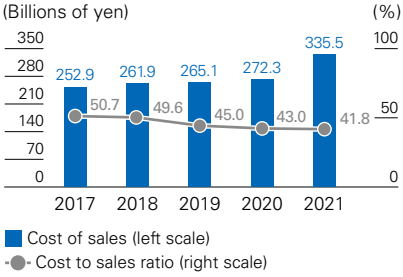
Cost of Sales (Core Basis)

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Cost of sales	(265.1)	(272.3)	**(335.5)**	+23.2%
Cost to sales ratio	45.0%	43.0%	**41.8%**	–1.2% pts

- The cost to sales ratio for 2021 showed a considerable year-on-year decline due to changes in the product mix and other factors.

Cost of Sales / Cost to Sales Ratio



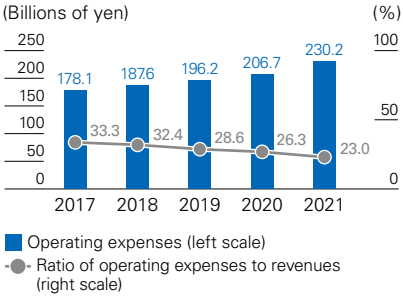
Operating Expenses (Marketing and Distribution Expenses, R&D Expenditures, and General and Administration Expenses) (Core Basis)

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Total operating expenses	(196.2)	(206.7)	**(230.2)**	+11.4%
Marketing and distribution	(73.5)	(71.5)	**(75.8)**	+6.0%
Research and development	(102.1)	(113.5)	**(129.8)**	+14.4%
General and administration	(20.6)	(21.7)	**(24.6)**	+13.4%

- Marketing and distribution expenses increased due to the promotion of digital marketing and other factors.
- R&D expenditures increased year on year as development projects progressed and were the main factor in an overall increase in operating expenses.

Operating Expenses / Ratio of Operating Expenses to Revenues



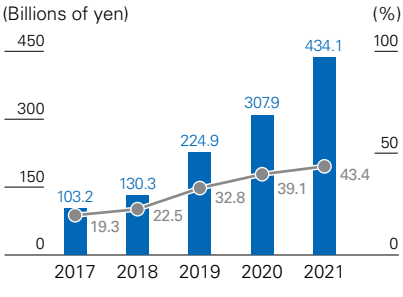
Operating Profit and Net Income (Core Basis)

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Operating profit	224.9	307.9	**434.1**	+41.0%
Ratio of operating profit to revenues	32.8%	39.1%	**43.4%**	+4.3% pts
Net income	167.6	219.4	**311.5**	+42.0%

- 2021 saw significant increases in both operating profit and net income. This was the result of solid sales in both the domestic and overseas markets, an increase in ROOI related to Hemlibra, and other factors.
- The ratio of operating profit to revenues increased year on year as the result of an improvement in the cost to sales ratio, due notably to a change in the product mix, as well as a rise in royalty income related to Hemlibra and continued reduction in the ratio of operating expenses to revenues.

Operating Profit / Ratio of Operating Profit to Revenues



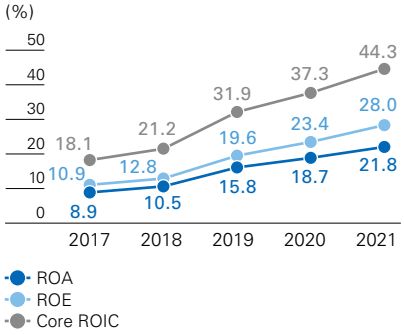
Profitability Indicators

	2019	2020	2021	2020/2021 Change
Gross profit to revenues (%) (Core)	61.4	65.4	**66.4**	+1.0% pts
Operating profit to revenues (%) (Core)	32.8	39.1	**43.4**	+4.3% pts
ROA (%) (IFRS)	15.8	18.7	**21.8**	+3.1% pts
ROE (%) (IFRS)	19.6	23.4	**28.0**	+4.6% pts
Core ROIC (%)	31.9	37.3	**44.3**	+7.0% pts

Notes: 1. ROA = Net income attributable to Chugai shareholders / Total assets
2. ROE = Net income attributable to Chugai shareholders / Capital and reserves attributable to Chugai shareholders
3. Core ROIC = Core net operating profit after taxes / Net operating assets (Core ROIC is calculated by using Core income taxes.)

- Net operating assets (NOA) increased significantly due to aggressive strategic investments such as Chugai Life Science Park Yokohama. Core ROIC also showed a major year-on-year advance in 2021 due to growth in Core net operating profit after taxes.

ROA / ROE / Core ROIC



Financial Position

Assets, Liabilities, and Net Assets

In conjunction with its decision to apply IFRS from 2013, Chugai has reorganized the consolidated balance sheets and discloses assets and liabilities including NOA for use as internal performance indicators (Roche discloses the same indicators). No items have been excluded from the balance sheets, as the Core basis results concept only applies to the income statement.

NOA

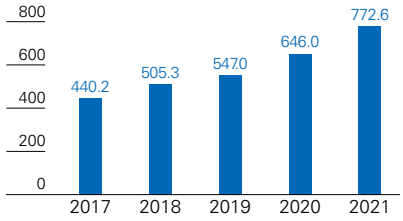
(Billions of yen)

	2019	2020	2021	2020/2021 Change
Net working capital	237.2	300.0	**370.1**	+23.4%
Long-term net operating assets	309.8	346.0	**402.4**	+16.3%
NOA	547.0	646.0	**772.6**	+19.6%

- Net working capital increased from the end of the previous year due mainly to increase in accounts receivable. Long-term NOA grew, notably due to the increase in property, plant and equipment resulting from the investment in Chugai Life Science Park Yokohama.

NOA

(Billions of yen)



NOA are the total of net working capital and long-term NOA. Net working capital is composed of accounts receivable, inventories, accounts payable, and other payables and receivables. Long-term NOA are composed of property, plant and equipment, intangible assets, and other items.

Total Net Assets

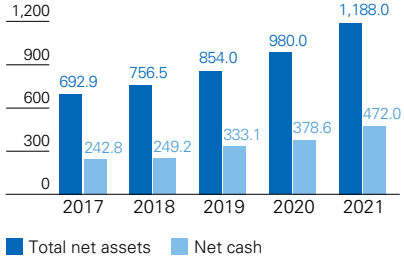
(Billions of yen)

	2019	2020	2021	2020/2021 Change
NOA	547.0	646.0	**772.6**	+19.6%
Net cash	333.1	378.6	**472.0**	+24.7%
Other non-operating assets – net	(26.1)	(44.6)	**(56.5)**	+26.7%
Total net assets	854.0	980.0	**1,188.0**	+21.2%

- Total net assets at December 31, 2021 increased from a year earlier due to factors including an increase in property, plant and equipment resulting from investment in Chugai Life Science Park Yokohama and an increase in net cash.
- We will allocate these assets to strategic investments aimed at further increasing corporate value. Specifically, we will promote ongoing innovation while at the same time responding to changes in the business environment. These range from pressures on medical treatment funding to the evolution of drug discovery technology, the digitalization of the healthcare industry, and the need for ESG-related investment.

Total Net Assets / Net Cash

(Billions of yen)



Total Assets and Total Liabilities

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Total assets	1,058.9	1,235.5	**1,538.7**	+24.5%
Total liabilities	(204.9)	(255.5)	**(350.7)**	+37.3%

- Calculated under the headings of assets, liabilities, and net assets, there has been an increasing tendency in total assets, total liabilities, and total net assets.

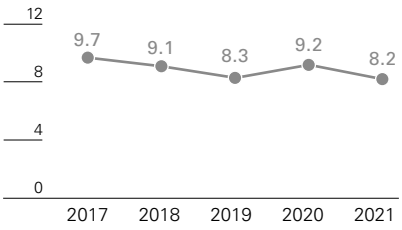
Total Assets / Total Liabilities

Financial Position Indicators

	2019	2020	2021	2020/2021 Change
Ratio of equity attributable to Chugai shareholders (%)	80.6	79.3	**77.2**	–2.1% pts
Cash conversion cycle (Months)	8.3	9.2	**8.2**	–1.0 month
Net cash turnover period (Months)	5.8	5.8	**5.7**	–0.1 month
Current ratio (%)	390.3	353.7	**324.9**	–28.8% pts
Debt-to-equity ratio (%)	0.0	0.0	**0.0**	—

Notes: 1. Ratio of equity attributable to Chugai shareholders = Capital and reserves attributable to Chugai shareholders (fiscal year-end) / Total assets (fiscal year-end)
2. Cash conversion cycle = [Trade accounts receivable / Sales + (Inventories – Trade accounts payable) / Cost of sales] x Months passed
3. Net cash turnover period = Net cash / Revenues x Months passed
4. Current ratio = Current assets (fiscal year-end) / Current liabilities (fiscal year-end)
5. Debt-to-equity ratio = Interest-bearing debt (fiscal year-end) / Capital and reserves attributable to Chugai shareholders (fiscal year-end)

Cash Conversion Cycle



Cash Flows

In conjunction with its decision to apply IFRS from 2013, Chugai has reorganized the consolidated statement of cash flows and uses free cash flows as internal performance indicators (Roche discloses the same indicators). No items have been excluded from cash flows, as the Core basis results concept only applies to the income statement.

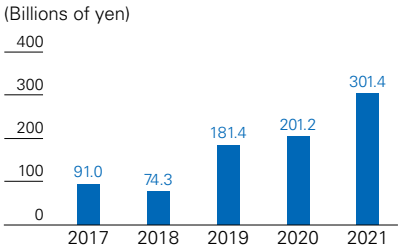
(Billions of yen)

	2019	2020	2021	2020/2021 Change
Movement of Free Cash Flow				
Operating profit	210.6	301.2	**421.9**	+40.1%
Operating profit, net of operating cash adjustment	245.2	335.5	**466.4**	+39.0%
Operating free cash flow	181.4	201.2	**301.4**	+49.8%
Free cash flow	142.6	135.4	**189.4**	+39.9%
Net change in net cash	83.9	45.5	**93.4**	+105.3%
Consolidated Statement of Cash Flows				
Cash flows from operating activities	206.6	205.0	**279.6**	+36.4%
Cash flows from investing activities	(81.7)	(98.3)	**(118.9)**	+21.0%
Cash flows from financing activities	(66.9)	(99.5)	**(107.4)**	+7.9%
Net change in cash and cash equivalents	57.0	8.4	**55.5**	+560.7%
Cash and cash equivalents at December 31	203.9	212.3	**267.8**	+26.1%

Operating Free Cash Flow

- Operating profit, net of operating cash adjustment, is 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 or loss.
- Operating free cash flow for the fiscal year under review amounted to a net inflow of ¥301.4 billion due to a significant increase in operating profit and other factors, despite an increase in net working capital and other related items of ¥83.1 billion, as well as expenditures of ¥66.0 billion for the purchase of property, plant and equipment. The purchase of property, plant and equipment included investment and other expenditures for Chugai Life Science Park Yokohama and the construction of a manufacturing building at the Fujieda Plant for the development of small and mid-size molecule APIs.

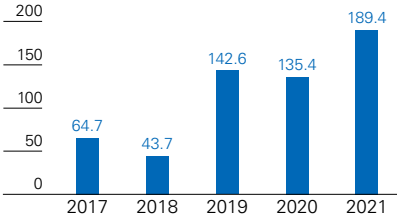
Operating Free Cash Flow



Free Cash Flow

- Free cash flow was a net cash inflow of ¥189.4 billion due mainly to income taxes paid of ¥104.1 billion.
- Net cash as of December 31, 2021, after subtracting dividends paid of ¥98.6 billion and other expenditures, showed an increase of ¥93.4 billion from the previous year end to ¥472.0 billion.

Free Cash Flow



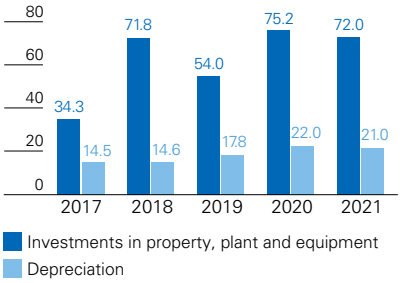
Capital Investments

(Billions of yen)

	2019	2020	2021	2020/2021 Change
Investments in property, plant and equipment	54.0	75.2	**72.0**	–4.3%
Depreciation	17.8	22.0	**21.0**	–4.5%

- Capital investments in 2021 included investment in Chugai Life Science Park Yokohama and investments in manufacturing buildings at the Fujieda Plant and the Ukima Branch.
- Capital investment planned for 2022 amounts to ¥70 billion, including the major facility additions in the table below, with depreciation expenses of ¥23 billion.

Capital Investments in Property, Plant and Equipment / Depreciation



Major Capital Investments—Current and Planned

Chugai Pharmaceutical Co., Ltd.

Facilities (Location)	Description	Planned investment (Billions of yen)		Fundraising method	Start of construction	Planned transfer/ completion date
		Total amount	Investment to date			
Chugai Life Science Park Yokohama (Totsuka-ku, Yokohama City, Kanagawa)	Pharmaceutical research	128.8	96.4	Self-financing	June 2019	October 2022
Fujieda Plant (Fujieda City, Shizuoka)	Small and mid-size molecule API manufacturing	19.1	16.5	Self-financing	May 2019	October 2022
Ukima Branch (Kita-ku, Tokyo)	Manufacture of antibody APIs for early clinical trials	12.1	0.6	Self-financing	November 2021	September 2023

The Company and domestic subsidiary (Chugai Pharma Manufacturing Co., Ltd.)

Facilities (Location)	Description	Planned investment (Billions of yen)		Fundraising method	Start of construction	Planned transfer/ completion date
		Total amount	Investment to date			
Fujieda Plant (Fujieda City, Shizuoka)	Manufacture of APIs to cover late-stage clinical development and early commercial production of small and mid-size molecule drugs	55.5	15.8	Self-financing	September 2021	October 2024

Outlook for 2022

Forecast assumptions: For 2022, Chugai assumes exchange rates of ¥122/CHF, ¥130/EUR, ¥112/USD, and ¥84/SGD.

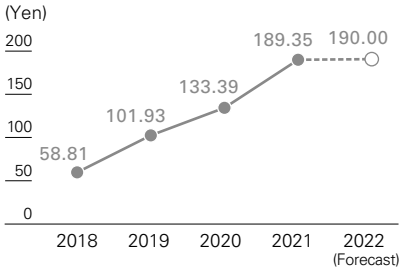
Results Forecast (Core Basis)

(Billions of yen)

	2020	2021	2022 Forecast	2021/2022 Change
Revenues	786.9	999.8	**1,150.0**	+15.0%
Sales	633.3	802.8	**1,031.5**	+28.5%
Domestic	409.1	518.9	**646.3**	+24.6%
Overseas	224.2	283.9	**385.2**	+35.7%
Royalties and other operating income (ROOI)	153.6	196.9	**118.5**	–39.8%
Royalty and profit-sharing income	129.6	187.2	**114.0**	–39.1%
Other operating income	24.1	9.8	**4.5**	–54.1%
Core operating profit	307.9	434.1	**440.0**	+1.4%
Core EPS (Yen)[1]	133.39	189.35	**190.00**	+0.3%

- Domestic sales are forecast to exceed those of the previous year. This is based on the sales growth envisaged in new products such as Ronapreve, Polivy, Enspryng, and Evrysdi and in mainstay products including Hemlibra, which is expected to absorb the negative impact of intensifying competition, associated primarily with the launch of biosimilars and generics, and NHI drug price revisions.
- Overseas sales are also projected to expand. The main factors envisaged here are steady sales growth in Hemlibra, of which full-scale export to Roche at the regular shipment price began in 2021, and an increase in sales of Actemra.
- Under ROOI, royalty and profit-sharing income is forecast to decline significantly, due mainly to the end of initial-stock royalties on Hemlibra. Other operating income is also expected to decrease due to factors including a decrease in one-time income.
- The cost to sales ratio is expected to rise year on year, due notably to a change in the product mix.
- We expect operating expenses to increase overall due mainly to an increase in R&D activity including the progress of development projects and related expenses to produce investigational drugs.
- In line with the above, both Core operating profit and Core EPS are projected to rise year on year due to increased gross profit from sales, which is expected to outweigh the decrease in royalty income and increase in expenses.

Core EPS[1, 2]



1. Effective July 1, 2020, Chugai has implemented a three-for-one stock split of its common stock. Calculated based on the assumption that the stock split was implemented at the beginning of 2018.
2. Core EPS = Core net income attributable to Chugai shareholders / Diluted weighted average shares outstanding

Fundamental Profit Distribution Policy and Dividends

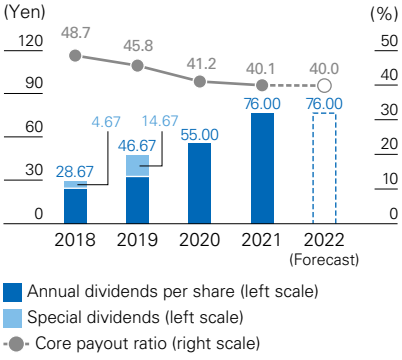
After taking into account projected business results and evolving needs in strategic investment funding, Chugai aims to offer shareholders a stable dividend, with a target payout ratio of 45 percent on average based on Core EPS. Internal reserves will be used to increase corporate value through investments for further growth in existing strategic areas and to explore future business opportunities.

(Yen)

	2019	2020	2021	2022 Forecast
Basic net income per share (EPS)[3]	95.95	130.66	**184.29**	—
Core EPS[3]	101.93	133.39	**189.35**	190.00
Equity per share attributable to Chugai shareholders (BPS[3])	519.91	596.16	**722.50**	—
Cash dividends per share[3]	46.67	55.00	**76.00**	76.00
Core payout ratio	45.8%	41.2%	**40.1%**	40.0%
Core payout ratio (five-year average)	47.4%	44.9%	**42.9%**	41.9%

- Cash dividends per share for 2021 totaled ¥76, and the five-year average Core EPS payout ratio was 42.9 percent.
- The dividend forecast for 2022 calls for an interim dividend of ¥38 and a year-end dividend of ¥38.

Cash Dividends per Share[3] / Core Payout Ratio



3. Effective July 1, 2020, Chugai has implemented a three-for-one stock split of its common stock. Calculated based on the assumption that the stock split was implemented at the beginning of 2018.

Consolidated Financial Statements

Chugai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

Consolidated income statement

(Millions of yen)

	2021 Year ended December 31	2020 Year ended December 31	2019 Year ended December 31
Revenues	**999,759**	**786,946**	**686,184**
Sales	802,836	633,314	588,896
Royalties and other operating income	196,922	153,631	97,288
Cost of sales	(338,147)	(273,465)	(266,071)
Gross profit	**661,612**	**513,481**	**420,113**
Marketing and distribution	(76,592)	(72,585)	(77,183)
Research and development	(137,299)	(117,850)	(107,942)
General and administration	(25,824)	(21,816)	(24,391)
Operating profit	**421,897**	**301,230**	**210,597**
Financing costs	(48)	(62)	(125)
Other financial income (expense)	76	(1,477)	545
Other expense	(2,540)	(1,504)	(3,124)
Profit before taxes	**419,385**	**298,188**	**207,893**
Income taxes	(116,390)	(83,455)	(50,333)
Net income	**302,995**	**214,733**	**157,560**
Attributable to:			
Chugai shareholders	302,995	214,733	157,560
Earnings per share			
Basic (Yen)*	184.29	130.66	95.95
Diluted (Yen)*	184.17	130.53	95.81

* Effective July 1, 2020, Chugai has implemented a three-for-one stock split of its common stock. Calculated based on the assumption that the stock split was implemented at the beginning of 2019.

Consolidated statement of comprehensive income

(Millions of yen)

	2021 Year ended December 31	2020 Year ended December 31	2019 Year ended December 31
Net income recognized in income statement	**302,995**	**214,733**	**157,560**
Other comprehensive income (OCI):			
Remeasurements of defined benefit plans	583	3,630	329
Financial assets measured at fair value through OCI	(291)	(22)	(255)
Items that will never be reclassified to the income statement	292	**3,608**	**74**
Financial assets measured at fair value through OCI	3	12	(17)
Cash flow hedges	(292)	(3,072)	(1,317)
Currency translation of foreign operations	3,022	1,467	(1,172)
Items that are or may be reclassified to the income statement	**2,733**	**(1,593)**	**(2,506)**
Other comprehensive income, net of tax	**3,025**	**2,015**	**(2,433)**
Total comprehensive income	**306,020**	**216,748**	**155,127**
Attributable to:			
Chugai shareholders	306,020	216,748	155,127

Consolidated balance sheet

(Millions of yen)

	2021 December 31, 2021	2020 December 31, 2020	2019 December 31, 2019
Assets			
Non-current assets:			
Property, plant and equipment	338,841	289,218	255,559
Right-of-use assets	13,266	8,272	9,749
Intangible assets	21,974	23,880	23,540
Financial non-current assets	2,393	2,841	2,958
Deferred tax assets	56,287	47,934	42,680
Defined benefit plan assets	1,327	492	—
Other non-current assets	40,944	27,954	24,750
Total non-current assets	**475,033**	**400,592**	**359,235**
Current assets:			
Inventories	208,838	183,893	168,122
Accounts receivable	355,081	253,342	181,641
Current income tax assets	928	12	0
Marketable securities	204,217	166,287	129,117
Cash and cash equivalents	267,753	212,333	203,941
Other current assets	26,844	19,039	16,858
Total current assets	**1,063,661**	**834,906**	**699,680**
Total assets	**1,538,694**	**1,235,498**	**1,058,915**
Liabilities			
Non-current liabilities:			
Deferred tax liabilities	(7,614)	(9,166)	(9,304)
Defined benefit plan liabilities	(2,945)	(2,282)	(7,094)
Long-term provisions	(2,101)	(2,142)	(2,348)
Other non-current liabilities	(10,595)	(5,835)	(6,914)
Total non-current liabilities	**(23,255)**	**(19,425)**	**(25,662)**
Current liabilities:			
Current income tax liabilities	(86,312)	(63,171)	(41,047)
Short-term provisions	(2,695)	(358)	(4)
Accounts payable	(152,266)	(100,396)	(77,635)
Other current liabilities	(86,149)	(72,146)	(60,582)
Total current liabilities	**(327,422)**	**(236,070)**	**(179,268)**
Total liabilities	**(350,677)**	**(255,495)**	**(204,930)**
Total net assets	**1,188,017**	**980,003**	**853,985**
Equity:			
Capital and reserves attributable to Chugai shareholders	1,188,017	980,003	853,985
Total equity	**1,188,017**	**980,003**	**853,985**
Total liabilities and equity	**1,538,694**	**1,235,498**	**1,058,915**

Consolidated statement of cash flows

(Millions of yen)

	2021 Year ended December 31	2020 Year ended December 31	2019 Year ended December 31
Cash flows from operating activities			
Cash generated from operations	470,367	340,228	249,500
(Increase) decrease in working capital	(83,122)	(64,421)	6,205
Payments made for defined benefit plans	(3,665)	(4,656)	(11,540)
Utilization of provisions	(656)	(26)	(2)
Other operating cash flows	776	694	(2,741)
Cash flows from operating activities, before income taxes paid	**383,700**	**271,820**	**241,423**
Income taxes paid	(104,074)	(66,785)	(34,782)
Total cash flows from operating activities	**279,626**	**205,035**	**206,641**
Cash flows from investing activities			
Purchase of property, plant and equipment	(65,969)	(57,040)	(53,009)
Purchase of intangible assets	(6,897)	(4,349)	(8,168)
Disposal of property, plant and equipment	1,042	(22)	119
Interest and dividends received	133	100	197
Purchases of marketable securities	(362,761)	(248,143)	(256,768)
Sales of marketable securities	325,000	211,000	230,158
Purchases of investment securities	(9,503)	(177)	(1,013)
Sales of investment securities	28	319	6,743
Other investing cash flows	—	—	0
Total cash flows from investing activities	**(118,927)**	**(98,312)**	**(81,741)**
Cash flows from financing activities			
Transaction in own equity instruments	—	—	(2,307)
Interest paid	(48)	(34)	(27)
Lease liabilities paid	(9,031)	(8,432)	(8,861)
Dividends paid to Chugai shareholders	(98,644)	(91,442)	(56,370)
Exercise of equity compensation plans	322	440	735
(Increase) decrease in own equity instruments	(8)	(30)	(25)
Other financing cash flows	—	—	(16)
Total cash flows from financing activities	**(107,408)**	**(99,497)**	**(66,872)**
Net effect of currency translation on cash and cash equivalents	2,128	1,166	(947)
Increase (decrease) in cash and cash equivalents	**55,419**	**8,393**	**57,081**
Cash and cash equivalents at January 1	212,333	203,941	146,860
Cash and cash equivalents at December 31	**267,753**	**212,333**	**203,941**

Consolidated statement of changes in equity

(Millions of yen)

	Attributable to Chugai shareholders					
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	Total equity
Year ended December 31, 2020						
At January 1, 2020	**73,016**	**67,037**	**722,076**	**(8,143)**	**853,985**	**853,985**
Net income	—	—	214,733	—	214,733	214,733
Financial assets measured at fair value through OCI	—	—	—	(9)	(9)	(9)
Cash flow hedges	—	—	—	(3,072)	(3,072)	(3,072)
Currency translation of foreign operations	—	—	—	1,467	1,467	1,467
Remeasurements of defined benefit plans	—	—	3,630	—	3,630	3,630
Total comprehensive income	—	—	**218,363**	**(1,615)**	**216,748**	**216,748**
Dividends	—	—	(91,467)	—	(91,467)	(91,467)
Equity compensation plans	186	(774)	—	—	(588)	(588)
Own equity instruments	—	1,324	—	—	1,324	1,324
Transfer from other reserves to retained earnings	—	—	121	(121)	—	—
At December 31, 2020	**73,202**	**67,586**	**849,093**	**(9,879)**	**980,003**	**980,003**
Year ended December 31, 2021						
At January 1, 2021	**73,202**	**67,586**	**849,093**	**(9,879)**	**980,003**	**980,003**
Net income	—	—	302,995	—	302,995	302,995
Financial assets measured at fair value through OCI	—	—	—	(288)	(288)	(288)
Cash flow hedges	—	—	—	(292)	(292)	(292)
Currency translation of foreign operations	—	—	—	3,022	3,022	3,022
Remeasurements of defined benefit plans	—	—	583	—	583	583
Total comprehensive income	—	—	**303,578**	**2,442**	**306,020**	**306,020**
Dividends	—	—	(98,642)	—	(98,642)	(98,642)
Equity compensation plans	—	(27)	—	—	(27)	(27)
Own equity instruments	—	664	—	—	664	664
Transfer from other reserves to retained earnings	—	—	21	(21)	—	—
At December 31, 2021	**73,202**	**68,223**	**1,054,050**	**(7,457)**	**1,188,017**	**1,188,017**

Dialogue with Stakeholders

To fulfill its basic management policy of creating shared value, Chugai believes that dialogue with shareholders, investors, and other stakeholders is essential. As well as promoting active information disclosure and extensive dialogue, we analyze insights emerging from the dialogue and take care to incorporate them in management decision-making and other processes. With a view to receiving accurate evaluation by the capital markets, the basic policy we adopt in our information disclosure to shareholders and investors is to provide timely, appropriate, and fair disclosure in accordance with all relevant laws and regulations. As one aspect of ensuring transparency, we work to facilitate ready access to the disclosed information, which is provided in principle in Japanese and English at the same time. Additionally, to gain the support and trust of a wide range of stakeholders, we ensure effective presentation and reader-friendliness of information and actively disseminate it to media representatives and a wide general public, using the corporate website and various other tools.

Main Performance

In 2021, meetings with investors and analysts were held in the form of financial results briefings, briefings providing specific information on research and development and new products addressing areas of high need, and an ESG meeting, the third in the series. These meetings, individual briefings, and other events served as opportunities for timely disclosure and dialogue on themes including the strategies and progress of TOP I 2030, sustainability-related initiatives, and COVID-19-related product development and supply.

Meanwhile, with the aim of realizing advanced and sustainable patient-centric healthcare, we work for proactive communication on the basis of mutual understanding with patients, who are one of our key stakeholders. In October 2020, our then CEO, Tatsuro Kosaka, hosted a dialogue between patient organizations and pharmaceutical company executives for the first time. The dialogue identified eight issues to be addressed going forward. In October 2021, the second dialogue was held and reports were presented on the status of initiatives to address the previously identified issues. As part of the program, our CEO, Dr. Osamu Okuda, gave a talk on emerging medical needs as a contribution to deepening the discussion. Going forward, Chugai will continue to emphasize dialogue with a wide range of stakeholders as it works to generate innovation and to promote initiatives that address social issues.

	2019	2020	2021
Number of media and IR information events	27	30	36
Total number of investors and security analysts attending meetings worldwide	376	385	475
Number of briefings for individual investors and shareholders	8	8	8
Attendance at the General Meeting of Shareholders	387	46	68

Detailed information on dialogue with patient organizations

WEB Chugai in Action
https://www.chugai-pharm.co.jp/sustainability/activity/detail/20211223150000_85.html (in Japanese only)

WEB Booklet summarizing the content of dialogue with patient groups
https://www.chugai-pharm.co.jp/sustainability/activity/detail/data/dialogue.pdf (in Japanese only)

Main external evaluations

- The Securities Analysts Association of Japan, 2nd Place, 2021 Awards for Excellence in Corporate Disclosure, Pharmaceuticals Category; 2021 Award for Excellence in Corporate Disclosure—Disclosure to Individual Investors (received for the first time)
- Excellent Corporate Governance Report Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investment (2021, received for the first time)

Editorial Policy

This report is positioned to encourage dialogue.

The integrated report aims to encourage dialogue with shareholders, investors, and other stakeholders. In this 2021 edition specifically, we have sought to enhance reader convenience and provide more extensive information coverage by allocating the disclosed information between this publication and the website in a way that enhances both communication channels, as outlined below. We hope it will be useful in sharing value with you.

Printed publications	**Annual Report (this publication)**	Aims to share information on the progress of our medium- to long-term value creation strategy Focus on information content of key importance, with stronger emphasis on effective presentation and reader-friendliness
Website	WEB **Sustainability** https://www.chugai-pharm.co.jp/english/sustainability/index.html	Aims to provide detailed disclosure on policies and initiatives Enhanced coverage of quantitative data and specific initiatives
	WEB **Investor Relations** https://www.chugai-pharm.co.jp/english/ir/index.html	In addition to detailed financial information, aims to share a broad spectrum of information on research and development, including basic product information
	WEB **About Chugai** https://www.chugai-pharm.co.jp/english/profile/index.html	**Main content** WEB Financial Results WEB Reports & Downloads WEB R&D WEB Main Products / Development Pipeline

Scope of This Report: This report presents information on Chugai Pharmaceutical Co., Ltd. and its consolidated subsidiaries. In some places, however, it gives data specifically pertaining to Chugai Pharmaceutical Co., Ltd.

Timeframe: The basic timeframe for this report is the financial reporting period of January to December 2021. However, in view of the importance of providing the latest information available, some information relating to activities that occurred in 2022 is included, mainly in research and clinical development data.

Information in This Report: This report presents information that Chugai believes to be important given its significance in building Chugai's corporate value over the short, medium, and long term, and its degree of impact on stakeholders.

Reference Guidelines: The content of this report is focused on value creation, using as reference The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation compiled by the Ministry of Economy, Trade and Industry (METI) of Japan. Sustainability information was prepared with reference to Environmental Reporting Guidelines 2018 issued by the Ministry of the Environment of Japan, the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI), and the Final Report on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Production Process and In-House Use

August–September	October–November	December–January	February–March	April–May
Secretariat Planning and Design • Set up production systems • Prioritization by main executives responsible (Ueno, Itagaki) of topics to be covered • Create outline of planned structure • Interview with investors	**Review of Draft Plan** • Review by management team • Interview with relevant parties • Review of structure and content • ESG meeting, review interviews	**Content Production** • Checking and approval by main executives responsible (Ueno, Itagaki) • Liaison with internal divisions • Progress update on short-, medium-, and long-term plans	**Specific Page Layout** • Develop messaging, structure composition, data • Creation of message pieces based on interviews with management team • Page layout verification by relevant executives	**Finalization** • Final sign off by main executives responsible (Itagaki) • Overall checks, fine-tuning by production department • Third-party review

Management Participation in Planning

The underlined stages in the production processes listed above show the steps that involve the management team. In particular, outgoing Representative Director and Deputy Chairman* Motoo Ueno (left photo) and Chief Financial Officer (Director and CFO) Toshiaki Itagaki (right photo) engaged in discussions on its concept, structure, content, and design at a number of meetings and took responsibility up to its completion. Interviews and confirmation of the content were conducted with Representative Director, President & CEO Dr. Osamu Okuda.

* Retired March 29, 2022

Departments Responsible within the Company

The Secretariat mostly comprises the Corporate Communications Department with the addition of the Sustainability Department. Additional members participated from the Corporate Planning Department, General Affairs Department, and Human Resources Management Department, and representatives were appointed from each division and department to build a Company-wide production organization.

Positioning of This Report within the Company

The level of awareness of this report is high within the Company, and in addition to discussions held among persons in charge in each division during its production process, it is used in a wide range of applications including introduction at strategy briefings for employees and use in new graduate recruiting.

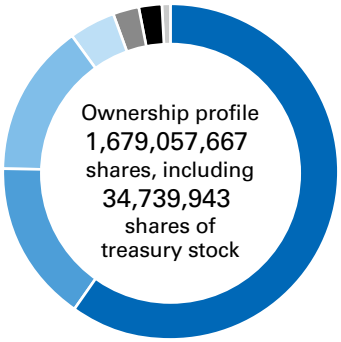
Shareholder Information (As of December 31, 2021)

Major Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Voting Rights (%)
Roche Holding Ltd.	1,005,670	61.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	144,080	8.76
Custody Bank of Japan, Ltd. (Trust Account)	49,225	2.99
SMBC Nikko Securities Inc.	18,063	1.09
STATE STREET BANK WEST CLIENT- TREATY 505234	13,782	0.83
JP MORGAN CHASE BANK 385632	13,706	0.83
STATE STREET BANK AND TRUST COMPANY 505001	12,815	0.77
Custody Bank of Japan, Ltd. (Security Investment Trust Account)	10,253	0.62
SUMITOMO LIFE INSURANCE COMPANY	9,000	0.54
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	8,871	0.53

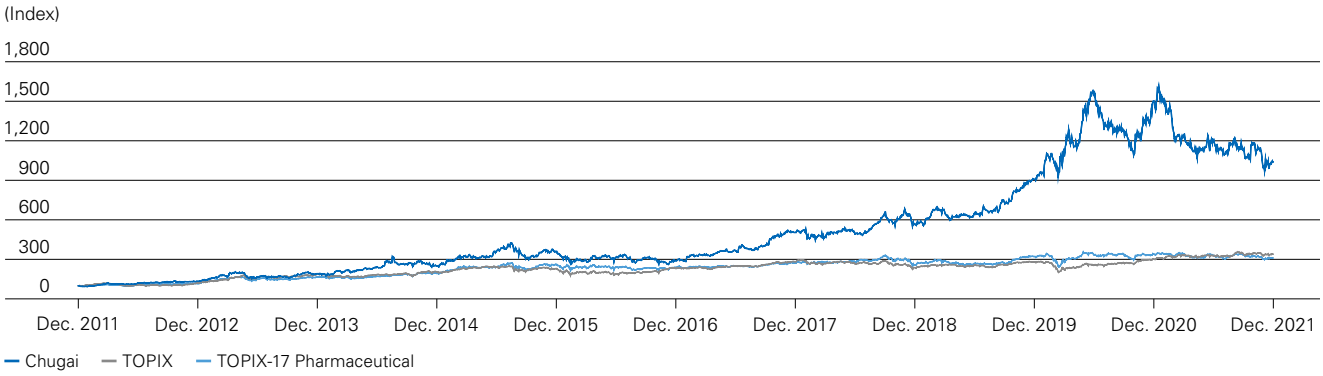
Note: The Company holds 34,739,943 shares of treasury stock, but is excluded from the 10 major shareholders listed in the table above.

Classification of Shareholders



- Roche Holding Ltd.
- Foreign corporations other than Roche
- Financial institutions
- Individuals and other
- Financial instruments firms
- Treasury stock
- Other corporations

10-Year Total Shareholder Return (TSR)

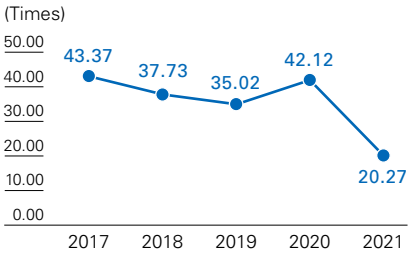


	Last 1 year	Last 3 years		Last 5 years		Last 10 years	
	TSR	TSR	Annualized TSR	TSR	Annualized TSR	TSR	Annualized TSR
Chugai	-30.8%	83.7%	31.7%	258.6%	36.3%	939.1%	31.4%
TOPIX	12.7%	43.0%	12.8%	46.9%	8.9%	239.8%	14.2%
TOPIX-17 Pharmaceutical	-8.3%	20.0%	7.1%	29.7%	6.0%	210.9%	13.3%

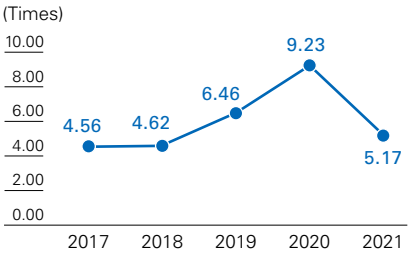
Note: In the above graphs and tables, the Chugai closing price and benchmark indexes as of December 31, 2011, are fixed at 100 and the figures for ROI assume re-investment of the dividends. The benchmark indexes used are the Tokyo Stock Price Index (TOPIX) and TOPIX-17 Pharmaceutical.

Share Price Indicators

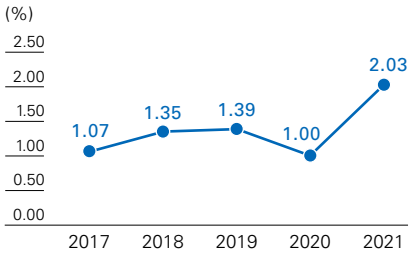
Price/Earnings Ratio
Year-end share price / Basic net income per share



Price/Book Ratio
Year-end share price /
Equity per share attributable to Chugai shareholders



Dividend Yield
Dividends per share / Year-end share price



Corporate Profile

Corporate Overview (As of December 31, 2021)

Company Name
Chugai Pharmaceutical Co., Ltd.

Year of Foundation
1925

Year of Establishment
1943

Head Office
2-1-1 Nihonbashi-Muromachi, Chuo-ku,
Tokyo 103-8324, Japan
Tel: +81-(0)3-3281-6611 (Main switchboard)

Stated Capital
¥73,202 million

Number of Employees
7,664 (Consolidated)

Number of Shares Issued of Common Stock
1,679,057,667

Number of Shareholders
90,546

Stock Listing
Tokyo Stock Exchange, First Section
(Transfer to Prime Market from April 2022)

Fiscal Year-End
December 31

General Meeting of Shareholders
March

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

External Evaluation of Chugai's ESG Initiatives

Selected for two consecutive years in the DJSI World, a global ESG investment index

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Maintained AA, the second-highest level in the MSCI ESG Rating that evaluates ESG risk tolerance

MSCI ESG RATINGS AA
CCC B BB BBB A AA AAA

Selected as a constituent in the FTSE4Good Index Series for the 19th consecutive year

FTSE4Good

Listed for All Five ESG Indices for Japanese equities used by the Government Pension Investment Fund of Japan

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

S&P/JPX Carbon Efficient Index

NADESHIKO BRAND 2022

DIVERSITY MANAGEMENT SELECTION 100 2018

CDP DISCLOSURE INSIGHT ACTION A LIST 2021 CLIMATE WATER

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2022 健康経営優良法人 Health and productivity ホワイト500

Science-based targets (SBT) validation of Chugai's greenhouse gas reduction target

In 2021, Chugai Pharmaceutical Co., Ltd. received a rating of AA (on a scale of AAA–CCC) in the MSCI ESG Ratings assessment. The inclusion of Chugai Pharmaceutical Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Chugai Pharmaceutical Co., Ltd. by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

As the result of a third-party audit, FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby attests that Chugai satisfies the conditions of listing on the FTSE Blossom Japan Index and has been made a constituent stock of such index. The FTSE Blossom Japan Index was created by FTSE Russell, a global index provider, and has been designed to measure the performance of Japanese companies demonstrating excellent environmental, social, and governance (ESG) practices. The FTSE Blossom Japan Index is widely used in the creation and evaluation of sustainable investment funds and other financial products.

As the result of a third-party audit, FTSE Russel (a registered trademark of FTSE International Limited and Frank Russell Company) hereby attests that Chugai satisfies the conditions of listing on the FTSE Blossom Japan Sector Relative Index and has been made a constituent stock of such index. The FTSE Blossom Japan Sector Relative Index is widely used in the creation and evaluation of sustainable investment funds and other financial products.

ChuLabo (Chugai's brand character)

ChuLabo is a robot that observes people around the world and finds them interesting. Why does Chugai conduct research and development each and every day to continuously generate innovation? ChuLabo projects images of precious everyday life that answer that question—conveying Chugai's goals, which are etched in the hearts of all members of the Chugai Group. You can also see him on the front cover of this report.

WEB Special website: Chugai Innovation Lab
https://www.chugai-pharm.co.jp/brand/ (in Japanese only)

ChuLabo

Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

2-1-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-8324, Japan URL: https://www.chugai-pharm.co.jp/english/