# Annual Report 2023

Fiscal year ended December 31, 2023

CHUGAI PHARMACEUTICAL CO., LTD.

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## Editorial Policy

We have issued this integrated report (annual report) with the aim of communicating to stakeholders, such as our shareholders and investors, our efforts to increase our corporate value, both in financial and non-financial terms, and to create a catalyst for engagement with them. In light of their importance in terms of Chugai's short-, medium-, and long-term value creation and their impact on our stakeholders, in this booklet we have presented Chugai's value creation process for sustainable growth, the specific growth strategies of TOP I 2030 and our progress on them, as well as our initiatives and structures for sustainable value creation.

**Scope of This Report**

Chugai Pharmaceutical Co., Ltd. and the Chugai Group

**Timeframe**

January 1, 2023 to December 31, 2023 (The financial reporting period)

Note: In view of the importance of providing the latest information available, some information relating to activities that occurred in 2024 is included, mainly in research and clinical development data.

**Reference Guidelines:**

- IFRS Foundation "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation"

**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, copyrights, and other intellectual property (IP) rights.

# Mission Statement



## 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

At Chugai, our Mission Statement is the basis of everything we do. It is Chugai's most enduring and important concept, and represents our adherence to the Company's founding spirit and our founder's vow to "create drugs that benefit the world" in response to a medicine shortage following a major natural disaster. Our Core Values are the values that employees share and embody. They represent our commitment to maintaining the highest standards in all we do to meet the expectations and requirements of society as we pursue innovation with a pioneering spirit for the benefit of patients. In our Envisioned Future, we have set the goal of becoming a top innovator in the healthcare industry by going beyond the conventional scope of the pharmaceutical business in anticipation of future changes in the healthcare landscape. Chugai's vision of value creation is to fulfill its Mission Statement by creating shared value.

# History of Chugai Pharmaceutical

## Our Accomplishments to Date

**From foundation to 1980s**

Contribution to resolving drug shortages and the development of prescription pharmaceuticals

**Since 1980s**

Contribution to the development of biopharmaceuticals in Japan

**Since 2000s**

Elimination of drug lag

### From foundation to 2000

**1925**
Founded in response to shortages of medicine in Japan

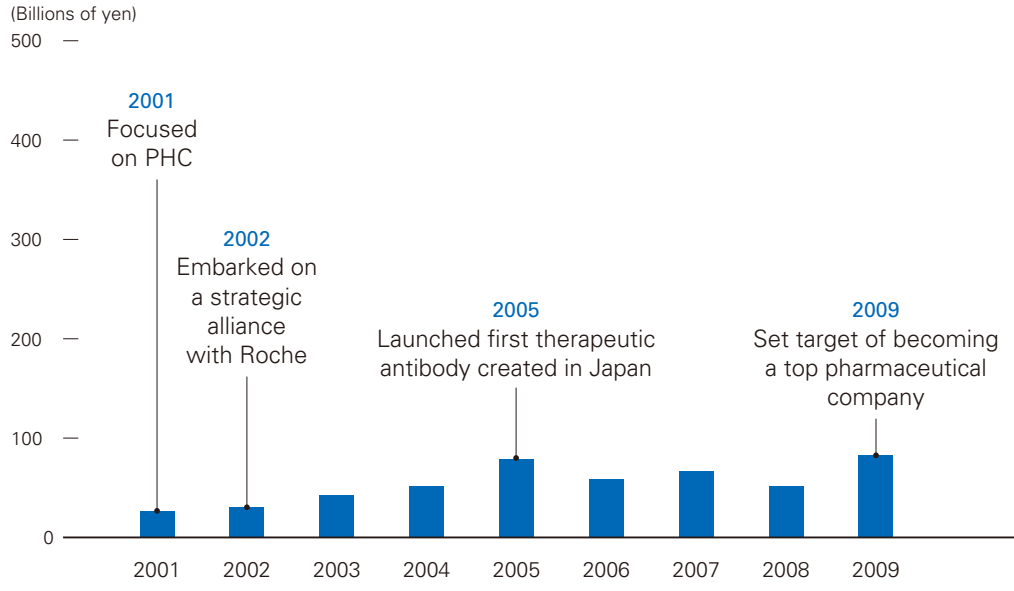
**Since 1930s**
Import and sales of drugs
Manufacturing and sales of over-the-counter (OTC) drugs

**Since 1960s**
Shift to prescription pharmaceuticals
Developed research strengths

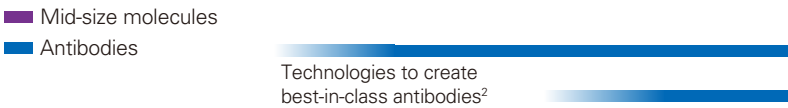
**Since 1980s**
Stepped up development and marketing of drugs from Chugai research
Focused on research into biopharmaceuticals

### 2000s

**Operating Profit between 2001 and 2023[1]**




**Evolution of Discovery Technology**




**Effect of Strategic Alliance with Roche**

1. The fiscal year ended December 31, 2003 represents financial results for a nine-month period. For 2012 and earlier years, the Company applied JGAAP, and from 2013 onward it has applied IFRS on a Core basis.
For Core basis results, please refer to "Financial and Pre-Financial Highlights (IFRS)" on page 76.
2. With such attributes as improved stability and pharmacokinetics profile, or reduced immunogenicity
3. Such as bispecific antibodies, recycling antibodies, sweeping antibodies, or T-cell redirecting antibodies (TRABs)
4. Such as switch antibodies, next-generation TRABs, LINC-Ig, or PAC-Ig

Since 2010s

Promotion of personalized healthcare (PHC) in cancer treatment

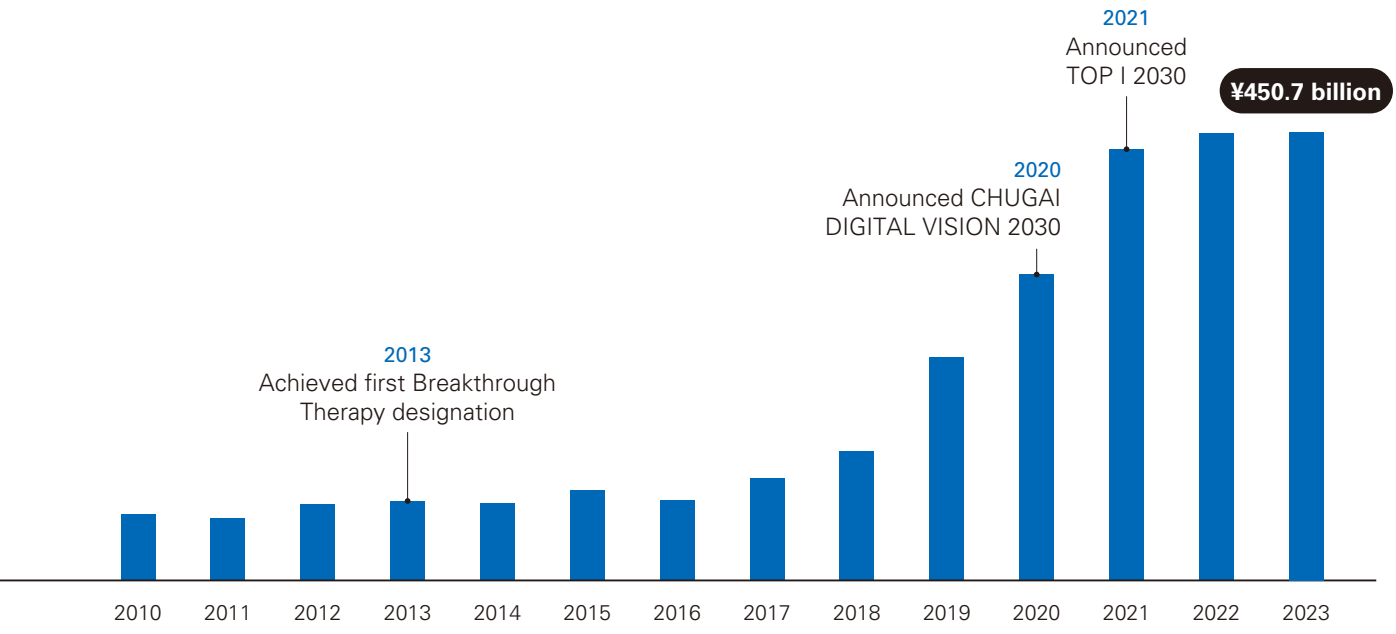
Since 2010s

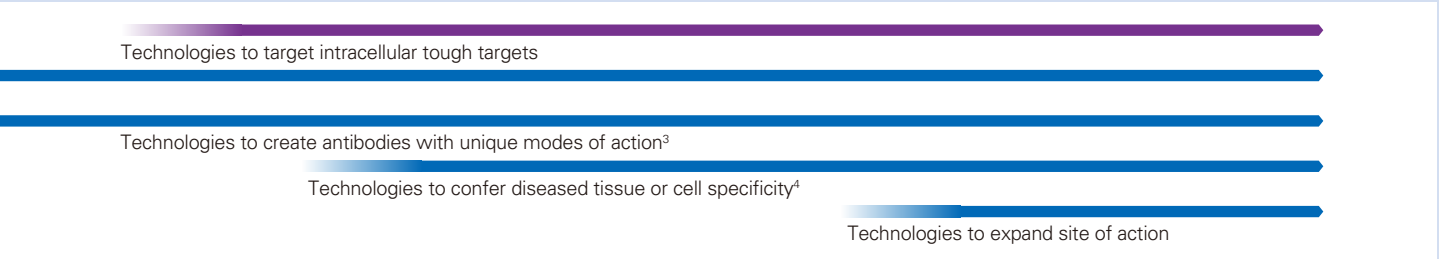
Paradigm shift in treatment of rheumatoid arthritis and hemophilia

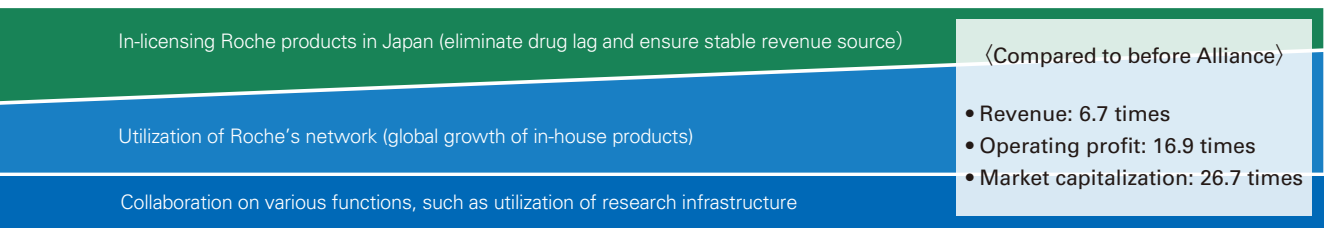
Since 2020s

Advances in PHC through cancer genome profiling

2010s 2020s



# Aiming to overcome unmet medical

At Chugai, our aim is to realize advanced and sustainable patient-centric healthcare.
The world has many unmet medical needs—we believe that innovation backed by science and technology can solve them.

## Prime Example – Cancer

When it comes to unmet medical needs, perhaps no example is more fitting than cancer—currently the leading cause of death[1] in Japan. Chugai has developed and launched a successive line of highly innovative drugs, including products in-licensed from Roche, that have contributed to improved prognoses for treating a variety of cancers. Take, for example, HER2-positive breast cancer and ALK-positive lung cancer, both of which were previously hard to treat. Chugai's contribution in combatting these cancers includes the anti-HER2 antibodies Herceptin, Perjeta, and Kadcyla, as well as molecular targeted drugs like in-house product Alecensa. Through the evolution of mid-size molecules and other modalities, Chugai will boldly tackle the challenges that previously unaddressed tough targets present, with hopes of growing the therapeutic drugs available for overcoming unmet medical needs.

### Cancer

- Leading cause of death in Japan[1]
- Continued development and launch of innovative drugs by Chugai

### Chugai's Hopes

- Take on tough targets and increase therapies for overcoming unmet medical needs
- Target in ways that not only extend life expectancy but cure disease

1. Annual report of monthly demographic data (2022) from the Ministry of Health, Labour and Welfare, Japan

# needs, one after another



## Prime Example – Celiac Disease

There is currently no effective drug for the treatment of celiac disease, a condition thought to affect roughly 1%[2] of the population worldwide. Those suffering from the disease experience a wide array of symptoms, including digestive disorders, diarrhea, and abdominal pain triggered by an abnormal immune response to gluten, a component of wheat. At present, a gluten-free diet is the only option for treatment. For patients, this choice places limits not only on their diets but arguably on their social lives more broadly. At the same time, the need to buy only gluten-free food for life also poses a significant financial burden. At Chugai, we are developing DONQ52, a substance that specifically binds solely with HLA-DQ2.5 (itself bound with a gluten peptide), and is designed to minimize the risk of side effects. In an effort to capture the diverse molecules behind celiac disease, this medicinal compound is a multispecific antibody, enabled by the application of proprietary antibody engineering technology. While the number of celiac disease sufferers in Japan remains modest, we hope to deliver this innovative new medicine to the rest of the world, allowing people everywhere to better enjoy moments with friends and family without the fear of consuming gluten.

### Celiac Disease

- Affects 1%[2] of the world's population
- No effective drug treatment yet established

### Chugai's Hopes

- Shift from treating symptoms to therapy approaching the underlying causes of the illness
- Enable people suffering from celiac disease worldwide to enjoy lives free of fear about consuming gluten

2. Clin Gastroenterol Hepatol. 2018 Jun;16(6):823-836.

# Rare diseases are the very ones we

Every patient with a disease suffers in their own unique way.
Our hope is to help each one be healthy.
This commitment is at the heart of all Chugai corporate activities.

## Prime Example – Hemophilia

Hemophilia is a condition in which individuals lack or have low functioning blood clotting factors, proteins vital to halt bleeding, which thereby inhibits their blood from clotting. Consequently, if an injury or blow causes bleeding, it takes significant time for it to stop. The extent of difficulty in halting bleeding differs based on the individual. Prior to the debut of Hemlibra, developed by Chugai, the treatment for hemophilia A focused mainly on replacement therapies of coagulation factor concentrate in order to prevent bleeding. Through subcutaneous delivery, given weekly to once every four weeks, Hemlibra achieved bleeding prevention with no effect from inhibitors. But the success of Hemlibra has not satisfied all unmet medical needs when it comes to hemophilia. Our hope is that everyone with hemophilia A will one day enjoy healthy lives without limitations. That's why Chugai is currently developing NXT007,[3] an even more highly innovative drug expected to maintain coagulation activities at a level on par with that found in healthy individuals.

### Hemophilia

- Subcutaneously deliverable treatment lasting up to four weeks at a time achieved at Chugai
- Needs exist for even more highly innovative therapeutic drugs

### Chugai's Hopes

- All individuals with hemophilia A enjoy their lives each day, without bleeding and with no limitations
- Achieve coagulation activities on the same level as healthy individuals, and contribute to long-term quality of life (QoL) by lowering the risk of hemophilic arthropathy

3. A bispecific antibody NXT007 exerts a hemostatic activity in hemophilia A monkeys enough to maintain a nonhemophiliac state (https://doi.org/10.1016/j.jtha.2023.09.034)

# should be addressing

See “Focus 1: Approach to and Evaluation of Value Provided (Impact on Society)” on page 28.

## Prime Example –
## Neuromyelitis Optica Spectrum Disorder (NMOSD)

NMOSD is an autoimmune disease of the central nervous system that triggers inflammation in the brain, spinal cord, and optic nerve; this designated intractable disease also disproportionately strikes women (1:9[4] men to women). Symptoms vary and can include visual impairment (including blindness), paralysis, pain, and urinary disorders. Because it is a rare condition, with roughly 6,500[5] sufferers in Japan, receiving a firm diagnosis takes time, which can result in appropriate treatment going unreceived at the appropriate timing. Applying Chugai’s proprietary Recycling Antibody® technology, Chugai is controlling pathology and contributing to preventing the recurrence of NMOSD through Enspryng, a subcutaneous injection that can be taken once every four weeks.[6] However, with few medical specialists who treat rare diseases, there are instances in which patients are not getting ample treatment matched to their individual needs. At Chugai, we consider it our mission to broaden the understanding of medical providers, remaining focused not only on providing therapeutic drugs but putting an environment in place in which patients can rejoice in living life on their own terms.

### NMOSD

- Approx. 6,500 sufferers in Japan[5]
- Appropriate treatment must be administered at the appropriate time

### Chugai’s Hopes

- Control the disease so that each patient can enjoy life on their own terms
- Contribute to preparing the environment for treatment of rare conditions and diseases

4. Hor, JY, et al. Neurology and Clin. Neuroscience. 2021; 9(4): 274-281.
5. Japan Intractable Diseases Information Center, multiple sclerosis/neuromyelitis optica (designated intractable disease 13)
6. Inject subcutaneously at a time, once every two weeks for three times. Then the fourth time and thereafter, inject subcutaneously once every four weeks

# Targets for Solutions

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

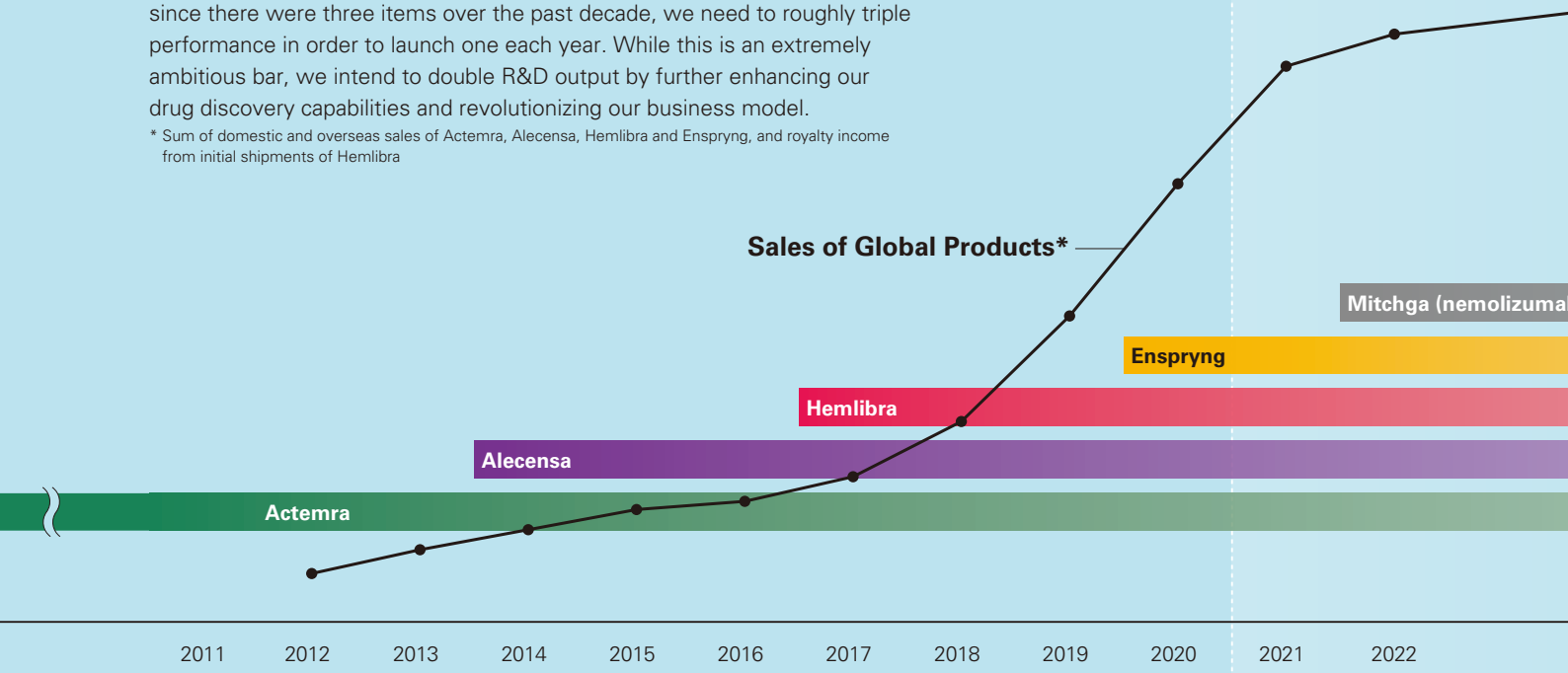
## Role Model for the World

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

There are many diseases and disorders in the world with no established treatment, giving us many important problems to address. In tackling our value creation goal of "realization of advanced and sustainable patient-centric healthcare," our Envisioned Future for 2030 is to become a top innovator in the field of global healthcare. If we can arrive there, we believe that each successive year will see Chugai overcome yet another of the world's many unmet medical needs.

To this end, under TOP I 2030, our growth strategy for becoming a top innovator in the global healthcare industry, we are promoting two primary targets: "double R&D output" and "launch global in-house products every year." Looking at prior releases of global products from Chugai research, since there were three items over the past decade, we need to roughly triple performance in order to launch one each year. While this is an extremely ambitious bar, we intend to double R&D output by further enhancing our drug discovery capabilities and revolutionizing our business model.

* Sum of domestic and overseas sales of Actemra, Alecensa, Hemlibra and Enspryng, and royalty income from initial shipments of Hemlibra



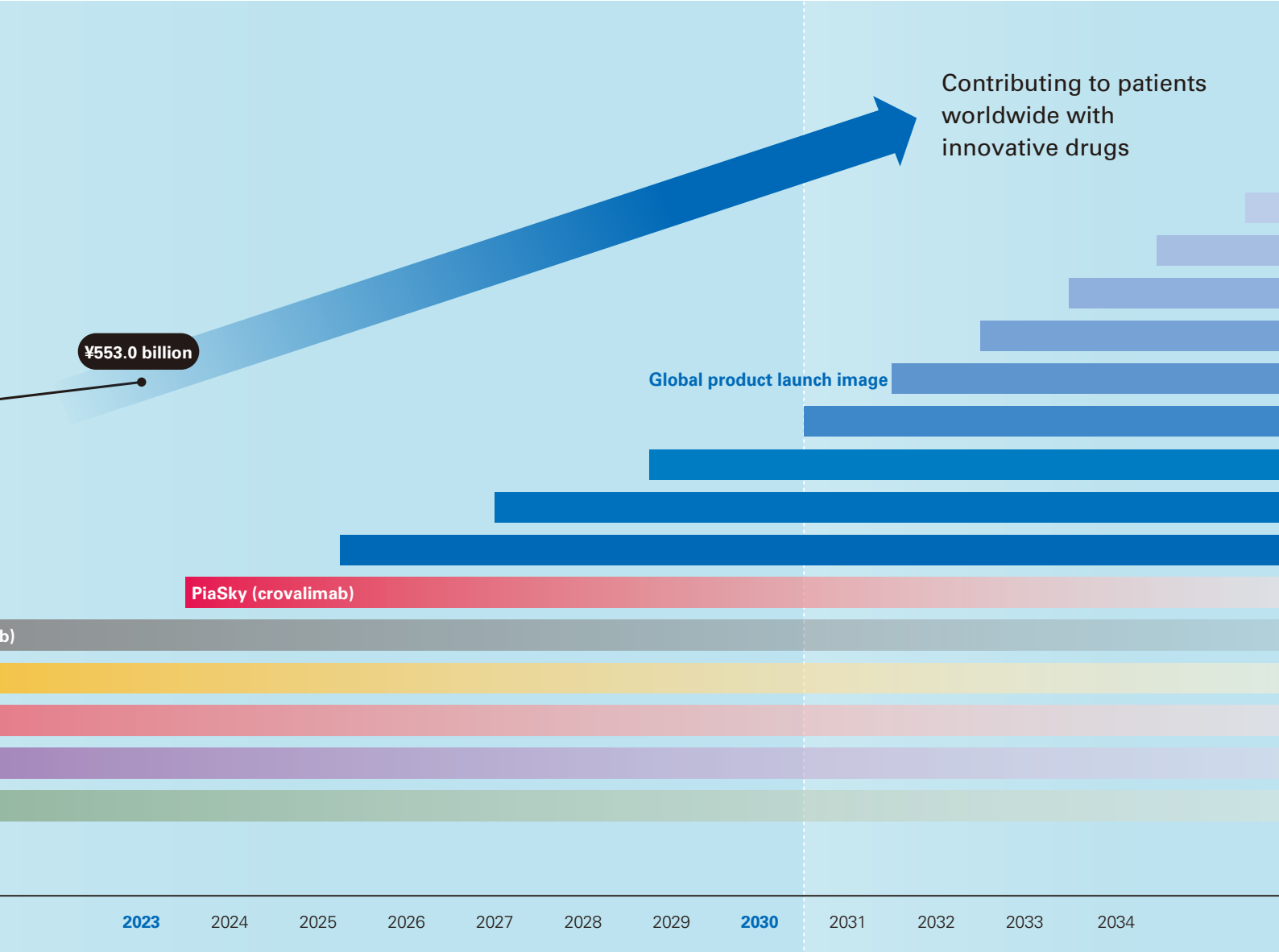

**Global product launches** (10-year average) 1 product / 3 years

A company that overcomes an unmet medical need each year

Double R&D output

Launch global in-house products every year

Contributing to patients worldwide with innovative drugs




×3

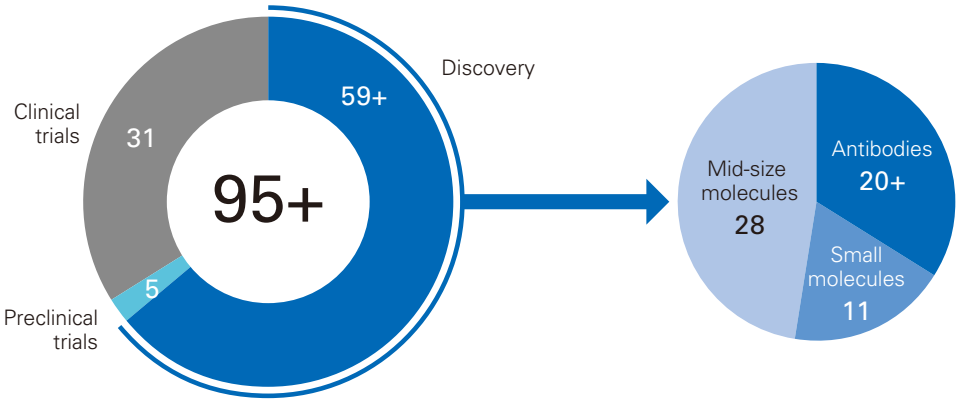
Average 1 product / 1 year

# Pathways for Solutions—Two Pillars of TOP I 2030

TOP INNOVATOR TOP i 2030

## Global First-Class Drug Discovery

Number of Projects from Chugai Research (As of February 1, 2024)




In our growth strategy, TOP I 2030, we aim to become a top innovator in the healthcare industry based on two pillars: global first-class drug discovery and a futuristic business model.

Chugai's drug discovery capabilities have been highly evaluated, as evidenced by the growth of its in-house global products and a record of nine Breakthrough Therapy designations from the United States Food and Drug Administration. Furthermore, the Company currently has over 95 projects in the research and development stage. Within these, approximately half of the projects in the drug discovery research stage are mid-size molecules, for which the Company has established a proprietary drug discovery platform, and the Company is focusing on these as a third modality to drive growth (see figure above).

However, Chugai is not satisfied with this. To meet the ambitious target of launching in-house global products every year, we need even more innovation. Therefore, we plan to concentrate management resources into Research & Early Development (RED),* and accelerate collaboration with academia and advanced technology companies.

Three years into our TOP I 2030 growth strategy, our progress to date has been steady overall. We are making progress on development of mid-size molecule technologies and proprietary next-generation antibody engineering technologies. The newly established research center in Yokohama is now in full operation, and we are expanding implementation of AI-leveraging drug discovery. We will continue working to strengthen drug discovery in small molecules, antibodies, and mid-size molecules, while aiming to create more innovative drugs and increase their success rates by enhancing efficiency through lab automation and accelerating our drug discovery engine through the use of open innovation.

* Includes the process of pharmaceutical technology functions related to early development

## Progress to Date

Approx. 30 projects including 1 Phase 1 project (LUNA18)

Mid-size molecule drug development

Switch Antibody™
Multispecific antibodies
Dual-Ig®
PAC-Ig®

Development of next-generation antibody engineering technologies

Proposal of antibody sequences using MALEXA™

Antibody design by AI

Construction and full operation of new research center
Implementation of lab automation

Chugai Life Science Park Yokohama

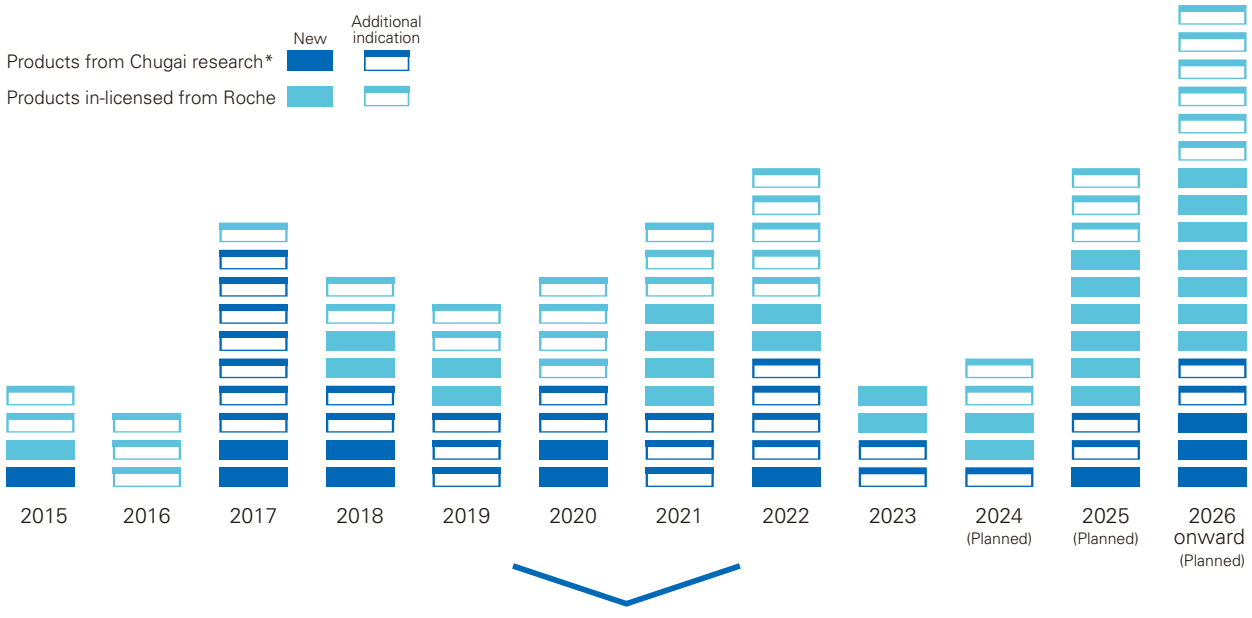
Adoption of CAR-T cell therapy PRIME technology

Incorporation of new modalities and technologies

Effect and toxicity analysis using human organoids
Modeling & Simulation

Increase clinical predictability

## New Products Launched and Additional Indications / Planned Approval Filings



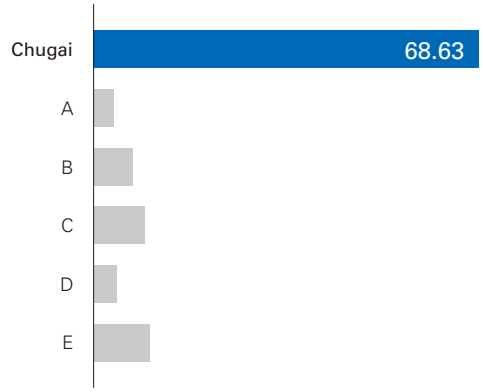

Double R&D output and
launch in-house global products every year

* The products launched in Japan, the United States, and Europe are displayed individually

TOP INNOVATOR TOP i 2030

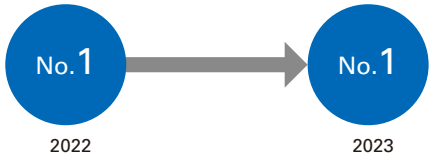
# Futuristic Business Model

**Operating Profit per Employee** (Millions of yen)



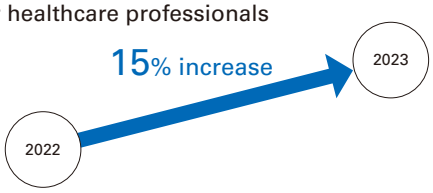

Note: Companies A through E are the top five pharmaceutical companies in Japan ranked by net sales. Based on financial results for the fiscal year ended December 31, 2023 for companies with a December fiscal year-end and the fiscal year ended March 31, 2023 for those with a March fiscal year-end.

**Customer Satisfaction Evaluation***




* INTAGE Healthcare "Rep-i August 2022 Survey" and "Rep-i August 2023 Survey" (reprint prohibited); based on survey results for an overall company assessment targeting only physicians according to Chugai's definition

**Number of persons registered on the website for healthcare professionals**




To create new value through innovative drugs and services realized by world-class drug discovery capabilities, it is important to deliver innovations promptly and appropriately to patients. In addition, to realize advanced and sustainable patient-centric healthcare, it is necessary to secure resources for reinvestment in future innovations and to establish a cycle of investment and growth. We are addressing these issues by rebuilding our value creation model and process using digital technology, and promoting our transformation into an organization with high profitability by dramatically increasing productivity across the entire value chain and maximizing patient and product value.

Chugai is enhancing its proprietary scientific and technological capabilities under a strategic alliance with Roche. We have built a unique business model that enables us to concentrate investment in innovation centered on drug discovery, and we maintain a high level of operating profit per employee of over ¥60 million, far above that of other major Japanese pharmaceutical companies. We also have a high satisfaction rating among healthcare professionals in Japan, which enables us to realize increased product value (see figure above).

So far, we have seen the acceleration of DX in each value chain, and we are engaged in initiatives to realize smart factories in production and over 20 projects for PHC solutions to provide further value.

On the earnings front, products from Chugai research, which serve as our highly profitable growth driver, and products in-licensed from Roche, which provide stable earnings, are functioning effectively as our two revenue bases. As a result, despite an increase in the cost to sales ratio due to products in-licensed from Roche, the selling, general and administration (SG&A) expense ratio is low. This earnings structure generates a high operating profit margin and is becoming even more consolidated (see the lower figure on page 13).

## Progress to Date

The Company is working on PHC solutions[1] for cancer, hemophilia, and other diseases, with over 20 projects[2] in progress

Provision of further value and solutions for patients

Application of DX to production functions reducing operation time by 15,000 hours per year

Reduction of a total of 235,000 hours by RPA (2018 to 2023)

Improvement in efficiency of all value chains through digital technology

R&D CAGR of 13% per year (compared to 2019)

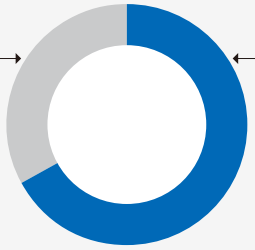
Control of initial level of SG&A expenses

Focused investment of R&D expenses (R&D CAGR)

1. Solutions outside of pharmaceuticals (products and services) (including Software as a Medical Device (SaMD), in vitro diagnostic reagents, companion diagnostics, digital biomarkers, etc.)
2. Projects for which examination of solution candidates has started

## Earnings Model Characteristics

### Share of Revenue (2023)



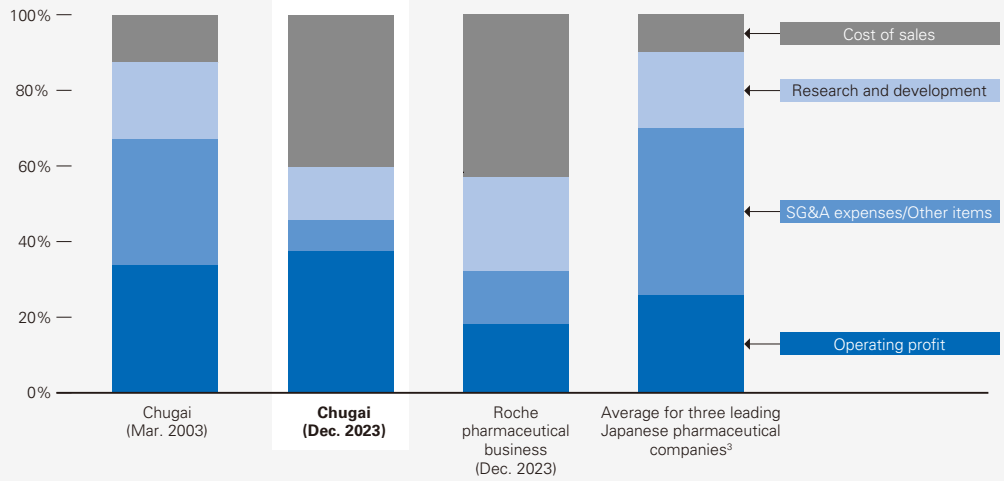
**Products in-licensed from Roche (33%)**

| | | |
|---|---|---|
| Research: | — | |
| Development: | ★ | Early development by Roche |
| Marketing and distribution: | ★ | Japan only |
| Cost: | ★★ | Import from Roche |

**Products from Chugai research (67%)**

| | | |
|---|---|---|
| Research: | ★★★ | Concentrated investment |
| Development: | ★ | Overseas late-stage development out-licensed Japan and certain other countries |
| Marketing and distribution: | ★ | |
| Cost: | ★ | Certain level |

### Cost Structure




3. Average of the top three listed pharmaceutical companies in Japan for ethical drugs (Takeda Pharmaceutical Company Limited, Astellas Pharma Inc., and Daiichi Sankyo Co., Ltd.); from each company's financial results materials for the fiscal year ended March 31, 2023

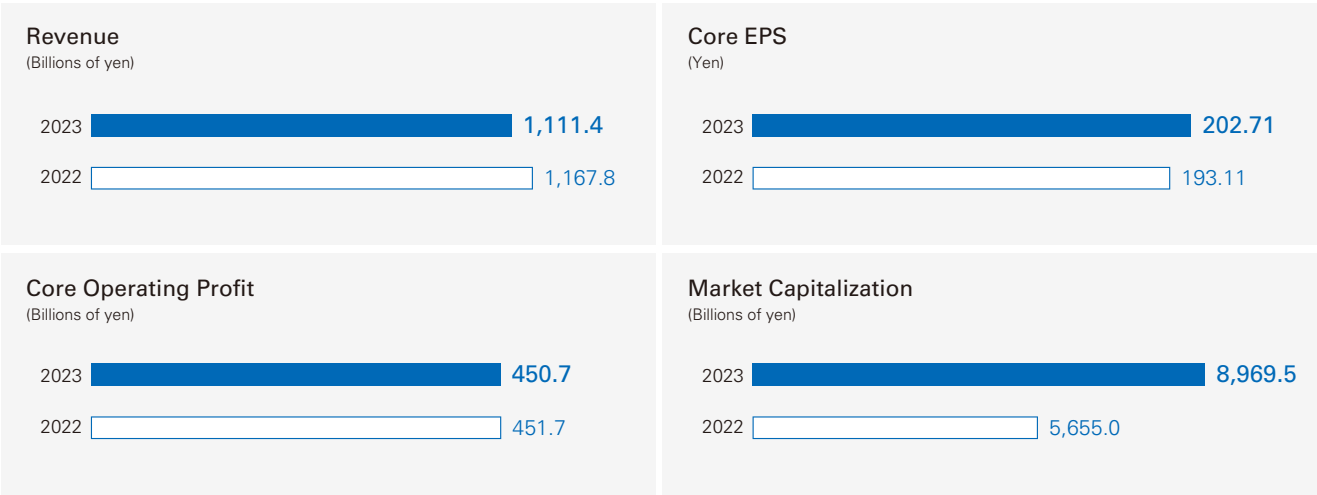
# Themes of the Year

## **R&D Results** (January 1, 2023 - December 31, 2023)

| Phase I | Phase II | Phase III | Filed |
|---|---|---|---|
| 27 | 6 | 32 | 9 |
| Phase I clinical studies started: 7 | Phase II clinical studies started: 1 | Phase III clinical studies started: 7 | Approval/Launch: 4 |

**Number of pipeline projects**
(As of December 31, 2023)
65
Products from Chugai research: 24
In-licensed products: 41

## Financial Performance




## Activity Themes

| | |
|---|---|
| R&D | • Despite an expected delay in acquisition of ePoC for the mid-size molecule project LUNA18 beyond the initial plan for 2024, we confirmed transfer into the bloodstream via oral administration and subsequent projects made quantitative and qualitative advances, including one project progressing to the preclinical phase<br>• Start of clinical development for four products from Chugai research (ALPS12, SAIL66, ROSE12, and REVN24), including next-generation antibodies<br>• Steady progress of products from Chugai research, including additional indications for Hemlibra in Europe and filings for crovalimab and Alecensa in Japan, the United States, and Europe. Aiming to provide new value through shortening of administration time with the approval and launch of Phesgo<br>• Full-scale operation of the new research center, Chugai Life Science Park Yokohama. Start of experimental trials for realizing laboratory automation<br>• Establishment of a corporate venture capital firm in Boston, United States to accelerate opportunities for innovation with drug discovery start-ups. Preparations completed for full-scale operations from 2024 |
| Pharmaceutical technology | • Strengthening of production base supporting rapid market launch of products from Chugai research. Decision to make new investment of over ¥50 billion in biopharmaceutical manufacturing equipment<br>• Decision to carry out modification of UK3 biopharmaceutical drug substance manufacturing facility at the Ukima Plant. Capital investment totaling ¥20 billion to increase production capacity and eliminate use of fluorocarbons<br>• Stable operation of digital infrastructure to support operations of production functions (project name: SPIRITS) |
| Foundation for growth | • Implementation of an early retirement incentive program, promotion of mid-career hiring, expansion of content for the development of digital human resources, and implementation of measures to improve Company-wide digital literacy, with the aim of fostering an organizational culture that continues to produce innovation<br>• Acceleration of digital transformation (DX) initiatives. Selection as a DX Stock for the fourth consecutive year, and selection as one of the "DX Platinum Companies 2023-2025" |

# Initiatives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# Message from the CEO

## We innovate with the power of our people and continuously create the value patients truly need.

Dr. Osamu Okuda
Representative Director, President and CEO

### Pursuing the Value Patients Truly Need

Patients come first in the core values of Chugai, and we uphold our Mission to realize advanced and sustainable patient-centric healthcare. We believe that pursuing value leading to the health and happiness of our patients is also precious to society at large, and that Chugai and society share that value in common.

All stakeholders involved in healthcare are committed to, above all else, offering the value that patients demand. We at Chugai are also committed to considering how to provide true value, including value as yet unrecognized by patients.

We offer value to patients by creating innovative drugs and healthcare services. Offering value through innovative drugs goes beyond the curative effects of the drugs to improving QoL, by enhancing the daily lives, studies, work, and social activities of patients. Hemlibra, for example, designed to treat hemophilia A, has the effect of continuously preventing or reducing the frequency of bleeding episodes. In addition, it improves convenience for patients by reducing the frequency of injections and making subcutaneous administration practical at home. Drugs like this can change patients' lives by, for example, allowing elementary-school patients to enjoy gym classes they could not attend before. There are great hopes that, beyond helping patients and their families, such drugs will improve economic efficiency and productivity for healthcare providers and caregivers, make healthcare financially sustainable, energize community healthcare, and address a wide range of social challenges.

It is not easy, however, to know what kinds of value patients need. Each of our patients has a unique lifestyle and set of values, and requires different treatment priorities. Where one woman sees the greatest value in living her life without pain from endometriosis, another sees hers in getting pregnant and giving birth. As treatment methods and medical technology progress, there will be more kinds of value we can offer, of which our patients are as yet unaware. We must

produce drugs and healthcare services that are truly valuable to a broad range of patients by staying close to them, hearing their voices, understanding their contexts, and pursuing that value through continuous trial and error. In one of our patient centric initiatives, PHARMONY, we listen to patients across the entire value chain in a continuing effort to find what is truly valuable to them.

## Advancing Steadily with a Clearer Future Envisioned in TOP I 2030

In 2021, we announced the TOP I 2030 strategy, defining our Envisioned Future for 2030, from which we backcast what we should do over the coming decade. To make the kind of innovations only Chugai can and deliver the results to as many patients as possible worldwide, the strategy sets two primary targets: double R&D output and launch in-house global products every year. The global-product target is particularly ambitious, set at roughly three times as many products as the level for the decade before the start of TOP I 2030, and we will not compromise quality. To achieve these high targets we are accelerating internal reforms with two strategic pillars: realizing global first-class drug discovery and building a futuristic business model.

It has been three years since we began TOP I 2030. If we compare our journey to climbing a mountain, we have reached the third station, moving toward the tenth, the summit, with a range of reforms done and our foundation reinforced. Let's take a brief look at our reforms in the five areas of strategic focus: drug discovery, development, pharmaceutical technology, value delivery, and foundation for growth. In drug discovery, with the platform well-established, we have roughly 30 mid-size molecule projects, including LUNA18, advancing, which we hope will become a growth engine. In development, we are expanding our product value through simultaneous development of drugs for multiple diseases. With project RAY121, for example, we're taking the unprecedented step, worldwide, of attempting to develop a drug to treat conditions across six primary illness areas. In pharmaceutical technology, to bring a rapidly increasing number of projects to launch as quickly as possible, we are working with a strategy to handle everything in-house up to early commercial production, and have decided to invest over ¥140 billion in equipment over the next three years. For value delivery, we recently entered the ophthalmology field, and have been making steady, positive results on our strengths in science and safety. We are building up our foundation for growth, which sustains multiple value chains, to evolve our patent strategy for original technologies and innovative drugs and protect our intellectual property. At the same time we are seeing steady progress with DX in AI-leveraging drug discovery and work process improvements for higher efficiency.

In financial results, 2023 was our second consecutive year of revenue above ¥1 trillion. Core operating profit remains on a par with that of 2022 despite a dip in sales of COVID-related products, offset by growth for core businesses, mainly abroad. Core net income set a seventh consecutive record, extending our strong growth trajectory.

We attribute all these positive accomplishments to spontaneous reform initiatives by our employees in all divisions and functions. I have growing confidence in every Chugai employee, positive that they are capable of rising to new challenges and completing the reforms they have begun.

Looking back over our results for the past three years, we created a higher-definition image of our future envisioned for 2030, clarified the roadmap to get there, identified possible challenges along the way, and began reviewing our mid-term milestones to guide us on our way up. I expect to be sharing them with you in detail by the summer in 2024. We are resolved to achieve our TOP I 2030 goals.

## Reinforcing Our Three Key Drivers and Open Innovation

Taking a fresh look at our business environment in working to achieve our TOP I 2030 goals, it is easy for us to imagine accelerating government policy efforts to reduce healthcare and pharmaceutical costs worldwide, as new modalities like gene and cell therapies continue to diversify. Trends will shift faster than ever toward medication choices that favor economy and real value in treatment options. I understand that we have to monitor regulations on drugs in Japan and abroad, possible effects of the U.S. Inflation Reduction Act, and rising geopolitical risks. With a longer-term view, we can also project change in societal expectations and needs related to environmental challenges and sustainability. We have to be more alert to international transactions, human rights issues, the application of generative AI and digital technologies, and cybersecurity measures.

TOP I 2030 has three key drivers: RED[1] SHIFT to strengthen our value creation engines, DX to substantially enhance our drug discovery capabilities and Group-wide productivity, and Open Innovation, designed to combine Chugai's strengths with those of outside partners to create new value.

With RED SHIFT, we are working to further evolve technologies for mid-size molecule drug discovery and the next generation of antibody engineering technologies, while enhancing our technological base for multi-modality drug discovery. We are accelerating drug discovery by expanding the role of Chugai Pharmabody Research (CPR) in Singapore for mid-size molecule drug discovery, and making it our permanent drug discovery research base outside Japan, while reinforcing innovation at Chugai Life Science Park Yokohama. In early development, we work to raise the precision of human pharmacokinetic prediction, verify the true value of a given drug early on, and simultaneously develop drugs for treating multiple diseases. For in-house products

we design Target Product Profiles in the early development stages with their future in mind, to create molecules with the highest quality possible in the discovery phase. During early development, we collect as much data as we can, both clinical and non-clinical, for thorough analysis to accurately assess the potential of a given drug. All these efforts have brought us a high success rate. To continue ramping that up as the hurdles get higher for drug discovery, we are focusing our efforts on digital technologies and human organoid research. Our complete commitment to technology-driven quality in drug discovery will not waver.

In the DX arena, we are focusing on smart factory initiatives to realize a new generation of lab automation with AI and robotics, and higher productivity with antibody and mid-size molecule drug discoveries. With this new foundation, we are promoting the ASPIRE[2] Program, a joint effort with Roche to develop the next generation of our core business infrastructure, which will enhance our work processes and raise the efficiency of our collaboration with Roche. We hold out great hope going forward for the utility of generative AI. Chugai completed the systems and guidelines for that effort years ago, and began operating them Group-wide in August 2023. Because there remain divisional disparities in the use of generative AI, we are working to raise AI literacy across the Group and create examples of higher added value.

With Open Innovation, we promote multi-modality drug discovery, combining Chugai's unique technologies and new modalities, technologies, and biology from other organizations. In July 2023, we set up Chugai Venture Fund, LLC in the U.S. to invest in drug discovery start-ups; that entered full operation in January 2024. We are further enhancing Open Innovation by creating opportunities to collaborate with venture businesses and the like abroad, attracting other companies and organizations to joint projects at CPR. We understand that our challenge in that regard is mindset. It's important to have ownership and pride in creating something on our own, but so is the openness of mind to embrace better things found outside and combine them with our technology to create innovative drugs. I believe that with practice we will be better at it.

For future profit growth, I see very positive prospects in our core domestic and overseas businesses, despite uncertainty about the business environment and the success or failure of the products we develop. In the medium term, I can predict impact from generics on Actemra abroad as well as on our products in Japan, on top of another round of NHI drug price revisions. I am fully confident that we can overcome this difficulty by expanding indications for our global products and launching new ones. Over the long term, success with in-house product development, including a next-generation antibody and mid-size molecule drugs, will be the key to further growth. We will follow through on our strategies and

Management 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
- Accelerating innovation opportunities by strengthening collaboration with leading global players and leveraging digital technologies

### 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

accelerate innovation so the results appear in our financial performance.

1. Research & Early Development: Research, early clinical development, and pharmaceutical technology functions related to early product development
2. A business and digital transformation program to implement cutting-edge, global standardization processes and the next generation of enterprise resource planning across Chugai

## In the End, It's Our People

I believe that people are the beating heart of innovation.

Chugai has been promoting its talent management program for more than a decade, encouraging autonomous career development for each employee while improving the Company's systems and programs to support it. In employee career development, it's important to consider timelines. The entire Company is committed to working to see each employee's career from the medium- and longer-term standpoints and provide opportunities for them to take on challenging assignments at every career stage.

Chugai is unique in terms of the amount of time management invests in human resources. Executive Committee members, including myself, participate in the Human Resource Development Council, conducting in-depth discussions about succession to key positions, choices of candidates, and their specific career and development plans.

Diversity is a crucial theme in driving innovation. Innovation comes from employees with diverse experience, knowledge, and values contributing ideas and participating in healthy exchange of opinions with respect for each other's differences. Since 2010, Chugai has undertaken D&I initiatives under the direct management of top executives to develop an inclusive organizational culture. We've made progress, including having women account for 32% of our total workforce, with 27.3% of those on career paths within Chugai and its affiliates in Japan as of December 31, 2023. To further accelerate the progress in gender diversity in particular, we are working to raise the ratio of women at all management levels to be equal to their ratio in our total workforce by the end of 2030. We are also focusing on dialogue and collaboration with other organizations, just as we do with Open Innovation, to incorporate new values.

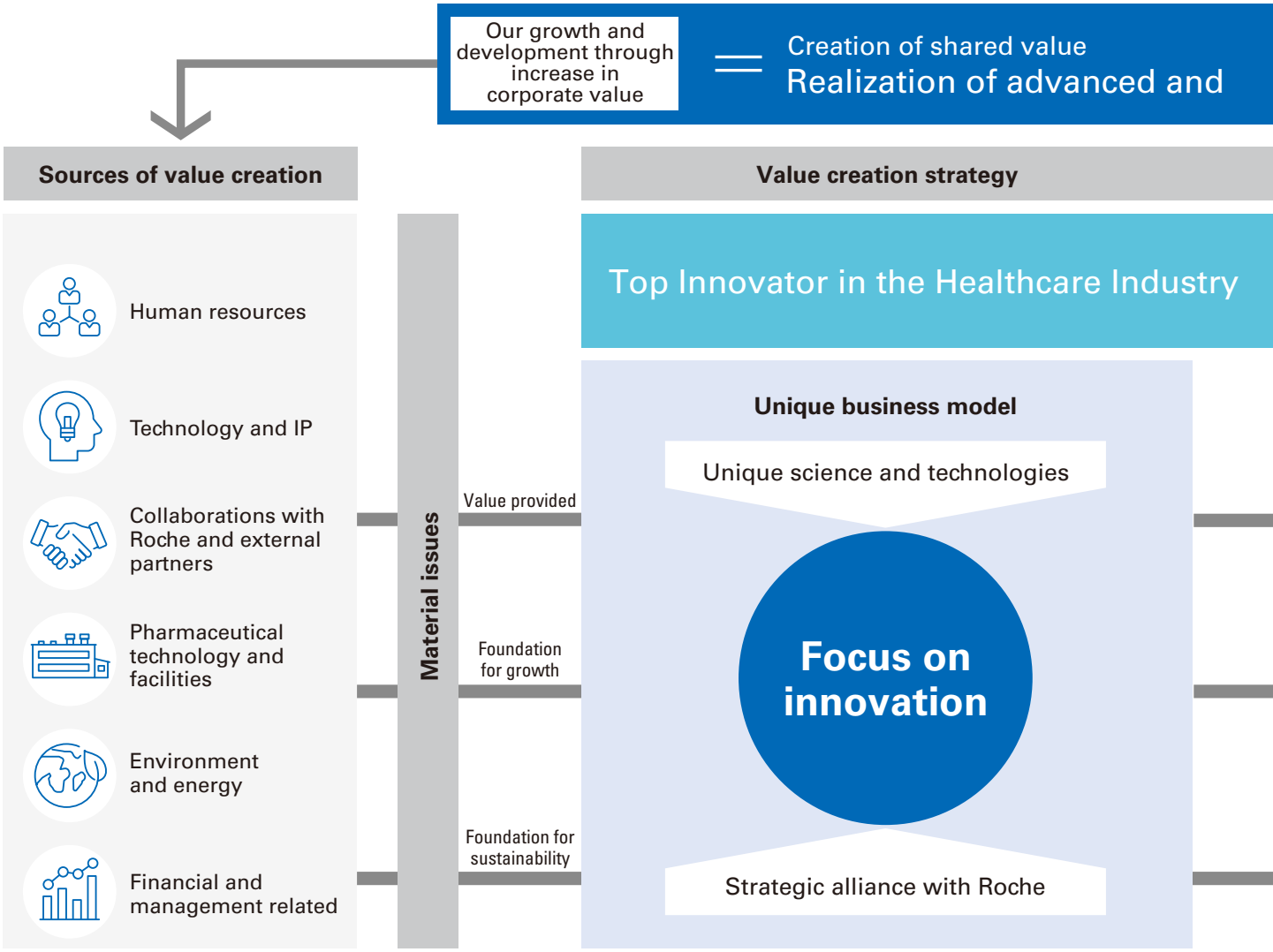
## The Sense of Ownership in Overcoming Labor Challenges

While TOP I 2030 is making steady progress, we see challenges in "employee enablement." While R&D output is increasing and the Company is growing, our employees are feeling a resource shortage. We hire proactively on top of work process reform and initiatives for higher efficiency, but we are not seeing much improvement in resolving that issue. Lowering the bar of employee requirements is not an option, however. We are working to achieve very high, challenging goals. We only want people who share our values and are willing to embrace the challenges and grow with us. Because these people are important assets for society more generally, attracting them may not be easy, but we will never compromise.

The "I" in Top I 2030 has two meanings: "Innovator" and "I or Me." We encourage the feeling that "I own innovation here." We hope to build an organization where every employee's sense of ownership of innovation for themselves to get the job done and achieve the goal link together as a chain. In 2023, we instituted the Ignite Project, first for top executives. It's designed to encourage each participant in a conversation to verbalize what they truly want to accomplish, and give it life outside themselves. We hope that this kind of action by top executives will have substantial influence on employee habits, actions, and speech. Through Ignite, I hope to see change in employee engagement through dialogue. I too am making conscious effort every day to improve my actions. To forge the chain of ownership, I think of making team management, which began after my inauguration as CEO, the standard management style for the entire Company. In this, each employee builds a strong backbone of initiative while respecting one another and undertaking meaningful discussions across the organization.

I also send messages to employees encouraging us to look outside the Company more and make use of the expectations and evaluations we find outside our ranks. Talking with shareholders, investors, academics, and people in venture business, venture funds, patient organizations and the like, I am often pleased to discover new pride, confidence, and a variety of insights. I continue using the new insights I get from these dialogues in management to drive innovation, offer new value to patients, and enhance Chugai's value.

# Value Creation Model (Sustainability at Chugai)




## Management Resources and Material Issues for Realization of Advanced and Sustainable Patient-Centric Healthcare

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 of this shared value, which is also part of our Envisioned Future, is to realize advanced and sustainable patient-centric healthcare.

The aspect of the external environment that we are focused on is the common global issue of realizing sustainable healthcare systems. 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.

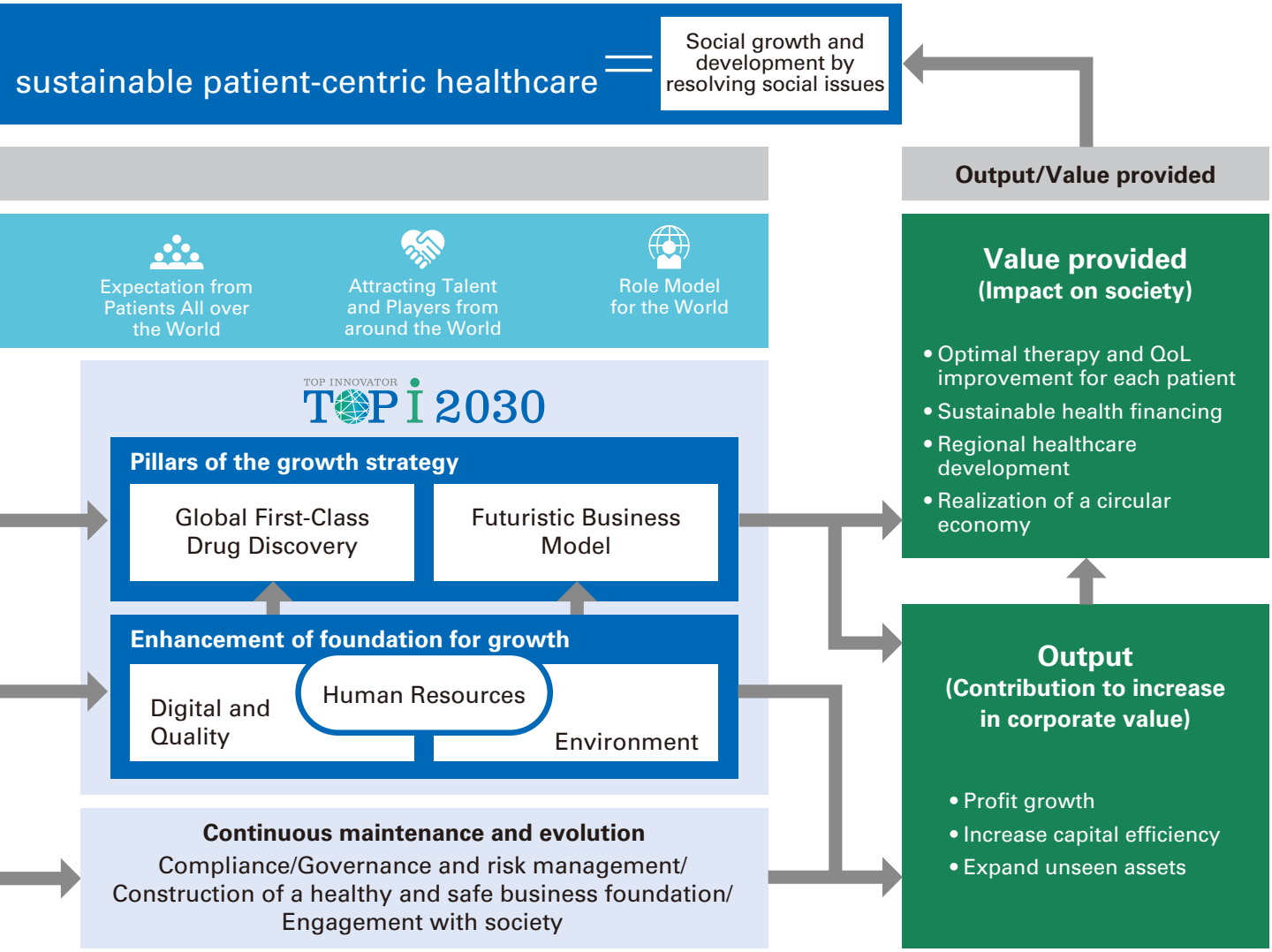
See "Business Environment Recognition" on page 22.

Based on this environmental outlook, Chugai has determined a policy for investing management resources, having organized its sources of value creation as follows: human resources, technology and intellectual property, collaborations with Roche and external partners, pharmaceutical technology and facilities, environment and energy, and financial and management related. In addition, we have identified our material issues as matters that should be focused on toward the realization of advanced and sustainable patient-centric healthcare, and we are promoting initiatives for creating value from a medium- to long-term perspective as our value creation strategy.

See "Sources of Shared Value Creation" on page 23 and "Material Issues" on page 32.

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

Focusing on innovation will continue to be key to promoting our value creation strategy. To continuously create innovative new drugs, we must achieve further innovation in drug discovery technologies, and acquire a deeper understanding




of biology, including exploration of new therapeutic targets. It is therefore important to fully leverage our unique business model, which is based on our unique strengths in science and technology and our strategic alliance with Roche.

In designing our value creation strategy, we started by defining our vision of becoming a top innovator in the healthcare industry in 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. Under TOP I 2030, we aim to realize this by forming a business structure that enables high productivity and reinvestment, treating our global first-class drug discovery and futuristic business model as two pillars of our growth strategy. With this, we aim to double R&D output and launch in-house global products every year. To realize this, we will enhance our foundation for growth by implementing initiatives targeting key themes including human resources, digital and quality, and the environment. The areas of compliance, governance and risk management, construction of a healthy and safe business foundation, and engagement with society are not items for transformation under TOP I 2030. Rather, we will continuously maintain and evolve these throughout the Company and in each business division.

See "Overview of TOP I 2030" on page 24.

Through these strategies, Chugai aims to increase its corporate value through profit growth, increase in capital efficiency, and the expansion of unseen assets. By continuing to create and provide innovative drugs, we aim to achieve global growth while also maintaining and strengthening our earnings structure to secure investment resources and realizing powerful profit growth.

Furthermore, in terms of value provided, or impact on society, we aim to contribute not only from a medical perspective by offering optimal treatment and improved QoL for each patient, but also by reducing the burden on healthcare professionals and by helping solve social issues through sustainable health financing and the realization of a circular economy.

See "Focus 1: Approach to and Evaluation of Value Provided (Impact on Society)" on page 28.

# Business Environment Recognition

**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*
- Evolution of DX at customers
- Difficulties in transforming healthcare into an information-based industry

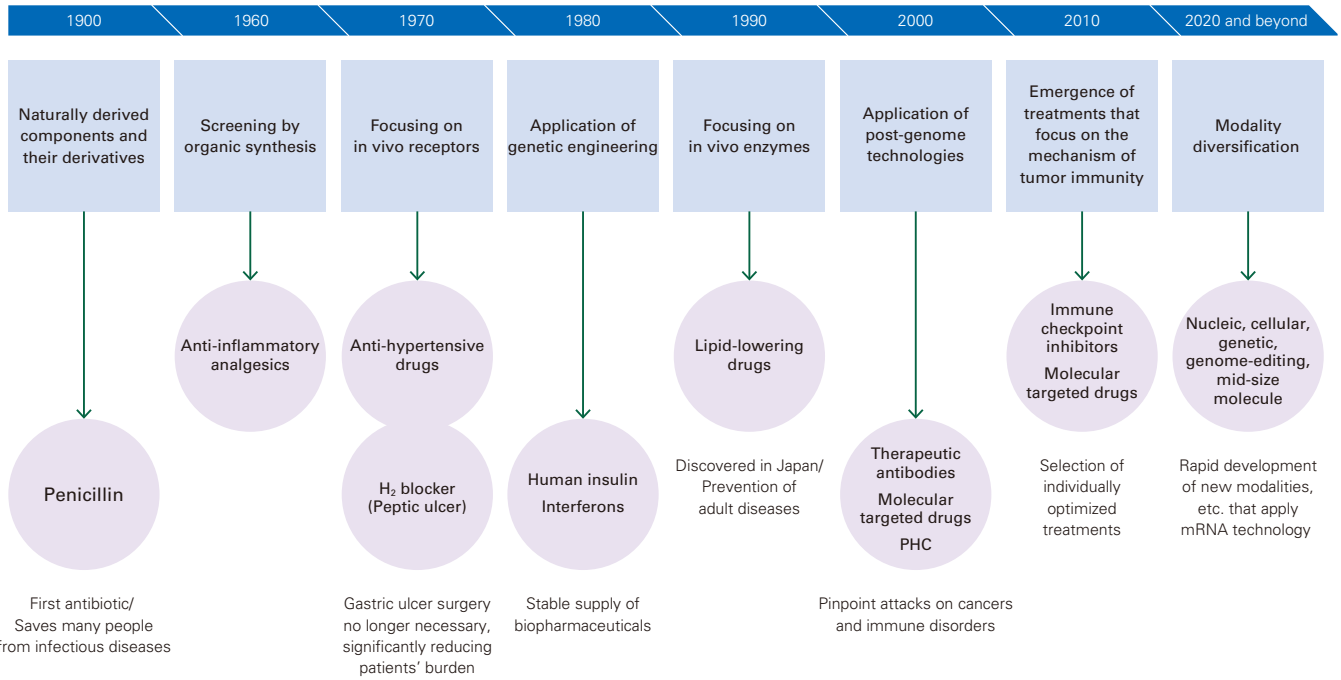
At Chugai, we have conducted medium- to long-term scenario analyses as a prerequisite to our value creation strategy, with changes anticipated in the market, science and technology, and customers through 2030, as well as business possibilities based on these changes, summarized in the diagram above.

Until now, drug treatment worldwide has typically progressed in step with scientific progress itself. In particular, the elucidation of disease mechanisms within the body and the advancement of recombinant technology and genomic analysis have led to the discovery of numerous innovative drugs, including molecular targeted drugs and immune checkpoint inhibitors. Nevertheless, 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. Consequently, in the healthcare industry going forward, we are entering an era when only products or solutions that offer true value will succeed. In addition, 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, it is critical that we demonstrate value to patients 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 also need to address business model innovation based on the evolution of digital technology and digital compliance in the use of human-derived data.

In light of this outlook, we believe that our core business at Chugai remains unchanged—it is still the discovery of innovative drugs. We are confident that Chugai must continue providing value across society and meeting the expectations of patients and other stakeholders through innovation and technology that create new treatments and the continued evolution of platforms.

* Organizations that provide funds to cover healthcare costs based on fixed contracts and using revenue from insurance premiums

### Evolution of Drug Therapy



# Sources of Shared Value Creation



To realize advanced and sustainable patient-centric healthcare, Chugai has organized its key management resources (capitals) as well as the strategic direction for utilizing and investing them (inputs) and its recognition of issues and policy for responding to them as follows.

For example, the sources of our most valuable resource, human resources, are employees and a corporate culture distinguished by diversity and global top-level employee engagement. To drive continuous innovation, we recognize the need to continuously acquire highly competent specialists and create an environment where each employee can play an active role.

| Category | Key themes | Sources of shared value creation[1] | Recognition of issues and countermeasures |
|---|---|---|---|
| Human resources (Human capital) | • Increase employees' job satisfaction, improve sense of fulfillment<br>• Acquire and develop human resources who will contribute to innovation<br>• Continuously pursue D&I | • Employees (Consolidated: 7,604)<br>• Organizational culture (Environment for engagement and employee enablement) | • Acquisition and development of highly competent specialists<br>• Creation of an environment where each employee can exercise autonomy and be enabled<br>• Building of environment and systems for innovation, maintaining and enhancing corporate culture |
| Technology and IP (Intellectual capital) | • Advance multi-modality approach<br>• Expand patents for world-leading drug discovery technology and platforms<br>• Strengthen drug discovery platforms leveraging digital technology<br>• Deepen our understanding of biology research | • Antibody engineering technology and small molecule and mid-size molecule drug discovery technology<br>• Research process library<br>• IP related to research and pharmaceutical technology | • Concentration on R&D investment<br>• Complementation of multi-modality technology and enhancement of IP strategy<br>• Deepening of understanding of disease biology and external collaboration |
| Collaborations with Roche and external partners (Social capital) | • Develop products from Chugai research globally via the Roche Group and other networks<br>• Collaborate with external parties on technology, science, and DX<br>• Engage in dialogue with stakeholders | • Exclusive marketing rights to Roche products and infrastructure (number of products in-licensed from Roche in the pipeline[2]: 40)<br>• Networks with academia and investment in start-ups (IFReC, the University of Tokyo, National Cancer Center Japan, and overseas research institutions)<br>• Dialogue with patient groups, patients, investors, and others | • Ongoing substantial contribution to collaboration with Roche<br>• Collaboration with academia, start-ups, and others<br>• Initiatives for creation of shared value with patient groups, etc. |
| Pharmaceutical technology and facilities (Manufacturing capital) | • Evolve modalities and technologies, and advance research and production suited to DX<br>• Develop systems for flexible and rapid development and next-generation production<br>• Ensure stable supply and rigorous quality assurance | • Research sites (Yokohama, Ukima, and Singapore)<br>• Production sites (Ukima, Fujieda, and Utsunomiya)<br>• Quality management system | • Establishment of systems to keep pace with increasing R&D output<br>• Continuous response to quality and supply risks, and risk reduction |
| Environment and energy (Natural capital) | • Contribute to climate change countermeasures and protection of biodiversity<br>• Recycle resources consistent with a circular economy | • $CO_2$ reduction<br>• Environmental investment<br>• Initiatives to abolish use of SVHC<br>• Environmental management system | • Promotion of best mix of environmental impact and cost<br>• Development of manufacturing processes with low EHS risk |
| Financial and management related (Financial capital) | • Continuously evolve revenue structures<br>• Increase cash flows to ensure strategic investment | • Earnings structure (Core ROIC: 34.6%, ratio of Core operating profit to revenue: 40.6%) | • Continuous reinvestment<br>• Continuous build-up of reputation in capital markets |

1. Apart from certain exceptions, figures are as of December 31, 2023
2. As of February 1, 2024

# 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
- Accelerating innovation opportunities by strengthening collaboration with leading global players and leveraging digital technologies

## 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

### 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 become a company that is able to launch innovative in-house global products every year.

* 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.

### Two Strategy Pillars

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.

### Three Key Drivers and Reforms in Five Areas

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.

### Five Reforms

**1.** Drug Discovery

- Expansion of existing technological platforms to realize unique drug discovery ideas and establish new technology platform
- Acceleration of innovation opportunities by leveraging digital technologies and strengthening collaboration with leading global players

**2.** Development

- Early maximization of product value through advanced human prediction and simultaneous development for multiple diseases
- Realization of advanced and efficient clinical development operations using digital technologies

**3.** Pharmaceutical Technology

- Establishment of competitive mid-size molecule production technology
- Establishment of world-class antibody drug manufacturing technology and acceleration of development
- Set up efficient production systems by utilizing digital and external resources

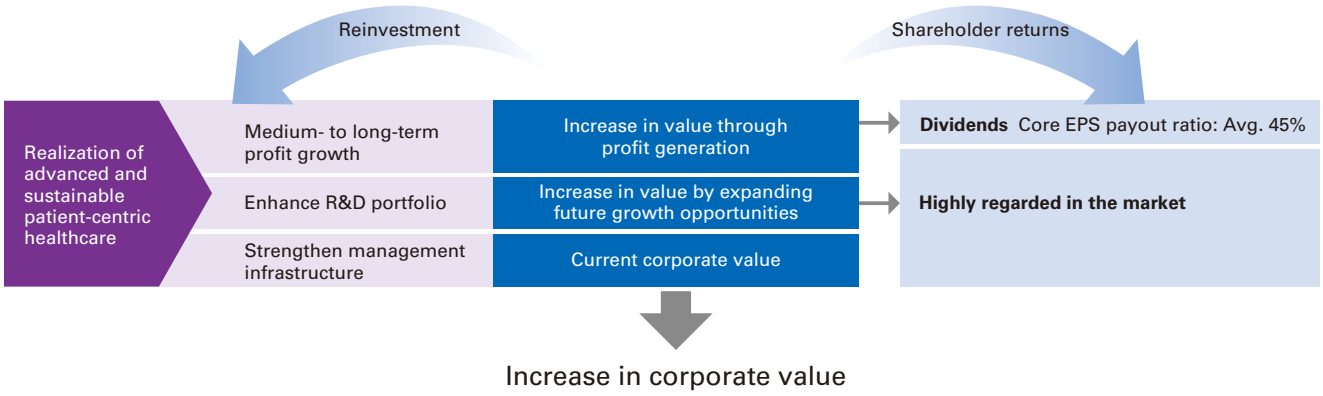
**4.** Value Delivery

- Maximize customer value by innovative digital-based customer engagement model
- Realization of further personalized healthcare by the creation of unique evidence

**5.** Foundation for Growth

- Acquisition of talent and establishment of an organizational structure / HR system to support creation of innovation
- Realization of CHUGAI DIGITAL VISION 2030
- Quality management that achieves both quality and efficiency
- Conduct global environment measures
- Pursue opportunities of Insight Business

### Basic Principles of Increasing Corporate Value and Shareholder Returns




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.

We have formulated plans and set mid-term milestones as medium-term targets for each of our five reforms—drug discovery, development, pharmaceutical technology, value delivery, and growth foundation. These medium-term milestones are targets for the next 3-5 years in accordance with strategy and will be changed and revised as necessary based on environmental changes and progress on strategies.

## Shareholder Returns Policy

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

# Value Creation Indicators

Previously, we had organized the relationships between financial indicators and business value indicators (pre-financial indicators) as drivers of corporate value increase. With the revision of our value creation model, we have reorganized the key indicators linked to value creation. Here, we have categorized these into three indicators: performance in the value creation strategy of our value creation model, output that contributes to financial corporate value increase, and outcome that represents new value created (value provided = our impact on society) through the Company's initiatives.

## Performance

Performance is an important indicator for moving toward realizing our Envisioned Future under TOP I 2030. We have set indicators for our TOP I 2030 targets of "doubling R&D output" and "launching in-house global products every year," as well as for the two pillars of our growth strategy—"global first-class drug discovery" and a "futuristic business model"—and for each of the key themes of our enhancement of the foundation for growth.

For details of each strategy, please refer to the "Progress" section on page 36. In particular, we have provided detailed information about the environment on page 51 and human resources on page 54.

| Indicator perspective | | Indicators | 2022 results | 2023 result |
|---|---|---|---|---|
| Target | Double R&D output | In-house projects that progressed to preclinical phase | 0 | 4 |
| | | In-house projects that acquired PoC | 0 | 0 |
| | | Projects that advanced to phase III clinical trials | 7 | 7 |
| | | Applications filed for approval | 4 | 9 |
| | | New products launched and new indications | 12 | 4 |
| | Launch of in-house global products every year | In-house global products out-licensed | 1 | 1 |
| | | In-house products launched globally | 0 | 0 |
| Global first-class drug discovery | (Foundation) Technology and research foundation | Academic papers and presentations on research findings at scientific conferences | 82 | 90 |
| | | Patent applications filed (antibody/mid-size molecule) | 16/16 | 19/12 |
| | | Projects from Chugai research | 85 and above | 95 and above |
| Futuristic business model | (Quality) Productivity | Operating profit per employee (Core) | ¥58.13 million | ¥59.27 million |
| | (Quality) Patient value and product value | Customer satisfaction evaluation[1] | No. 1 | No. 1 |
| | (Foundation) Investment | R&D expenses (Core) | ¥143.7 billion | ¥162.8 billion |
| | | Capital investment | ¥61.8 billion | ¥68.3 billion |
| Human resources | Overall | Employee engagement indicator[2] | 100 | Not conducted |
| | | Employee enablement indicator[2] | 89 | Not conducted |
| | | Job-fill rate for highly competent specialists | 68% | 69% |
| | Engagement & Collaboration | Ratio of female managers with subordinates | 15.9% | 17.2% |
| Digital and quality | Digital | In-house digital human resources[3] | 423 | 426 |
| | Quality | Pharmaceuticals/medical devices audits | 176 | 139 |
| | | Regulatory inspections | 17 | 16 |
| Environment | Climate change countermeasures | Scope 1+2 $CO_2$ emissions | 61.3 thousand tons | 50.8 thousand tons |
| | | Scope 3 $CO_2$ emissions[4] | 2,251.2 thousand tons | 1,137.0 thousand tons |

1. INTAGE Healthcare "Rep-i August 2022 Survey" and "Rep-i August 2023 Survey" (reprint prohibited); based on survey results for an overall company assessment targeting only physicians according to Chugai's definition
2. Chugai's status where the score of companies with strong global performance is 100 (positive response in employee awareness survey)
3. Number of resources specified based on Chugai's definition of the skills of digital project leaders and data scientists (Definition changed from 2023. 2022 results calculated based on the new definition)
4. Calculated based on the method certified by SBTi

## Output

(Contribution to increase in corporate value)

Our output that has a direct impact on increasing corporate value takes three perspectives. These are "profit growth" for maintaining and increasing top-line growth and profitability, "increase in capital efficiency" by increasing the efficiency of invested capital and reducing the cost of capital, and "expansion of unseen assets" through human capital, intellectual capital, and ESG evaluation.

Moreover, while all of the indicators also place an emphasis on short-term financial results, they are basically for managing with a view to medium- to long-term growth.

| Indicator perspective | | | Indicators | 2022 result | 2023 result |
|---|---|---|---|---|---|
| Corporate value impact | Profit growth | • Creating innovative new drugs<br>• Provision and expansion of product value | Total net sales of in-house products (Japan + overseas exports) | ¥555.8 billion | ¥598.5 billion |
| | | | Overseas revenue ratio | 43.7% | 49.7% |
| | | | Global sales of in-house products | ¥1,183.0 billion | ¥1,461.0 billion |
| | | • Increase in added value / Securing of investment resources | Core operating profit | ¥451.7 billion | ¥450.7 billion |
| | | | Core EPS CAGR | 2.0% | 5.0% |
| | Increase in capital efficiency | • Increase in efficiency in invested resources | Core ROIC | 36.1% | 34.6% |
| | | | Ratio of Core operating profit to revenue | 38.7% | 40.6% |
| | Expansion of unseen assets | • Improvement of ESG evaluation | Selection for DJSI World Index | Selected as global No. 1 in pharmaceutical sector | Selected as global No. 2 in pharmaceutical sector |
| | | | Selection for GPIF's ESG Index for Japanese Equities | Selected for all five | Selected for five |

## Value Provided

(Impact on society)

The Company considers outcome to be the creation of new value (value provided = impact on society) through its initiatives toward realization of advanced and sustainable patient-centric healthcare, which is the goal of shared value creation.

Up to now, we have been working to grasp the value created for patients and medical care for each product and disease area, and currently we are examining and discussing our value provided (impact on society) from three perspectives: "medical value," "ripple effect of medical value," and "contribution to the advancement of society through social issue resolution."

For details, see "Focus 1: Approach to and Evaluation of Value Provided (Impact on Society)" on the following page.

# Focus 1: Approach to and Evaluation of Value Provided (Impact on Society)

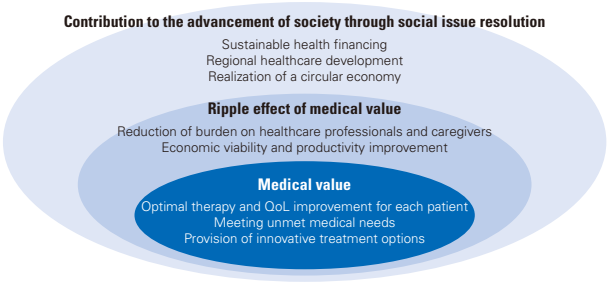
## Value Provided (Impact on Society)

At Chugai, we position the creation of new value (value provided = impact on society) through our initiatives as the outcome in striving toward our target for creating shared value, the realization of advanced and sustainable patient-centric healthcare.

As indicators for expressing this value provided (impact on society), we have crafted three distinct value frameworks, all centered on the medical value generated by providing innovative pharmaceuticals and services.

The first value provided, medical value, contributes to areas such as optimal therapy, QoL improvement for each patient, and the provision of innovative treatment options. The second value provided, reduction of burden on healthcare professionals and caregivers and improvement of economic viability and productivity as an outcome of treatment, can be regarded as a ripple effect of medical value. From these, with the third value provided of contribution to the advancement of society through social issue resolution, we specifically hope to achieve both the realization of sustainable health financing and regional healthcare development. A prime example is the value provided (impact on society) of the drug Hemlibra, highlighted later in this section.

Approach to Value Provided (Impact on Society)
Contribution to society through "realization of advanced and sustainable patient-centric healthcare"




Source: Modified from the "Image of value of pharmaceuticals" by the Office of Pharmaceutical Industry Research, OPIR News No.68 issued in March 2023

Prime Example

## Impact on Society in the Field of Hemophilia A

Hemlibra is a bispecific monoclonal antibody created with Chugai's proprietary antibody engineering technologies. The drug is designed to bind factor IXa and factor X. In doing so, Hemlibra provides the cofactor function of factor VIII in people with hemophilia A, who either lack or have impaired coagulation function of factor VIII. The product was approved by the U.S. Food and Drug Administration (FDA) in November 2017, for the first time in the world, for routine prophylaxis to prevent or reduce the frequency of bleeding episodes in adult and pediatric patients with hemophilia A (congenital factor VIII deficiency) with factor VIII inhibitors. As of December 31, 2023, Hemlibra has been approved in more than 115 countries for congenital hemophilia A with and without factor VIII inhibitors. In Japan, it was first approved in March 2018 for congenital hemophilia A with factor VIII inhibitors and its indication was later expanded to include congenital hemophilia A without factor VIII inhibitors, and acquired hemophilia A. Along with regular intravenous infusions to supplement factor VIII, which previously had been the primary treatment option, the launch of Hemlibra in Japan in 2018 created an option based on a new mechanism of action.

Under Hemlibra-based treatment, patients report that in addition to better bleeding control in a physical sense, they also experience a lighter psychological burden, including less anxiety about bleeding (see sources 1–4). Other studies, meanwhile, report that treatment is contributing to improved quality of life for patients (see sources 1–4). Specifically, physical and psychological changes thanks to treatment have broadened the scope of activity for patients through increased opportunities for exercise and exercise time, for example, and helped propel changes in behavior, such as their willingness to tackle new challenges like extended travel and taking part-time jobs.

Furthermore, Hemlibra is designed both to enable subcutaneous injection and reduce administration frequency. This has resulted in improvements in simplifying administration, reductions in treatment frequency and time required, and other decreases in the time burden accompanying treatment. This, in turn, is actually driving a host of positive changes, including reducing the need for absences and leaving early from school or work for treatment or hospital care, while allowing patients to spend more time with friends and family. In that sense, Hemlibra is also leading to greater productivity and social activity not only for those receiving treatment but for the surrounding family members supporting them (see sources 1,5 and 6).

In terms of safety, the mostly commonly recognized side effect of Hemlibra treatment from clinical trials internationally is injection site reactions reported in 21.5% of cases (84/391), none of which were serious. In contrast, studies also reported more serious side effects, namely thromboembolism and thrombotic microangiopathy, when administered in conjunction with an activated prothrombin complex concentrate (aPCC) in 0.5% of cases (2/391) and 0.8% of cases (3/391), respectively. Production of anti-emicizumab antibodies was recognized in 3.5% of cases (14/398). These side effects are set as important identified risks in our risk management plan. Accordingly, Chugai strives to promote proper use by sharing information with healthcare professionals and establishing terms and conditions for institutional use to ensure Hemlibra is properly administered.

We are convinced that mitigating in these ways the burden associated with hemophilia treatment comprehensively and over the long term, amid appropriate

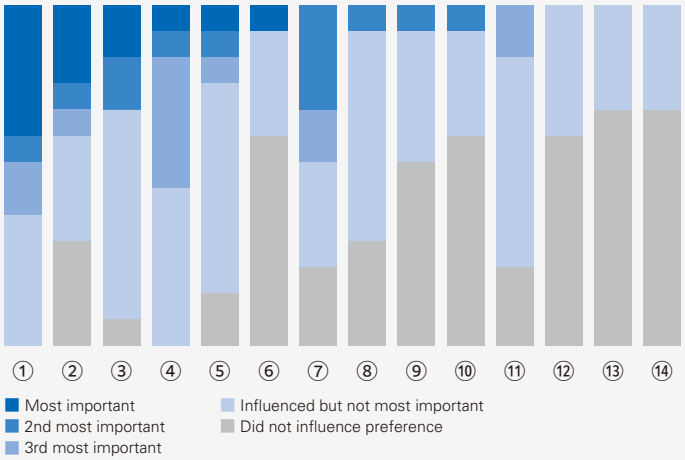
risk management, is having a social impact. The World Federation of Hemophilia (WFH) treatment guidelines consider the standard of care in hemophilia to be regular prophylaxis initiated at a young age, as studies have shown this improves long-term outcomes, while reducing the risk of intracranial hemorrhage (see sources 7-9). When it comes to infants, starting the treatment early was a matter of procedural difficulty, largely reflecting the difficulty level of injecting this population intravenously.

Hemlibra, as a subcutaneous injection, is widening the possibilities for applying the treatment to infants. In fact, the HAVEN 7 phase IIIb clinical trial is currently evaluating effectiveness and safety with respect to infants (see source 10). Chugai remains committed to delivering Hemlibra, a product helping to solve social issues beyond its medical value alone, to as many individuals with hemophilia A as possible.

### Medical Preference Survey

This survey (n=13) was conducted as one of the outcome measures for phase III clinical trials in Japan (known as the HOHOEMI study). The "EmiPref survey" (see source 11) was incorporated as part of this survey.

- A preference survey was conducted regarding the dosing regimen for Hemlibra among caregivers at 16 weeks post-treatment. All reported a preference for Hemlibra compared to prior treatment.
- The most cited reasons for choosing Hemlibra were "The frequency of treatments was lower" (38.5%, n=5) and "Effect on other activities was less" (23.1%, n=3).




(Survey findings)

① The frequency of treatments was lower
② Effect on other activities was less
③ Worry about finding a vein was less
④ Route of administration was easier
⑤ Quality of life, in general, was better
⑥ Pain associated with treatment was less
⑦ Worries about having a bleed were less
⑧ Administration was easier
⑨ Impact on family and friends was less
⑩ Concern over port use/infection was less
⑪ Made me feel more normal
⑫ Able to keep at room temperature
⑬ Time to administer was shorter
⑭ Easier to take every dose doctor recommended

## Resolving Future Issues in the Field of Hemophilia

There are a host of elements essential to the treatment of hemophilia beyond administering medication, including early detection of risk for hemophilic arthropathy through regular examination, bleeding and joint disease prevention through rehabilitation, and response time and appropriate measures taken during emergencies, therefore cooperation among a wide range of individuals is critical to treatment. It is gratifying to know that through Hemlibra we are one part of this cooperative effort, and are able to contribute to improving the QoL of individuals receiving treatment and their families. As a trusted partner in the field of hemophilia, along with ongoing data creation and sharing, we will continue helping to resolve the issues faced by the many individuals connected to treatment.

**Dr. Kawazoe Meiri**

Hemlibra Lifecycle Leader,
Specialty Lifecycle Management Dept.

Sources:
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# Focus 2: Demonstrate Leadership to Expand Impact

## Need to Collaborate with Stakeholders and Demonstrate Leadership

In striving to create shared value with society, companies are facing pressure to seriously address social issues and take action to solve them. Chugai aims to contribute to solving social issues through innovation with a focus on delivering innovative pharmaceuticals.

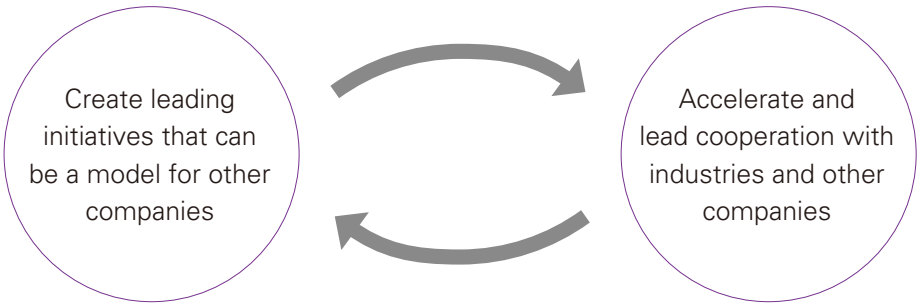
In the Envisioned Future in 2030, Chugai sets a "role model for the world" as one of its visions as a top innovator in 2030, aiming to become a leader in resolving social issues by pursuing ESG initiatives through business activities. Social issues today are increasingly complex and sophisticated. Drawing together players and stakeholders with diverse backgrounds and expertise to generate even greater results through collaboration (collective impact*) will be indispensable to solving them.

Along with leading cooperation and collaboration among multiple stakeholders of this kind, Chugai believes it is vital to demonstrate leadership that pushes beyond existing customs and frameworks, and to take forward-thinking action to create new value. With the knowledge and new frameworks gained through such initiatives as a foundation, we are aiming to expand and advance cooperation and collaboration that transcend companies, industries, sectors, and national borders. Through these initiatives, Chugai will build its reputation and presence as a role model for the world.

Today, Chugai has won high external praise for its sustainability activities, initiatives for solving social issues, and track record in these areas, and cases of cooperation and collaboration are growing and advancing.

In particular, Chugai is taking the lead in promoting cooperation and collaboration, and broadening the scope of its activities, in both activities and fields it views as especially important. These include areas of strength for Chugai such as biotechnology and DX, drug safety, and partnerships with patient organizations. Similarly, with respect to eliminating fluorocarbons and other environmental protection efforts, we have partnered with Roche to set industry-leading goals and move aggressively toward them. Chugai, for its part, will continue to exhibit leadership and expand its social impact through cooperation and collaboration with a full spectrum of stakeholders.

* An approach in which various entities across different sectors (governments, enterprises, nonprofit organizations, foundations, etc.) commit to shared goals and pool their strengths to solve social issues




Key Initiatives in External Cooperation to Expand Impact

| | |
|---|---|
| Biotechnology as an approach to join business community activities | Formulate and execute biotechnological transformation (BX) strategy for building a biocommunity through coordination with the Japan Business Federation and its Committee on Bioeconomy |
| Joint dialogue with patient organizations and other companies | Hold a conference on "patient participation in pharmaceutical R&D" and "proper information sharing" to promote Patient and Public Involvement (PPI) efforts in Japan |
| Leading industry-wide environmental countermeasures | Participate in the Environmental Issues Subcommittee of the Japan Pharmaceutical Manufacturers Association (JPMA) and the Carbon Neutral Action Plan Working Group of the Federation of Pharmaceutical Manufacturers' Associations of Japan (FPMAJ) as a leader company |
| Environmentally friendly pharmaceutical packaging | Working with other pharmaceutical companies to initiate a switch to use of environmentally friendly pharmaceutical packaging (using 50% or more biomass plastic as raw material) developed by Sumitomo Bakelite Co., Ltd. |
| Promotion of cutting-edge environmental measures | Joint development of natural refrigerants to reduce fluorocarbon use |

Example 1

## Formulation of Biotechnological Transformation (BX) Strategy

In the push to achieve "sustainable capitalism," the Japan Business Federation has launched three new committees to promote biotechnology, mobility, and creative industries, which will be drivers for making both green transformation (GX) and digital transformation (DX) a reality.

As the chair of one of the committees—the Committee on Bioeconomy—Chugai contributed in March 2023 to the formulation of the "Biotechnological Transformation (BX) Strategy—BX for a Sustainable Future."* This result came largely through exchanges of opinion with the nearly 100 companies serving on the committee, government representatives, and experts, as well as observation of bio-communities in Japan and abroad.

With a scope of application that spans industries, biotechnology harbors the potential to solve social issues, including environmental and resource issues, and achieve sustainable economic growth at the same time, as well as to greatly transform the fabric of society itself. Under the BX Strategy backed by this stance, we are pulling together a strategy with five perspectives in mind: (1) build ecosystems, (2) ensure economic security, (3) global rulemaking, (4) integrate policymaking from a command center, and (5) cultivate understanding among the public.

Similarly, while continuing to leverage our experience as a foremost company in biopharmaceuticals going forward, we will go beyond industry boundaries and contribute, as a top innovator, to enhancing industry competitiveness in our home country through business community activities.

*See the Japan Business Federation website
https://www.keidanren.or.jp/en/policy/2023/015_proposal.html

Example 2

## Collaboration with Patient Organizations – The Future of Medicine Created through Dialogue

At Chugai, we are pursuing collaboration with patient organizations, aiming for the realization of medical care that allows each individual patient to choose their optimal treatment solutions. The foundation for this is communication that encourages mutual understanding. Accordingly, since 2020, Chugai's CEO has held dialogue sessions annually with patient organization representatives.

The input gained from patients and issues identified through these dialogue opportunities are leveraged to improve corporate activities. At the same time, we believe these also lead to revolutionary changes in treatment. For example, where access to clinical trial information is concerned, "the group dedicated to creating a society that makes access to clinical trials easier for everyone," which largely brings together patient organizations, healthcare providers, and academia was established. In this effort, the assembly has brought the authorities into discussions aimed at reforming the Japan Registry of Clinical Trials (jRCT), which is a system for clinical research submission and publication.

Similarly, with regard to another issue that has emerged—patient participation in pharmaceutical R&D—Chugai has initiated PHARMONY, a movement aimed at incorporating patient feedback into drug discovery research. From 2023, we redefined PHARMONY as "a coverall term for Chugai's activities for listening to the voices of patients and their families with the aim of mutual understanding, while engaging in initiatives for shared value creation" in all value chains. We also launched PHARMONY ONE, a dialogue project involving patients and all Chugai employees designed to transform the mindset and behavior of individual employees to become more patient-centric.

At Chugai, we view patients as partners in solving issues. Based on our three pillars of collaboration with patient organizations (maximization of product value for patients, disease awareness to improve patient literacy, and support for medical participation advocacy activities of patients), we will continue to evolve such initiatives in the coming years.

Chugai CEO in conversation with patient organization representatives (2021)

PHARMONY

With marks representing dialogue (「 」) and their overlapped portion forming a DNA double helix, the meaning behind the PHARMONY logo is pharmaceutical development that reflects input from patients

PHARMONY ONE session (2023)

# Material Issues

26 Material Issues across 8 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)
- Employee 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

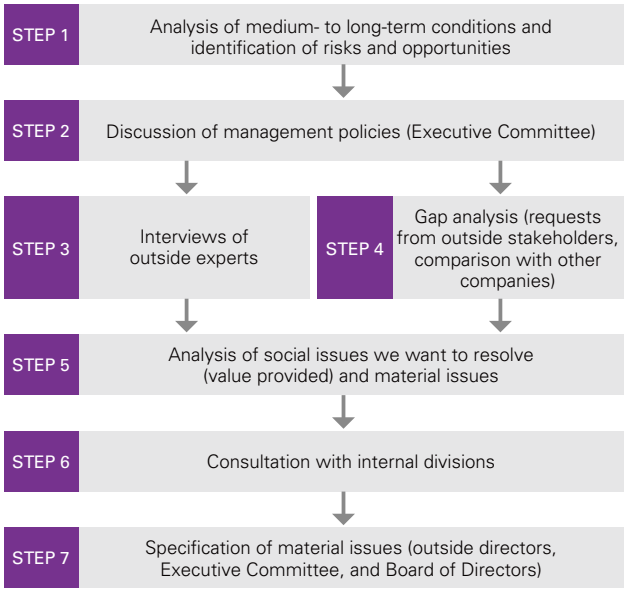
Supply Chain Management

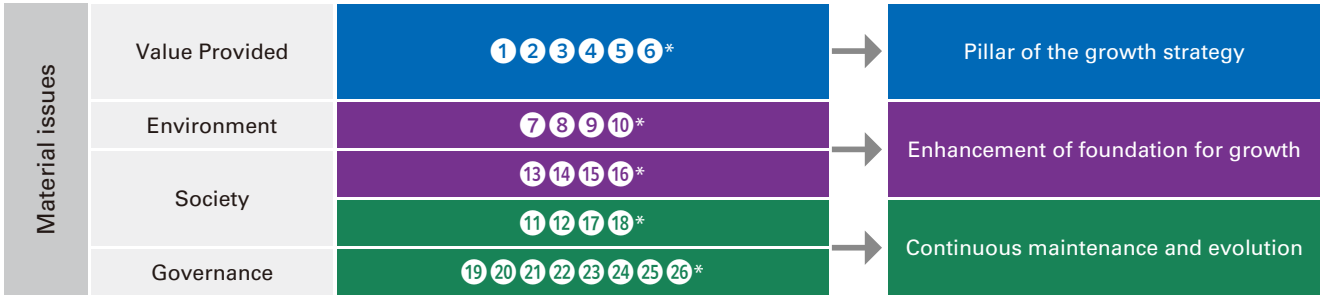
- Supply chain management

## Positioning, Formulation, and Verification of Material Issues

Under a basic policy of creating shared value with stakeholders, Chugai has identified material issues that should be given priority toward the realization of advanced and sustainable patient-centric healthcare. Chugai first identified its material issues in 2019, following the process shown on the right. We identified a comprehensive list of expectations and requirements of society, based on a future business environmental outlook and its analysis and by examining and referring to the SDGs, GRI, and SASB reports. We also conducted an analysis that incorporated outside views, and narrowed the list of issues to those for realizing Chugai's Envisioned Future in order to specify our material issues. Since then, we have constantly updated our material issues through external dialogue by periodically reviewing and verifying them based on the business environment and external expectations and demands, as well as the progress of our strategies and so forth.

The material issues table below arranges the 26 material issues for incorporation into management strategy and business activities based on our approach to utilizing management resources (capital) and to investing resources. The material issues can be categorized into 6 issues for increasing and expanding "value provided," along with 8 issues for refining and enhancing the "foundation for growth" and 12 issues to ensure sustainable business activities.




* See page 33 for corresponding material issues

## Policy on Material Issues

| Category | Material issues | Policy | Main initiatives in value creation strategy |
|---|---|---|---|
| Sustainable Healthcare | ❶ Creation of innovative drugs and services | Create innovative drugs | Acquisition and development of highly specialized human resources to support the creation of innovative drugs, expansion in the number of in-house projects, increase in success rates, initiatives for new modalities, increase of intellectual capital |
| | ❷ Provision of solutions for patients | Realize patient-centric healthcare | Improvement of QoL, realization of healthcare offering selection of individually optimized treatment |
| | ❸ Adverse event management | Perform appropriate pharmacovigilance activities and promote proper drug use | Establishment of advanced safety evaluation and information provision system including use of biomarkers |
| | ❹ Quality assurance and stable supply of products | Ensure quality and stable supply of products and services | Pursuit of productivity and maintenance and advancement of global stable supply system |
| | ❺ Fair marketing | Marketing in compliance with national guidelines | Improvement of the marketing system and provision of solution according to the actual medical practice in each country |
| | ❻ Fair pricing | Pricing that reflects drug and service value | Obtaining fair consideration for innovation, acquisition of health insurance coverage |
| Global Environment | ❼ Climate change countermeasures (energy, etc.) | Minimize impact on global environment (Targets set in Mid-Term Environmental Goals 2030) | Coordination with external stakeholders, achievement of targets set in Mid-Term Environmental Goals 2030 |
| | ❽ Use of renewable/recycled resources (water, waste, etc.) | | |
| | ❾ Protection of biodiversity (environmental burden mitigation) | | |
| | ❿ Environmental management system | Third-party assurance of performance data | Selection of appropriate third-party assurance indicators and acquisition of assurances |
| Human Rights | ⓫ Human rights | Respect human rights of all persons involved in business | Rebuilding of governance system focused on respect for human rights, as well as rigorous observance of Chugai standards by suppliers |
| | ⓬ Safety of clinical trial subjects | Conduct clinical trials under high ethical and scientific standards with safety | Development of internal regulations in compliance with relevant laws, cooperation with patient organizations |
| Human Resources | ⓭ Employee job satisfaction | Improve employee engagement and create an environment for employee enhancement | Initiatives to maximize employee independence |
| | ⓮ Development of employee potential | HR recruitment and training to realize strategic targets and accelerate innovation | Strengthening of talent management and further development of environment for self-directed learning |
| | ⓯ Diversity and inclusion (D&I) | Create new value through diverse talents | Initiatives to establish diversity and inclusion (D&I) needed for generating innovation |
| | ⓰ Employee health and safety | Maintain and enhance safe workplace environment and employee health | Promotion of health and safety activities and health and productivity management |
| Social Contribution | ⓱ Social contribution activities | Develop networks in key areas | Promotion of activities in five key areas |
| | ⓲ Access to healthcare | Improve access to healthcare including drug development | Active cooperation in international joint funds and domestic and international NPOs and NGOs, increase of access to healthcare |
| Governance | ⓳ Corporate governance | Realize sustained growth and increased corporate value | Introduction of various stakeholders' perspectives, securing the rights and equality of shareholders and improving the effectiveness of the Board of Directors |
| | ⓴ Risk management | Perform risk assessment and evaluate responses | Operating a framework for enterprise risk management (ERM) based on visualization and integrated management of risk |
| | ㉑ Disclosure and engagement | Earn market trust through appropriate information disclosure | Continuous selection for inclusion in major ESG indexes, appropriate communication with stakeholders such as investors |
| | ㉒ Personal information protection and information security | Thorough risk management for all types of information held, including personal information | Strengthening of information management system, including IT systems, and construction of global privacy system |
| Ethics and Compliance | ㉓ Compliance | Appropriately manage compliance risks | Compliance monitoring and improvement of the effectiveness of countermeasures, continued implementation of quality awareness-building activities |
| | ㉔ Code of conduct | Promote understanding and awareness of the Chugai Group Code of Conduct (CCC) | Promoting internal comprehension and awareness raising of standards |
| | ㉕ Fair transactions | Ensure compliance with trading laws and regulations and build fair and transparent business relationships | Management of bribery risk and continuous evolution of procurement process |
| Supply Chain Management | ㉖ Supply chain management | Perform comprehensive business partner evaluation | Development and introduction of risk assessment system for suppliers as well as a wide range of other business partners (third parties) |

# Executive Officers (As of April 1, 2024)

## Top Executives and Executive Officers in Their Area of Responsibility

### Dr. Osamu Okuda

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

### Iwaaki Taniguchi

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

### Dr. Hitoshi Iikura

Director, Executive Vice President
Supervisory responsibility for Research, Translational Research, and Clinical Development
Head of Translational Research Div.

### Tetsuya Yamaguchi

Executive Vice President
Supervisory responsibility for PHC Solution, Partnering, and Special Mission for CVF
Head of PHC Solution Unit
In charge of Partnering Dept.

### Junichi Ebihara

Executive Vice President
Supervisory responsibility for Legal and Intellectual Property
In charge of Legal Dept. and Intellectual Property Dept.

### Shinji Hidaka

Executive Vice President
Supervisory responsibility for Marketing & Sales, Drug Safety, and Medical Affairs

### Yoshiyuki Yano

Executive Vice President
Supervisory responsibility for Human Resources Management and ESG
In charge of Human Resources Management Dept. and ESG Dept.

### Tsukasa Kusano

Executive Vice President
Supervisory responsibility for Project & Lifecycle Management
Head of Project & Lifecycle Management Unit

### Dr. Kaori Ouchi

Executive Vice President
Supervisory responsibility for Risk Management, Compliance, Quality & Regulatory Compliance, Pharmaceutical Technology, and Manufacturing Technology

### Norihisa Onozawa

Executive Vice President
Supervisory responsibility for Corporate Planning, ASPIRE Transformation, Business Transformation, and Digital Transformation
Head of Corporate Planning Dept.
In charge of ASPIRE Transformation Dept. and Business Transformation Dept.

## Membership of Committees

| Name | Committees ( ● Chair ▭ Participating member) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Executive Committee | Enlarged Executive Committee[1] | Corporate Management Committees | | | | RDPM Committees | | |
| | | | Corporate Communications Committee[2] | Risk Management Committee[3] | Compliance Committee[4] | Sustainability Committee | Portfolio Management Committee[5] | Strategic Marketing Committee[6] | Digital Strategy Committee[7] |
| Dr. Osamu Okuda | ● | ● | | | | | | | |
| Iwaaki Taniguchi | ▭ | ▭ | ● | ▭ | | ▭ | | | |
| Dr. Hitoshi Iikura | ▭ | ▭ | | | | | ● | ▭ | ▭ |
| Tetsuya Yamaguchi | ▭ | ▭ | | | | | ▭ | ▭ | ▭ |
| Junichi Ebihara | ▭ | ▭ | | | | | | | |
| Shinji Hidaka | ▭ | ▭ | | | | | ▭ | ● | |
| Yoshiyuki Yano | ▭ | ▭ | | | | ● | ▭ | ▭ | |
| Tsukasa Kusano | ▭ | ▭ | | | | | ▭ | ▭ | ▭ |
| Dr. Kaori Ouchi | ▭ | ▭ | | ● | ● | ▭ | | | |
| Norihisa Onozawa | ▭ | ▭ | ▭ | ▭ | ▭ | ▭ | ▭ | ▭ | ● |
| Shinya Takuma | | ▭ | | | | | ▭ | ▭ | ▭ |
| Masayoshi Higuchi | | ▭ | | ▭ | ▭ | | ▭ | ▭ | ▭ |
| Naoya Fujihara | | | | | | | | | |
| Dr. Tomoyuki Igawa | | ▭ | | | | | ▭ | | ▭ |
| Takanori Muto | | ▭ | | | | | ▭ | ▭ | ▭ |
| Kazuhiko Nishi | | ▭ | | | | | ▭ | ▭ | ▭ |
| Takao Suzuki | | ▭ | | ▭ | | | ▭ | ▭ | ▭ |
| Takahiro Mizui | | ▭ | | | | | ▭ | ▭ | ▭ |
| Tatsuya Kamiuchi | | ▭ | | | | | ▭ | ▭ | ▭ |
| Junichi Takano | | ▭ | | | | | | ▭ | ▭ |

1. Committee members also include full-time Audit & Supervisory Board members and the heads of the following departments: Partnering, Human Resources Management, and Finance & Accounting.
2. Committee members also include the heads of the following departments: Corporate Communications, Finance & Accounting, Risk & Compliance, Human Resources Management, and ESG. Committees that handle financial disclosures also include the CEO, the CFO, and the head of the Project & Lifecycle Management Unit.
3. Committee members also include the heads of the following departments: Finance & Accounting, Corporate Communications, Human Resources Management, Risk & Compliance, and Legal.
4. Committee members also include the heads of the following departments: Legal, Human Resources Management, Finance & Accounting, Corporate Communications, IT Solution, Risk & Compliance, and Procurement.
5. Committee members also include the heads of the following departments: R&D Portfolio Management, Partnering, Regulatory Affairs, and External Affairs.
6. Committee members also include the heads of the following departments: Regulatory Affairs, Partnering, Marketing & Sales Planning, and External Affairs.
7. Committee members also include the heads of the following departments: Digital Strategy, IT Solution, and Science & Technology Intelligence.

**Shinya Takuma**
Vice President
Head of Manufacturing Technology Div.

**Masayoshi Higuchi**
Vice President
Head of Quality & Regulatory Compliance Unit, Head of Business Strategy & Compliance Dept.
In charge of Risk & Compliance Dept.

**Naoya Fujihara**
Vice President
In charge of External Affairs Dept.

**Dr. Tomoyuki Igawa**
Vice President
Head of Research Div.

**Takanori Muto**
Associate Vice President
Head of Pharmaceutical Technology Div.

**Kazuhiko Nishi**
Associate Vice President
Head of Medical Affairs Div.

**Takao Suzuki**
Associate Vice President
Head of Digital Transformation Unit

**Takahiro Mizui**
Head of Clinical Development Div.

**Tatsuya Kamiuchi**
Head of Drug Safety Div.

**Junichi Takano**
Head of Marketing & Sales Div.

## Areas of Supervisory Responsibility and Areas in Charge of

| Name | Areas of supervisory responsibility ● and areas in charge of | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Cross-divisional functions | | | | | | |
| | Research | Development / TR | Pharmaceutical / Manufacturing Technology | Marketing & Sales / MA / Safety | Human Resources / ESG | Digital | Quality & Regulatory Compliance | PLCM[8] | PHC Solution | Partnering | Other Corporate Functions[9] |
| Dr. Osamu Okuda | | | | | | | | | | | ● |
| Iwaaki Taniguchi | | | | | | | | | | | ● |
| Dr. Hitoshi Iikura | ● | ●[10,11] | | | | | | | | | |
| Tetsuya Yamaguchi | | | | | | | | | ● | ● | ● |
| Junichi Ebihara | | | | | | | | | | | ● |
| Shinji Hidaka | | | | ●[14,15,16] | | | | | | | |
| Yoshiyuki Yano | | | | | ● | | | | | | |
| Tsukasa Kusano | | | | | | | | ● | | | |
| Dr. Kaori Ouchi | | | ●[12,13] | | | | ● | | | | ● |
| Norihisa Onozawa | | | | | | ● | | | | | ● |
| Shinya Takuma | | | 13 | | | | | | | | |
| Masayoshi Higuchi | | | | | | | | | | | |
| Naoya Fujihara | | | | | | | | | | | |
| Dr. Tomoyuki Igawa | | | | | | | | | | | |
| Takanori Muto | | | 12 | | | | | | | | |
| Kazuhiko Nishi | | | | 15 | | | | | | | |
| Takao Suzuki | | | | | | | | | | | |
| Takahiro Mizui | | 10 | | | | | | | | | |
| Tatsuya Kamiuchi | | | | 16 | | | | | | | |
| Junichi Takano | | | | 14 | | | | | | | |

8. PLCM: Project & Lifecycle Management
9. Corporate Planning, Risk Management, Compliance, Audit, Legal, Intellectual Property, External Affairs, Finance & Accounting, Corporate Communications, Procurement, ASPIRE Transformation, Business Transformation, Chugai Venture Fund
10. Clinical Development
11. TR: Translational Research
12. Pharmaceutical Technology
13. Manufacturing Technology
14. Marketing & Sales
15. MA: Medical Affairs
16. Drug Safety



# Progress

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# Executive Summary



## Review of Strategic Policies for 2023

- Steady promotion of late-stage, early-stage, and preclinical-stage projects overall toward strengthening of RED functions
- Steady progress overall at present, despite issues in certain areas

| | |
|---|---|
| Strengthening of RED functions and delivering achievements | • Mid-size molecule projects: Qualitative and quantitative advances despite delays in some projects<br>• LUNA18 ePoC[1] acquisition expected to be delayed from 2024<br>• Progress in subsequent mid-size molecule projects, with one project reaching PC transition<br>• Continuous creation of new projects and construction of technological bases: Steady progress on establishment of technological bases<br>• Proof of value of in-house pre-PoC projects and strengthening of foundation: bPoC[2] and ePoC achieved on multiple projects<br>• Acceleration of open innovation: Establishment of Chugai Venture Fund with preparations complete for full-scale operation from 2024 |
| Maximizing value of growth drivers | • Enhancement of value of post-PoC projects: In-house product regulatory filings achieved as planned<br>• Maximization of value of new products and growth drivers: Polivy and Enspryng grew steadily and more than expected. Significant growth of Vabysmo, despite not reaching ambitious target<br>• Evolution of operation model for progressive business model: Stable operation of SPIRITS, digital infrastructure for production functions |
| Strengthening of business foundation | • Fostering of an organizational culture that continues to produce innovation: Conducted early retirement incentive program and promoted mid-career hiring; enhanced dialogue between supervisors and team members, and digital human resource development content; and implemented Company-wide digital literacy improvement measures<br>• Resource creation by business process reform: Despite promotion of ASPIRE[3], only partial progress on elimination of resource shortages identified as an issue in the employee awareness survey<br>• Increase in sophistication of risk management functions: Promotion of system development for construction of Company-wide third-party risk management system<br>• Promotion of autonomous management of affiliated companies: Change in decision-making process<br>• Measures to address Mid-Term Environmental Goals: Decision to implement measures to eliminate halogenated hydrocarbons at UK3[4] |

1. In addition to safety, signs of efficacy or pharmacological effect have been confirmed in a limited number of patients.
2. Proof that the expected mechanism of action for a drug actually functions within the patient's body
3. A business and digital transformation program to implement cutting-edge, global standardization processes and the next generation of Enterprise Resource Planning (ERP) across Chugai
4. Biopharmaceutical drug substance manufacturing building in Ukima, responsible for phase III clinical trial to early commercial production

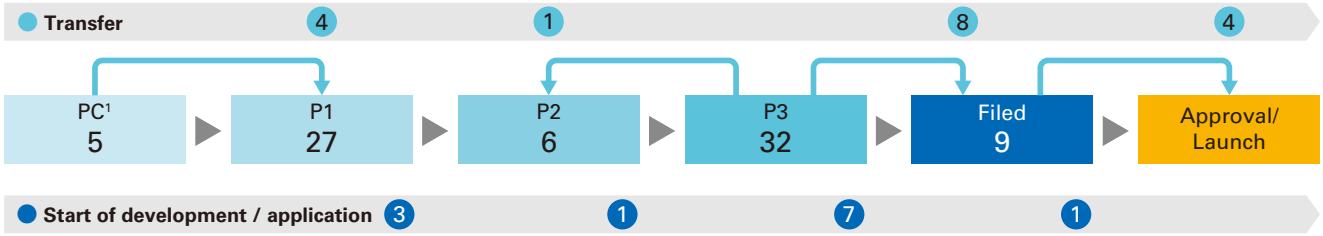
## Strategic Policies for 2024

- Continued intensive focus on strengthening of RED functions, maximizing of value of growth drivers, and strengthening of business foundation
- Revision of key policies for strengthening of business foundation in light of changes in the internal and external environments

| Strengthening of RED functions | Maximization of the value of growth drivers | Strengthening of business foundation |
|---|---|---|
| • Promotion and expansion of development of mid-size molecule projects<br>• Continuous creation of new projects and construction of technological bases<br>• Proof of value of in-house pre-PoC projects and strengthening of foundation<br>• Further strengthening of structure for promoting open innovation | • Enhancement of value of post-PoC projects<br>• Maximization of value of new products and growth drivers<br>• Operation model evolution toward a futuristic business model | • Strengthening of human resource strategy and business foundation to realize continuous innovation<br>• Further promotion of sustainability<br>• Relevant systems organization and business process reform for introduction of ASPIRE<br>• New Insight Business promotion policy |

# Progress in R&D

## Changes in the Number of R&D Projects (from January 1 to December 31, 2023)




1. PC: Preclinical development
Note: Discontinued development: 6 projects, temporarily suspended development: 1 project, application withdrawn: 1 project

| | Number of projects | Main progress |
|---|---|---|
| Start of phase I studies | Products from Chugai research·····5<br>Products in-licensed from Roche····2 | Started studies of ALPS12 and SAIL66 applying Dual-Ig® technology and ROSE12 applying Switch Antibody™ technology for solid tumors |
| Start of phase II studies | Products from Chugai research·····1<br>Products in-licensed from Roche····1 | Started study of GYM329 (facioscapulohumeral muscular dystrophy) |
| Start of phase III studies | Products from Chugai research·····1<br>Products in-licensed from Roche····6 | Started studies of Enspryng (thyroid ophthalmopathy), tiragolumab (hepatocellular carcinoma (1L)), giredestrant (breast cancer (1L-3L)) and others |
| Filed (including public knowledge-based applications) | Products from Chugai research·····8<br>Products in-licensed from Roche····1 | Applications filed for Alecensa (adjuvant therapy in ALK-positive NSCLC/ Japan, U.S., EU, China) and Crovalimab (PNH/Japan, U.S., EU) |
| Approvals (including additional indications and public knowledge-based applications) and launches | Products from Chugai research·····2<br>Products in-licensed from Roche····2 | Additional indications of Hemlibra and Actemra<br>Approval and launch of Phesgo (for HER2-positive breast cancer and others) |
| Terminations and application withdrawals | Products from Chugai research·····1<br>Products in-licensed from Roche····7 | Terminated development in a total of six projects including four of Tecentriq<br>Temporarily suspended development activities with RG7802<br>Withdrew application for Actemra (SSc-ILD/EU) |

## Portfolio in Each Modality (As of February 1, 2024)

### Antibody Drug, Cellular and Gene Therapy Product: Portfolio

Note: Projects that utilize multiple technologies are displayed in each technology.

| Discovery | Preclinical development | Clinical | Launched |
|---|---|---|---|
| Recycling Antibody®, Sweeping Antibody®, etc. | (chronic disease) | AMY109 (endometriosis/P2)<br>GYM329 (SMA/P2/3)<br>RAY121 (autoimmune disease/P1) | Enspryng<br>crovalimab (PNH/Filed) |
| Multispecific antibody | (chronic disease) | NXT007 (hemophilia A/P1/2)<br>DONQ52 (Celiac disease/P1)<br>ERY974 (cancer/P1)<br>ALPS12 (cancer/P1)<br>SAIL66 (cancer/P1) | Hemlibra |
| Switch Antibody™ | | STA551 (cancer/P1)<br>ROSE12 (cancer/P1) | |
| PAC-Ig®, new technologies, etc. and more incl CAR-T | (infectious disease) | SOF10 (cancer/P1)<br>GC33 (cancer/P1)<br>nemolizumab (atopic dermatitis/ prurigo nodularis) | Actemra<br>Mitchga (atopic dermatitis/JPN) |

## Small Molecule Drug Discovery: Portfolio

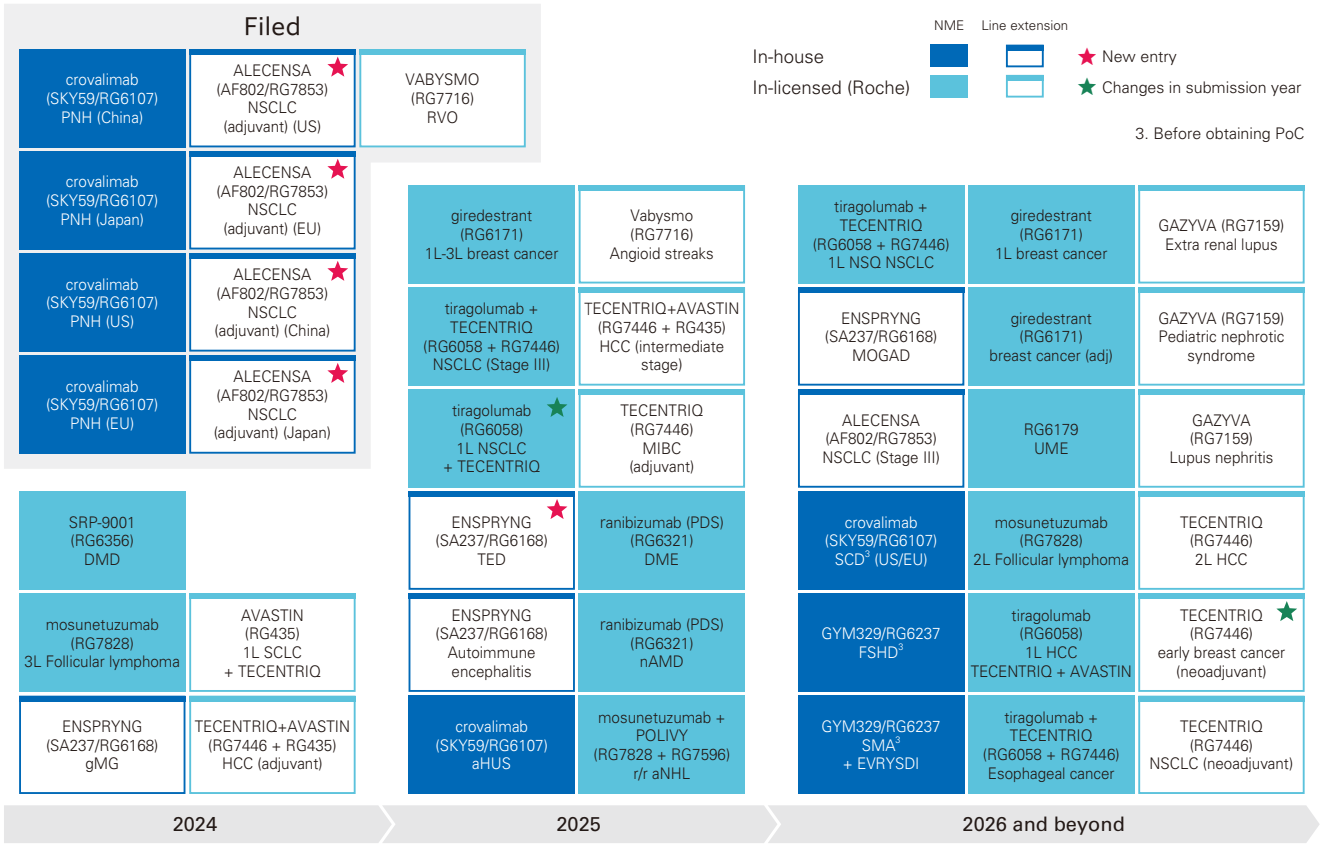
| Screening | Selection of candidates | | Preclinical development | Clinical | | Launched |
|---|---|---|---|---|---|---|
| In-house molecule | | | | | | |
| ● | ● Chronic disease | ● Chronic disease | ● Cancer | ● SPYK04 (cancer) | ● Alecensa (NSCLC adjuvant) | ● Alecensa (NSCLC) |
| ● | ● Chronic disease | ● Chronic disease | | ● REVN24 (acute disease) | | ● Edirol (osteoporosis) |
| ● | ● Chronic disease | ● Chronic disease | | | | ● Oxarol (psoriasis) |
| | ● Cancer | ● Cancer | | | | |
| Outsourced to a third party other than Roche | | | | ● EOS789 (hyperphosphatemia) | ● orforglipron[2] (T2D/obesity) | ● Deberza (T2D) |
| | | | | | ● avutometinib (LGSOC) | |

2. Eli Lilly has licensed the worldwide development and commercialization rights to orforglipron.

## Mid-Size Molecule Drug Discovery: Portfolio

| Screening | Selection of candidates | | | | | Preclinical development | Clinical |
|---|---|---|---|---|---|---|---|
| ● ● ● ● | ● Chronic disease | ● Chronic disease | ● Chronic disease | ● Cancer | ● Acute disease | ● Cancer | ● Cancer |
| ● ● ● ● | | ● Chronic disease | ● Chronic disease | ● Cancer | ● Cancer | | LUNA18 (Pan-RAS) |
| ● ● ● ● | | ● Cancer | | | | | |
| ● ● ● | | ● Cancer | | | | | |

## Projected Submissions (Post-PoC NMEs and Products) (As of February 1, 2024)

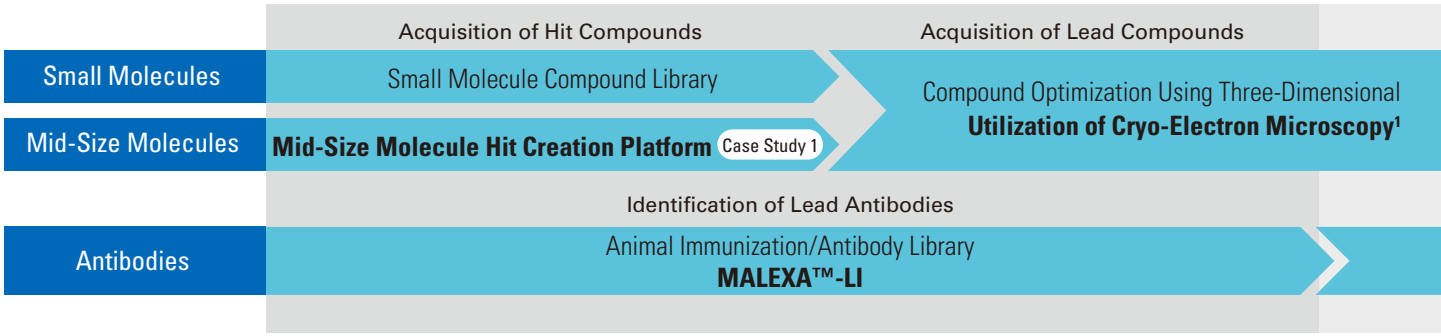



[Abbreviations]

aHUS: atypical hemolytic uremic syndrome
aNHL: aggressive B-cell non-Hodgkin lymphoma
DMD: duchenne muscular dystrophy
DME: diabetic macular edema
FSHD: facioscapulohumeral muscular dystrophy
gMG: generalized myasthenia gravis
HCC: hepatocellular carcinoma
MIBC: muscle-invasive bladder cancer
MOGAD: myelin oligodendrocyte glycoprotein antibody–associated disease
nAMD: neovascular age-related macular degeneration
NSCLC: non-small cell lung cancer
NSQ: non-squamous
PNH: paroxysmal nocturnal hemoglobinuria
r/r: relapsed or refractory
RVO: retinal vein occlusion
SCD: sickle cell disease
SCLC: small cell lung cancer
SMA: spinal muscular atrophy
TED: thyroid eye disease
UME: uveitic macular edema

# Feature: Foundation Enhancement during the RED SHIFT

## Initiatives of Focus for Chugai in Doubling Productivity




Under RED SHIFT, one of the key drivers of TOP I 2030, we are concentrating management resources on processes that take place, from drug discovery through early development, in order to thoroughly strengthen the foundation of our R&D. While actively promoting mid-size molecule drugs as our third pillar, following small molecules and antibodies, we have been implementing measures to enhance our portfolio, accelerate AI drug discovery, and improve success rates by establishing original drug discovery technologies and platforms not replicable by other companies. As a result, six therapeutic antibodies developed in-house in three years[2] have progressed to clinical development.

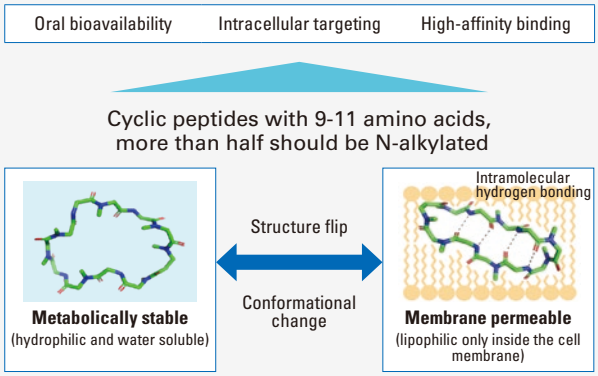
Doubling productivity is extremely important to achieving the targets of TOP I 2030. On top of establishing a mid-size molecule platform allowing for continuous drug discovery (lower column: Case Study 1), we are making full use of cryo-electron microscopy, which Chugai was the first domestic

Case Study 1

### Establishment of a Mid-Size Molecule Platform

Mirai Kage

Mid-Size Molecule Chemical Group 4, Discovery Chemistry Dept.

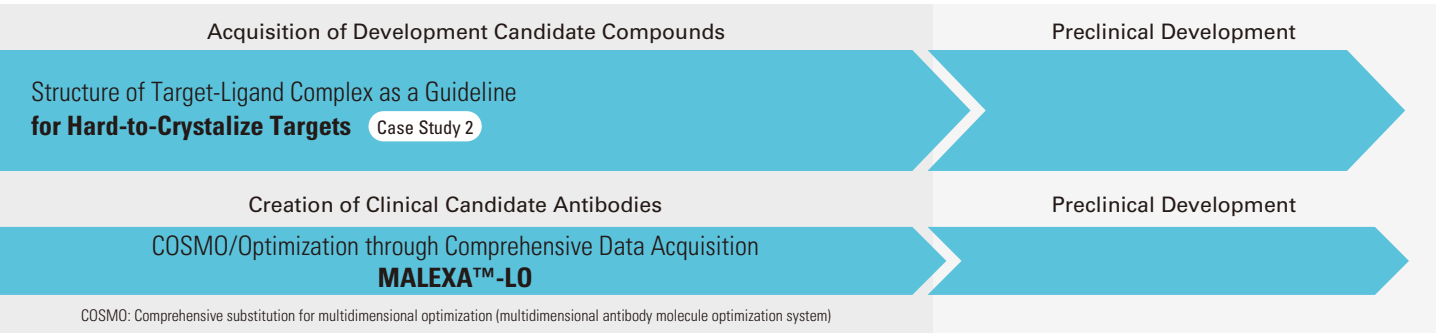



Clinical development of LUNA18, our first mid-size molecule project, began in October 2021. To reach this milestone, we spent more than 10 years focused on establishing a platform capable of continuous discovery of mid-size molecule drugs that can be administered orally.

Identifying drug-likeness as the primary issue in mid-size molecule drug discovery, we worked to establish drug-like criteria for balancing metabolic stability and membrane permeability. This is the mid-size molecule version of the Rule of 5, which has contributed to the development of small molecule drug discovery. Without any external information, we determined drug-like criteria by experimenting and verifying each criterion. We announced these groundbreaking criteria for mid-size molecules ahead of others in the world in a paper[4] we published in 2023. Together with related patented technology and our vast know-how, these criteria that we established through our commitment to accurate data accumulation serve as a compass for mid-size molecule drug discovery.

We have also established a new highly generalized chemical synthesis method that allows for parallel synthesis with high rates of success, yield, and compound purity, and we have used biotechnology to construct a diverse drug-like mRNA display library of $10^{12}$ types. As a result of these efforts, we have now built a system that enables us to screen more than 20 targets a year, giving us a deep research portfolio. To deliver drugs as quickly as possible to patients and their families who are suffering from disease or the treatments they are undergoing, we are promoting innovative drug discovery that can focus on targets that are difficult to reach with conventional drug discovery technology. Additionally, while focusing on the quantitative aspect of sustained portfolio inclusions from mid-size molecule drug discovery, we will continue to accelerate our research.

4 . J. Am. Chem. Soc. 2023, 145, 24035-24051




1. In some cases, also used in certain antibody drug discovery

pharmaceutical company to introduce, to enable more precise and rapid design of candidate molecules by accelerating the structural analysis of target proteins (lower column: Case Study 2). Currently, there is a wealth of about 30 mid-size molecule projects in our research portfolio. In terms of antibodies, in addition to conventional drug discovery processes based on data acquisition, we have added a machine learning process using our proprietary AI technology, MALEXA™.[3] With this addition, the sophistication of antibody drug discovery has progressed due to the combination of wet and dry methods.

Going forward, we will continue to make full use of this R&D platform and accelerate efforts toward the targets of doubling R&D output and launching in-house global products every year.

2. February 4, 2021 to February 1, 2024
3. Machine Learning x Antibody

Case Study 2

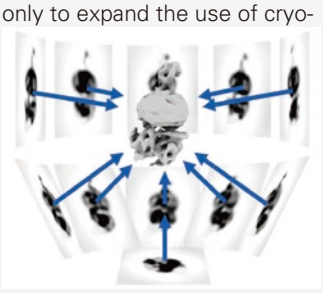
## Establishing a Platform for Large-Scale High-Throughput Structural Analysis Using Cryo-Electron Microscopy

Dr. Takashi Fujii
Group 3, Protein Science Dept.

The acquisition and optimization phase of candidate molecules is an important part of the drug discovery process, and structural information about the binding state between the target protein and the drug candidate molecule is important as it enables the precise design of molecules. Drug discovery projects where the three-dimensional structure is understood also have the significant advantage of being able to shorten the amount of time needed for compound optimization to about one-fourth of the time necessary for projects where the structure is not known. In April of 2021, Chugai became the first domestic pharmaceutical company to introduce cryo-electron microscopy. Being able to obtain the three-dimensional structure quickly, we are now able to design more appropriate compounds, significantly shortening the time necessary for drug discovery. Conventional structural analysis methods utilizing X-rays often make it difficult to obtain the structure or require a large amount of time that can result in cases where three-dimensional structures cannot be used in drug discovery.

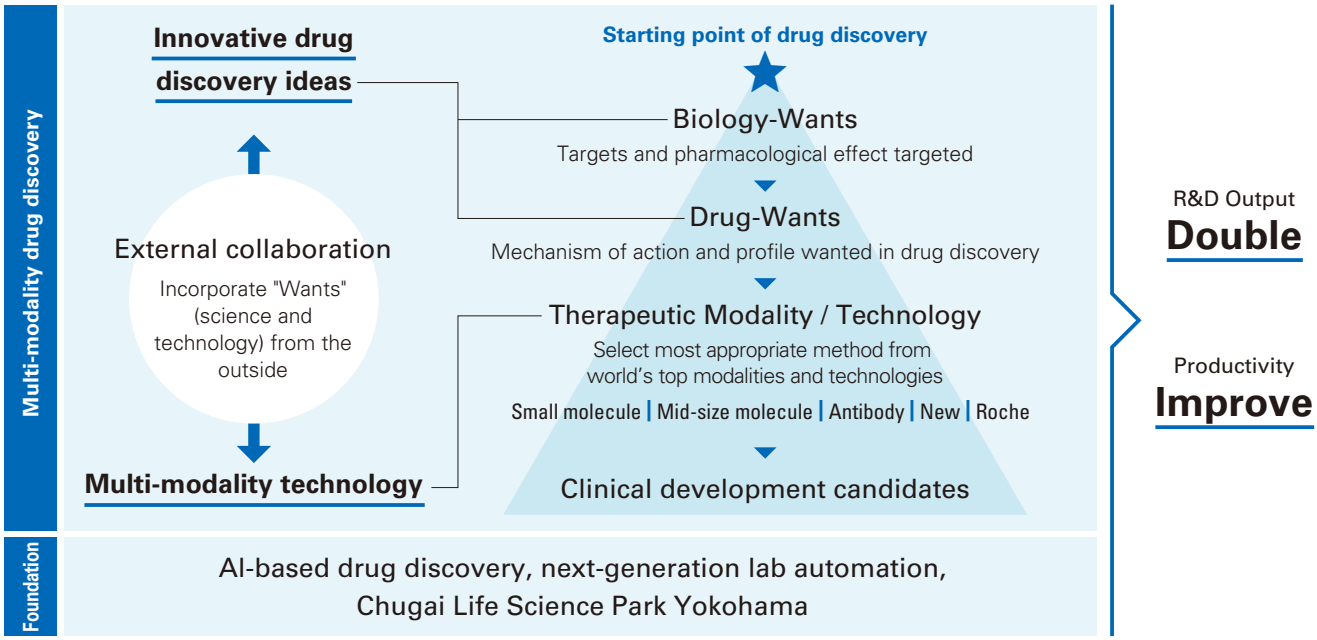
To speed up and streamline drug discovery using this innovative approach, since introducing this system, we have been working to improve each of the multiple steps in structure acquisition one by one. By optimizing protein and compound samples for cryo-electron microscopy analysis and exploring the grid freezing conditions, Chugai has developed a technology with distinctive strengths. As we continue to invest in cryo-electron microscopy technology, we have been able to double our initial throughput. Right now, we can stably acquire three-dimensional structures; leveraging this is spurring success in many drug discovery projects. We believe that our team's desire to double our results in drug discovery, coupled with steady trial and error, has led to the realization of an industry-leading system for structural analysis using cryo-electron microscopy. Ultimately, this will benefit patients, who look forward to having access to new therapeutic drugs.

In the future, we hope not only to expand the use of cryo-electron microscopy analysis to all modalities, accelerating optimization of drug discovery, but also to work on choosing better candidate molecules based on our understanding of the binding mechanisms.



## Drug Discovery

Aiming to double R&D output by strengthening digital capabilities, promoting external collaboration, and enhancing technological bases for drug discovery to realize unique drug discovery ideas




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

We will prioritize the investment of business resources into mid-size molecule drugs—the third modality after antibodies and small molecules—aiming to develop them as the drug discovery platform that will drive growth over the medium and long term. While making steady progress on our first mid-size molecule project, LUNA18, which moved into the clinical phases in 2021, we will make effective use of the trial data—which includes information on safety, pharmacokinetics, and preliminary efficacy—in subsequent mid-size molecule projects. We have confirmed oral absorption with LUNA18, a key concept for mid-size molecules, which is increasing our confidence in mid-size molecule drug discovery. LUNA18 is our first mid-size molecule project. To allow for careful evaluation, we expect the achievement of ePoC to be delayed from the initial schedule of 2024. However, from the drug discovery to clinical development phase, we are currently implementing approximately 30 mid-size molecule projects, one of which entered preclinical development in 2023.

We are working to further expand our technological platforms for therapeutic antibodies and small molecule drugs. In 2023, four projects including next-generation antibodies moved into clinical trials in one year: ALPS12, SAIL66, ROSE12, and REVN24, as we made steady quantitative and qualitative advances with continuous creation of products from Chugai research.

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 our drug discovery efforts to a world-class level of multi-modality drug discovery. In 2023, we established Chugai Venture Fund, a corporate venture capital (CVC) firm in the Boston area of the United States. We aim to accelerate our drug discovery engine through this CVC by integrating the Company's strengths with drug discovery targets, external technologies, modalities, and more.

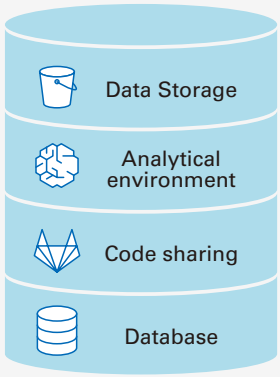
For drug discovery platforms, we are applying digital technologies, starting with AI, to advance drug discovery technology and transform the drug discovery process. With the full commencement of operations at Chugai Life Science Park Yokohama in April 2023, we are further accelerating processes, starting with the application of AI in antibody and mid-size molecule design, and other efforts such as utilizing digital technologies in pathology imaging analysis and experiment automation.

## Advance of Research DX (Integration of Wet and Dry)

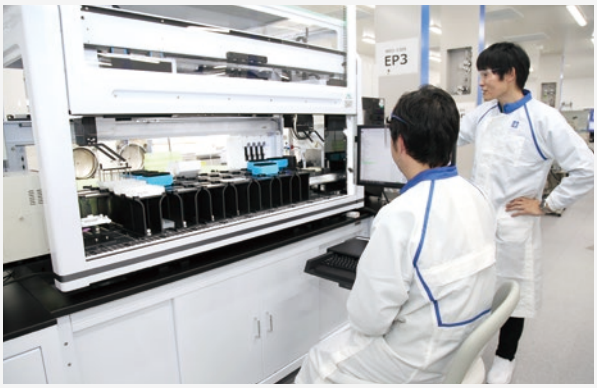
With the establishment of Chugai Life Science Park Yokohama, the Company has been working to accelerate DX in the research area. Our aim is to fuse the respective strengths of "wet research," which mainly comprises bioscience experiments, with "dry research," which mainly involves the use of computers, at higher levels.

In the area of wet research, we are working to overhaul our lab automation system, and create an environment where researchers can concentrate on creative work by making effective use of night time and weekends, and expanding the scope of robot operations. Specifically, we will develop automated systems that can handle complex operations, primarily in antibody drug discovery, such as gene cloning and culturing and antibody purification. Furthermore, using mobile robots, we are working to build continuous automation processes, including transporting samples between instruments.

In the area of dry research, we have built a large-scale database capable of integrating and analyzing all kinds of research data with the goal of realizing advanced data utilization, such as machine learning. Data standardization, preparation of an analysis environment, and sharing of analysis programs allow efficient promotion of high-level analysis, and we are also able to feed back analysis results to the wet research area. In addition, we are also focusing on strengthening our human resource capabilities to acquire the necessary programming skills to utilize these data. Since 2021, we have also been having dry researchers design education systems for wet researchers. As a result of incorporating programming into their own research, some researchers have succeeded in saving 460 hours per year by making effective use of night time, which had previously not been used for operations.




Integrated database

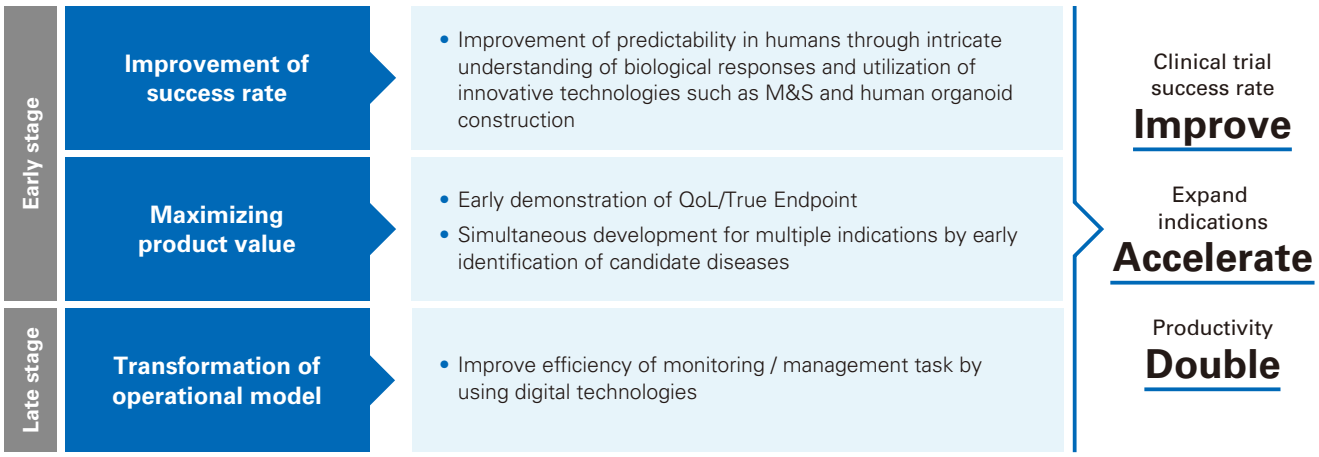



Automated gene cloning system

Mobile robots connecting automated instruments

# Development

Realizing a world-class clinical development model that can maximize product value by improving productivity and the clinical trial success rate through the use of digital technologies




From early-stage clinical development through to PoC, we will build a clinical development model that improves clinical trial success rates and maximizes product value. Specifically, we are developing an intricate and quantitative understanding of biological responses in the non-clinical and clinical stages. At the same time, by utilizing all types of disease and treatment data and real world data (RWD)[1] and utilizing technologies such as state-of-the-art modeling and simulation (M&S)[2] and human organoids,[3] we will increase the predictability of dosage and administration, efficacy, and safety, and increase the success rates of clinical trials. Moreover, we are also making progress on our initiative to accelerate the maximization of product value through simultaneous development of multiple indications for each drug.

Combined with an understanding and analysis of biological responses, we will focus on the steady development—through collaboration with other industries and academia—of digital biomarkers (dBMs)[4] and digital devices for objective evaluation and quantification of pain or emotions, while identifying healthcare issues for each disease, and linking the results to appropriate diagnosis and treatment. Furthermore, by combining the data we obtain with RWD, we will demonstrate the True Endpoints in early stages, thereby contributing to the improvement of patients' QoL.

In late-stage clinical development, we see patients as partners, and are implementing fundamental reforms to improve productivity, such as working to build a "patient-centric operational model" aimed at maximizing shared value with patients. Through proactive use of digital technology, we will engage with clinical testing methods that do not depend on patients visiting medical institutions, while also streamlining monitoring and management operations. In addition, through development planning and experiment design utilizing RWD, we will promote increased efficiency and reductions in the size and duration of studies, aiming to deliver value to patients more quickly.

1. Patient-derived data generated in daily clinical practice. Patient and medical action information obtained outside of clinical trials, such as health checkup data, insurance claim data, Diagnosis Procedure Combination (DPC) data, patient registry data, electronic medical record data, and data obtained from wearable devices
2. Technology that integrates computer-based mathematical simulations with biological sciences. Supports key decision-making during pharmaceutical development
3. Tissue structures designed to have similarities to organs in the human body
4. Indexes that objectively visualize the presence of a disease and changes resulting from treatment using data obtained from digital devices such as wearable devices and smartphones

## Improving Predictability and Success Rates

We are working on M&S to support optimal dosing and personalized healthcare by gathering a wide range of biometric data and applying AI analysis to work out a mathematical model that indicates pharmacokinetics and biological response, as well as organoid research using human tissue aimed at acquiring data to increase prediction accuracy. In organoid research, we observe biological reactions using mini-organs cultivated in vitro using cutting-edge stem cell research technology. This approach is already being applied in drug absorption prediction and toxicity mechanism analysis. We have successfully constructed an AI model that uses molecular structure data to predict the absorption rate of drug development candidates in the human digestive tract. Analysis and verification using this model is progressing in multiple projects.

## The Challenge of Simultaneous Development for Multiple Diseases

Chugai is working on simultaneous development of multiple indications from early-stage development as part of efforts to maximize product value. In the past, new products have generally obtained PoC for a single indication before gradually expanding to include more indications. However, to deliver innovative medicine to as many patients as possible, as early as possible, it is necessary to identify the possibilities of a drug at an early stage and rapidly expand indications.

Chugai is now taking on the challenge of advancing from the conventional step-wise development approach for drugs that are expected to be effective for multiple diseases. RAY121 entered clinical development in October 2022, and we are currently preparing a phase Ib clinical trial to evaluate six diseases in a single trial. The concept of a basket trial for a cross-wise evaluation of different subject groups in a single trial is becoming more mainstream in the field of oncology, where the primary endpoints are standardized. However, it has not been tested much as a trial design in specialty fields where the primary endpoints are various. Taking up this challenge in the absence of previous examples, we decided to forge our own new path in uncharted territory. Based on our own high-level science, we constructed a rationale that would enable simultaneous development for six diseases, and succeeded in establishing a trial design that was accepted by health authorities in every country. This achievement was possible because we had set the stage by increasing the level of non-clinical data using human specimens, enhancing the precision of predictions through M&S and so forth, and boldly taking on development for diseases in which we had no experience through technology-driven drug discovery.

Looking ahead, in addition to simultaneous development for multiple indications, we will also take on the challenge of innovative clinical development as we contribute to global medicine and human health.

Tetsuya Hirahara

Head of Early Clinical Development Dept.,
Translational Research Div.

### Orphan Drugs Brought to Market over the Past 10 Years

| Year approved/ marketed[5] | Product name | Indication(s) |
|---|---|---|
| 2013 | Avastin | Malignant glioma |
| 2014 | Alecensa | Metastatic/unresectable *ALK*-positive NSCLC |
| 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 |

| Year approved/ marketed[5] | Product name | Indication(s) |
|---|---|---|
| 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) |
| 2022 | Rituxan | Prevention of recurrent neuromyelitis optica spectrum disorder (including neuromyelitis optica) |
| 2022 | Hemlibra | Control of bleeding tendency in patients with acquired hemophilia A |
| 2023 | Alecensa | Postoperative adjuvant therapy for *ALK* fusion gene-positive non-small cell lung cancer |

5. Year in which the drug was approved and first marketed with an orphan drug designation (including expanded indications). For products not yet on the market when approved, the year indicated is the year the drug was first marketed.

# 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

| | | |
|---|---|---|
| Early-stage development | **Pursuit of world-class technologies** | • Strengthen collaboration with drug discovery, making full use of state-of-the-art technology to manufacture drugs of high difficulty such as mid-size molecules and highly active substances<br>• Evolution of the world's most advanced antibody technology and realization of development speed |
| Manufacturing | **Pursuit of cost competitiveness** | • Establishment of a manufacturing system that balances the strengthening of manufacturing technology functions and cost efficiency<br>• Maximization of productivity by promoting a second-site strategy and utilizing digital and robotics technologies |

Competitive
**Manufacturing technologies**

**World-class**
Antibody drug development speed

World-class
**Manufacturing technologies and productivity**

**Manufacturing cost reduction**
centered on antibody drugs

In the area of early-stage technology development for pharmaceutical technology—a component of our RED function—we are pursuing world-class pharmaceutical technologies in terms of both technological sophistication and development speed in order to ensure the rapid commercialization of innovative pharmaceuticals, while responding to the significant expansion of R&D output. Our aim is to develop active pharmaceutical ingredient (API) manufacturing and formulation methods for drugs of high difficulty, such as mid-size molecules and next-generation antibodies. To this end, we will further strengthen collaboration with drug discovery and clinical development and accelerate investigational drug process development and the establishment of organizations for early-stage production, while at the same time focusing on organizing a flexible, high-speed API supply system. In small/mid-size molecule drugs, we started operation of the API manufacturing building FJ2 at our Fujieda Plant for early-stage development. The building incorporates the world's most advanced containment technologies. Meanwhile, we are proceeding with construction of FJ3, which will be for late-stage development and commercial production. At the Ukima Plant, we completed construction of an early-stage biopharmaceutical drug substance development building, UK4, which is intended to accelerate the start of clinical development. We also decided on capital investment aimed at approximately tripling the production capacity and eliminating fluorocarbons at the UK3 building, which handles late-stage development through to initial commercial production. In addition, at the Utsunomiya Plant, we decided on the construction of the UT3 building, which will be equipped with continuous production functions and undertake bio-drug substance manufacturing from middle-stage clinical development to early commercial production. We will also construct a new injection building, UTA, which will leverage robotics technologies to manufacture sterile injectables for initial commercial use.

In our production functions, we are establishing new systems that will balance enhanced functions with low-cost operations. We are making steady progress on initiatives for smart factories, such as increasing efficiency by establishing IT infrastructure. In 2023, we implemented this at the Utsunomiya Plant, following on from the Ukima Plant, and we are currently rolling it out at the Fujieda Plant.

In commercial production, we are working to build a production system that can respond flexibly to fluctuations in demand and changes in procurement plans for materials and components. We are also working on our dual site strategy with the aim of distributing risk and optimizing the balance between internal and external production. By making use of external partners such as contract manufacturing organizations (CMOs) for products that are technically able to be outsourced, we will maintain world-class production technology capabilities and quality while pursuing stable supply and cost reduction.

Construction of the 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<br>Mid-size molecules: FJ3 | FJ3 Outsourcing to CMOs |
| Antibodies | UK4 | UK1 UK2 UT3 | UK3 UT3 | UT1 Outsourcing to CMOs |

## Operation of FJ2 Able to Handle "Ultra-Highly Active" Mid-Size Molecules with World-Class Containment Technologies

In building a production system for mid-size molecule drugs, the FJ2 building at the Fujieda Plant started operations in December 2022 to manufacture early-stage investigational drugs. Drug candidate compounds created from Chugai's mid-size molecule platform are highly pharmacologically active and difficult to manufacture. For example, our first target molecule in mid-size molecule development, LUNA18, has strong, antibody-like binding affinity. To manufacture the API and drug as an oral formulation requires unprecedented manufacturing equipment. Therefore, for FJ2, we worked with a design and equipment manufacturing partner to create a proprietary isolator, which employs advanced pressure control technologies to improve robustness and operability. The facility has achieved extremely highly sealed containment with concentration in air of 0.05 μg/m$^3$ or below, the highest level of containment in the world. This air concentration is equivalent to one sugar cube dispersed in a volume 20 times that of the Tokyo Dome stadium. On the operation front, we have also made improvements in efficiency and safety through multiple simulations using 3D models and mock-ups (full-scale models made using wood). FJ2 is a state-of-the-art facility in other areas as well, including cleanability, which satisfies the cleaning standard for extremely difficult-to-manufacture, highly pharmacologically active APIs, system control operability and data integrity, and environmental considerations such as GHG emission control and fluorocarbon elimination. These aspects were recognized when the facility was awarded the 2023 Facility of the Year Award in the Innovation category by the ISPE*. Now, we have established a rich mid-size molecule pipeline, and from 2024, we plan to roll out investigational drug manufacturing for second and third projects at FJ2.

* ISPE: International Society for Pharmaceutical Engineering

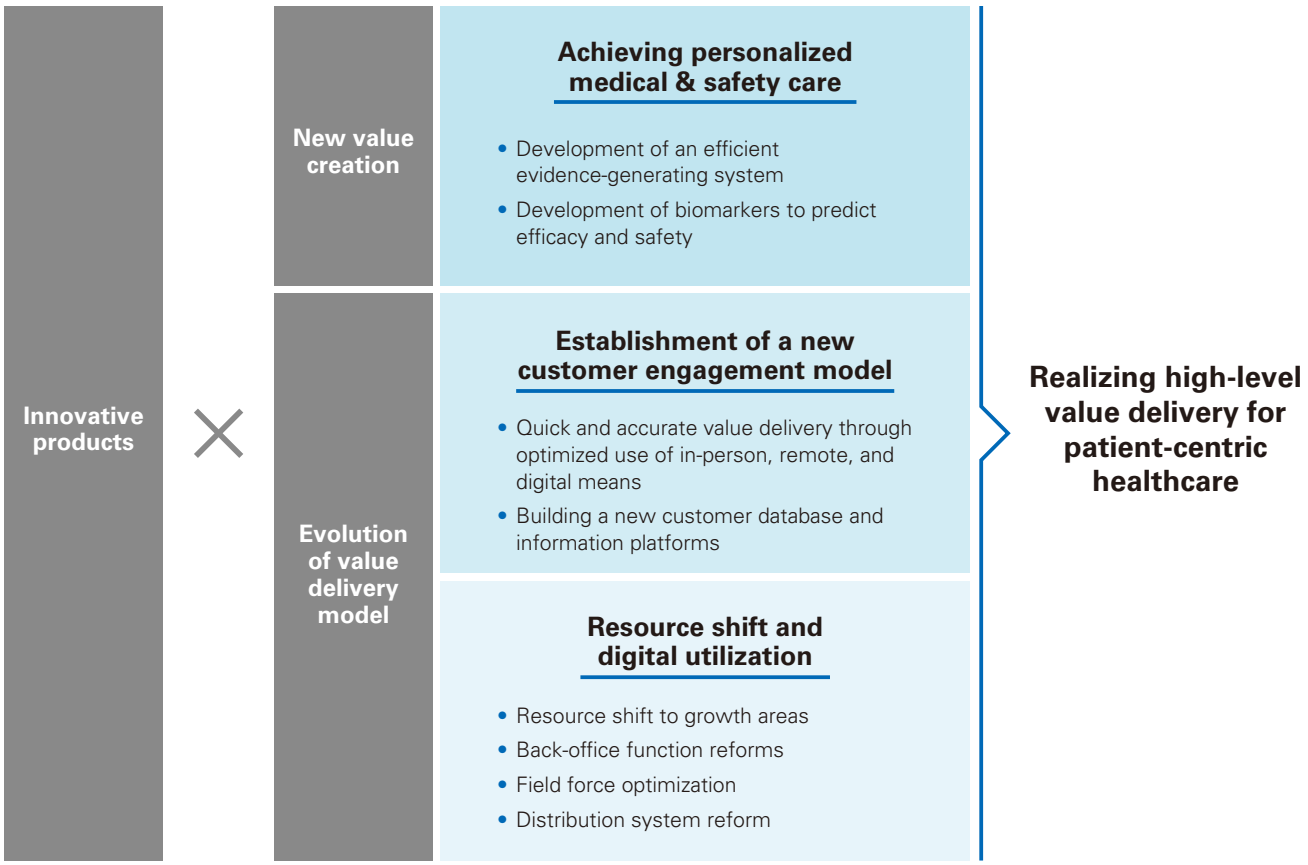
Isolator with containment level of 0.05 μg/m$^3$ or below

FOYA 2023
ISPE Facility of the Year Awards
CATEGORY WINNER
Innovation

Manufacturing building for small and mid-size molecule active pharmaceutical ingredients (APIs) at the Fujieda Plant (FJ2)

## Value Delivery

Achieving sophisticated value delivery with an elite team by generating evidence for personalized healthcare (PHC) and building an innovative customer engagement model




The customer contact points of pharmaceutical companies have changed significantly, with the advance of digital tools and the impact of the spread of COVID-19. Considering these changes, we aim to establish an innovative customer engagement model that delivers the information required by healthcare professionals and patients accurately and promptly, while ensuring a high level of expertise. Specifically, we are strengthening our system so that we can deliver valuable information to customers promptly and optimally, through the appropriate utilization of face-to-face, remote, and digital systems, as well as suitable collaboration among the specialized functions of sales, safety, and medical affairs.

With changes in the product portfolio, we are also shifting our resources by concentrating them in growth areas and new areas.

In addition, by comprehensively analyzing and utilizing real world data and various databases accumulated through drug discovery and clinical development, we will advance the creation of evidence to promote PHC. We will also accelerate the development of biomarkers that can accurately predict efficacy and safety for each patient.

## Patient-Centric Activities in the Drug Safety Division

In order to protect patients from the risks associated with drugs, the Drug Safety Division's mission is to establish safety countermeasures based on scientific evaluation throughout the entire product lifecycle, from drug development to after market launch, and to provide safety information to promote proper use of drugs.

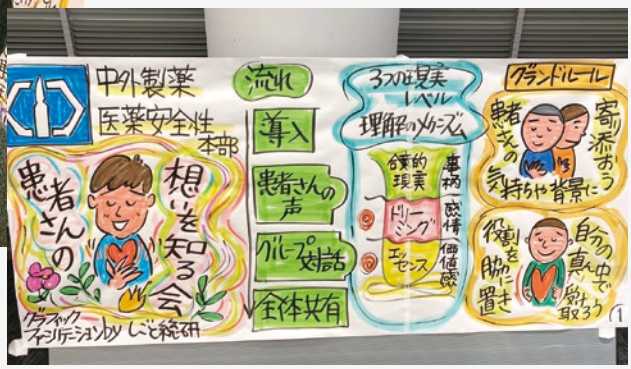
We provide timely information through the safety information database tool (SAFETY DB tool), which started operation in 2016 and holds domestic post-marketing adverse event data and so forth. This has been highly evaluated by healthcare professionals as it enables extraction of information by individual patient characteristics.

To promote patient-centric initiatives even further, we provide opportunities for each member of the division to think deeply about the nature of truly patient-centric activities through dialogue with patient organizations and reflect this in their work. In 2023, we held academic seminars in the area of hemophilia for emergency department doctors throughout Japan with the goal of creating an environment that enables patients to continue treatment. At the seminars, we introduced emergency doctors to awareness-raising activities regarding hemophilia and special cards made for patients to carry with them that can tell paramedics that the patients have hemophilia.

The Company is engaged in the development of drugs and services that use new modalities, such as mid-size molecules, and drug safety operations are also becoming more complex. Scientific evaluation at the drug development stage is becoming more important. To understand safety information for new products at an earlier stage, we considered that it would be effective to share post-marketing information gathered by the Drug Safety Division with the Translational Research Division, and we are strengthening collaboration between the two divisions, including personnel exchanges.

Toward realizing advanced and sustainable patient-centric healthcare, every member of the Drug Safety Division constantly considers the presence of the patient affected by their work and decisions, and engages in their daily operations with the mission of preserving patients' futures and their wellbeing.

An engagement event with patient organizations

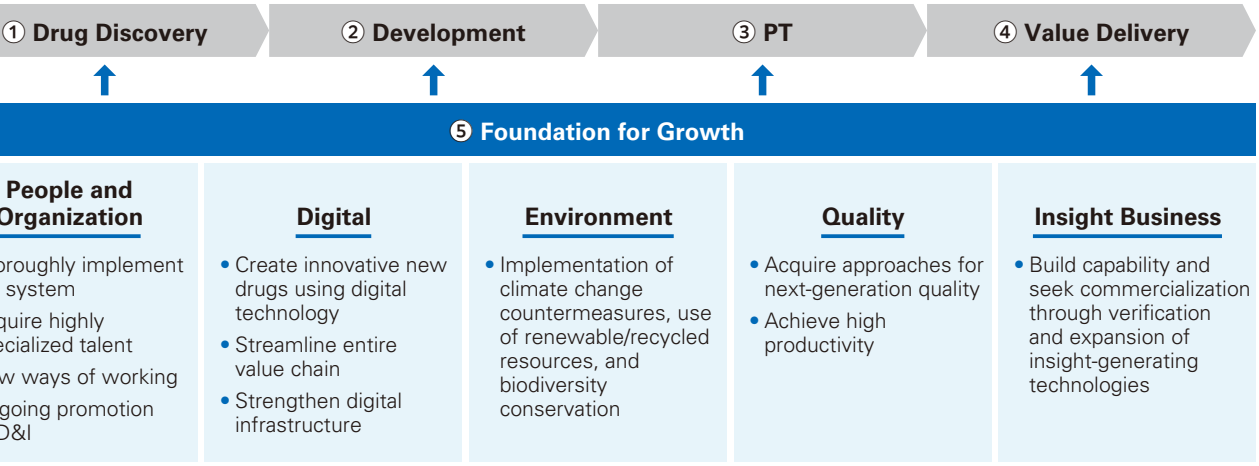



Graphic facilitation by Shigoto Soken, Inc.

# Strategy Implementation 5

## Foundation for Growth

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




### People and Organization

We will promote the assignment of the right person to the right position through further advances in position management and talent management, and enhance its corporate culture to encourage personnel to boldly take on challenges and engage in dialogue. We will also focus on the acquisition, development, and provision of the highly specialized human resources who will be key in implementing business strategies including science and digital technology, and will strive to foster a culture that creates innovation through promotion of Diversity & Inclusion (D&I).

### Digital

Under CHUGAI DIGITAL VISION 2030, we aim to realize true personalized healthcare (PHC) using digital technology. Under the strategy of strengthening digital platforms, which includes reforming our corporate culture, developing and strengthening our digital human resources, and building infrastructure for promoting data utilization, we are working to optimize all value chains through the use of various digital technologies. The management resources that are generated through these efforts will be used to discover innovative new drugs using digital technology through the Company's original DxD3[1] strategy.

### Environment

We 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 and recycled resources, and protection of biodiversity. Climate change countermeasures in particular will focus on long-term initiatives, such as our goal of achieving zero $CO_2$ emissions by 2050.

### Quality

In addition to ensuring product quality, we are also working to advance quality management in regulatory affairs and across all business processes. Furthermore, we will enhance our development and implementation of quality management methods that balance both quality and efficiency suited to changing business processes, including responding to regulatory 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

Having set our focus on PHC[2] solutions, which means products and services such as SaMD[3] and biomarkers that enable optimal therapy for individual patients by precisely diagnosing pathologies and measuring therapeutic effects, we will promote development and practical implementation. Using digital biomarkers and related technologies, we will quantify disease status that cannot currently be measured clinically. In doing so, we aim to enhance the demonstration of value in the R&D stage of drug discovery and maximize the value of prescription drugs in actual clinical conditions.

1. Digital transformation for Drug Discovery and Development
2. Personalized Healthcare
3. Software as a Medical Device

## Main Progress: Environment

### Mid-Term Environmental Goals 2030

| Material issue | Item | KPI (Base year 2019) | | |
|---|---|---|---|---|
| Climate change countermeasures (Prevention of global warming) | Scope 1+2[1] $CO_2$ emissions | 40% reduction by 2025 | 60-75% reduction by 2030 | Zero emissions by 2050 |
| | Scope 1+2[1] energy consumption | 5% reduction[3] by 2025 | 15% reduction[3] by 2030 | |
| | Sustainable electricity ratio | 100% by 2025 | | |
| | Fluorocarbons (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 (Environmental burden mitigation) | Hazardous waste reduction | 5% reduction[3] by 2025 | 10% reduction[3] by 2030 | |

1. Scope 1: Direct emissions from fuel combustion, Scope 2: Indirect emissions from the generation of purchased energy
2. Scope 3: Indirect emissions not included in Scope 1+2
3. Per total floor area (excluding leased properties)

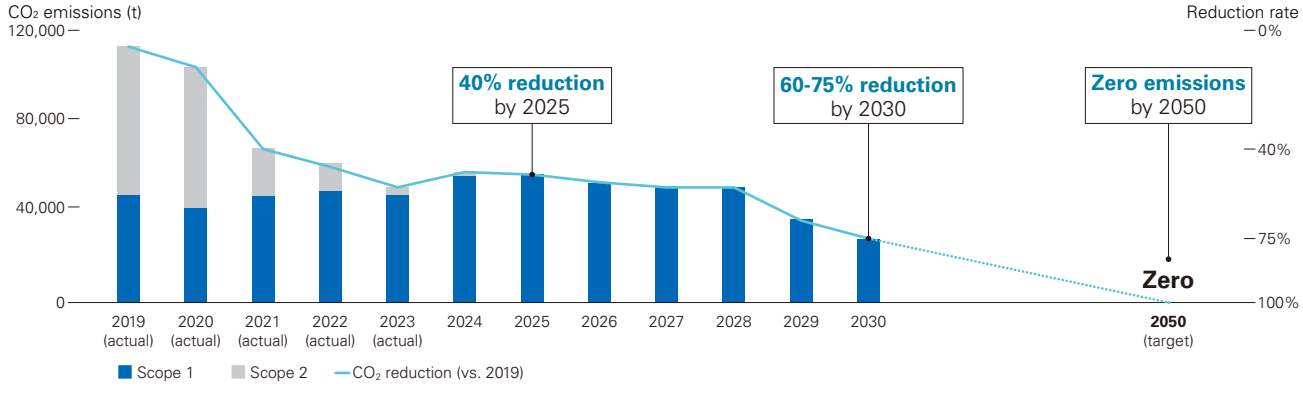
Viewing environmental preservation as an important underpinning supporting all business activities, Chugai has unveiled its challenging Mid-Term Environmental Goals 2030, developed based on global environmental consensus. With respect to climate change countermeasures, because a longer-term plan is needed, we have set a goal of zero $CO_2$ emissions (Scope 1+2) by 2050. In 2022, Chugai achieved its goal for 2025 of a reduction of 40% in emissions ahead of schedule, thanks to the advancement of measures that include the vigorous adoption of sustainable electricity and a shift to electric for its sales vehicle fleet. In 2023, Chugai achieved a sustainable electricity ratio for its domestic business sites of 100% (including the portion based on renewable energy certificates and non-fossil certificates purchased). We are also making steady progress toward a complete reduction in the use of fluorocarbons, including through the introduction of natural refrigerants for certain facilities at Chugai Life Science Park Yokohama. Going forward, in addition to further reductions in energy consumption, adoption of environmental systems matched to production plans, and production process improvements, Chugai is pushing ahead with the introduction of sustainable electricity at sites overseas (in Asia), as well as the joint development of natural refrigerants ahead of a complete ban on fluorocarbons.

Where the use of renewable and recycled resources is concerned, we are further promoting reuse and recycling in working to achieve zero waste emissions, as well as reducing water consumption through a review of the volume of water needed. For protection of biodiversity, meanwhile, we are pursuing stricter management of hazardous chemical substances and designing more appropriate manufacturing processes. Further, in moves to reduce the use of hazardous chemical substances, Chugai, in the development of its own products, has defined guidelines that it continues to promulgate for the development of manufacturing processes that avoid the use of SVHC (Substances of Very High Concern) list compounds pursuant to REACH regulations through to commercial production.

| Mid-Term Environmental Goals 2030 Categories | Main progress and initiatives in 2022-2023 |
|---|---|
| Scope 1+2 $CO_2$ emissions Energy consumption | • CASBEE[4] "S Rank" acquired for Chugai Life Science Park Yokohama<br>• Introduced solar panels and non-distillation/ membrane industrial water treatment facilities at new pharmaceutical manufacturing facilities |
| Sustainable electricity ratio | • Switched to sustainable electricity, largely achieved in 2023 for sites in Japan, including Head Office and branches |
| Fluorocarbon usage | • Introduced new HCFO-1233zd(E) refrigerant in some existing equipment<br>• Planned to adopt centralized systems for some HVAC equipment<br>• Developed small-scale trial devices for use with natural refrigerant |

4. Comprehensive Assessment System for Built Environment Efficiency

### $CO_2$ Emissions Reduction Roadmap

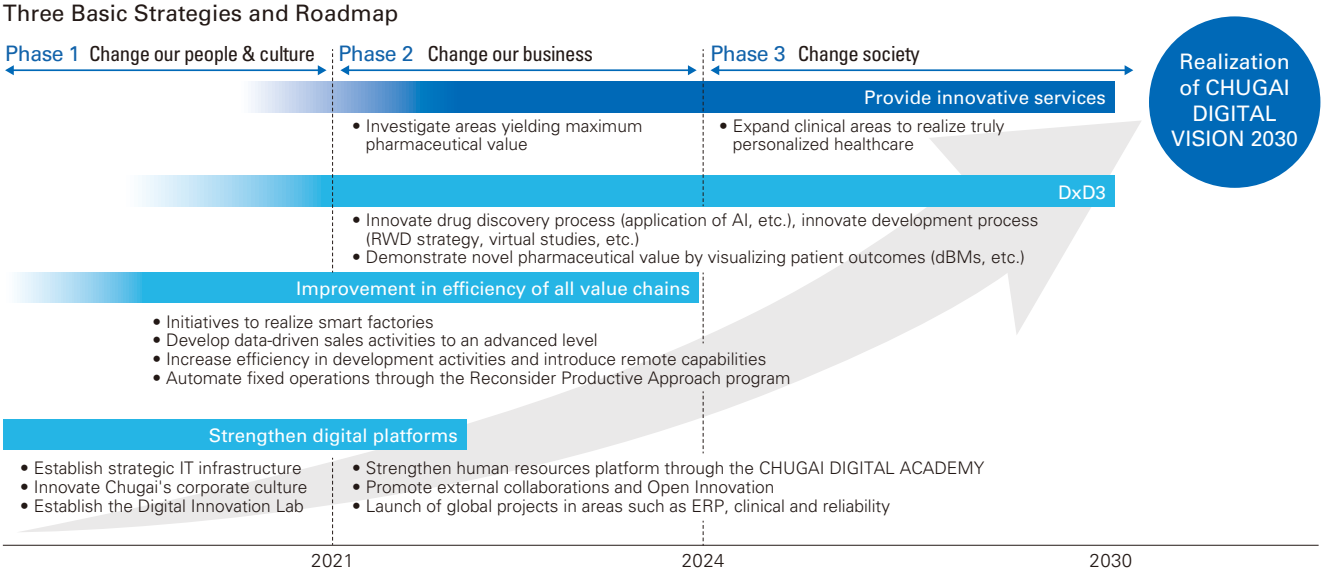


## Main Progress: Digital

# 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




CHUGAI DIGITAL website https://www.chugai-pharm.co.jp/english/profile/digital/index.html

Chugai is promoting three basic strategies under CHUGAI DIGITAL VISION 2030. In advancing efforts to strengthen digital platforms, including corporate culture reform, digital human resource training and enhancement, and development of infrastructure to promote data utilization, we are striving for improvement in efficiency of all value chains, driven by the use of a host of digital technologies. Capitalizing on the management resources that emerge, Chugai is aiming through Digital transformation for Drug Discovery and Development (DxD3) anchored by AI, real-world data (RWD) and digital biomarkers (dBMs) to realize truly personalized healthcare.

In 2023, Chugai was chosen[1] as one of the "DX Platinum Companies 2023-2025," an honor recognizing its widely praised DX initiatives, and its status as an enterprise that has continued the pursuit of particularly outstanding initiatives among DX Stocks since the start of this rating system.

As part of executing Phase 2 (Change our business) of its roadmap, Chugai is currently rolling out activities for each of its three basic strategies. Under DxD3, we are driving innovation of the drug discovery process using AI and robotics, and advancing the development of dBMs, including ways to objectively rate pain for patients suffering from endometriosis. Elsewhere, we are aggressively pushing digitalization in all value chains, from development to production and sales. The aim is to see success from further acceleration of our digital and IT strategies sometime in 2024, the final year of Phase 2.

1. Selected as a DX Stock for the fourth consecutive year. Chugai was the only pharmaceutical company selected for a fourth consecutive year.

### Progress of Main Strategies

| | |
|---|---|
| DxD3 | • Antibody drug discovery support leveraging proprietary AI MALEXA™, entry into preclinical development, the stage preceding clinical development, of candidate antibodies identified by MALEXA™. Greater sophistication of pathology image analysis technology using AI<br>• Development of robotics supporting complex lab work<br>• Promotion of lab automation system, digital platform readiness<br>• Advanced dBM development and use of RWD to support internal decision-making and regulatory approval applications |
| Optimize all value chains | • Operational launch of WAVE 1 of development of smart factories at the Ukima Plant. Operations to launch at the Utsunomiya Plant as part of WAVE 2, with development out to other factories<br>• Implementation of clinical trials using home nursing visits and telemedicine (decentralized clinical trials)<br>• Rollout of CHUGAI RPA (achieved cumulative reduction of 235,000 hours, compared to initial cumulative reduction target for 2023 of 100,000 hours) |
| Strengthen digital platforms | • Development of CCI (Chugai Cloud Infrastructure), centralizing provision functionality over multiple clouds. Realized operations with greater standardization, more robust security and governance, and improved efficiency<br>• Launch of Chugai Digital Innovation Pitch, with three pitch events held joined by roughly 1,000 people, to create opportunities for collaboration between start-ups and existing companies<br>• Ongoing development of the Digital Innovation Lab (close to 20 projects from among over 450 ideas advanced to full-scale operations)<br>• Advanced personnel development through the CHUGAI DIGITAL ACADEMY (over 200 participants in course for data scientists and digital project leaders) |

In the move to strengthen digital platforms, Chugai is developing CCI (Chugai Cloud Infrastructure) as a shared Company-wide digital IT platform supporting DxD3 and improvement in efficiency of all value chains. In centralizing provision functionality over a multicloud environment, Chugai is achieving promotion of greater standardization, more robust security and governance, and effective integrated operations management. Additionally, along with studying utilization in the healthcare domain of Web 3.0 built on blockchain technology, Chugai is moving quickly to address generative AI, which has garnered much attention in recent years. Following all relevant risk evaluations and guideline formulation, we initiated the Company-wide use of generative AI beginning in August 2023.

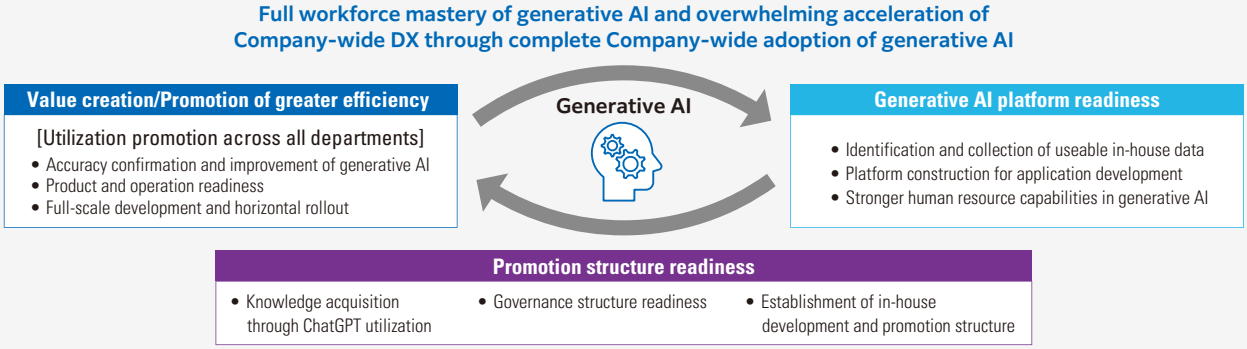
## Case Study 1 Generative AI

Generative AI has been in use at Chugai since 2023. With complete Company-wide adoption, our aim is for full workforce mastery of generative AI to overwhelmingly accelerate DX Company-wide. Chugai has named three main directions for utilization: (1) improving business operation efficiency, (2) in-house knowledge mining and utilization, and (3) insight extraction and decision-making support.

From the standpoint of improving business operation efficiency, Chugai is seeking to dramatically improve business operation efficiency through an approach that applies AI even to areas where it has traditionally been less effective. For instance, when abnormalities or deviations in GxP[2] occur, we expect to see significant improvements in efficiency by collaborating with generative AI on tasks formerly performed solely by humans, such as status probing and root cause identification, and recommendations for improvement and prevention. From an in-house knowledge mining and utilization perspective, one benefit will be the uncovering of new knowledge from data that previously went underutilized in-house, including through the structuring of unstructured data such as lab notes and past experimental and manufacturing processes, results from past clinical trials, hazardous events, and other information. Where insight extraction and decision-making support are concerned, we are considering utilization in areas such as modeling and simulation, support for production and review of various testing protocols, and clinical trial design.

2. Abbreviation of "Good x Practice"; this is a measure showing the implementation level of functions largely pertaining to pharmaceutical product development, manufacturing and sales. The term "x" is a stand-in for words that describe a specific function.

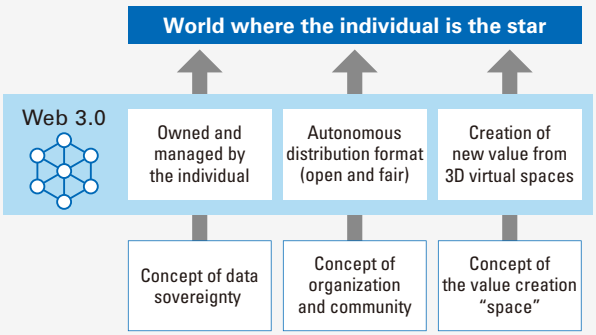
### Generative AI Utilization Policy at Chugai




## Case Study 2 Web 3.0 x Healthcare

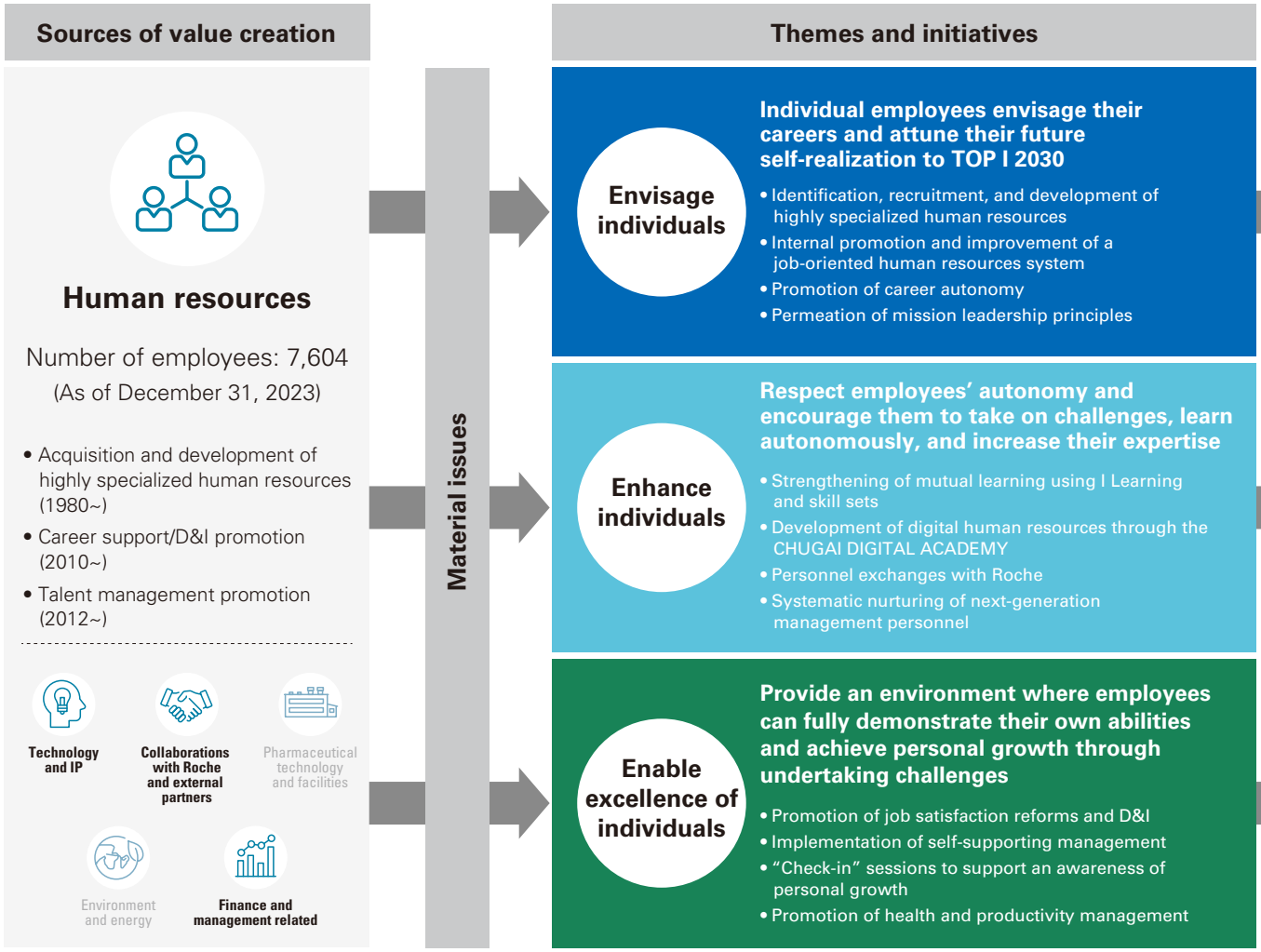
At Chugai, we believe that Web 3.0 will bring with it the idea of "a world where the individual is the star." This will see a change in which individuals are at the center of three concepts—data sovereignty, organization and community, and the value creation "space"—with the decentralized autonomous organization (DAO) becoming the focus of organization and community, in particular. Among others, DAOs will enable open discussion by diverse participants, better visualization of the degree of contribution to such discussions, and fair decision-making via tokens. As such, we expect that DAOs will become a new means of open innovation. We continue to confirm their utility through study of an in-house DAO, and are making progress in exploring activities involving outside entities.

### Social Changes Web 3.0 Will Bring



## Main Progress: Human Resources

### Innovation Creation Model



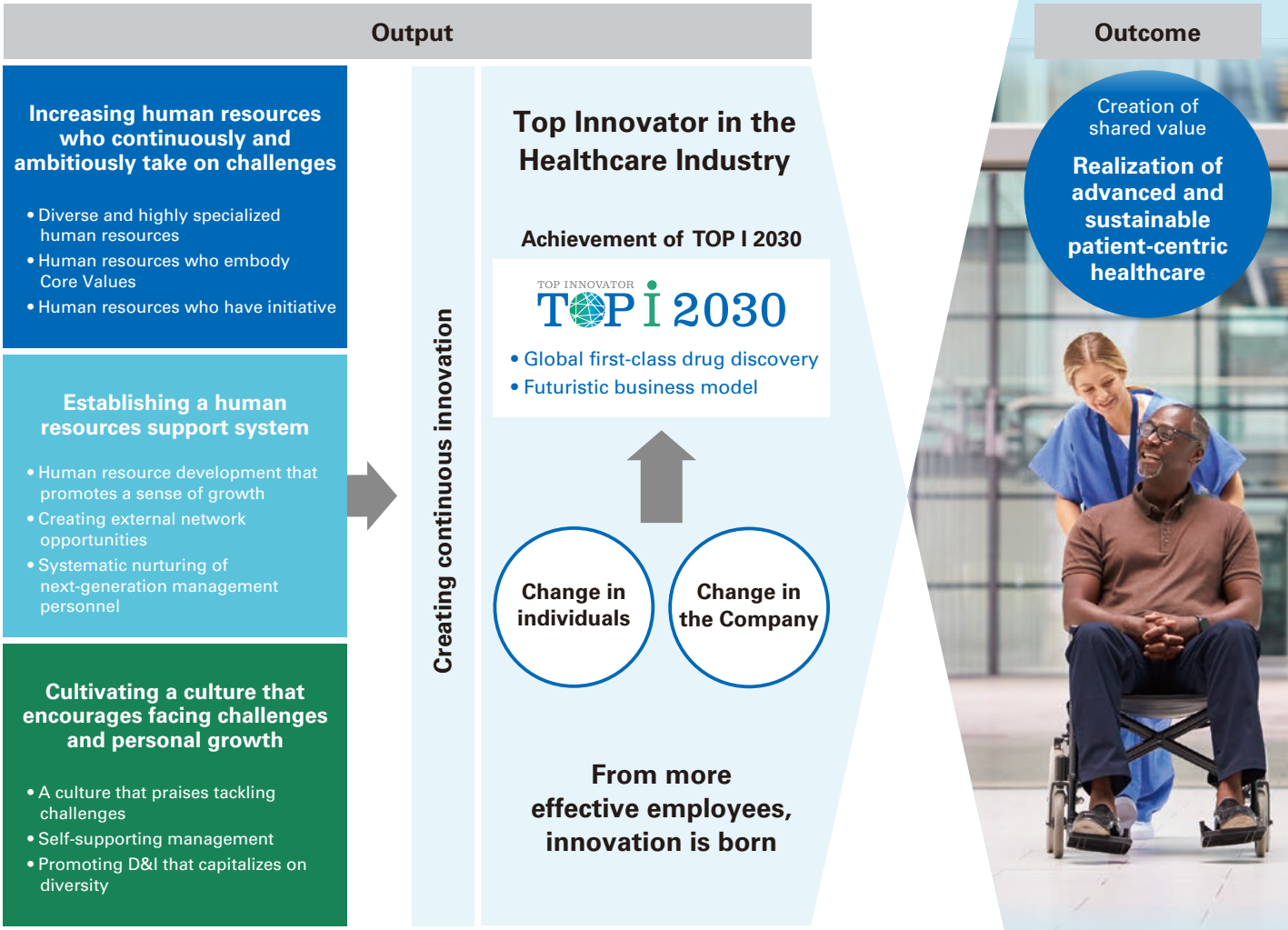

In order to deliver innovative pharmaceuticals to patients around the world, Chugai has consistently valued the pursuit of innovation and creativity. We continue to maintain our belief that "innovation is born from diverse values and expertise," and have long been committed to promoting HR strategies that are integrated with our business growth strategy.

When recruiting and acquiring new human capital, we have focused on creating innovation based on our distinctive technologies by employing specialists for in-house drug discovery and development who pursue science that emphasizes a shared understanding of our Core Values. This innovation, in turn, has made it possible to attract outstanding talent. Further, in terms of evaluation and development, in addition to investing in skill development based on our management philosophy, we have also promoted human resource development by proactively placing our people both inside and outside of the Company. This includes human resource exchanges with Roche. In terms of our organizational culture, we hold to the idea that "human resources are irreplaceable assets that generate a company's growth and development," and since 2010, have been promoting an environment in which all employees can thrive by advancing D&I and career support. We have also been working to foster a culture that encourages independently taking on the challenge to grow.

Continuous development of this talent management system, while cultivating diverse values and areas of expertise as our strengths, leads to the creation of innovative drugs.

In order to achieve the ambitious goals of doubling R&D output and launching in-house global products every year, we need to further strengthen the individual power of our employees—the source of our value creation. Based on this thinking, we will focus more on the growth and challenge of the individual in our human resource management policy. By realizing the envisaging, enhancing, and enabling excellence of individuals, we aim to change individuals (increase effective employees), change the Company, and ultimately promote the growth of Chugai as a whole.

Chugai aims to develop the human resources needed for creating innovation by enabling individuals who are aiming for self-realization in sync with TOP I 2030 to refine each other through autonomous learning and to shine in an




organizational culture that supports facing challenges without fear of change. This will be achieved by strengthening the three approaches to individuals: 1. expand personnel who will continue to take on challenges with ambition, 2. establish a system to support human resources, and 3. foster a culture that encourages personal growth and facing challenges. In this way, we aim to create innovations continuously and to realize advanced, sustainable patient-centered medical care.

Personnel who continue to face challenges with ambition are "diverse and highly specialized human resources who embody Core Values and who have initiative." With the aim of increasing the number of these human resources, we are working on the theme "Envisage individuals," that is to let "individual employees envisage their careers and attune their future self-realization to TOP I 2030."

Developing a system to support human resources means developing a system that enables "human resource development that promotes a sense of growth, creation of external network opportunities, and systematic nurturing of next-generation management." To strengthen such a system, we are working on the theme of "Enhancing individuals," which refers to respecting employees' autonomy, and encouraging them to take on challenges, learn independently, and increase their expertise.

Cultivating a culture that encourages facing challenges and personal growth means cultivating an organizational culture that encompasses "a culture that praises tackling challenges, self-supporting management, and the promotion of D&I that capitalizes on diversity." To promote such a culture and climate and to strengthen it, we are working to provide an environment where employees can maximize their potential and grow through facing challenges, highlighting the theme, "Enable excellence of individuals."

Generating continuous innovation and increasing corporate value through collaboration between individuals and the company enabled by individual growth, and creating a virtuous cycle in which better human resources come together, leading to further innovation and improved individuals—this is the human resources management policy for which Chugai is striving.

## Main Progress: Human Resources

### Main Initiatives by Theme

**Envisage individuals**

Individual employees envisage their careers and attune their future self-realization to TOP I 2030

With the goal of achieving TOP I 2030, one of our themes is "Recruitment of highly specialized human resources[1]."

To fulfill our goal of becoming a company that the human capital of the future will choose more than ever before, we take into account the coordination of recruitment and human resource management. In addition to introducing a job-based human resource system that makes it easier to attract employees though clarifying job content and diversifying recruitment channels (such as alumni referral and group recruitment), we are also introducing top skill sets for RED positions[2].

In addition to highly specialized human resources, we also focus on strengthening our recruitment of global human resources, as well as those who embody our Core Values.

1. Science specialists, digital specialists, and medical doctors
2. Research & Early Development

**Enhance individuals**

Respect employees' autonomy and encourage them to take on challenges, learn autonomously, and increase their expertise

We are focused on creating opportunities both inside and outside of the Company that will support human resources who take on challenges and learn autonomously, and continue to hone their expertise.

One of these resources, personnel exchanges with our strategic partner Roche, is an initiative that is unique to Chugai. Since partnering with Roche, the Roche Human Resources Exchange program and Roche forums have been valuable opportunities for the acquisition of global knowledge and experience.

We also continue to invest in employee education to develop global and digital human resources.

**Enable excellence of individuals**

Provide an environment where employees can fully demonstrate their own abilities and achieve personal growth through undertaking challenges

In order to create an organization where all personnel can play an active role, we are working to create an environment where each and every employee can take on challenges and experience personal growth.

In particular, the implementation of 1-on-1 "check-in" sessions between managers and subordinates in order to support facing challenges and pursue personal growth has been steadily improving and becoming more widespread. In the future, through the use of "check-in" sessions, we hope to increase the number of autonomous managers who can support their subordinates as they face challenges, leading to further growth.

To assess the effectiveness of these initiatives, we monitor the challenge culture index as well as the employee environment scores from employee awareness surveys. We have a system in place to take appropriate steps based on what we find.

#### Monitoring Indicators

| Theme | | Indicators | 2030 target value | 2023 results |
|---|---|---|---|---|
| Envisage individuals | Diverse and highly specialized human resources | Job-fill rate for highly specialized human resources (Job-fill rate for science specialists/digital specialists/ medical doctors) | 90% | 69% (66%/76%/83%) |
| | | Job-fill rate for global human resources in key positions | 100% | Division head: 84% Department head: 51% |
| | Human resources who embody our values | Degree of shared understanding of our Core Values | 100% | Results for 2022: 81% |
| | Human resources with initiative | Effective employee ratio and engagement score | 100 | Results for 2022 Effective employee ratio: 89 Engagement score: 100 |
| Enhance individuals | Human resource development that promotes a sense of growth | Human resource development investment (per person) and I Learning utilization rate | Investment: ¥300,000 Utilization rate: 100% | Investment: ¥256,000 Utilization rate: 80% |
| | | Number of employees participating in the Roche Human Resources Exchange Program | Approximately 10% of employees | 261 |
| | Creation of external network opportunities | Number of employees sent to external specialist organizations | 100 | 30 |
| | Systematic nurturing of next-generation management | Successor preparation rate | 300% (3 people/position)[3] | 256% |
| Enable excellence of individuals | A culture that praises challenges | Challenge climate index | 100% | Results for 2022: 76% |
| | | Application rate for higher positions[4] | 50% (Application rate) | 33% (Appointment ratio) |
| | Self-supporting management | Rate of "check-in"[5] sessions conducted | 100% | 88% |
| | Promoting D&I that capitalizes on diversity | Employee enablement score | 100 | 89 |

3. Prepare three successors for each position
4. Percentage of new appointments assigned through the challenge assignment system and internal recruitment system
5. Enact 1-on-1 conversations between managers and subordinates designed to support facing challenges and growth. Currently, enacting "check-in" sessions beyond employees and their managers.

## Main Progress: Insight Business

Under the Insight Business, Chugai is promoting steps to extract and utilize a host of insights that maximize the value of in-house drug discovery, development and pharmaceuticals by collecting external data, including RWD, and data obtained at each stage (drug discovery, development, pharmaceutical technology, and value delivery), coupled with advanced analysis. In doing so, we hope to achieve greater sophistication in demonstrating clinical value at the pharmaceutical development stage, as well as the development and operation of a structure for commercialization that enables the sustainable provision of solutions to patients at the market launch phase for pharmaceuticals. As examples of concrete initiatives, we are currently promoting the development of objective and continuous pain evaluation using wearable devices for patients suffering from endometriosis, and diagnostic support tools for endometriosis imaging. With both, the objective is to maximize value for individual patients at the pharmaceutical utilization stage.

Furthermore, we have defined the commitment in TOP I 2030 to commercialize the Insight Business, along with realizing optimal solutions for individual patients by linking pharmaceuticals with patients, as "PHC" solutions, with the PHC Solution Unit established on April 1, 2024 promoting development and practical applications. As societal expectations of the value healthcare should deliver become more complex, we believe the development and practical application of PHC solutions will be increasingly important as a means to add even greater added value to innovative pharmaceuticals. Going forward, we seek to develop PHC solutions in each pharmaceutical and development project, accelerating their promotion and amassing expertise. As non-pharmaceutical solutions (products and services), we will contribute to maximizing value creation for healthcare systems as a whole by maximizing the provision of value optimized to the individual. This effort is centered principally on software as a medical device, in vitro diagnostics, companion diagnostics, and digital biomarker.

## Other Topic: Intellectual Property Strategy

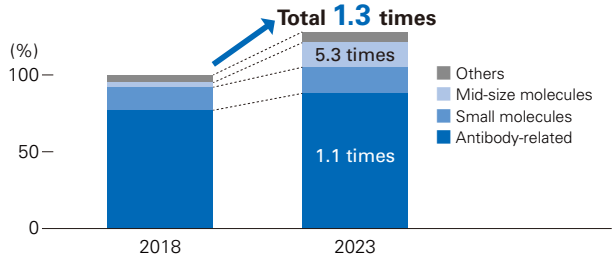
Chugai views the formulation and execution of a global intellectual property strategy—the foundation for medium- to long-term growth—as an extremely vital management issue in the continued pursuit of innovation for achieving advanced and sustainable healthcare powered by our unique strengths in science and technology.

Moving toward our Envisioned Future for Chugai requires a frontier spirit, along with free thinking that moves outside the box to create new value. The transformation of ideas and inventions generated through these value creation activities into patents and other intellectual property, and subsequent conversion into and use as rights, not only supports Chugai's own growth—they are important for social advancement as a whole.

Building the world-class drug discovery capabilities, in particular, will become the core of Chugai's innovation. The foundation for our drug discovery capabilities is a competitive, advanced and unique technology platform for antibody engineering technology, mid-size molecule drug discovery and other innovations. In building this platform, along with analyzing Chugai's advantages and positioning from an intellectual property standpoint, we are working to secure and expand intellectual property after evaluating impact and risk posed to business from a long-term perspective. Consequently, Chugai holds roughly 7,000 patents as of December 31, 2023, a number that is growing in step with progress in R&D activities. Furthermore, beyond patents pertaining to product substance and application, in order to protect product value from multiple perspectives, we are conducting strategic patent acquisition in areas such as pharmaceutical formulation, production methods, diagnostic method, and personalized healthcare. The purpose here is to maximize the value of distinctive pharmaceuticals generated by Chugai's proprietary technology platform. Additionally, Chugai more recently is responding strategically to intellectual property related to digital and AI technology. With respect to generics, biosimilars and competing products, Chugai is contributing to the maximization of business value by strategically leveraging intellectual property, while helping achieve both business and R&D strategies by minimizing risks associated with intellectual property.

Please refer to the Company's website for details on "Intellectual Property"
https://www.chugai-pharm.co.jp/english/profile/rd/intellectual/index.html

### Number of Patents Held




### Example of strategic utilization of IP assets

- **Recycling Antibody® technology**
  Resolution through patent infringement lawsuits in Japan and the U.S. (2022)
- **Alecensa**
  Resolution based on ANDA lawsuit in the U.S. against a generic drug company (2022)
- **Actemra**
  Settlement through out-of-court negotiation with generic drug company (2022–2023)

# Message from the CFO

Iwaaki Taniguchi
Director, Executive Vice President and CFO

**I am mobilizing our full finance functions to contribute to sustainable value creation through novel drug discoveries and achieving our TOP I 2030 goals. Taking every opportunity for close dialogue with our range of stakeholders, I work to keep Chugai in the top class globally for both financial and non-financial information disclosure.**

I'm Iwaaki Taniguchi, and I assumed the role of CFO as of March 28, 2024. For over 35 years, I've been building experience in the field of finance in service of global Japanese firms. I joined Chugai in August 2022, and have assumed supervisory responsibility for Finance & Accounting, Corporate Communications, and Procurement and become Head of Finance Supervisory Division. Thank you in advance for your understanding and support of my new responsibilities as CFO.

## Review of Strategic Policies for 2023

Our Core revenue for 2023 stands at ¥1,111.4 billion, down 4.8% year on year, mainly due to a substantial decrease in sales of Ronapreve for COVID-19 treatment. Excluding the temporary impact of COVID-19-related drugs, however, our revenue grew by ¥86.4 billion, up 8.4% year on year, showing an upward trend for the base business. Sales of Hemlibra, an in-house product, continue to grow abroad, contributing substantially to exports and royalty income, while new products such as Polivy and Vabysmo are showing steady growth in Japan, proving the strong competitive advantages of our mainstay products. As a result, our Core operating profit stands at ¥450.7 billion, down 0.2% year on year, and Core net income at ¥333.6 billion, up 5.0% year on year, marking seven consecutive years of profit growth.

## 2024 Financial Prospects

For 2024, we are expecting ¥1,070.0 billion in revenue, down 3.7% year on year, influenced by the decrease in Ronapreve sales of ¥81.2 billion. Excluding the impact of Ronapreve, we expect sales growth of about ¥40.0 billion, which I take as a sign of strong demand for our products. Domestic sales are expected to fall by 18.5% year on year to ¥454.9 billion, due to the NHI drug price revision and spread of generics in addition to the Ronapreve sales decrease, despite volume increases projected for new products Phesgo and Vabysmo along with our mainstay products. Overseas sales are expected to increase substantially to ¥467.1 billion, up 12.1% year on year, mainly due to the further growth of Hemlibra offsetting the decrease in sales of Actemra, affected by a launch of biosimilars. For other revenues, we're expecting ¥148.0 billion, up 8.1% year on year, due to growth in sales related to Hemlibra, offsetting the decrease in Actemra-related sales.

On the cost side, the cost to sales ratio is expected to be 36.6%, a 5.7 percentage point improvement year on year, due to further increase in the percentage of in-house products with low costs in the product mix. Research and development expenses are expected to be ¥171.0 billion, up 5.0% year on year, due to investments in drug discovery and early development as well as steady progress in development

projects, while selling, general and administration expenses are expected to be on par with the previous fiscal year at ¥102.0 billion. With all these factors considered, Core operating profit is expected to reach a record high of ¥460.0 billion, up 2.1% year on year, and Core net income is expected to increase for an eighth consecutive year to ¥335.5 billion, up 0.6% year on year, for 2024.

## My Focus as CFO

Chugai operates under the Mission to "dedicate itself to adding value by creating and delivering innovative products and services for the medical community and human health around the world," and sets forth the aim to "become a top innovator for advanced and sustainable patient-centric healthcare" in its Envisioned Future. I understand the enormity of the role that finance functions must play to make these happen.

Based on my years of experience, I put highest priority on the following specific points in building a financial strategy.

1. Flexibly and promptly secure and allocate the management resources needed to realize and promote our vision and strategy
2. Maintain and reinforce the strong and stable financial foundation our business depends on for growth
3. Manage operations and finances to allow sustainable and attractive corporate performance that measures up to the needs of our diverse stakeholders
4. Deliver high-quality, timely communication and information to our diverse stakeholders

## Flexible and Prompt Allocation of Management Resources

From a perspective of sustainable value creation, the most important theme is well-balanced, flexible, and agile allocation of financial resources (capital allocation) with varying degrees of emphasis. From that perspective, the most important domain for allocation is building new technological bases for drug discovery that can offer the Company a strong competitive advantage and differentiation from other companies. Specific targets include further enhancement of research facilities like Chugai Life Science Park Yokohama, which started full-scale operation in 2023, as well as equipment, and promotion of clinical development activities. In addition, I think it will become more important than ever to fund and invest in open innovation, especially in alliance with other organizations, to establish innovative technologies. Chugai does not see strategic importance in investments or takeovers solely to increase its sales scale. To reinforce the foundation for our own drug discoveries, however, we will invest more actively in targets we consider necessary.

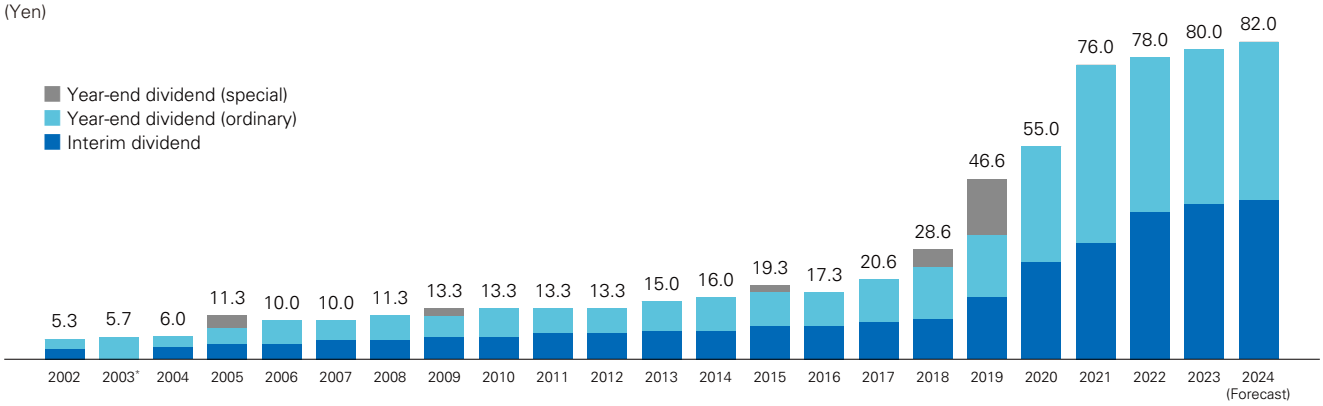
Our next priority is to build up our production equipment and supply chains to assure reliable, efficient supply of in-house products. The development of pharmaceuticals that make the most of our strengths in antibody technology and

### Current Status / Plan for Major Investments

| | | ~2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028~ | Planned investment: Total amount | Planned investment: Investment to date | Unit |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Manufacturing | Fujieda Plant | FJ3: Manufacture APIs of small and mid-size molecule drugs for late-stage clinical development and early commercial use | | | | | | | 55.5 | 47.3 | Billion JPY |
| | Ukima Plant | UK4: Manufacture bio-drug substances for early-stage clinical development | | | | | | | 12.1 | 10.7 | Billion JPY |
| | Utsunomiya Plant | UT3: Manufacture bio-drug substances for middle- to later-stage clinical development and early commercial use | | | | | | | 37.4 | 5.6 | Billion JPY |
| | Utsunomiya Plant | UTA: Manufacture sterile injectables for early commercial use | | | | | | | 19.0 | 5.3 | Billion JPY |
| | Ukima Plant | UK3 (modification): Manufacture bio-drug substances | | | | | | | 20.3 | – | Billion JPY |
| Research and development | CPR | Accelerate creation of clinical candidates utilizing proprietary antibody technologies | | | | | | | 758 (of which, capital investment: 82) | 558 (77) | Million SGD |
| | | Move and renovate facilities to enhance research functions | | | | | | | 60 | – | Million SGD |
| | Chugai LSP Yokohama | Building of state-of-the-art R&D site to create innovative new drug candidates | | | | | | | 128.8 * Land of 43.0 billion JPY excluded | 124.9 | Billion JPY |
| | IFReC | Funding to IFReC per comprehensive collaboration agreement | | | | | | | 10.0 | 6.8 | Billion JPY |
| Environment | Environmental investment* | Equipment upgrade to achieve Mid-Term Environmental Goals 2030 | | | | | | | 109.5 (estimated total amount) | 2.9 | Billion JPY |

* Includes part of Chugai LSP Yokohama and UK3 (modification)

Dividend Trend




* Because 2003 had only nine accounting months, its figures are calculated as a percentage of 12 months.
Note: Effective July 1, 2020, Chugai has implemented a three-for-one stock split of its common stock. Dividends are calculated assuming the stock split was implemented at the beginning of 2002.

ongoing mid-size molecule drug discovery requires highly advanced production technologies and expertise, so assuring production with our own equipment is particularly important in our competitive strategy. With expanding sales of in-house products including Hemlibra and various development pipelines, it's a pressing issue to secure production capacity to serve our full product portfolio, including investigational drugs. We foresee a high level of equipment investment continuing into the future.

In recent years, from the perspective of sustainability, environmental countermeasures have become a high priority in allocating our resources. We plan to accelerate the initiative to achieve our ambitious goal of reducing $CO_2$ emissions by 60-75% by 2030, so we are considering investing over ¥100.0 billion in related measures. Bearing in mind our focus on strategic DX, we expect increasing investment in digital technologies Company-wide.

Shareholder returns will remain a high priority. To continuously provide stable profit allocation while taking strategic funding needs and earnings prospects into account, Chugai has set a target for a consolidated dividend payout ratio of 45% on average based on Core EPS. In 2023, we saw record-high Core net income, and Core EPS increased 5.0% year on year. We reflected the positive results in our annual dividend payment of ¥80 per share, up ¥2 year on year (Core payout ratio 39.5%, five-year average 40.9%). For 2024, Chugai expects annual dividends of ¥82, including an interim dividend of ¥41 (Core payout ratio 40.2%, five-year average 40.2%), reflecting our favorable financial performance trend.

## A Strong and Stable Financial Foundation

For Chugai to realize its Envisioned Future, an audacious management strategy based on a long-term vision is necessary, and it goes without saying that a strong and stable financial foundation is a precondition. The pharmaceuticals business is characterized by research and development that calls for a lot of time with high uncertainty, requiring massive investment to develop and build up ever-evolving, cutting-edge technologies for drug discovery above all else. Chugai has a specific goal to double R&D output in 10 years while launching innovative in-house global products every year. Essential to supporting these R&D efforts, the strength of ample capital based on good financial health and the capacity to generate cash, backed by high profit ratios, are important factors. Accumulating profit over time, Chugai has achieved an owned-capital ratio of 84.1%, and enjoys a ratio of Core operating profit to revenue as high as 40.6% and a debt rating of AA, Japan's top class. We believe that keeping our financial health strong and stable is a prerequisite for realizing our Envisioned Future. By making that happen, we believe we can develop as a peerless global pharmaceutical company, while meeting the expectations of various stakeholders. I understand it's important in corporate management to continuously build corporate value through long-term profit growth. It's widely understood that the value of a pharmaceutical company depends on its capability to discover innovative, novel drugs not only today but also into the future. From that perspective, intensive, large-scale allocation of our resources to research and development is vital, and it never conflicts with the effort to keep our financial foundation strong and stable.

## Manage Operations and Finances to Measure Up to the Needs of Our Stakeholders

Achieving financial performance in line with stakeholder expectations in a sustainable and long-term manner is a very important mission for the existence of a company. In short, financial performance is all about ensuring adequate and ample returns on the capital provided by our stakeholders. In other words, gain a good understanding of the cost of capital that the market deems necessary and deliver a return on capital that is well in excess of that cost of capital. Our

company uses Core ROIC as an indicator of the return on capital to quantify the returns to a wide range of capital providers.

Chugai has established a process for objectively measuring its own cost of capital on a regular basis and making business decisions with a consciousness of the cost of capital. Our Core ROIC was 34.6% as of the end of 2023, far exceeding the current estimate for cost of capital of 7%, considering market conditions.

From the viewpoint of stable maintenance and improvement of corporate value, it's extremely important to appropriately set ROIC and manage it. Therefore, we set targets for Core operating profit, the numerator of ROIC, as well as earnings and expenses, its preconditions, for each annual business cycle after full, comprehensive discussion. At the same time, we manage our performance through frequent, quality communication with our production floors, to monitor our progress toward achieving the goals set in early planning. Through these efforts, we continue doing our best to continuously and reliably maintain financial performance at levels that are satisfactory to our stakeholders.

### High-Quality, Timely Communication and Information Disclosure

For sustainable growth in corporate value, it's important to maintain frequent communication with stakeholders to help them fully understand the Company's strategies and situations, in addition to showing our corporate performance in the form of financial results. Diversity has become increasingly important in recent years, and pharmaceutical companies have to meet the diverse needs of a range of stakeholders. Therefore, Chugai makes a habit of providing high-quality, timely information to its diverse stakeholders, staying close to their respective needs. Recently, stakeholders have been asking us more often than ever about our forward-thinking initiatives related to sustainability, non-financial areas and DX. As a result, we will set up more opportunities for frequent, substantial and proactive dialogue with our stakeholders on a range of themes in response to their needs.

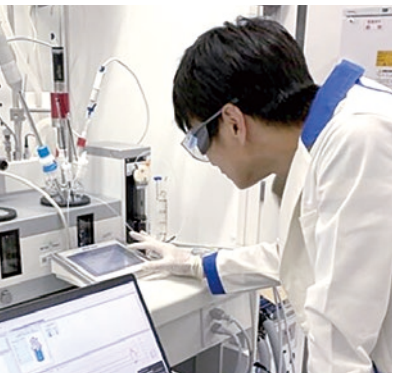
Greeting

## Though We Change, We Stay the Same. Constancy and Change Share the Same Root.

After he had experienced the disaster of the Great Kanto Earthquake in 1923, the founder of Chugai started his business to contribute to society with helpful drugs. In 2025, the Company will celebrate its centennial. Over the past century, it has evolved from a trader in new drugs to a pharmaceutical company, expanded from the OTC drug market to prescription drugs, and branched out from chemicals to the biotechnology field. As its business has changed, so too has its management structure, evolving from independence to strategic alliance. In this way, Chugai has changed itself in order to remain faithful to its founding spirit.

The poet Matsuo Basho stated, "Without knowing constancy, one is groundless; without knowing change, there won't be fresh air." Simply put, this means that without understanding the essential things that do not change over time, we cannot build a foundation, and without understanding change, we cannot develop in new ways. This applies to the CFO of a company as well. Their responsibilities as a counselor to the top executive in planning and promoting corporate strategies, mainly with a focus on business management, finance and accounting, remain constant. Exactly what they must do when and how, though, depends on the situation the company is in, changes in its business environment, and external needs, all of which require flexibility. In the words of the 15th-century Noh actor and playwright Zeami, "Know that being without a permanent home is your flower," meaning that it is vital to continue changing to remain attractive and vibrant, never staying in the same place for long. This applies to human resources as well. These ideas, as personal touchstones, have guided my work as CFO for six years, and now, with a sash on which these words are written, I pass those responsibilities to my successor. Our principle of leading continuous reform to serve our immutable founding spirit remains unchanged.

**Toshiaki Itagaki**
Former CFO
(March 28, 2024)



# Governance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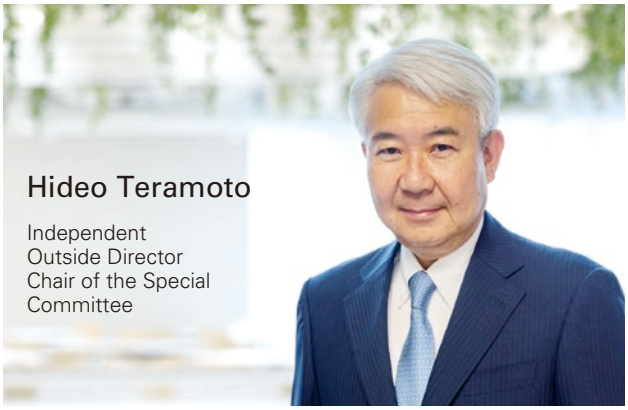
# Message from an Outside Director (Chair of the Special Committee)





Hideo Teramoto

Independent
Outside Director
Chair of the Special
Committee

## My Focus on the Board of Directors

As a leading Japanese pharmaceutical company, Chugai attracts high expectations from the capital market. It has a controlling shareholder named Roche, and its Board of Directors is composed one-third each of members from within the Company, from Roche, and from outside the Company. When I was asked to join the board as an outside director, I understood I was expected above all else to represent minority shareholders. My responsibility on the board is to make the most of the experience and knowledge I've built in the fields of finance, corporate management, and capital policy, to cultivate Chugai's corporate value while helping protect the interests of minority shareholders.

Over my first year as an outside director, I have maintained two primary points of focus. The first is capital policy. From the standpoint of sustainably growing corporate value, I've been asking frequently about the Company's sources for future growth and have continuously questioned and discussed the usage of its large cash fund of roughly ¥700 billion. I understand that the strategy of investing cash in future research and development, as well as mergers and acquisitions, is essential to supporting continuing discoveries of new drugs. Given the positive business trend and the projected further increase in cash, Chugai's capital policy is a point of focus for investors. I think it's important to continue giving them full and convincing explanations.

My second focus is governance. As chair of the Special Committee, I put my priority on my supervisory role to appropriately manage the risk of conflict of interest.

## What the Special Committee Does for Better Governance

I don't see a need to change the current composition of the Board of Directors; I believe it is functioning effectively in terms of both objectivity and decision-making speed. I understand that it is generally desired for a corporate board of directors to have over half of its members composed of indipendent outsiders. To maximize the value of the Chugai-Roche strategic alliance, however, a certain percentage of the Chugai board is appointed from among Roche executives, including former executives. They provide the board with opinions and advice, respect the Chugai executive officers, and express their ideas from a certain distance. In discussions of ESG, they sometimes speak quite frankly, reflecting European regulations that are more advanced than Japan's, but they always value constructive talks. For us outside directors, I think this exchange with executives from Chugai's controlling shareholder is a very important and valuable opportunity.

For minority shareholders, however, this management structure necessarily poses the risk of conflict of interest. So our role on the Special Committee, to guard the interests of minority shareholders in our discussions about Chugai business with Roche, is extremely important. On the other hand, if we succeed in eliminating any risk of conflict of interest for minority shareholders, they will enjoy maximum value from the strategic alliance between Chugai and Roche. This idea follows the policy of the Tokyo Stock Exchange as announced in December 2023.

The Special Committee specifically discusses Chugai's collaboration with Roche, not just in- and out-licensing of drugs, but building IT infrastructure and the like as well, to see that a given project is fair and equal to similar Chugai business with third parties in terms of price and quality. Depending on the importance of collaborative projects, matters to be placed on the board agenda are discussed before resolution, and those to be resolved by executive officers are discussed in meetings after resolution. In 2023, no collaborative project was considered as needing reconsideration by the committee, but we pointed out one that needed cautious treatment. We received a report from the management side on the measures taken in response to this point and their future plans.

The three members of the Special Committee have different skill sets and conduct open, objective discussions, working to their individual strengths. Dr. Fumio Tateishi makes appropriate judgments from a manufacturing standpoint, making the most of his experience in global management. Outside Audit & Supervisory Board Member Kenichi Masuda, a seasoned attorney, carefully examines each transaction and contract from a range of standpoints. I have strong confidence in these committee members.

Examinations and discussions of this sort are not easy. Because the transactions related to in- and out-licensing contracts are highly specialized and there are few cases that can serve as external benchmarks, we have to examine the structure and processes of each in comparison with similar transactions. Following more study and trial and error in the examination process, we hope to raise the effectiveness and quality of the committee's work. This work is often time-consuming, so I'd like to discuss the best frequency for our meetings. It's also important to actively communicate what the committee is doing, and direct talks with investors will be needed going forward.

## Special Committee Members

Dr. Fumio Tateishi
Independent Outside Director
Special Committee Member

Kenichi Masuda
Independent Outside Audit &
Supervisory Board Member
Special Committee Member

# Directors / Audit & Supervisory Board Members (As of April 1, 2024)

## Executive Directors

### Dr. Osamu Okuda
Representative Director, President & CEO

Executive Director

(Shares of the Company owned: 158.1 thousand shares)

1987 Joined the Company
2008 General Manager of Lifecycle Management Dept. II
2009 General Manager of Lifecycle Management Dept. II and Head of Lifecycle
2011 President of Roche Products (Ireland) Limited
2013 General Manager of Oncology Unit, Marketing & Sales Div.
2014 Vice President, General Manager of Oncology Unit, Marketing & Sales Div.
2015 Vice President, General Manager of Corporate Planning Dept.
2017 Executive Vice President, General Manager 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)

### Iwaaki Taniguchi
Director, Executive Vice President & CFO

Executive Director

(Shares of the Company owned: 2.1 thousand shares)

1989 Joined The Long-Term Credit Bank of Japan, Limited (currently SBI Shinsei Bank, Limited)
2004 Joined Takeda Pharmaceutical Company Limited ("Takeda")
2013 General Manager of Corporate Finance Dept. of Takeda
2015 General Manager of Finance Management Dept. of Takeda
2017 Joined Recruit Holdings Co., Ltd.
Corporate Executive Officer (Responsible for Finance) of Recruit Holdings Co., Ltd.
2022 Joined the Company
Executive Vice President, Head of Finance & Accounting Dept.
2023 Senior Vice President, Head of Finance Supervisory Div. and Head of Finance & Accounting Dept.
2024 Director, Executive Vice President & CFO, Head of Finance Supervisory Div. (to present)

### Dr. Hitoshi Iikura
Director, Executive Vice President

Executive Director

(Shares of the Company owned: 3.3 thousand shares)

2000 Joined the Company
2017 Head of Medicinal Chemistry Research Dept.
2021 Head of Research Div.
2022 Vice President, Head of Research Div.
2024 Vice President, Head of Translational Research Div.
Director,Executive Vice President, and Head of Translational Research Div. (to present)

## Non-Executive Directors







## Audit & Supervisory Board Members





## Non-Executive Directors

### 1 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)

### 2 Dr. Fumio Tateishi Outside Independent

Honorary Advisor of OMRON Corporation

1975 Joined Tateisi Electronics Co. (currently OMRON Corporation)
1997 Director of OMRON Corporation ("OMRON")
1999 Managing Executive Officer of OMRON
2001 Senior General Manager, Corporate Strategic Planning HQ of OMRON
2003 Executive Officer and Executive Vice President of OMRON, President, Industrial Automation Business Company of OMRON
2008 Director and Executive Vice Chairman of OMRON
2013 Chairman of the Board of OMRON
2023 Director of the Company (to present)
Honorary Advisor of OMRON (to present)

### 3 Hideo Teramoto Outside Independent

President of Dai-ichi Life Research Institute, Inc.
Outside Director of Imperial Hotel, Ltd.

1983 Joined The Dai-ichi Mutual Life Insurance Company
2012 Director, Managing Executive Officer, Deputy Chief General Manager of Group Management Headquarters, and General Manager of Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited ("DLI")
2013 Director, Managing Executive Officer, and Deputy Chief General Manager of Group Management Headquarters of DLI
2015 Director, Senior Managing Executive Officer, and General Manager of Marketing Promotion of DLI
2016 Director, Senior Managing Executive Officer, and General Manager of Marketing Promotion of Dai-ichi Life Holdings, Inc. ("DLH")
Director and Senior Managing Executive Officer of DLI
2017 Director of DLH
Representative Director and Vice Chairman of DLI
2020 Director, Vice Chairman, and General Manager of Innovation Strategy Unit of DLH
2021 Representative Director, Vice Chairman, and Executive Officer of DLH
2022 Director of DLH
President of Dai-ichi Life Research Institute, Inc. (to present)
2023 Director of the Company (to present)
Outside Director of Imperial Hotel, Ltd. (to present)

### 4 Dr. Christoph Franz

Vice Chairman of the Board of Zurich Insurance Group Ltd (Switzerland)
Member of the Board of Directors of Stadler Rail AG (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.
2017 Director of the Company (to present)

### 5 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)

### 6 Teresa A. Graham

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

2005 Joined Genentech as Product Manager
2010 Genentech Sales Manager
2011 Genentech Marketing Director
2013 Genentech Sr. Dir. Field Reimbursement Management
2015 Roche Lifecycle Leader Actemra
2017 Genentech Vice President Rheumatology/Nephrology
2018 Genentech Vice President AATE & LGI Sales
2019 Roche Pharma Head of Global Product Strategy
2023 CEO of Roche Pharmaceuticals, Member of the Roche Corporate Executive Committee (to present)
Director of the Company (to present)

## Audit & Supervisory Board Members

### 7 Dr. Yoshiaki Ohashi (Full-time)

(Shares of the Company owned: 49.3 thousand 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
Full-Time Audit & Supervisory Board Member (to present)

### 8 Dr. Shigehiro Yamada (Full-time)

(Shares of the Company owned: 1.9 thousand shares)

2005 Joined the Company
2016 Head of Pharmaceutical Technology Planning Dept.
2018 Head of Corporate Planning Dept. of Chugai Pharma Manufacturing Co., Ltd.
2019 Head of Corporate Social Responsibility Dept. of the Company
Head of Sustainability Dept. of the Company
2023 Full-Time Audit & Supervisory Board Member (to present)

### 9 Kenichi Masuda Outside Independent

Partner of Anderson Mori & 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 Mori & Rabinowitz (currently Anderson Mori & Tomotsune)
1993 Registered as an attorney-at-law in the state of New York
1997 Partner of Anderson Mori (currently Anderson Mori & Tomotsune) (to present)
2007 Outside Corporate Auditor of LIFENET INSURANCE COMPANY
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. (currently Mercuria Holdings Co., Ltd.) (to present)
2019 Visiting Professor of School of Law, The University of Tokyo
2020 Outside Audit & Supervisory Board Member of the Company (to present)

### 10 Yumiko Waseda Outside Independent

Partner Attorney-at-Law/Partner Patent Attorney, Tokyo Roppongi Law and Patent Office
Outside Audit & Supervisory Board Member of IHI Corporation
Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation

1985 Joined Matsuda Masayuki Law and Patent Office (currently Mori Hamada & Matsumoto)
2004 Vice President of Daini Tokyo Bar Association
2005 Executive Governor of Japan Federation of Bar Associations
2013 Joined Tokyo Roppongi Law & Patent Office
2014 Outside Audit & Supervisory Board Member of KAO Corporation
2015 Outside Audit & Supervisory Board Member of Asahi Group Holdings, Ltd.
2016 President of Daini Tokyo Bar Association
Vice President of Japan Federation of Bar Associations
2021 Outside Audit & Supervisory Board Member of IHI Corporation (to present)
2023 Outside Audit & Supervisory Board Member of the Company (to present)
Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation (to present)

### 11 Mami Yunoki Outside Independent

Representative of Mami Yunoki Certified Public Accountant Office

1985 Joined Aoyama Audit Corporation
2006 Joined Arata Audit Corporation (currently PricewaterhouseCoopers Japan LLC)
2008 Partner of PricewaterhouseCoopers Arata ("Arata")
2016 Member of the firm management committee and Executive Officer in charge of the manufacturing, distribution, and services division of Arata
2023 Representative of Mami Yunoki Certified Public Accountant Office (to present)
2024 Outside Audit & Supervisory Board Member of the Company (to present)

Independent Independent director or Audit & Supervisory Board member 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

## Towards 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, under its strategic alliance with Roche, Chugai maintains its managerial autonomy and independence as a publicly listed company while being a member of the Roche Group. Chugai pursues management that fulfills the mandate of its diverse 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.

We have verified our compliance with each principle of the Corporate Governance Code of the Tokyo Stock Exchange. In the case of non-compliance, the item and the reason are indicated below as well as in our Corporate Governance Report.

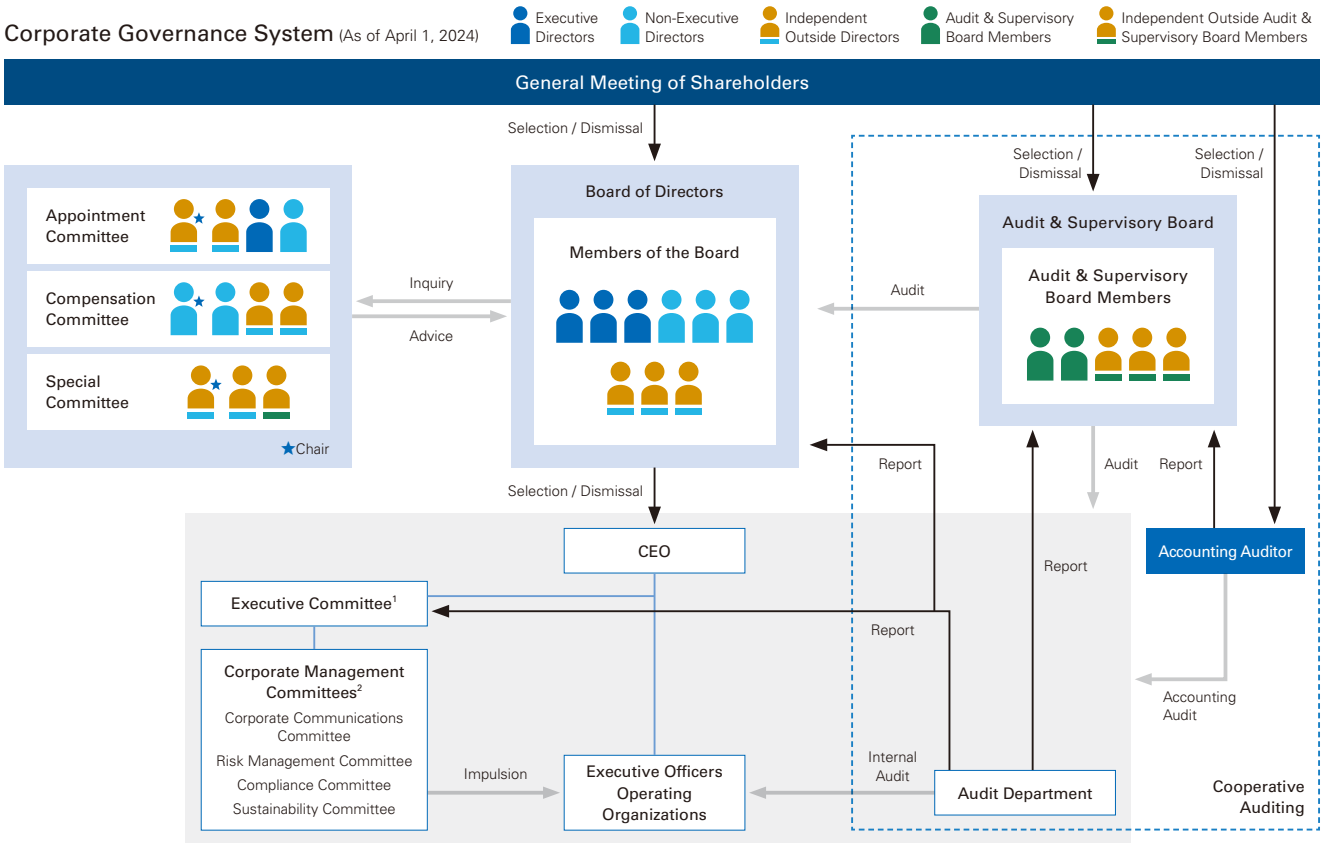
**Reasons for Not Implementing the Respective Principles of the Corporate Governance Code**
**Supplementary Principle 4-10-1 Establishment of independent advisory committees**

Although the Company's Compensation Committee is not comprised of a majority of independent outside directors, all four of the committee members are non-executive directors, including at least two independent outside directors. At least one of the independent outside directors also serves as a Special Committee* member. In the deliberation by the Compensation Committee, if the deliberation by the Special Committee is considered appropriate by the member who also serves as a Special Committee member, the committee will deliberate and consider it, and report it to the Board of Directors. Therefore, in view of the purpose of the Corporate Governance Code, we believe that deliberations on remuneration are conducted with transparency and objectivity in the current structure.

* **Special Committee:** The Company has established the Special Committee as a permanent advisory body to the Board of Directors to create a structure for protecting the interests of minority shareholders. The Special Committee deliberates and reviews significant transactions and conduct, etc. that may generate a conflict of interests between the Roche Group and minority shareholders. Depending on the importance of a transaction, before resolution by the Board of Directors, and after resolution by the Executive Committee, the Special Committee deliberates on the necessity and rationality of the transaction, as well as the appropriateness and fairness of the transaction conditions and other aspects, and provides an answer and report to the Board of Directors. To ensure the independence and objectivity of the Special Committee, it has a composition of at least three members, comprising independent outside directors or independent outside Audit & Supervisory Board members, with the members being selected by the Board of Directors.

**Corporate Governance Report and Related Materials**
https://www.chugai-pharm.co.jp/english/ir/governance/report.html

### Corporate Governance System (As of April 1, 2024)

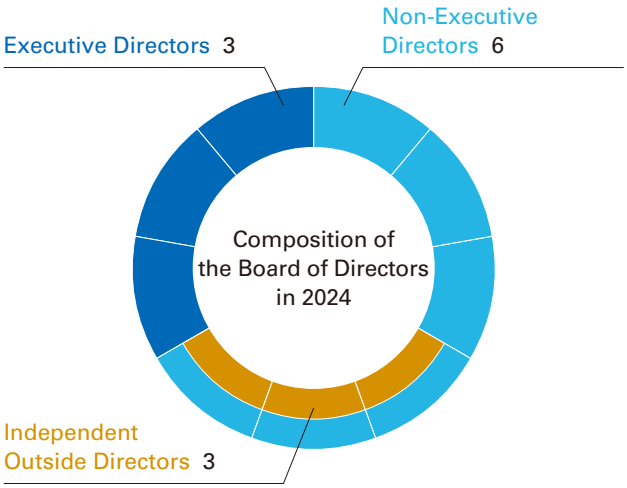



1. Executive Committee: Performs important decision-making related to Company-wide business strategies and execution of business.
2. Corporate Management Committees: Subcommittees of the Executive Committee. The Corporate Communications Committee makes decisions and oversees promotion of activities regarding 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 Sustainability Committee is responsible for formulating and promoting the implementation of Chugai's sustainability strategies.

## A Governance Structure Supporting Chugai's Unique Business Model

While a member of the Roche Group, Chugai ensures the autonomy and independence of its management. To promote the Company's unique business model, the Board of Directors comprises three types of directors: executive directors, independent outside directors, and non-executive directors (excluding independent outside directors), each comprising one-third of the board, respectively. This board composition secures their respective diversity and skills.

Executive directors are responsible for business execution and supervision. They report on and explain business execution matters and execute the strategies decided in Board of Directors' meetings. Independent outside directors are appointed based on their experience, knowledge, and expertise as outside corporate executives or as medical, academic, and other professionals. They participate in discussions and decision-making at Board of Directors' meetings from an objective standpoint. Other non-executive directors are appointed from among experienced managers 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. These directors are essential to the Company as they pursue autonomous and independent management while sharing the Roche Group mission of "providing solutions to patients," and possess world-leading skills and experience in the healthcare field.




### Expertise and Experience Expected of Directors and Audit & Supervisory Board Members (As of April 1, 2024)

| | Positions/Responsibilities | Name | Roles | Expertise and experience expected of directors and Audit & Supervisory Board members | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Corporate management | R&D | Sales, Marketing | Finance, Accounting, Tax affairs | Legal affairs, Intellectual property, Risk Management | Medical science, Pharmaceutical sciences | International experience |
| Executive directors | Representative Director, President & CEO | Dr. Osamu Okuda | Chair of the Board of Directors<br>Appointment Committee member | ● | ● | ● | | | ● | ● |
| | Director<br>Executive Vice President & CFO | Iwaaki Taniguchi | | ● | | | ● | ● | | ● |
| | Director<br>Executive Vice President | Dr. Hitoshi Iikura | | ● | ● | | | | ● | ● |
| Non-executive directors | Outside Director Independent | Dr. Mariko Y Momoi | Appointment Committee member | | | | | | ● | ● |
| | Outside Director Independent | Dr. Fumio Tateishi | Chair of the Appointment Committee<br>Compensation Committee member<br>Special Committee member | ● | | ● | | ● | | ● |
| | Outside Director Independent | Hideo Teramoto | Chair of the Special Committee<br>Compensation Committee member | ● | | ● | ● | ● | | |
| | Director | Dr. Christoph Franz | Compensation Committee member | ● | | | | | | ● |
| | Director | Dr. James H. Sabry | | ● | ● | | | | ● | ● |
| | Director | Teresa A. Graham | Chair of the Compensation Committee<br>Appointment Committee member | ● | ● | ● | | | | ● |
| Audit & Supervisory Board members | Full-Time Audit & Supervisory Board Member | Dr. Yoshiaki Ohashi | | | ● | | | ● | ● | ● |
| | Full-Time Audit & Supervisory Board Member | Dr. Shigehiro Yamada | | | ● | | | ● | | ● |
| | Outside Audit & Supervisory Board Member Independent | Kenichi Masuda | Special Committee member | | | | | ● | | ● |
| | Outside Audit & Supervisory Board Member Independent | Yumiko Waseda | | | | | | ● | | |
| | Outside Audit & Supervisory Board Member Independent | Mami Yunoki | | | | | ● | | | ● |

Independent Independent director or Audit & Supervisory Board member who has been registered with the Tokyo Stock Exchange

## Relationship with Roche and Securing the Rights and Equality of Shareholders

In accordance with our strategic alliance, Chugai's parent company Roche (holding 59.89% of Chugai's outstanding shares) and Chugai have 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. Autonomy and diversity are key to generating innovation, and we believe that maintaining this kind of independent management brings diversity to the Roche Group, and that the pharmaceuticals we create as a result contribute to all stakeholders, including patients and minority shareholders. Chugai recognizes that the various benefits from being listed—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 in March 2022 to deliberate and review significant transactions and conduct, etc. that may generate a conflict of interest between Roche and minority shareholders. Chugai is working to gain the latter's trust by ensuring due consideration of their interests. In the three meetings of the Special Committee held in 2023, the committee did not recognize any transactions requiring a review. One point to be observed was indicated with respect to a future transaction, and the Executive Committee discussed a response to this, which was reported at a Special Committee meeting in February 2024.

### Principal Matters Deliberated by the Special Committee

| Meeting | Principal matters deliberated | Time required |
|---|---|---|
| March 2023 | • Mutual election of committee chair<br>• Substitution order of committee chair | 10 minutes |
| June 2023 | • Report on Roche-related transactions for first half of 2023<br>* Separately from the matter for deliberation, an explanation was provided on the basic agreement with Roche and transactions to date | 3 hours |
| December 2023 | • Report on agreements related to Roche regarding software<br>• Report on Roche-related transactions for second half of 2023 | 1 hour 45 minutes |

## Comment from a Non-Executive Director of the Roche Group

Having personally worked alongside Chugai for more than a decade, including on the global development program for Actemra, I have witnessed firsthand the mutual respect and synergies between our two companies, as well as the value of Chugai's independent management and status as a listed company.

Teresa A. Graham
Non-Executive Director
Chair of the Compensation Committee
Appointment Committee Member
(CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee)

The Chugai board is equally divided among executives, non-executives from Roche*, and independent outsiders. The current structure emphasizes the interests of three stakeholders: employees of Chugai, Roche, as the parent company, and minority shareholders. I believe this composition works well to ensure diversity while providing balance, and ultimately building corporate value.

As one of the representatives of Roche on Chugai's board, I have the privilege of sharing my years of healthcare and biotech industry knowledge, as well as the experience of a global corporation that develops and delivers innovative medicines to patients at scale around the world. I value the energizing discussions and objectivity of the opinions shared in our meetings.

I am consistently impressed by Chugai's innovative and elegant science and am grateful for the opportunity to contribute to furthering the Roche-Chugai alliance towards our common goal of delivering value that makes a difference in patients' lives.

* Two of the three non-executive directors are currently with the Roche Group, and one was previously with the Roche Group.

## Succession Plan

In its succession planning, the Company seeks to promote the sustainable increase of its corporate value by emphasizing the experience and ability to continue and evolve its unique business model and the diversity required for global

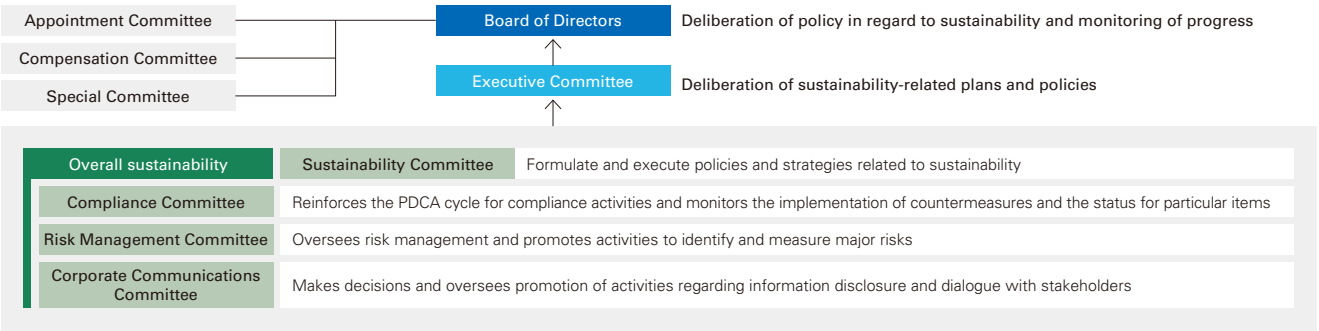
management. The basic idea is to identify, select, and develop at an early stage talent with the potential to succeed to key management positions. With this in mind, we select candidate personnel through internal and external assessment using multiple evaluation metrics based on the Company's Envisioned Future and requirements for ideal management personnel. Successor candidates are grouped into three levels (ready/next/future), then individual personal development plans are created for each successor through a clear system of responsibility, and they are given priority training.

The Company's Appointment Committee has one internal member, and at least three outside members, including at least one independent outside director. It deliberates on the creation of plans for the selection and development of successors for executive directors, including the CEO, with the objective of ensuring objectivity, transparency, and accountability in succession planning. Looking ahead, we will enhance succession planning by continuing to discuss the future of the Company's management and management team, giving consideration to internal and external viewpoints.

## Framework for Promoting Sustainability

Chugai's view of sustainability is the sustainable development of our Company and society, and we believe that it must be actively promoted by the entire Company. The CEO, who is the chair of the Board of Directors and the Executive Committee, is responsible for promoting our overall sustainability. Executive responsibility is assumed by all members of the Executive Committee. Individual specialized matters are discussed at the Corporate Management Committee, after which plans and policies are deliberated and approved by the Executive Committee.

Starting from February 1, 2024, in response to the accelerated changes and increasing sophistication of societal demands, including those related to information disclosure, Chugai has decided to establish a new Sustainability Committee. This scheme will allow us to discuss sustainability in a more specialized and comprehensive manner. Chugai will continue to proactively promote sustainable development for both our Company and society.




## Improving the Effectiveness of the Board of Directors

Chugai has focused on evaluation of the effectiveness of the Board of Directors and responses based on evaluation results since 2016.

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 evaluation 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, based on the survey results, analyze the grounds for the respective self-assessments and the logical basis for reaching the self-assessment results, as well as other matters. Then, they make a comprehensive evaluation after conducting individual interviews if necessary, and report issues and propose effective countermeasures to the Board of Directors. In addition to the existing liaison meetings for outside directors and outside Audit & Supervisory Board members,* from 2023, we have conducted a Board of Directors' meeting review by outside directors and Audit & Supervisory Board members, which meets immediately after a Board of Directors' meeting. This meeting is comprised only of independent outside directors and independent outside Audit & Supervisory Board members and examines issues in the Board of Directors' meeting and improvement measures, as well as sharing examples from other companies and so forth. The content of the meeting is shared with the chair of the Board of Directors, along with any proposals if necessary.

* This meeting is held once a year as a forum for exchanging information between independent outside directors and independent outside Audit & Supervisory Board members. The objectives of the meeting are to share information necessary to invigorate the discussion in the Board of Directors and to further develop mutual connections.

Status of Improvements Identified through Evaluation of the Effectiveness of the Board of Directors (Past Three Years)

| Year of evaluation (Applicable year) | Main issues | Main new initiatives implemented after analysis and evaluation |
|---|---|---|
| 2021 (2020) | • Compliance with the revised Corporate Governance Code | • Revised our Basic Corporate Governance Policy |
| 2022 (2021) | • Reorganization of the framework and elements for consideration pertaining to determining the fairness of transaction conditions by the Special Committee, and deliberation on these by the Board of Directors on the basis of the report by the Special Committee<br>• Operation of the Board of Directors, information provision and information sharing during the COVID-19 pandemic | • Established the Special Committee, operated it appropriately, and made reports to the Board of Directors<br>• Conducted Board of Directors' meetings at Chugai's overseas research laboratories |
| 2023 (2022) | • Operation of the Board of Directors taking into account the request by the Tokyo Stock Exchange with regard to management with consciousness of cost of capital and profitability<br>• Making comprehensive efforts on investments in human capital and assessment of appropriateness of those efforts by the Board of Directors<br>• Comprehensive assessment by the Board of Directors with regard to the progress toward environmental targets<br>• Further improvement of the effectiveness of Board of Directors' meetings by expanding opportunities for information sharing and exchange of opinions for outside directors and outside Audit & Supervisory Board members not only in but also outside of Board of Directors' meetings | • As a response to "management with consciousness of cost of capital and share prices," conducted deliberations in the Board of Directors and disclosure in the Corporate Governance Report<br>• Visualized initiatives on human resources, which is one of the growth foundations in the Company's value creation model, and deliberated in the Board of Directors regarding the policy on disclosure of the Company's approach to human capital<br>• The Board of Directors received a report on the activities of the EHS Promotion Committee (currently the Sustainability Committee), which is one of the corporate management committees, and discussed progress and initiatives on targets related mainly to the environment and health and productivity management<br>• In addition to the existing liaison meetings for outside directors and Audit & Supervisory Board members, a new Board of Directors' meeting review, held directly after a Board of Directors' meeting, was established as a forum for sharing information and exchanging opinions only between outside directors and Audit & Supervisory Board members |

## 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 fixed regular compensation, 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. The guidelines for remuneration composition by type are as follows: CEO remuneration consists of 35% regular compensation, 30% bonuses, and 35% restricted stock compensation; remuneration for other executive directors is determined in consideration of duties and other factors (see page 71).

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 set with reference to the published forecasts for the relevant fiscal year. For restricted stock compensation, 50% is tenure-based restricted stock with a transfer restriction period of three to five years, and 50% 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 by the following process within the scope of the total amount decided by the General Meeting of Shareholders.
- Executive directors: determined by the Board of Directors after deliberation by the Compensation Committee
- Non-executive directors (including outside directors): decided by the CEO having been designated by the Board of Directors, based on the advice of the Compensation Committee
- Audit & Supervisory Board members: decided through discussion by the Audit & Supervisory Board members

Furthermore, 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 so that it can uphold accountability to stakeholders.

Notice of Convocation of the 113th Annual General Meeting of Shareholders (Pages 51-54)
https://www.chugai-pharm.co.jp/english/ir/share/agm/files/240227eChugai_113thAGM_Convo.pdf#page=52

## 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 | | ● | ● | ● | Position, duties, and other factors | Monthly (Cash) |
| Performance-based remuneration | Bonuses | | ● | — | — | Performance in each fiscal year | Yearly (Cash) |
| | Long-term incentive (Stock-based compensation) | Tenure-based restricted stock | ● | — | — | Fixed length of service | Yearly (Common stock) |
| | | Performance-based restricted stock | ● | — | — | Performance over fixed period in addition to above | Yearly (Common stock) |

## Reference Indicators for Performance-Based Remuneration of Executive Directors

Fixed

Regular compensation (CEO: 35%)

Performance-based

Bonuses (CEO: 30%)

Indicators

- Core operating profit
- Revenue
- R&D performance (Main R&D output (pre/post-PoC), number of projects progressing to preclinical phase)
- Measures to meet performance targets in areas of operational responsibility
- Degree of achievement of ESG objectives (based on evaluation by expert organization, etc.)

Restricted stock compensation (CEO: 35%)

Indicators

[Tenure-based] (50%)
- Continuous service during the transfer restriction period

[Performance-based] (50%)
- Total shareholder return (TSR) (Evaluation period: 3 fiscal years) (Number of shares applicable to the lifting of transfer restriction shall be determined within the range of 0% to 100%, based on the comparison of total shareholder return with other domestic pharmaceutical companies)

## Results in 2023: 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): Regular compensation | Bonuses | Restricted stock compensation: Tenure-based | Restricted stock compensation: Performance-based | Number of eligible officers |
|---|---|---|---|---|---|---|
| Directors (excluding outside directors) | 555 | 203 | 176 | 102 | 74 | 4 |
| Outside directors | 62 | 62 | — | — | — | 5 |
| Total | 617 | 441 | | 176 | | 9 |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 70 | 70 | — | — | — | 3 |
| Outside Audit & Supervisory Board members | 45 | 45 | — | — | — | 4 |
| Total | 115 | 115 | | — | | 7 |

Notes: 1. Amounts are rounded to the nearest million yen.
2. The above includes two directors and two Audit & Supervisory Board members who retired during the fiscal year under review.
3. The above bonus amount is the actual amount of executive bonuses for the fiscal year under review.
4. The amounts of restricted stock compensation (tenure-based and performance-based) shown in the table above are the amounts recorded as expenses for the fiscal year under review as each respective restricted stock compensation.

## Results in 2023: Amount of Remuneration Paid to Representative Director

| Name | Consolidated remuneration total by type (Millions of yen): Regular compensation | Bonuses | Restricted stock compensation: Tenure-based | Restricted stock compensation: Performance-based | Total consolidated remuneration (Millions of yen) |
|---|---|---|---|---|---|
| Dr. Osamu Okuda | 119 | 124 | 73 | 59 | 375 |

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

# Risk Management

## Main Risks and Countermeasures (Strategic Risk and Operational Risk)

This section presents the main risks and their countermeasures in Chugai's business development as of the end of December 2023.

| Major risks[1] | | | Specific anticipated impacts (examples) |
|---|---|---|---|
| Strategic risk | Technology and Innovation | Delay or failure in in-house drug discovery or technology development | • Delay in value creation due to delay in pharmaceutical technology development or digital technology advancement<br>• Delay in strategy execution due to failure in drug discovery development |
| | | Failure in development of mid-size molecule drugs | • Occurrence of unexpected issues in the areas of drug discovery, development, and chemistry, manufacturing and controls (CMC)<br>• Invested equipment becoming idle assets due to stall in drug discovery |
| | | Emergence of innovative products and solutions by competition | • Decline in value of in-house technologies and projects due to emergence of competing projects or competition offering new value |
| | | Emergence of disruptive new technologies and solutions | • Decline in value of in-house technologies and projects due to emergence of new modalities and solutions |
| | | Infringement of IP rights (Chugai's or competitors') | • Decline in value of the Company's technologies or products due to IP infringement<br>• Lawsuits from other companies targeting the Company's technologies or products<br>• Inability to use technology or incurring of usage fees due to other companies' patents |
| | Systems, Regulations, and Policies | Changes in pharmaceutical regulations, systems, and policies in Japan and overseas | • Decrease in revenue due to reduction in drug prices (particularly Japan, U.S., and China)<br>• Decrease in sales volume and deterioration of cost ratio due to BS products/generics promotion policies<br>• Delay in grasping regulatory trends, delays in revision and development of development plans and pharmaceutical affairs plans (particularly overseas) |
| | | Further tightening of environmental regulations | • Increase in environmental investment for compliance with regulations |
| | Markets and Customers | Market changes or decrease in market presence | • Deterioration in revenue due to delay in penetration of growth driver products<br>• Decrease in value of therapy and decline in number of target patients with diversification of scope of therapeutic value, such as prevention<br>• Faster than expected change in customer touchpoints resulting in excess of MRs, etc. |
| | | Restrictions on business due to increase in geopolitical risk | • Restriction or withdrawal of business in related areas (loss of production, R&D, and sales locations, decrease in profit, loss of future opportunities)<br>• Impact on stable supply due to supply chain fragmentation |
| | Platforms | Failure of development or market penetration for products in-licensed from Roche/out-licensed to Roche | • Decline in stable revenue source in Japan<br>• Deterioration in overseas revenue |
| | | Failure to attract, develop, or promote the active careers of human resources | • Non-achievement of strategic targets due to failure to attract and develop strategic human resources<br>• Mismatch, shortage, or surplus of human resources due to change in required operations and quality caused by environmental change<br>• Inability to form challenge-oriented organizational culture, hindering innovation |
| | | Deterioration of financial condition due to greater-than-anticipated cost increase | • Deterioration of financial condition due to increase in R&D investment and operation costs |
| | | Impediment to DX promotion | • Delays in strategies such as increasing human predictability and clinical study efficiency, due to lack of progress on digital technology<br>• Stalling of DX and emergence of issues due to insufficient digital capability and understanding of digital compliance<br>• Reduction in competitive capability due to delay in utilization of generative AI |
| Operational risk | Quality and Side Effects ⏩ | • Emergence of product quality issues<br>• Emergence of serious side effects exceeding expectations | • Decrease in revenue 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, 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 | • Suspension of drug supply due to damage of offices and business partners' sites, incurring of costs for facility repair, etc., restriction of business activities, decrease in revenue, impairment of brand value |
| | Human Rights ⏩ | • Human rights infringement in-house or at suppliers<br>• Occupational safety and health issues | • Decrease in public trust, boycott action, lawsuits and payment of compensation for damages, loss of human resources<br>• Deterioration of employee health, mental health, and human resource capabilities |
| | Supply Chain ⏩⏩ | • Delay or slowing of delivery from suppliers<br>• EHS[2] risks at business partners | • Decrease in revenue or market share<br>• Loss of public trust |
| | Global Environmental Issues ⏩ | • Delay in technology- and facility-related response to climate change<br>• Unexpected environmental contamination or damage by harmful substances<br>• Insufficient response to social expectations and requirements relating to environmental protection | • Increase in expenditures for environmental measures, limitation of business activities<br>• Incurring of expenditures for pollution response measures or compensation for damage, loss of public trust<br>• Reputational decline among customers and capital markets |
| | Pandemics ⏩ | National or global pandemic of new infectious disease | • Suspension of drug supply, restriction of business activities, decrease in revenue |

1. Operational risks are classified into the two following types
⏩⏩ Risks whose probability of materializing and degree of impact have increased rapidly ⏩ Important long-standing risks

2. Environment, Health and Safety

| | Main countermeasures |
|---|---|
| | • Explore the latest science and technologies<br>• Diversify by strengthening external collaborations<br>• Proactively allocate resources |
| | • Concentrate investment of management resources and strengthen alliances for drug discovery, development, and pharmaceutical technology<br>• Make efficient use of production facilities for mid-size molecules |
| | • Take steps to expand patient value of in-house products<br>• Strengthen understanding of competition trends<br>• Pursue a multi-modality strategy |
| | • Explore the latest science and technologies<br>• Strengthen external collaboration, including CVF investment |
| | • Further strengthen IP strategy and collaboration with licensees<br>• Implement a proactive IP response |
| | • Demonstrate high patient value<br>• Strengthen project and product portfolio management<br>• Continuously develop next-generation products and take IP measures<br>• Enhance overseas intelligence functions<br>• Strengthen dialogue with academic associations and policy decision-makers |
| | • Timely understanding of regulatory trends<br>• Understand and accurately incorporate the latest technology trends |
| | • Allocate sales resources appropriately<br>• Strengthen customer engagement<br>• Diversify product range<br>• Create a flexible organizational structure able to respond rapidly to efficiency gains from DX and environmental changes |
| | • Prepare business continuity plans (BCPs) and manuals, etc. to ensure business continuity and executive and employee safety<br>• Visualize the entire supply chain, identify risks, and take proactive measures<br>• Strengthen supply back-up system (change to dual sites) |
| | • Support formulation and execution of Roche's global development and marketing plan<br>• Execute out-licensing strategy that contributes to maximizing the overall value of the Roche Group<br>• Execute optimal in-licensing strategy based on Roche's strategy and explore in-licensing from third parties |
| | • Define and renew strategic human resources and strengthen their plan-based securing and development measures<br>• Secure access to diverse sources of human resources<br>• Strengthen retraining of human resources<br>• Build organizational structure and recruitment plans based on careful monitoring of trends in the business environment<br>• Execute personnel strategies and corporate culture reforms to promote innovation |
| | • Optimize operational costs through DX and business model reform<br>• Carefully screen investment projects to ensure appropriate resource allocation |
| | • Enhance antenna functions for grasping technology trends<br>• Continuously strengthen capabilities through enhancement of specialist departments and utilization of competent external human resources<br>• Promote Company-wide use of generative AI and enhance compliance risk assessment system |
| | • Strengthen quality assurance activities, including risk assessment and cooperation with partner companies, and ensure comprehensive rollout<br>• Strengthen pharmacovigilance activities and ensure comprehensive rollout<br>• Strengthen safety information provision activities to promote proper use |
| | • Strengthen security governance system<br>• Establish privacy governance system<br>• Strengthen system resilience and versatility<br>• Strengthen security supervision system (SOC)<br>• Strengthen incident response system (CSIRT)<br>• Formulate cyber BCPs<br>• Enhance security training for employees and implement ongoing training such as drills |
| | • Implement earthquake countermeasures and BCPs<br>• Strengthen systems such as ensuring safety stock<br>• Take out property and casualty insurance |
| | • Strengthen group governance systems for respecting human rights, visualize the entire supply chain, and strengthen due diligence including human rights risk assessment and countermeasures<br>• Promote health and productivity management, continuously conduct in-house training, and provide a consultation desk |
| | • Visualize entire supply chain, develop and introduce business partner risk assessment system, maintain stable drug supply system, such as ensuring safety stock and alternative suppliers, and strengthen EHS activities |
| | • Strengthen access to latest environmental technology<br>• Enhance dialogue with external experts and evaluation organizations<br>• Ongoing monitoring and analysis of latest trends |
| | • Ensure safety stock and maintain operation of BCPs<br>• Utilize highly flexible "new work styles" such as telecommuting<br>• Stockpiling of masks and liquid sanitizer, in-house infection prevention measures |

Each year, Chugai identifies risks that require a priority response as Chugai Group Risk & Compliance Challenges, taking into consideration the Company-wide risk analysis and assessment, responses by each division, and trends in the external environment. Here we introduce some examples of these.

### Building a Geopolitical Risk-Related Impact Analysis and Response System

In 2023, we analyzed and visualized the impact on our business of geopolitical and economic security-related risks, and organized the issues that we need to address, including legal systems in each country. Our main responses going forward will be (1) continuous updates of a BCP around the scenario of international conflict, (2) visualization of the entire supply chain and risk identification, and (3) establishment of an intelligence system for analyzing legal and policy trends in each country.

### Supply Chain Management (Building a Sustainable Supply Chain)

If a business partner's activities were to become restricted, it could have a significant impact on our business as well. In addition to our existing practice of obtaining PSCI[3] consent forms from suppliers, we will also take the following steps to build a sustainable supply chain.

- **Company-Wide Centralization of Third-Party Risk Management**
  We will develop and introduce a platform for effectively conducting centralized third-party risk management, including comprehensive risk assessment (quality, supply, finance, contract, IP, information security, EHS, human rights, and compliance) when making contracts not only with suppliers but with a wider range of third parties (i.e., business partners), as well as monitoring improvement status after contracts are concluded (scheduled for introduction in the first half of 2024).

- **Visualization of the Entire Supply Chain**
  From the perspective of geopolitical risks, we will visualize the supply chain structure, including tier 2 and tier 3 suppliers, conduct risk assessments covering the entire supply chain with consideration given to supply risks and human rights, take countermeasures for serious identified risks, require high-risk business partners to make improvements, and secure back-up measures. We will also conduct a review of our overall supplier strategy.

3. PSCI (Pharmaceutical Supply Chain Initiative) is a U.S. nonprofit organization with around 80 global pharmaceutical companies affiliated. It aims to realize a more sustainable society by promoting the standardization of supplier evaluation criteria and the development of a platform for sharing supplier information.

## Risk Management / Compliance Promotion System

Chugai has established the Risk Management Committee and the Compliance Committee under the Executive Committee. The Risk Management Committee identifies important Company-wide risks and deliberates on risk management policy, as well as confirming progress on risk management activities and so forth. Meanwhile, the Compliance Committee discusses matters such as compliance risk assessment and response policies, as well as compliance promotion policies, and confirms responses to specific issues. The deliberations and activities of both committees are reported regularly to the Executive Committee and Board of Directors.

### Risk Management

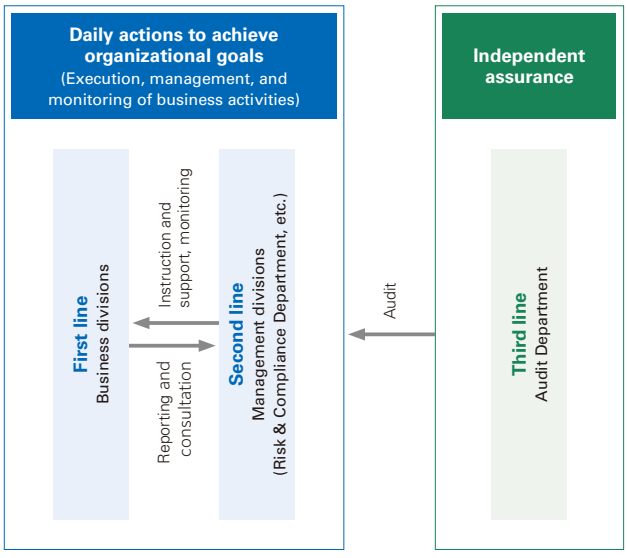
To maximize corporate value, Chugai has implemented and operates a framework for enterprise risk management (ERM) based on visualization and integrated management of risk. We have clarified our policy on risk preferences as a Risk Appetite Statement, and aim to conduct effective and efficient risk management by dividing the risks to be addressed into strategic risks and operational risks, and identifying, classifying, and visualizing them in a centralized fashion. In tandem with this, we have strengthened our accountability to external stakeholders. To perform Company-wide gathering, analysis, and feedback of risk information, we have developed and implemented our own risk management system. This system records risk maps and annual risk response plans created through discussion by the Risk Management Committees in each division, as well as BCP manuals, incident reports, and other relevant information. The information is databased and centrally managed to enable risk analysis for the Group as a whole and monitoring of countermeasures at each division.

### Compliance Promotion

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. In addition to observing various laws and regulations, as well as voluntary industry standards, Chugai has also established its own guidelines for transparency with healthcare professionals in Japan and overseas, 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 organizations. In terms of our internal structure, we implement a Three Line Model, in which the second-line functions are responsible for monitoring compliance across the entire Group, as well as supporting the business activities of our first line (business divisions) by formulating Company-wide policies and guidelines, conducting awareness-raising and educational activities, and so forth. For example, in regard to appropriate handling of information associated with data utilization and active use of generative AI, we have established a "one-stop service" as a second-line function that will coordinate with the relevant in-house division to respond rapidly and appropriately to a matter for consultation by a division utilizing data according to the content of the inquiry or consultation. In the first line, each division appoints a compliance manager and a compliance officer who work autonomously to promote compliance in each workplace. Moreover, internal and external consultation desks have been established to receive inquiries and reports from all Chugai employees concerning laws, Company rules, the Chugai Group Code of Conduct, and other related matters. We have also established a consultation desk to receive reports from outside the Company in accordance with the revised Whistleblower Protection Act of June 2022.

Operational Outline of ERM


Three Line Model



# Performance Data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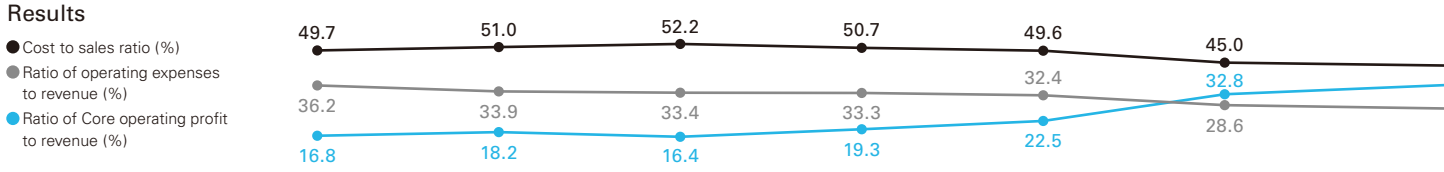
# Financial and Pre-Financial Highlights (IFRS)

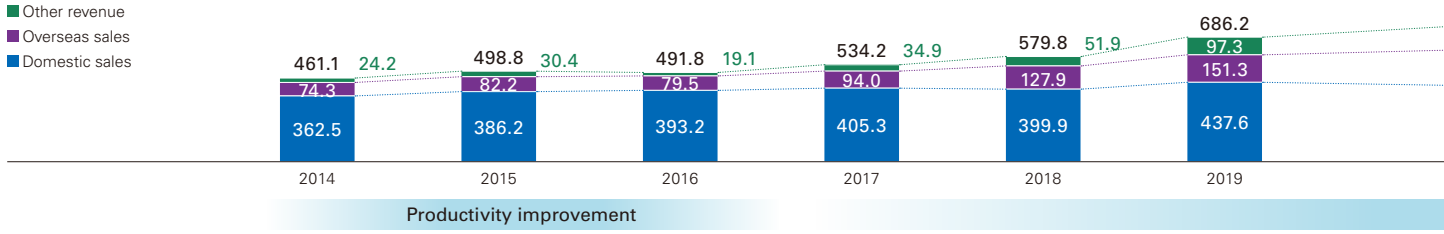
Chugai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries / Years ended December 31

## **Financial Indicators** [Core Basis]

### Results




### Revenue (Billions of yen)




Productivity improvement

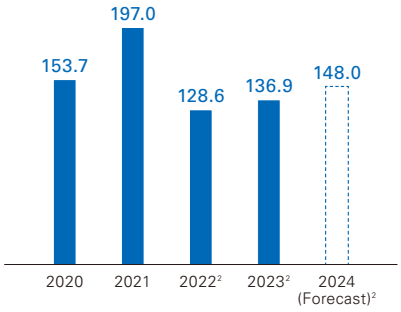
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Launch of main products in Japan | Kadcyla<br>★ Alecensa | Zelboraf | | Alaglio | ★ Hemlibra (with/without inhibitors)<br>Tecentriq<br>Gazyva | FoundationOne CDx Cancer Genomic Profile<br>Rozlytrek |
| Approval of main products overseas | ★ Actemra (subcutaneous injection / EU) | ★ Alecensa (U.S.) | | ★ Hemlibra (with inhibitors / U.S.)<br>★ Alecensa (EU) | ★ Hemlibra (with inhibitors / EU)<br>★ Hemlibra (without inhibitors / U.S.) | ★ Hemlibra (without inhibitors / EU) |

★ Chugai product

1. Calculated by (R&D expenses + SG&A expenses + Other operating income (expense)) ÷ Revenue
2. The Company has partially amended the financial statements from the fiscal year 2023 as follows. In connection with this, the results for the fiscal year 2022 are also represented with the same amendments.
   - The item "royalties and other operating income" previously reported under "revenue" has been changed to "other revenue," while income from disposal of product rights has been excluded therefrom.

### Other Revenue (Royalties and Other Operating Income)

(Billions of yen)

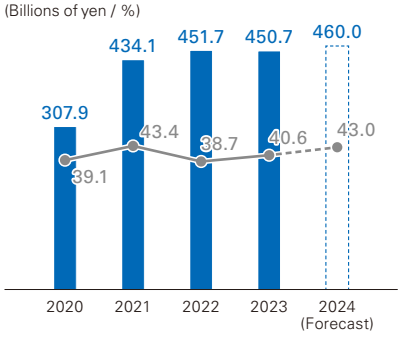



■ Other revenue

Other revenue increased in 2023, mainly due to royalty income associated with increased global sales of Hemlibra by Roche, as well as an increase in one-time income. In 2024, although Actemra royalty income is expected to decrease, other revenue is expected to increase due to an increase of Hemlibra-related revenue and milestone income from products from Chugai research.

### Core Operating Profit / Ratio of Core Operating Profit to Revenue

(Billions of yen / %)

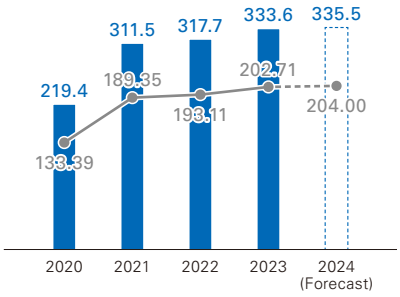



■ Core operating profit
● Ratio of Core operating profit to revenue

Core operating profit in 2023 was on par with the same period of the previous year, when it reached a record high. The ratio of core operating profit to revenue increased due to factors such as a change in the product mix, and continued to be in the top class in the industry. In 2024, although sales of Ronapreve will drop off, core operating profit is expected to reach a record high, mainly due to the significant growth of Hemlibra, including the impact of increased revenue due to the weak yen.

### Core Net Income / Core EPS[3]

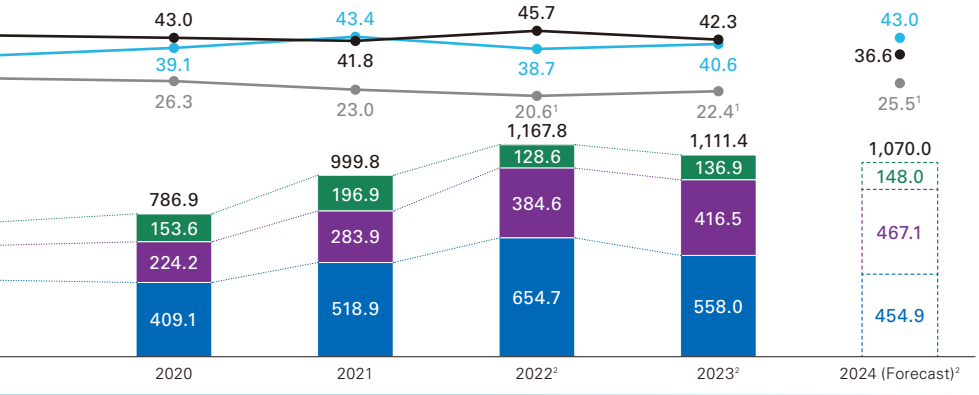
(Billions of yen / Yen)




■ Core net income
● Core EPS

In 2023, the record-high profit level we achieved resulted in Core EPS rising by 5.0% from the previous year to ¥202.71. In 2024, net income, like operating profit, is forecast to reach a record high, with Core EPS of ¥204.00 expected.

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 2020.
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

★Enspryng
Polivy
Evrysdi
Ronapreve
FoundationOne Liquid CDx
Cancer Genomic Profile
Vabysmo
Phesgo

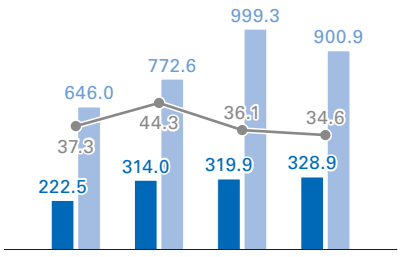
★Enspryng (U.S.)
★Enspryng (EU)
★Edirol (China)

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 profit margin 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 partially thanks to the impact of exchange rates. In 2023, revenue exceeded ¥1 trillion for the second consecutive year, and excluding the impact of the decline in drugs for the treatment of COVID-19, revenue increased. Although new products Polivy and Vabysmo grew steadily and the mainstay products Enspryng, Hemlibra and Tecentriq performed well, domestic sales decreased mainly due to the impact of a significant decrease in the supply of Ronapreve to the government, NHI drug price revisions and market penetration of generics. Overseas, there was a major increase in the exports of Hemlibra and Alecensa. In 2024, although a drop in sales of Ronapreve in Japan, the impact of the NHI drug price revision and the penetration of generics, as well as a decrease in Actemra exports due to the penetration of biosimilars overseas are expected, revenue is expected to exceed ¥1 trillion for the third consecutive year due to a significant increase in exports of Hemlibra.

- "Other operating income (expense)" has been established as a new category equivalent to R&D expenses, marketing and distribution expenses, and general and administration expenses. "Other operating income (expense)" includes the income from disposal of product rights, which has been excluded from "revenue" as described above, and income and expenses associated with operating activities that were previously included in "general and administration" but could not be classified into functional expense categories, such as gain (loss) on sale of land and buildings, etc.
- Marketing and distribution expenses and general and administration expenses have been integrated and presented as "SG&A expenses."

## Core Operating Profit after Taxes / NOA / Core ROIC

(Billions of yen / %)

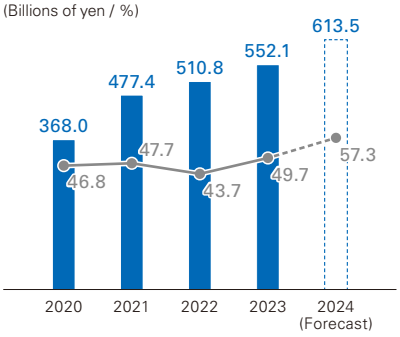



■Core operating profit (after taxes) ■NOA
●Core ROIC

Chugai has been using Core ROIC[4] as a long-term financial KPI since 2019 to give greater consideration to long-term investment efficiency. Although Core operating profit (after taxes) (1) grew year on year in 2023, net operating assets (NOA) (average)[5] (2) grew with the increase in long-term NOA, and Core ROIC (1)/(2) decreased slightly to 34.6%, but a high level of capital efficiency is being maintained.

## Overseas Revenue / Overseas Revenue Ratio

(Billions of yen / %)

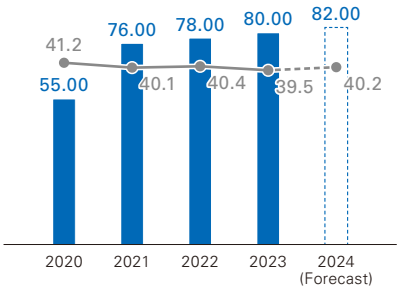



■Overseas revenue
●Overseas revenue ratio

Overseas revenue is continuing to increase, and is projected to grow again in 2024. Overseas sales are forecast to increase due to a significant increase in Hemlibra exports, in addition to an increase of other revenue related to Hemlibra. The overseas revenue ratio is expected to rise significantly due to the absence of the supply of Ronapreve to the government in the domestic market.

## Dividends per Share / Core Payout Ratio

(Yen / %)




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

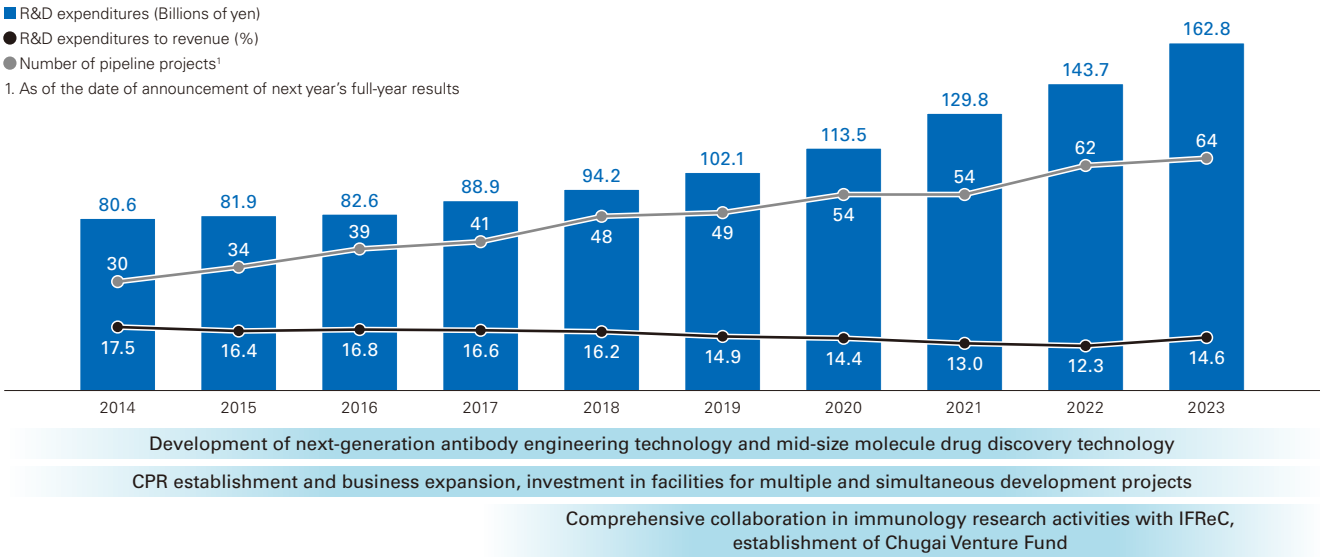
Our shareholder return target reflects business results forecasts and the developing demand for strategic investment funds in light of evolving drug discovery technology and the advancing digitalization of the healthcare industry. Accordingly, with the aim of maintaining a stable dividend into the future, since 2020, we have adopted an approximate target payout ratio of 45% 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 sheets and cash flows, as the Core basis results concept only applies to the income statement.

## **R&D** [Core Basis]

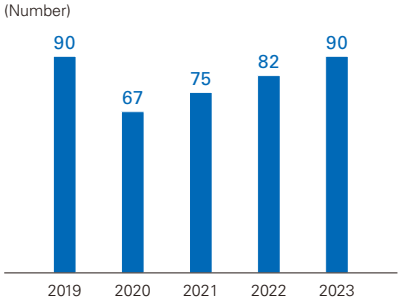
### R&D Expenditures / R&D Expenditures to Revenue / Pipeline Projects




With growing revenue, 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. 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. Moreover, we have been promoting efficient development of new drugs 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. Going forward, in addition to concentrating Company-wide management resources in Research & Early Development (RED)[2] as a source of value creation, we will also seek to rapidly expand our drug discovery output by applying AI-leveraging drug discovery and other digital technologies and actively driving Open Innovation.

2. Includes the process of pharmaceutical technology functions related to early development

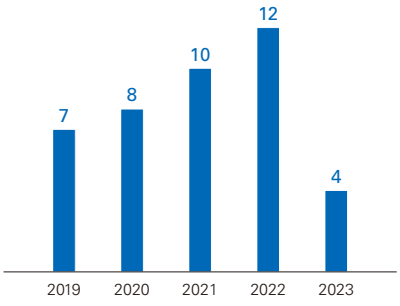
### Academic Papers and Presentations on Research Findings at Scientific Conferences[3]




Chugai develops innovative medicines that allow it to differentiate itself from competitors with competitive speed by continuously establishing proprietary drug discovery technologies and applying them to development candidates while simultaneously developing pharmaceutical 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. In 2023, our core paper on mid-size molecule drug discovery technology was published in the prestigious Journal of the American Chemical Society.

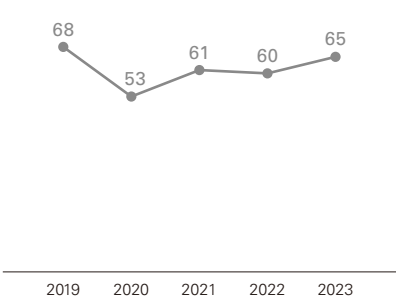
3. Total of drug discovery and pharmaceutical technology

### New Products Launched and New Indications




In 2023, in addition to the launch of Phesgo, a combination subcutaneous injection of both Herceptin and Perjeta, which is the standard treatment for HER2-positive breast cancer and is expected to reduce intravenous administration time of the two drugs, and we obtained approval for an additional indication of Hemlibra for moderate hemophilia A in Europe. In 2024, we expect the approval and launch of Crovalimab, our fifth global product from Chugai research, and the addition of indications for Alecensa in Japan, the United States, and Europe.

### Percentage of Product Sales Qualifying for Premium Pricing



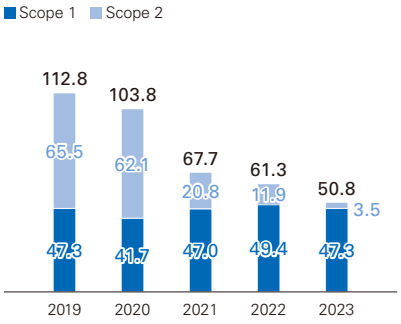

The sales share of products qualifying for premium pricing was maintained at a high level due to the steady growth in mainstay products such as Enspryng and Hemlibra, in addition to new products such as Polivy.

Notes: 1. Ronapreve was excluded from the calculation of sales share for 2021, 2022 and 2023 due to its not yet being listed in the NHI drug price standard (supply to government).
2. Products subject to special market-expansion repricing (2023: Enspryng) and products subject to quarterly repricing (2023: Hemlibra, Polivy) are counted as products qualifying for premium pricing because they were assumed to meet the conditions for such pricing in the relevant fiscal years.

## Environment and Social

### Scope 1+2 $CO_2$ Emissions

(Thousands of tons)

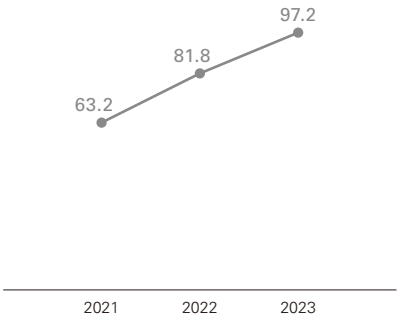



In 2023, according to the market-based method[1], we reduced Scope 1+2[2] emissions by 55.0%[3] compared to the base year of 2019 due mainly to the introduction of sustainable power in major business locations. We expect to achieve our target of 40% reduction by 2025 by continuing to aggressively install equipment utilizing renewable energy sources. The target for Scope 1+2 emissions is a 60-75% reduction in 2030 and zero emissions by 2050.

1. Calculation method based on the $CO_2$ emissions coefficient of the electric power supply specifically contracted by the Company
2. Scope 1: Direct emissions from fuel combustion, Scope 2: Indirect emissions from the generation of purchased energy
3. From 2022, this includes the portion based on the renewable energy certificates and non-fossil certificates purchased.

### Sustainable Electricity Ratio

(%)

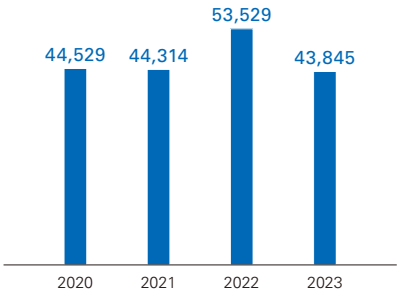



We began introducing sustainable electricity in 2021 to achieve a 100% sustainable electricity ratio by 2025. By 2023, Chugai sites in Japan achieved a 100% sustainable power ratio, and the sustainable electricity ratio of Chugai as a whole was 97.2%[4]. We will continue to promote the introduction of sustainable electricity to the overseas sites in order to achieve the target.

4. From 2022, this includes the portion based on the renewable energy certificates and non-fossil certificates purchased.

### Fluorocarbon[5] Usage[6]

(kg)

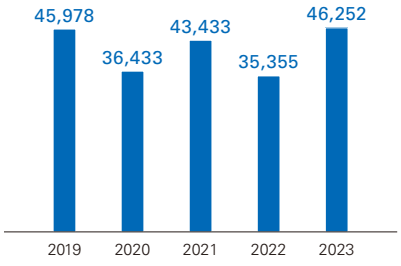



In 2023, fluorocarbon usage was reduced by 18.1% from the previous year due to the closure of the old research laboratories in conjunction with the relocation to the new research laboratories. In production, we will update production and air conditioning facilities according to characteristics and implement natural refrigerant facilities in new facilities, and also proceed to engage in the development of equipment using natural refrigerants through collaboration with manufacturers. We will apply facility renewal plans to business plans and aim to achieve 25% reductions in 2025 and 100% reductions in 2030 compared to 2020.

5. While making natural refrigerants the first choice, effectively select new refrigerants (green refrigerants)
6. Figures for 2020-2022 in Annual Report 2022 were estimates, but actual results are presented in this report.

### Number of Inquiries to Medical Information (Non-Consolidated)

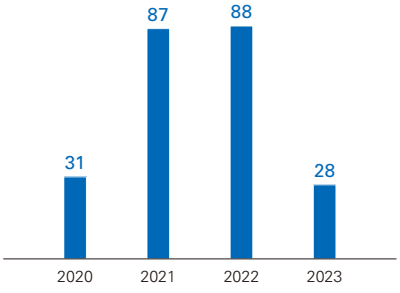
(Number)




In 2023, there were approximately 46,000 telephone and e-mail inquiries, an increase of approximately 10,000 from the previous year due to factors such as the spread of influenza and the launch of new products. Around 70% of the inquiries were from pharmacists at hospitals or pharmacies. By type of treatment, there were many inquiries about anti-influenza virus agents, humanized anti-human IL-6 receptor monoclonal antibody drugs, osteoporosis agents and anti-cancer agents.

### Number of Supplier Evaluations Conducted

(Number)

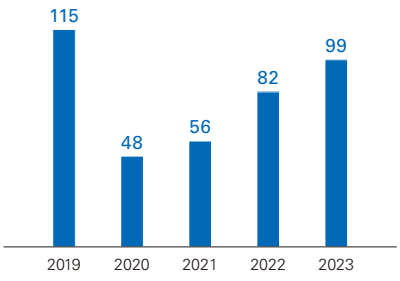



All suppliers are required to respect and comply with ethics, labor, safety and health, environmental and other relevant management systems based on the Principles for Responsible Supply Chain Management established by the PSCI (Pharmaceutical Supply Chain Initiative), a nonprofit organization made up of global pharmaceutical companies, for the realization of sustainable transactions in the supply chain. Furthermore, we also evaluate suppliers such as contract pharmaceutical manufacturing organizations, raw material suppliers and contract research organizations.

Note: Since this evaluation started in 2020 and the evaluation for existing suppliers was almost completed by 2022, most of the evaluations conducted in 2023 are for new suppliers.

### Number of Consultations and Reports to the CCC Hotline

(Number)

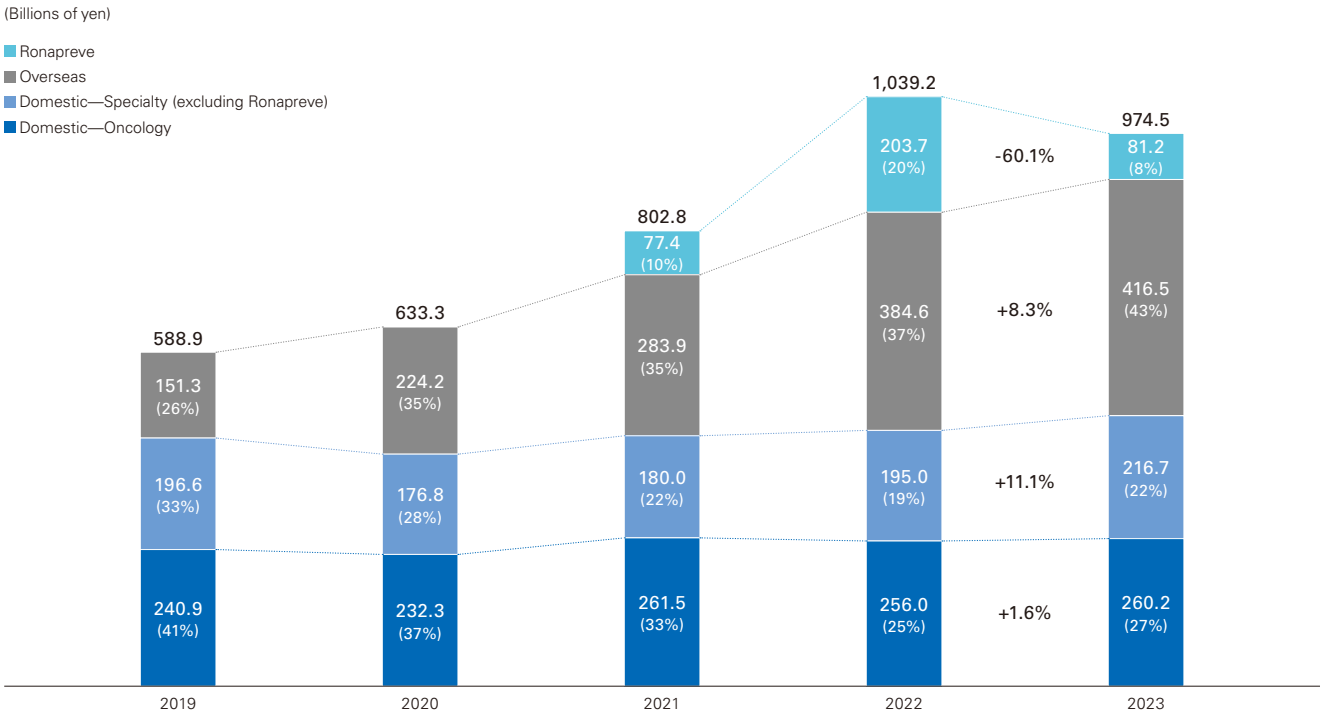



The CCC Hotline and Chugai Speak-Up Line have been set up as consultation and reporting contact points regarding laws and regulations, Company rules, and the Chugai Group Code of Conduct (CCC). In 2023, consultations and reports included power harassment, harassment, human rights, and sexual harassment. In addition to training for all employees on the theme of "creating a harassment-free workplace," Chugai aims to realize a harassment-free work environment through training for new managers and training for each department.

# 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 new and mainstay products, combined with a major increase in exports of Chugai products, has resulted in overall sales growth of approximately 50% over the last five years, even when the temporary factors caused by Ronapreve are excluded.




## Review by Disease Area

### Domestic—Oncology

#### Opportunities

- Disease areas with high UMN*
- Advances in personalized healthcare (PHC) based on analysis of gene mutations

#### Risks

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

#### Review of 2023 Performance

In the Oncology area, sales increased 1.6% year on year to ¥260.2 billion. Although sales of products such as Avastin, Herceptin, and Kadcyla decreased due to NHI drug price revisions, the penetration of generics, and changes in the competitive environment, sales of the new product Polivy increased significantly. The mainstay product Tecentriq also performed well.

### Domestic—Specialty (excluding Ronapreve)

#### Opportunities

- There are still diseases with high UMN in ophthalmology
- There is a complex range of pathologies and syndromes with high UMN in neurology and immunology

#### Risks

- Individual neurological and immunological treatments may have a small number of target patients

#### Review of 2023 Performance

In the Specialty area (excluding Ronapreve), sales increased 11.1% year on year to ¥216.7 billion. In addition to the steady growth of new products Vabysmo and Evrysdi, mainstay products Enspryng and Hemlibra continued to perform well. Furthermore, sales of Tamiflu increased significantly due to the spread of influenza. Meanwhile, sales of Edirol, Mircera, and other products fell due to the NHI drug price revisions and the market penetration of generics.

### Overseas

#### Opportunities

- There is room for expansion of share of hemophilia A with non-inhibitors

#### Risks

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

#### Review of 2023 Performance

Overseas sales totaled ¥416.5 billion, a year-on-year increase of 8.3%. In exports to Roche, there were major increases in the exports of Hemlibra and Alecensa.

* Unmet medical needs: Medical treatment needs that are not adequately met due to a lack of effective therapies

## Sales of Major Products

★ Products from Chugai research


(Billions of yen)

| | | | |
|---|---|---|---|
| ★ Hemlibra (Overseas) | 2023 | 212.3 | +9.6% |
| | 2022 | 193.7 | |
| ★ Actemra (Overseas) | 2023 | 127.5 | –2.3% |
| | 2022 | 130.5 | |
| Ronapreve | 2023 | 81.2 | –60.1% |
| | 2022 | 203.7 | |
| Tecentriq | 2023 | 65.5 | +7.6% |
| | 2022 | 60.9 | |
| ★ Alecensa (Overseas) | 2023 | 55.7 | +37.5% |
| | 2022 | 40.5 | |
| ★ Hemlibra (Domestic) | 2023 | 54.8 | +11.2% |
| | 2022 | 49.3 | |
| Avastin | 2023 | 49.8 | –26.2% |
| | 2022 | 67.5 | |
| ★ Actemra (Domestic) | 2023 | 44.3 | +3.5% |
| | 2022 | 42.8 | |
| Polivy | 2023 | 35.5 | +129.0% |
| | 2022 | 15.5 | |
| Perjeta | 2023 | 33.6 | +4.0% |
| | 2022 | 32.3 | |
| ★ Alecensa (Domestic) | 2023 | 30.3 | +4.8% |
| | 2022 | 28.9 | |
| ★ Enspryng (Domestic) | 2023 | 23.9 | +43.1% |
| | 2022 | 16.7 | |
| Kadcyla | 2023 | 16.0 | –11.6% |
| | 2022 | 18.1 | |
| Vabysmo | 2023 | 15.3 | +139.1% |
| | 2022 | 6.4 | |
| Evrysdi | 2023 | 14.5 | +26.1% |
| | 2022 | 11.5 | |
| Tamiflu | 2023 | 9.9 | +800.0% |
| | 2022 | 1.1 | |
| Mircera | 2023 | 8.4 | –22.2% |
| | 2022 | 10.8 | |
| ★ Neutrogin (Overseas) | 2023 | 8.1 | –6.9% |
| | 2022 | 8.7 | |
| ★ Edirol (Domestic) | 2023 | 7.5 | –33.0% |
| | 2022 | 11.2 | |
| Foundation Medicine | 2023 | 7.4 | +4.2% |
| | 2022 | 7.1 | |
| CellCept | 2023 | 7.0 | –11.4% |
| | 2022 | 7.9 | |
| Herceptin | 2023 | 4.8 | –32.4% |
| | 2022 | 7.1 | |
| ★ Enspryng (Overseas) | 2023 | 4.2 | +50.0% |
| | 2022 | 2.8 | |
| Rituxan | 2023 | 3.8 | –13.6% |
| | 2022 | 4.4 | |
| Gazyva | 2023 | 3.5 | –12.5% |
| | 2022 | 4.0 | |

### Hemlibra (Overseas)
Export sales of Hemlibra increased ¥18.6 billion (9.6%) year on year to ¥212.3 billion due to increased volume resulting from market penetration outside Europe and the U.S. and the positive impact of foreign exchange rates, despite the negative impact of Roche's inventory adjustments.

### Actemra (Overseas)
Despite a tailwind from foreign exchange rates, export sales of Actemra fell ¥3.0 billion (2.3%) year on year to ¥127.5 billion, mainly due to the impact of Roche's optimization of inventory levels after COVID-19. Although biosimilars were launched in some countries, their impact on 2023 results was immaterial.

### Ronapreve
Ronapreve received Special Approval for Emergency for the treatment of mild to moderate COVID-19 in July 2021 and supply to the government began. In November 2021, it also received approval for the additional indication of the prevention of symptomatic COVID-19. In 2023, the volume supplied to the government decreased significantly year on year to ¥81.2 billion.

### Tecentriq
Sales increased by ¥4.6 billion (7.6%) year on year to ¥65.5 billion due to steady market penetration of the adjuvant treatment of lung cancer, which was approved in 2022.

### Alecensa (Overseas)
Export sales of Alecensa grew steadily against the backdrop of global market penetration, particularly in the U.S. market. Sales increased by ¥15.2 billion (37.5%) year on year to ¥55.7 billion.

### Hemlibra (Domestic)
For congenital hemophilia A without inhibitors, prescriptions steadily progressed for cases of difficulty establishing venous routes, burdening caregivers, and struggling to cope with control of bleeding. Switching of prescriptions to Hemlibra progressed due to an increase in opportunities to reconsider current treatment as a result of objective assessment of joints using methods such as diagnostic imaging, and sales increased by ¥5.5 billion (11.2%) year on year to ¥54.8 billion.

# Development Pipeline

(As of February 1, 2024)

| Disease area | Development code | Origin | Generic name [Product name] | Indication ◆Additional indication / (Combination drug) |
|---|---|---|---|---|
| Oncology | AF802 / RG7853 | In-house | alectinib [Alecensa] | Non-small cell lung cancer (NSCLC) [adjuvant]◆ |
| | | | | Maintenance treatment of NSCLC [Stage III] after chemoradiotherapy◆ |
| | RG7446 | Roche | atezolizumab [Tecentriq] | NSCLC [neoadjuvant]◆ |
| | | | | Muscle-invasive bladder cancer [adjuvant]◆ |
| | | | | Early breast cancer [neoadjuvant]◆ |
| | | | | Hepatocellular carcinoma (HCC) [adjuvant]◆ / (Avastin)◆ |
| | | | | HCC [intermediate stage]◆ / (Avastin)◆ |
| | | | | HCC [2nd line]◆ / (lenvatinib or sorafenib) |
| | | | | Prostate cancer [2nd line]◆ / (cabozantinib) |
| | RG435 | Roche | bevacizumab [Avastin] | Small cell lung cancer (SCLC) [1st line]◆ / (Tecentriq) |
| | RG6058 | Roche | tiragolumab [Product name undetermined] | NSCLC [1st line] / (Tecentriq) |
| | | | | NSCLC [Stage III] / (Tecentriq)◆ |
| | | | | Non-squamous NSCLC [1st line] / (Tecentriq) |
| | | | | Esophageal cancer / (Tecentriq)◆ |
| | | | | HCC [1st line] / (Tecentriq / Avastin) |
| | RG6171 | Roche | giredestrant [Product name undetermined] | Breast cancer [adjuvant] |
| | | | | Breast cancer [1st line] / (palbociclib + letrozole) |
| | | | | Breast cancer [1st line-3rd line] / (everolimus) |
| | RG7828 | Roche | mosunetuzumab [Product name undetermined] | Follicular lymphoma [2nd line] / (lenalidomide) |
| | | | | Follicular lymphoma [3rd line] |
| | | | | Relapsed or refractory aggressive B-cell non-Hodgkin's lymphoma / (Polivy)◆ |
| | RG6396 | Blueprint Medicines | pralsetinib [Product name undetermined] | NSCLC [1st line] / (pembrolizumab) |
| | | | | NSCLC [2nd line] |
| | LUNA18 | In-house | — | Solid tumors |
| | GC33 | In-house | codrituzumab [Product name undetermined] | HCC |
| | ERY974 | In-house | — | Solid tumors |
| | STA551 | In-house | — | Solid tumors |
| | SOF10 / RG6440 | In-house | — | Solid tumors |
| | ALPS12 / RG6524 | In-house | — | Solid tumors |
| | SAIL66 | In-house | — | CLDN6 positive solid tumors |
| | ROSE12 | In-house | — | Solid tumors |
| | SPYK04 | In-house | — | Solid tumors |
| | RG7421 | Exelixis | cobimetinib [Product name undetermined] | Solid tumors |
| | RG6026 | Roche | glofitamab [Product name undetermined] | Hematologic tumors |
| | RG6194 | Roche | runimotamab [Product name undetermined] | Solid tumors |
| | RG6160 | Roche | cevostamab [Product name undetermined] | Relapsed or refractory multiple myeloma |
| | RG6330 | Roche | divarasib [Product name undetermined] | Solid tumors |
| | RG6433 | Relay Therapeutics | — | Solid tumors |
| | RG6139 | Roche | tobemstomig [Product name undetermined] | Solid tumors |
| Immunology | RG7159 | GlycArt Biotechnology | obinutuzumab [Gazyva] | Lupus nephritis◆ |
| | | | | Pediatric nephrotic syndrome◆ |
| | | | | Extra renal lupus◆ |
| | SKY59 / RG6107 | In-house | crovalimab [Product name undetermined] | Lupus nephritis |
| | DONQ52 | In-house | — | Celiac disease |
| | RAY121 | In-house | — | Autoimmune disease |
| Neuroscience | SA237 / RG6168 | In-house | satralizumab [Enspryng] | Generalized myasthenia gravis (gMG)◆ |
| | | | | Myelin oligodendrocyte glycoprotein antibody–associated disease (MOGAD)◆ |
| | | | | Autoimmune encephalitis (AIE)◆ |
| | RG6356 / SRP-9001 | Sarepta | delandistrogene moxeparvovec [Product name undetermined] | Duchenne muscular dystrophy (DMD) |
| | GYM329 / RG6237 | In-house | — | Spinal muscular atrophy (SMA) / (Evrysdi) |
| | | | | Facioscapulohumeral muscular dystrophy (FSHD) |
| | RG6042 | Ionis Pharmaceuticals | tominersen [Product name undetermined] | Huntington's disease |
| | RG6102 | MorphoSys | trontinemab [Product name undetermined] | Alzheimer's disease |
| | RG7935 | Prothena | prasinezumab [Product name undetermined] | Parkinson's disease |
| Hematology | SKY59 / RG6107 | In-house | crovalimab [Product name undetermined] | Paroxysmal nocturnal hemoglobinuria (PNH) |
| | | | | Atypical hemolytic uremic syndrome (aHUS) |
| | | | | Sickle cell disease (SCD) |
| | NXT007 / RG6512 | In-house | — | Hemophilia A |
| Ophthalmology | RG7716 | Roche | faricimab [Vabysmo] | Retinal vein occlusion◆ |
| | | | | Angioid streaks◆ |
| | RG6179 | Roche | — | Noninfectious uveitic macular edema |
| | SA237 / RG6168 | In-house | satralizumab [Enspryng] | Thyroid eye disease (TED)◆ |
| | RG6321 | Roche | ranibizumab (Port delivery system) [Product name undetermined] | Neovascular age-related macular degeneration |
| | | | | Diabetic macular edema |
| Other diseases | AMY109 | In-house | — | Endometriosis |
| | REVN24 | In-house | — | Acute diseases |

Designates change in status since January 1, 2023 * Sarepta manages the global clinical study, including Japan.

| Status (Phase I / Phase II / Phase III / Filed) | Country / Region | Projected submission | Partner | Mode of action [Modality (Dosage form)] |
|---|---|---|---|---|
| | US / EU / China / Japan | November 2023(Japan: December 2023) | Roche | ALK inhibitor [Small molecule (Oral)] |
| | Global | 2026 and beyond | Roche | |
| | Japan | 2026 and beyond | Roche | |
| | Japan | 2025 | Roche | |
| | Japan | 2026 and beyond | Roche | |
| | Japan | 2024 | Roche | Engineered anti-PD-L1 monoclonal antibody [Antibody (IV)] |
| | Japan | 2025 | Roche | |
| | Japan | 2026 and beyond | Roche | |
| | Japan | — | Takeda | |
| | Japan / China | 2024 | Roche (China) | Anti-VEGF (Vascular Endothelial Growth Factor) humanized monoclonal antibody [Antibody (IV)] |
| | Japan | 2025 | Roche | |
| | Japan | 2025 | Roche | |
| | Japan | 2026 and beyond | Roche | Anti-TIGIT human monoclonal antibody [Antibody (IV)] |
| | Japan | 2026 and beyond | Roche | |
| | Japan | 2026 and beyond | Roche | |
| | Japan | 2026 and beyond | Roche | |
| | Japan | 2026 and beyond | Roche | SERD (Selective estrogen receptor degrader) [Small molecule (Oral)] |
| | Japan | 2025 | Roche | |
| | Japan | 2026 and beyond | Roche | Anti-CD20 / CD3 bispecific antibody [Antibody (IV)] |
| | Japan | 2024 | — | |
| | Japan | 2025 | Roche | Anti-CD20 / CD3 bispecific antibody [Antibody (SC)] |
| | Japan | — | Roche | |
| | Japan | — | Roche | RET inhibitor [Small molecule (Oral)] |
| | Japan | — | Roche | |
| | Global | — | — | RAS inhibitor [Mid-size molecule (Oral)] |
| | Global | — | — | Anti-Glypican-3 humanized monoclonal antibody [Antibody (IV)] |
| | Global | — | — | Anti-Glypican-3 / CD3 bispecific antibody [Antibody (IV)] |
| | Global | — | — | Anti-CD137 agonistic switch antibody [Antibody (IV)] |
| | Global | — | Roche | Anti-latent TGF-$\beta$1 monoclonal antibody [Antibody (IV)] |
| | Global | — | Roche | Anti-DLL3/CD3/CD137 trispecific antibody [Antibody (IV)] |
| | Global | — | — | Anti-CLDN6/CD3/CD137 trispecific antibody [Antibody (IV)] |
| | Global | — | — | — [Antibody (IV)] |
| | Global | — | — | — [Small molecule (Oral)] |
| | Japan | — | Roche | MEK inhibitor [Small molecule (Oral)] |
| | Japan | — | Roche | Anti-CD20 / CD3 bispecific antibody [Antibody (IV)] |
| | Japan | — | Roche | Anti-HER2 / CD3 bispecific antibody [Antibody (IV)] |
| | Japan | — | Roche | Anti-FcRH5 / CD3 bispecific antibody [Antibody (IV)] |
| | Japan | — | Roche | KRAS G12C inhibitor [Small molecule (Oral)] |
| | Japan | — | Roche | SHP2 inhibitor [Small molecule (Oral)] |
| | Japan | — | Roche | Anti-PD-1/LAG-3 bispecific antibody [Antibody (IV)] |
| | Japan | 2026 and beyond | Nippon Shinyaku | Glycoengineered type II anti-CD20 monoclonal antibody [Antibody (IV)] |
| | Japan | 2026 and beyond | Nippon Shinyaku | |
| | Japan | 2026 and beyond | Nippon Shinyaku | |
| | Global | — | Roche | Anti-C5 recycling antibody [Antibody (SC)] |
| | Global | — | — | Anti-HLA-DQ2.5 / gluten peptides multispecific antibody [Antibody (SC)] |
| | Global | — | — | — [Antibody (—)] |
| | Global | 2024 | Roche | pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody [Antibody (SC)] |
| | Global | 2026 and beyond | Roche | |
| | Global | 2025 | Roche | |
| | Japan | 2024 | Sarepta* | Micro-dystrophin gene therapy [Gene therapy (IV)] |
| (II/III) | Global | 2026 and beyond | Roche | Anti-latent myostatin sweeping antibody [Antibody (SC)] |
| | Global | 2026 and beyond | Roche | |
| | Japan | — | Roche | Antisense oligonucleotide targeting *HTT* mRNA [Nucleic acid (IV)] |
| (I/II) | Japan | — | Roche | Anti-amyloid beta / TfR1 fusion protein [Antibody (IV)] |
| | Japan | — | Roche | Anti-$\alpha$-synuclein monoclonal antibody [Antibody (IV)] |
| | China | August 2022 | Roche | Anti-C5 recycling antibody [Antibody (SC)] |
| | Japan / EU / US | June 2023 | Roche | |
| | Global | 2025 | Roche | |
| | US / EU | 2026 and beyond | Roche | |
| (I/II) | Global | — | Roche | Anti-coagulation factor IXa/X bispecific antibody [Antibody (SC)] |
| | Japan | April 2023 | Roche | Anti-VEGF/Anti-Ang-2 bispecific antibody [Antibody (Vitreous injection)] |
| | Japan | 2025 | — | |
| | Japan | 2026 and beyond | Roche | Anti-IL-6 monoclonal antibody [Antibody (Vitreous injection)] |
| | Global | 2025 | Roche | pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody [Antibody (SC)] |
| (I/II) | Japan | 2025 | Roche | Humanized anti-VEGF monoclonal antibody Fragment Fab [Antibody (Injection via implant)] |
| (I/II) | Japan | 2025 | Roche | |
| | Global | — | — | Anti-IL-8 recycling antibody [Antibody (SC)] |
| | Global | — | — | — [Small molecule (IV)] |

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

| | 2023 | | 2022 | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|---|---|
| | **IFRS** | **Core[1]** | IFRS | Core[1] | IFRS | Core[1] | IFRS | Core[1] |
| **Results** | | | | | | | | |
| Revenue[2] | **1,111.4** | | 1,259.7 | 1,167.8 | 999.8 | | 786.9 | |
| Sales | **974.5** | | 1,039.2 | 1,039.2 | 802.8 | | 633.3 | |
| Other revenue[3] | **136.9** | | 220.5 | 128.6 | — | | — | |
| Royalties and other operating income | **—** | **—** | 128.8 | | 196.9 | | 153.6 | |
| Cost of sales | **(413.3)** | **(412.0)** | (476.3) | (475.0) | (338.1) | (335.5) | (273.5) | (272.3) |
| Research and development | **(174.9)** | **(162.8)** | (149.6) | (143.7) | (137.3) | (129.8) | (117.9) | (113.5) |
| Selling, general and administration | **(112.6)** | **(102.0)** | (100.5) | (98.8) | — | — | — | — |
| Other operating income (expense)[3] | **28.6** | **16.1** | (0.1) | 1.4 | — | — | — | — |
| Marketing and distribution | **—** | **—** | (77.1) | (76.7) | (76.6) | (75.8) | (72.6) | (71.5) |
| General and administration | **—** | **—** | (23.6) | (20.9) | (25.8) | (24.6) | (21.8) | (21.7) |
| Operating profit | **439.2** | **450.7** | 533.3 | 451.7 | 421.9 | 434.1 | 301.2 | 307.9 |
| Profit before taxes | **443.8** | **455.3** | 531.2 | 449.5 | 419.4 | 431.6 | 298.2 | 304.9 |
| Net income | **325.5** | **333.6** | 374.4 | 317.7 | 303.0 | 311.5 | 214.7 | 219.4 |
| Attributable to Chugai shareholders | **325.5** | **333.6** | 374.4 | 317.7 | 303.0 | 311.5 | 214.7 | 219.4 |
| Core EPS (Yen)[4] | **—** | **202.71** | — | 193.11 | — | 189.35 | — | 133.39 |
| Cash dividends per share (Yen)[4] | **80.00** | | 78.00 | | 76.00 | | 55.00 | |
| Core payout ratio | **—** | **39.5%** | — | 40.4% | — | 40.1% | — | 41.2% |
| **Financial Position** | | | | | | | | |
| Net operating assets (NOA) | **900.9** | | 999.3 | | 772.6 | | 646.0 | |
| Total assets | **1,932.5** | | 1,869.8 | | 1,538.7 | | 1,235.5 | |
| Total liabilities | **(307.0)** | | (445.4) | | (350.7) | | (255.5) | |
| Total net assets | **1,625.6** | | 1,424.4 | | 1,188.0 | | 980.0 | |
| Investments in property, plant and equipment | **68.3** | | 61.8 | | 72.0 | | 75.2 | |
| Depreciation | **24.3** | | 23.7 | | 21.0 | | 22.0 | |
| **Main Indicators** | | | | | | | | |
| Cost to sales ratio | **42.4%** | **42.3%** | 45.8% | 45.7% | 42.1% | 41.8% | 43.2% | 43.0% |
| Ratio of operating profit to revenue | **39.5%** | **40.6%** | 42.3% | 38.7% | 42.2% | 43.4% | 38.3% | 39.1% |
| Ratio of R&D expenditures to revenue | **15.7%** | **14.6%** | 11.9% | 12.3% | 13.7% | 13.0% | 15.0% | 14.4% |
| Core return on invested capital (Core ROIC)[5,6] | **33.8%** | **34.6%** | 42.5% | 36.1% | 43.1% | 44.3% | 36.5% | 37.3% |
| Ratio of net income to equity attributable to Chugai shareholders (ROE)[7] | **21.3%** | **—** | 28.7% | — | 28.0% | — | 23.4% | — |
| Ratio of profit to total assets (ROA)[8] | **17.1%** | **—** | 22.0% | — | 21.8% | — | 18.7% | — |
| Equity per share attributable to Chugai shareholders (BPS) (Yen)[4] | **988.01** | **—** | 865.88 | — | 722.50 | — | 596.16 | — |
| Ratio of equity attributable to Chugai shareholders | **84.1%** | **—** | 76.2% | — | 77.2% | — | 79.3% | — |
| Number of employees | **7,604** | | 7,771 | | 7,664 | | 7,555 | |

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. Revenue does not include consumption tax.
3. The method of presentation of consolidated results has been changed from the fiscal year ended December 31, 2023. In connection with this, the results for the fiscal year ended December 31, 2022 are also represented with the same changes. These changes have no effect on the items from operating profit through net income, earnings per share and the concept of the Core basis.
   "Royalties and other operating income" and "other revenue," which had previously been reported under "revenue" have been changed to "other revenue," while income from disposal of product rights has been excluded therefrom and included in "other operating income (expense)."

(Billions of yen)

| 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| IFRS | Core[1] | IFRS | Core[1] | IFRS | Core[1] | IFRS | Core[1] | IFRS | Core[1] | IFRS | Core[1] |
| 686.2 | | 579.8 | | 534.2 | | 491.8 | | 498.8 | | 461.1 | |
| 588.9 | | 527.8 | | 499.3 | | 472.7 | | 468.4 | | 436.9 | |
| — | | — | | — | | — | | — | | — | |
| 97.3 | | 51.9 | | 34.9 | | 19.1 | | 30.4 | | 24.2 | |
| (266.1) | (265.1) | (262.8) | (261.9) | (254.2) | (252.9) | (247.9) | (246.7) | (240.2) | (238.9) | (218.1) | (217.0) |
| (107.9) | (102.1) | (99.2) | (94.2) | (92.9) | (88.9) | (85.0) | (82.6) | (83.8) | (81.9) | (80.8) | (80.6) |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| (77.2) | (73.5) | (73.7) | (73.7) | (72.8) | (72.8) | (69.8) | (69.8) | (74.8) | (74.7) | (71.7) | (71.7) |
| (24.4) | (20.6) | (19.7) | (19.7) | (15.3) | (16.3) | (12.2) | (12.1) | (13.2) | (12.8) | (14.6) | (14.6) |
| 210.6 | 224.9 | 124.3 | 130.3 | 98.9 | 103.2 | 76.9 | 80.6 | 86.8 | 90.7 | 75.9 | 77.3 |
| 207.9 | 222.2 | 121.4 | 127.5 | 97.0 | 101.3 | 74.4 | 78.1 | 87.3 | 91.2 | 76.2 | 77.6 |
| 157.6 | 167.6 | 93.1 | 97.3 | 73.5 | 76.7 | 54.4 | 56.8 | 62.4 | 64.9 | 52.1 | 53.0 |
| 157.6 | 167.6 | 92.5 | 96.7 | 72.7 | 75.9 | 53.6 | 56.1 | 61.1 | 63.7 | 51.0 | 51.9 |
| — | 101.93 | — | 58.81 | — | 46.23 | — | 34.17 | — | 38.81 | — | 31.68 |
| 46.67 | | 28.67 | | 20.67 | | 17.33 | | 19.33 | | 16.00 | |
| — | 45.8% | — | 48.7% | — | 44.7% | — | 50.7% | — | 49.8% | — | 50.5% |
| 547.0 | | 505.3 | | 440.2 | | 431.1 | | 380.4 | | 357.7 | |
| 1,058.9 | | 919.5 | | 852.5 | | 806.3 | | 787.4 | | 739.5 | |
| (204.9) | | (163.0) | | (159.6) | | (159.8) | | (160.1) | | (141.8) | |
| 854.0 | | 756.5 | | 692.9 | | 646.5 | | 627.3 | | 597.8 | |
| 54.0 | | 71.8 | | 34.3 | | 19.4 | | 28.7 | | 16.3 | |
| 17.8 | | 14.6 | | 14.5 | | 14.8 | | 14.0 | | 13.7 | |
| 45.2% | 45.0% | 49.8% | 49.6% | 50.9% | 50.7% | 52.4% | 52.2% | 51.3% | 51.0% | 49.9% | 49.7% |
| 30.7% | 32.8% | 21.4% | 22.5% | 18.5% | 19.3% | 15.6% | 16.4% | 17.4% | 18.2% | 16.5% | 16.8% |
| 15.7% | 14.9% | 17.1% | 16.2% | 17.4% | 16.6% | 17.3% | 16.8% | 16.8% | 16.4% | 17.5% | 17.5% |
| 30.1% | 31.9% | 20.3% | 21.2% | 17.3% | 18.1% | — | 14.6% | — | — | — | — |
| 19.6% | — | 12.8% | — | 10.9% | — | 8.4% | — | 10.0% | — | 8.7% | — |
| 15.8% | — | 10.5% | — | 8.9% | — | 6.8% | — | 8.2% | — | 7.3% | — |
| 519.91 | — | 460.42 | — | 421.82 | — | 393.89 | — | 382.06 | — | 364.30 | — |
| 80.6% | — | 82.2% | — | 81.2% | — | 80.1% | — | 79.5% | — | 80.6% | — |
| 7,394 | | 7,432 | | 7,372 | | 7,245 | | 7,169 | | 7,023 | |

Revenue and expenses for operating activities that have previously been included and presented under "general and administration," such as gain (loss) on sale of land and buildings, etc., which could not be classified in any of the functional expense categories, are included in the new classification of "other operating income (expense)."

4. 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 2014.
5. ROIC = Net operating profit after taxes / Average NOA balances
6. Core ROIC = Core net operating profit after taxes / Average NOA balances
7. ROE = Net income attributable to Chugai shareholders / Capital and reserves attributable to Chugai shareholders (average of beginning and end of fiscal year)
8. ROA = Net income attributable to Chugai shareholders / Total assets

# Management's Discussion and Analysis

## 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.

Our TOP I 2030 growth strategy announced in 2021 gives concrete form to our vision of becoming a top innovator in the healthcare industry in 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: global first-class drug discovery and 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-leveraging 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% 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

### Revenue [Core Basis]

(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Revenue | 999.8 | 1,167.8 | 1,111.4 | –4.8% |
| Sales | 802.8 | 1,039.2 | 974.5 | –6.2% |
| Other revenue | 196.9 | 128.6 | 136.9 | +6.5% |

- In 2023, although sales declined, other revenue grew, and revenue reached ¥1 trillion for the second consecutive year. Excluding the impact of the decline in drugs for the treatment of COVID-19, revenue increased by 8.4%.

### Domestic Sales by Area

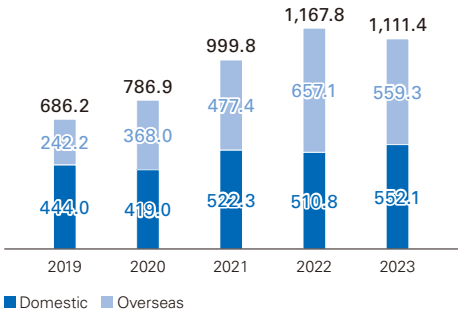
(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Domestic sales | 518.9 | 654.7 | 558.0 | –14.8% |
| Oncology | 261.5 | 256.0 | 260.2 | +1.6% |
| Specialty | 257.4 | 398.6 | 297.8 | –25.3% |

- Domestic sales in 2023 were down 14.8% due to a significant decrease in the supply of Ronapreve to the government, NHI drug price revisions, and the penetration of generics.
- In the Oncology area, although sales of products such as Avastin, Herceptin, and Kadcyla decreased due to the penetration of generics, NHI drug price revisions, and changes in the competitive environment, revenue increased by 1.6% due to the significant increase in sales of the new product Polivy and the strong performance of the mainstay product Tecentriq.
- In the Specialty area, in addition to sales of new products Vabysmo and Evrysdi growing steadily, sales of mainstay products Enspryng and Hemlibra remained strong, and sales of anti-influenza agent Tamiflu increased significantly due to the spread of influenza. However, there was a significant decrease in the supply of Ronapreve to the government, and sales of Edirol and Mircera decreased due to the impact of the NHI drug price revisions and the penetration of generics. As a result, revenue decreased by 25.3%.

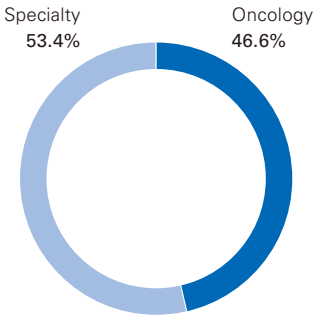
### Revenue

(Billions of yen)




### Percentage of Domestic Sales

(2023)



## Overseas Sales

(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Overseas sales | 283.9 | 384.6 | 416.5 | +8.3% |
| Hemlibra (exports to Roche) | 112.0 | 191.1 | 208.8 | +9.3% |
| Actemra (exports to Roche) | 100.1 | 126.2 | 123.3 | –2.3% |
| Alecensa (exports to Roche) | 48.2 | 38.0 | 52.9 | +39.2% |
| Enspryng (exports to Roche) | 1.5 | 2.8 | 4.2 | +50.0% |

- Overseas sales in 2023 increased by 8.3% due to a significant improvement in exports of Hemlibra and Alecensa to Roche.

## Cost of Sales [Core Basis]

(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Cost of sales | –335.5 | –475.0 | –412.0 | –13.3% |
| Cost to sales ratio | 41.8% | 45.7% | 42.3% | –3.4%pts |

- The cost to sales ratio for 2023 showed a year-on-year improvement due to changes in the product mix and other factors.

## Operating Expenses (Marketing and Distribution Expenses, R&D Expenses, and General and Administration Expenses) [Core Basis]

(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Marketing and distribution | –75.8 | | | |
| Research and development | –129.8 | –143.7 | –162.8 | +13.3% |
| General and administration | –24.6 | | | |
| SG&A expenses | | –98.8 | –102.0 | +3.2% |
| Other operating income (expense) | | 1.4 | 16.1 | 12 times |

- R&D expenses increased year on year largely due to investments in drug discovery and early development, including the full operation of Chugai Life Science Park Yokohama, and expenses increasing as development projects progressed and other factors, and were the main factor in an overall increase in operating expenses.
- SG&A expenses increased due to an increase in various expenses.
- Other operating income (expense) increased due to income from disposal of product rights and gains on the sale of property, plant and equipment.

## Operating Profit and Net Income [Core Basis]

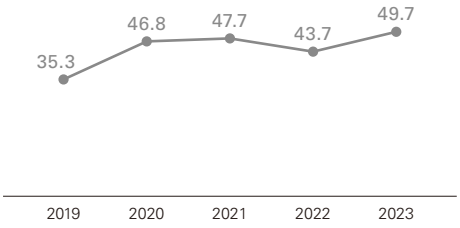
(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Operating profit | 434.1 | 451.7 | 450.7 | –0.2% |
| Ratio of operating profit to revenue | 43.4% | 38.7% | 40.6% | +1.9%pts |
| Net income | 311.5 | 317.7 | 333.6 | +5.0% |

- Although royalty income from initial shipments of Hemlibra was absent in 2023, sales increased in both Japan and overseas. As a result, operating profit remained roughly unchanged year on year, and excluding the impact of drugs for the treatment of COVID-19, operating profit increased by 8.1%. Results for 2023 showed record-high net income for the seventh consecutive year.
- The ratio of operating profit to revenue increased year on year due to improvement in the cost to sales ratio, caused by factors such as a change in the product mix, more than offsetting an increase in R&D expenses due to investments in drug discovery and early development, and expenses increasing due to the progress of development projects.

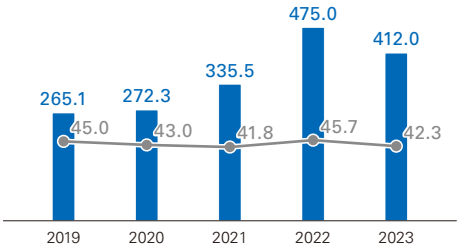
## Overseas Revenue Ratio

(%)



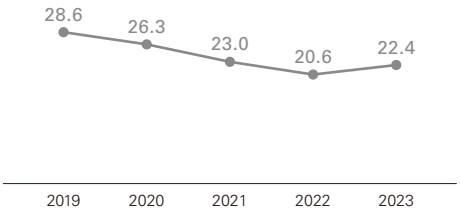

## Cost of Sales / Cost to Sales Ratio

(Billions of yen / %)




## Ratio of Operating Expenses to Revenue

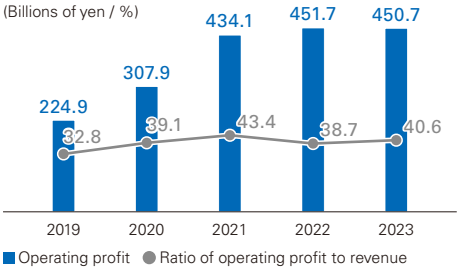
(%)




Notes:
- The item "royalties and other operating income" previously reported under "revenue" has been changed to "other revenue," while income from disposal of product rights has been excluded therefrom.
- "Other operating income (expense)" has been established as a new category equivalent to R&D expenses, marketing and distribution expenses, and general and administration expenses. "Other operating income (expense)" includes the income from disposal of product rights, which has been excluded from "revenue" as described above, and income and expenses associated with operating activities that were previously included in "general and administration" but could not be classified into functional expense categories, such as gain (loss) on sale of land and buildings, etc.
- Marketing and distribution expenses and general and administration expenses have been integrated and presented as "SG&A expenses."
- The ratio of operating expenses to revenue is calculated by Operating expenses / Revenue until 2021 and by (R&D expenses + SG&A expenses + Other operating income (expense)) / Revenue from 2022

## Operating Profit / Ratio of Operating Profit to Revenue

(Billions of yen / %)



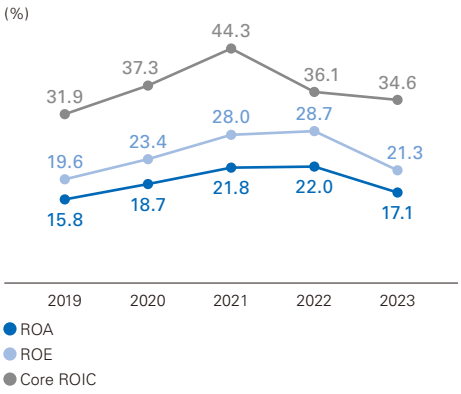
### Profitability Indicators

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Gross profit to revenue (%) (Core) | 66.4 | 59.3 | 62.9 | +3.6%pts |
| Operating profit to revenue (%) (Core) | 43.4 | 38.7 | 40.6 | +1.9%pts |
| ROA (%) (IFRS) | 21.8 | 22.0 | 17.1 | –4.9%pts |
| ROE (%) (IFRS) | 28.0 | 28.7 | 21.3 | –7.4%pts |
| Core ROIC (%) | 44.3 | 36.1 | 34.6 | –1.5%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 / Average net operating assets (Core ROIC is calculated by using Core income taxes.)

- While Core net operating profit after taxes grew, Core ROIC declined slightly year on year due to an increase in average net operating assets (NOA), centered on long-term operating assets.
- While Core net income grew, net assets and equity attributable to Chugai shareholders increased, resulting in lower ROA and ROE, respectively.

### 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)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Net working capital | 370.1 | 551.6 | 422.6 | –23.4% |
| Long-term net operating assets | 402.4 | 447.8 | 478.3 | +6.8% |
| NOA | 772.6 | 999.3 | 900.9 | –9.8% |

- Net working capital at the end of 2023 decreased significantly from the end of the previous year due to a decrease in accounts receivable such as Ronapreve. Long-term NOA grew, notably due to the increase in property, plant and equipment resulting from the investments in the manufacturing building for active pharmaceutical ingredients (APIs) for small and mid-size molecule drugs at the Fujieda Plant.

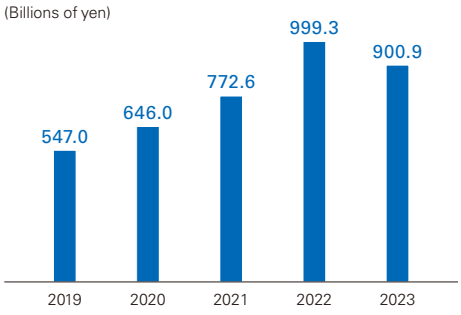
### Total Net Assets

(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| NOA | 772.6 | 999.3 | 900.9 | –9.8% |
| Net cash | 472.0 | 503.1 | 739.0 | +46.9% |
| Other non-operating assets - net | –56.5 | –78.1 | –14.3 | –81.7% |
| Total net assets | 1,188.0 | 1,424.4 | 1,625.6 | +14.1% |

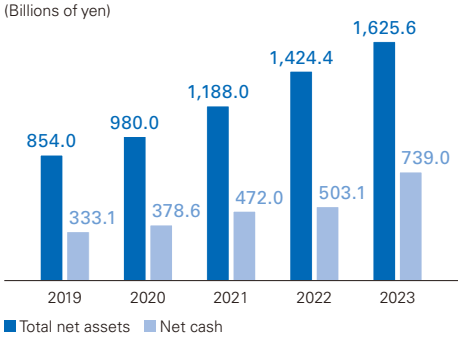
- Total net assets at December 31, 2023 increased from a year earlier despite a decrease in accounts receivable such as Ronapreve, due to factors including an increase in property, plant and equipment resulting from investment in the manufacturing building for APIs for small and mid-size molecule drugs at the Fujieda Plant, 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.

### NOA




NOA is 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 is composed of property, plant and equipment, intangible assets, and other items.

### Total Net Assets / Net Cash



## Total Assets and Total Liabilities

(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Total assets | 1,538.7 | 1,869.8 | 1,932.5 | +3.4% |
| Total liabilities | –350.7 | –445.4 | –307.0 | –31.1% |

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

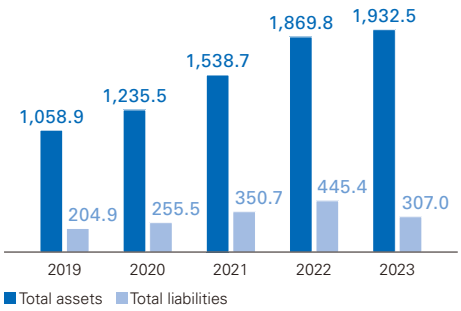
## Financial Position Indicators

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Ratio of equity attributable to Chugai shareholders (%) | 77.2 | 76.2 | 84.1 | +7.9%pts |
| Cash conversion cycle (CCC) (Months) | 8.2 | 8.8 | 9.5 | +0.7 months |
| Net cash turnover period (Months) | 5.7 | 4.8 | 8.0 | +3.2 months |
| Current ratio (%) | 324.9 | 315.4 | 474.1 | +158.7%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 / Revenue 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)

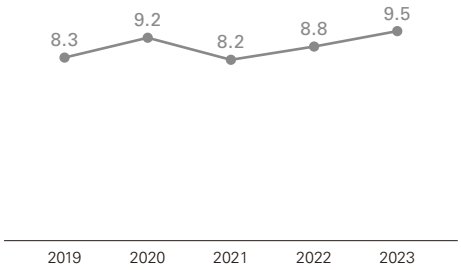
## Total Assets / Total Liabilities

(Billions of yen)




## Cash Conversion Cycle

(Months)




## 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 flow as an internal performance indicator (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)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Movement of free cash flow | | | | |
| Operating profit | 421.9 | 533.3 | 439.2 | –17.6% |
| Operating profit, net of operating cash adjustment | 466.4 | 570.6 | 491.5 | –13.9% |
| Operating free cash flow | 301.4 | 308.4 | 540.1 | +75.1% |
| Free cash flow | 189.4 | 166.4 | 363.8 | +118.6% |
| Net change in net cash | 93.4 | 31.1 | 235.9 | +658.5% |
| Consolidated statement of cash flows | | | | |
| Cash flows from operating activities | 279.6 | 243.6 | 409.9 | +68.3% |
| Cash flows from investing activities | –118.9 | –145.5 | –37.3 | –74.4% |
| Cash flows from financing activities | –107.4 | –145.6 | –139.3 | –4.3% |
| Net change in cash and cash equivalents | 55.5 | –45.6 | 236.5 | — |
| Cash and cash equivalents at December 31 | 267.8 | 222.2 | 458.7 | +106.4% |

### Operating Free Cash Flow

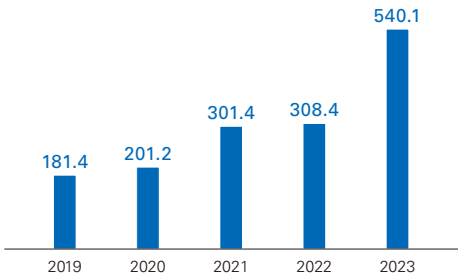
- Operating profit, net of operating cash adjustment, is calculated by adjusting for depreciation and other items that are included in operating profit but are not accompanied by cash inflows or outflows and all inflows and outflows related to NOA that are not accompanied by profit or loss.
- Operating free cash flow for the fiscal year under review amounted to a net inflow of ¥540.1 billion due to a decrease in net working capital and other related items of ¥130.6 billion, despite expenditures of ¥71.9 billion for the purchase of property, plant and equipment. The purchase of property, plant and equipment included investment and other expenditures for the construction of a manufacturing building at the Fujieda Plant for the development of small and mid-size molecule APIs.

### Free Cash Flow

- Free cash flow was a net cash inflow of ¥363.8 billion due mainly to income taxes paid of ¥176.1 billion.
- Net cash as of December 31, 2023, after subtracting dividends paid of ¥131.6 billion and other expenditures, showed an increase of ¥235.9 billion from the previous year end to ¥739.0 billion.

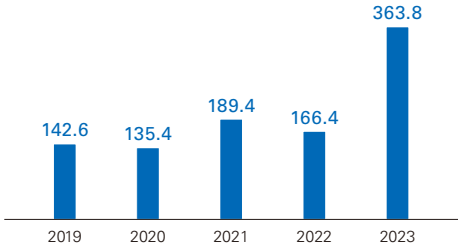
### Operating Free Cash Flow

(Billions of yen)




### Free Cash Flow

(Billions of yen)




## Capital Investments

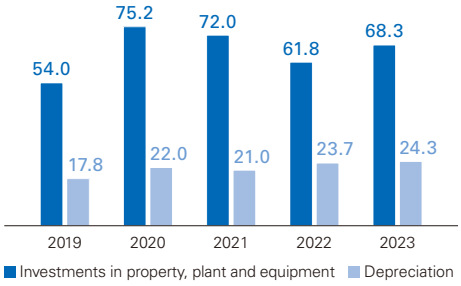
(Billions of yen)

| | 2021 | 2022 | 2023 | 2022/2023 Change |
|---|---|---|---|---|
| Investments in property, plant and equipment | 72.0 | 61.8 | 68.3 | +10.5% |
| Depreciation | 21.0 | 23.7 | 24.3 | +2.5% |

- Capital investments in 2023 included investments in manufacturing facilities and pharmaceutical manufacturing and production facilities at the Fujieda Plant.
- Capital investment planned for 2024 amounts to ¥65 billion, including the major facility additions in the table below, with depreciation expenses of ¥23.5 billion.

### Capital Investments in Property, Plant and Equipment / Depreciation

(Billions of yen)




### Major Capital Investments—Current and Planned

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 (FJ3) | 55.5 | 47.3 | Self-financing | September 2021 | October 2024 |
| Utsunomiya Plant (Utsunomiya City, Tochigi) | Mid- to late-stage clinical trials and early commercial biopharmaceutical drug substance manufacturing (UT3) | 37.4 | 5.6 | Self-financing | June 2023 | May 2026 |
| Utsunomiya Plant (Utsunomiya City, Tochigi) | Sterile injection manufacturing for early commercial production (UTA) | 19.0 | 5.3 | Self-financing | June 2023 | November 2025 |
| Ukima Plant (Kita-ku, Tokyo) | Biopharmaceutical drug substance manufacturing (remodeling work) (UK3) | 20.3 | — | Self-financing | January 2024 | May 2027 |

## Outlook for 2024 [Core Basis]

Forecast assumptions: For 2024, Chugai assumes exchange rates of ¥159/CHF, ¥157/EUR, ¥136/USD, and ¥108/SGD.

(Billions of yen)

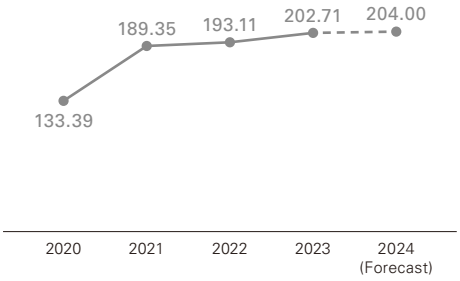
| | 2022 | 2023 | 2024 (Forecast) | 2023/2024 Change |
|---|---|---|---|---|
| Core revenue | 1,167.8 | 1,111.4 | 1,070.0 | –3.7% |
| Sales | 1,039.2 | 974.5 | 922.0 | –5.4% |
| Domestic | 654.7 | 558.0 | 454.9 | –18.5% |
| Overseas | 384.6 | 416.5 | 467.1 | +12.1% |
| Other revenue | 128.6 | 136.9 | 148.0 | +8.1% |
| Core operating profit | 451.7 | 450.7 | 460.0 | +2.1% |
| Core EPS (Yen)[1] | 193.11 | 202.71 | 204.00 | +0.6% |

Notes: The Company has partially amended the financial statements from the fiscal year 2023 as follows.
- The item "royalties and other operating income" previously reported under "revenue" has been changed to "other revenue," while income from disposal of product rights has been excluded therefrom.
- "Other operating income (expense)" has been established as a new category equivalent to R&D expenses, marketing and distribution expenses, and general and administration expenses. "Other operating income (expense)" includes the income from disposal of product rights, which has been excluded from "revenue" as described above, and income and expenses associated with operating activities that were previously included in "general and administration" but could not be classified into functional expense categories, such as gain (loss) on sale of land and buildings, etc.
- Marketing and distribution expenses and general and administration expenses have been integrated and presented as "SG&A expenses."

- With regard to domestic sales, although volume is forecast to grow for the new products Phesgo and Vabysmo along with mainstay products, domestic sales are forecast to decrease year on year due to the absence of sales from supply of Ronapreve to the government, and a decrease in sales due to the impact of NHI drug price revisions and the penetration of generics.
- Overseas sales are forecast to increase year on year, mainly due to a significant increase in exports of Hemlibra, including the impact of sales increase due to the weaker yen, while exports of Actemra are forecast to decrease.
- Other revenue is expected to increase due to the increases of royalty and profit-sharing income mainly from Hemlibra-related income, in addition to an increase in one-time income, although Actemra-related income is expected to decrease.
- The cost to sales ratio is expected to improve year on year, due notably to a change in the product mix.
- R&D expenses are expected to increase due to an increase in R&D activities, such as investments in drug discovery and early development, and progress of development projects, etc. SG&A expenses are expected to remain at the same level as the previous year. Furthermore, other operating income (expense) is expected to significantly decrease from the previous year when there was income from disposal of product rights.
- As described above, we expect gross profit to increase in 2024 due to the change in the product mix, which will offset the increase in R&D expenses and the decrease in other operating profit, and Core operating profit and Core EPS are expected to reach record highs.

### Core EPS[1,2]

(Yen)




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 2020.
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% 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.

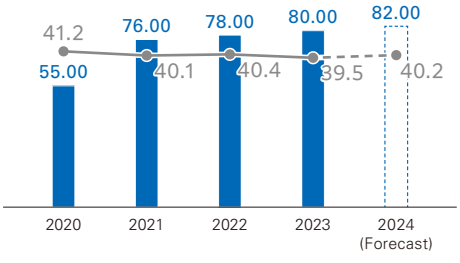
(Yen)

| | 2021 | 2022 | 2023 | 2024 (Forecast) |
|---|---|---|---|---|
| Basic net income per share (EPS)[3] | 184.29 | 227.64 | 197.83 | — |
| Core EPS[3] | 189.35 | 193.11 | 202.71 | 204.00 |
| Equity per share attributable to Chugai shareholders (BPS)[3] | 722.50 | 865.88 | 988.01 | — |
| Cash dividends per share[3] | 76.00 | 78.00 | 80.00 | 82.00 |
| Core payout ratio | 40.1% | 40.4% | 39.5% | 40.2% |
| Core payout ratio (five-year average) | 42.9% | 42.0% | 40.9% | 40.2% |

- Cash dividends per share for 2023 totaled ¥80, and the five-year average Core EPS payout ratio was 40.9%.
- The dividend forecast for 2024 calls for an interim dividend of ¥41 and a year-end dividend of ¥41.

### Cash Dividends per Share[3] / Core Payout Ratio

(Yen / %)




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 2020.

# Dialogue with Stakeholders and External Evaluations

## Approach to Goals

To fulfill its basic management policy of creating shared value, Chugai believes that dialogue with shareholders, investors, and other stakeholders is essential. We strive to expand opportunities for dialogue and to analyze the opinions obtained through dialogue and incorporate them into management. We also focus on providing timely, appropriate, and fair disclosure in accordance with relevant laws and regulations, and on actively disclosing information using various tools.

## Activity Performance

In 2023, we held meetings with institutional investors, securities analysts, and journalists to provide briefings on financial results and new products, as well as research and development and sustainability, addressing areas of high need. We also held an IR Day, which we continue to hold in a format in which institutional investors and securities analysts can engage in direct dialogue with the Company's CEO and other members of management in a setting with a small number of people. Dr. Mariko Y Momoi also participated in discussions this time, due to high demand for direct dialogue with independent outside directors.

Furthermore, in addition to conducting online company briefings for individual investors focusing on themes such as the Company's strengths of antibody engineering technologies and DX, we conducted a tour of Chugai Life Science Park Yokohama, which is a new research center that started full-scale operations in April, for institutional investors, securities analysts, and journalists.

We believe that patients are our key stakeholders, and we engage in proactive communication to facilitate mutual understanding with the aim of realizing advanced and sustainable patient-centric healthcare. As for dialogue with patient organizations, in addition to dialogue held by each department as necessary, from 2020 onward, we have been holding a Company-wide dialogue once a year with participation by top management. In 2023, we were approached by patient organizations, and further expanded our activities by holding discussions between two patient organizations and three pharmaceutical companies including Chugai.

For details, please refer to the Company's sustainability website.

**Presentation Materials**
https://www.chugai-pharm.co.jp/english/ir/reports_downloads/presentations.html

**Collaboration with Patient Organizations (in Japanese only)**
https://www.chugai-pharm.co.jp/profile/overview/patientcentricity/collaboration/

**IR Day (August)**
Direct dialogue in small groups between three directors, including Independent Outside Director Dr. Mariko Y Momoi, and institutional investors and securities analysts


**Sustainability Meeting (November)**
The scope was expanded from ESG and the meeting was renamed as the Sustainability Meeting


**Company briefing for individual investors (December)**
A discussion was held with economic analyst Mr. Kohei Morinaga

### Main Initiatives and Progress (Last 3 years)

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Number of media and IR information events | 36 | 28 | 30 |
| Total number of institutional investors and securities analysts attending meetings worldwide<br>(Of which, number interviewed by executive team/executive officers at road shows overseas) | 487<br>(94) | 582<br>(99) | 663<br>(84) |
| Number of briefings for individual investors and shareholders<br>(Number of on-demand video views) | 2<br>(1,818) | 3<br>(4,670) | 3<br>(3,762) |
| Attendance at the Annual General Meeting of Shareholders | 68 | 86 | 119 |

## External Evaluations

Chugai ascertains expectations and demands from society and objectively examines its own initiatives based on analysis of the results of its selection for sustainability indices and the results of external evaluations of its ESG and IR activities, and uses its findings to improve and develop its own activities. In a rapidly changing external environment, as a result of continuously working through this PDCA cycle, we have continued to obtain high external evaluations for our ESG and IR activities. In ESG especially, we were selected for the fourth consecutive year for the DJSI World, which is composed of the top companies of each industry in the world, and we were also ranked No. 2 in the world in the pharmaceutical sector. In IR activities, we were ranked second among Japanese pharmaceutical companies in seven categories of the All-Japan Executive Team ranking by U.S. Institutional Investor magazine in 2024, as a result of voting by 425 institutional investors and securities analysts worldwide. The overall evaluation from the sell side improved compared to the previous year.

### Main External Evaluations for ESG and IR Activities

| | | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| ESG (DJSI, Pharmaceutical Sector) | Global ranking | 2nd (Among 53 companies) | **1st** (Among 47 companies) | 2nd (Among 48 companies) |
| | Asia Pacific ranking | **1st** (Among 18 companies) | **1st** (Among 15 companies) | **1st** (Among 14 companies) |

| | | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| IR (All-Japan Executive Team, Biotechnology & Pharmaceuticals Sector) | Best CEO | 6th | **1st** | 2nd |
| | Best CFO | 3rd | **1st** | 2nd |
| | Best IR Program | **1st** | **1st** | 2nd |

Selected for four consecutive years in the DJSI World, a global ESG investment index
Received the world's second highest rating in the pharmaceutical sector in the DJSI 2023

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

Selected as a constituent in the FTSE4Good Index Series for the 21st consecutive year

FTSE4Good

Continued to be listed in all five ESG indices covering Japanese equities selected by GPIF*

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Morningstar Japan ex-REIT Gender Diversity Tilt Index

NADESHIKO BRAND 2024

DIVERSITY MANAGEMENT SELECTION 100 2018

CDP A LIST 2023 CLIMATE WATER

プラチナくるみん 子育てサポートしています

2024 健康経営銘柄

女性が活躍しています！

work with Pride Gold 2023

* Government Pension Investment Fund

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.

# Shareholder Information

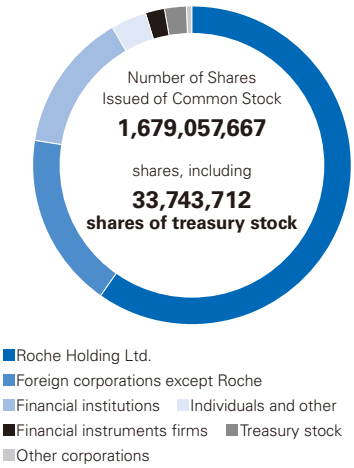
(As of December 31, 2023)

## Top 10 Largest Shareholders

| Name | Number of shares held (Thousand) | Percentage of voting rights (%) |
|---|---|---|
| Roche Holding Ltd. | 1,005,670 | 61.13 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 145,198 | 8.82 |
| Custody Bank of Japan, Ltd. (Trust Account) | 59,737 | 3.63 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 25,232 | 1.53 |
| NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT | 19,120 | 1.16 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 14,334 | 0.87 |
| SMBC Nikko Securities Inc. | 11,032 | 0.67 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 10,484 | 0.63 |
| JP MORGAN CHASE BANK 385781 | 9,375 | 0.56 |
| SUMITOMO LIFE INSURANCE COMPANY | 9,000 | 0.54 |

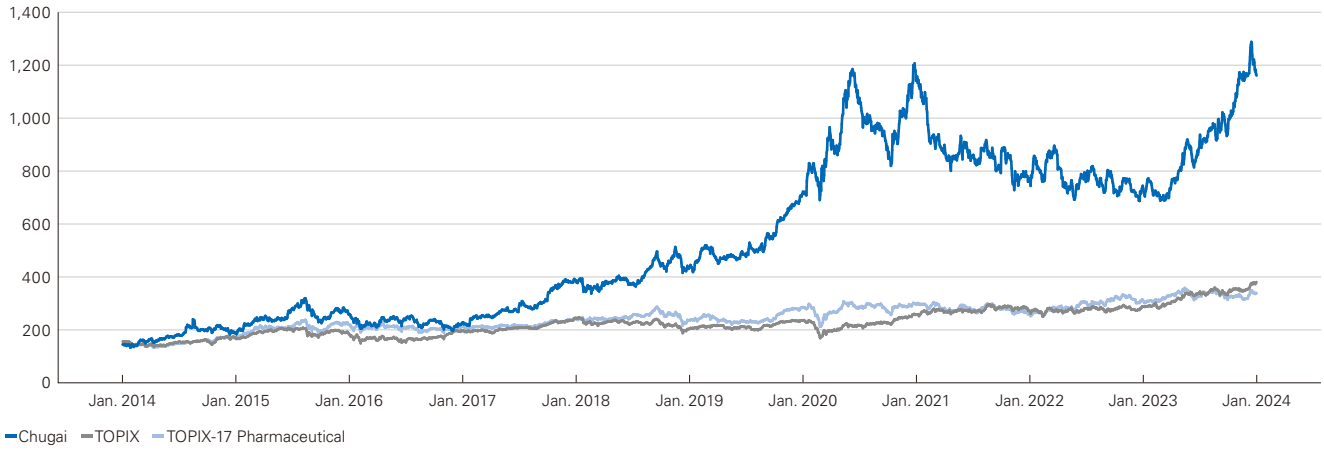
Note: The Company holds 33,743,712 shares of treasury stock, but is excluded from the ten major shareholders listed in the table above.

## Classification of Shareholders




## 10-Year Total Shareholder Return (TSR)

(Index)




| | Last 1 year | Last 3 years | | Last 5 years | | Last 10 years | |
|---|---|---|---|---|---|---|---|
| | TSR | TSR | Annualized TSR | TSR | Annualized TSR | TSR | Annualized TSR |
| Chugai | 61.3% | 2.9% | 1.0% | 173.2% | 22.3% | 704.9% | 23.2% |
| TOPIX | 28.3% | 41.1% | 12.2% | 79.0% | 12.3% | 127.9% | 8.6% |
| TOPIX-17 Pharmaceutical | 1.3% | 8.6% | 2.8% | 42.1% | 7.3% | 122.2% | 8.3% |

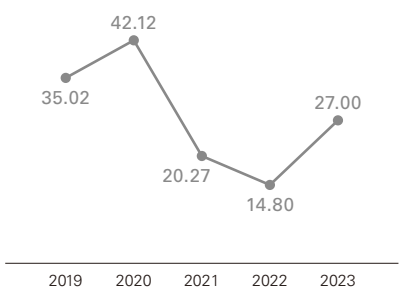
Note: In the above graphs and tables, Chugai's closing price and benchmark indexes as of Wednesday, January 1, 2014, are fixed at 100 and the figures for ROI assume re-investment of the dividends. The benchmark indexes used are the Tokyo Stock Price Index (TOPIX) and TOPIX-17 Pharmaceutical.

## Share Price Indicators

### Price / Earnings Ratio

Year-end share price / Basic net income per share

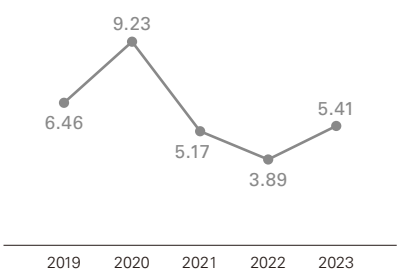
(Times)




### Price / Book Ratio

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

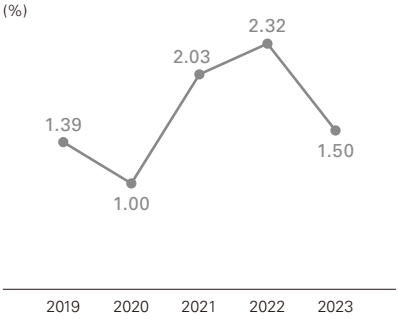
(Times)




### Dividend Yield

Dividends per share / Year-end share price

(%)



# Corporate Profile

(As of December 31, 2023)



## Corporate Overview

| | |
|---|---|
| Company name | Chugai Pharmaceutical Co., Ltd. |
| Date of foundation | March 10, 1925 |
| Date of establishment | March 8, 1943 |
| Head Office | 2-1-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-8324, Japan<br>Tel: +81-(0)3-3281-6611 (Main switchboard) |
| Stated capital | ¥73,202 million |
| Number of employees | 7,604 (Consolidated) |

| | |
|---|---|
| Number of shares issued of common stock | 1,679,057,667 shares |
| Number of shareholders | 54,361 |
| Stock listing | Prime Market of Tokyo Stock Exchange |
| Fiscal year-end | December 31 |
| General Meeting of Shareholders | March |
| Transfer agent | Mitsubishi UFJ Trust and Banking Corporation |

## About the Information Shown

### Annual Report (Integrated Report)

Aims to share information on the progress of our medium- to long-term value creation strategy with a focus on information content of key importance, and a stronger emphasis on effective presentation and reader-friendliness.

### Website

**Sustainability**
https://www.chugai-pharm.co.jp/english/sustainability/index.html

**Investor Relations**
https://www.chugai-pharm.co.jp/english/ir/index.html

**About Chugai**
https://www.chugai-pharm.co.jp/english/profile/index.html

The annual report and websites report Chugai's efforts utilizing their respective characteristics. Please refer to the websites because they contain the information in the annual report in addition to more detailed information.

## Production Process and Structure for this Report

| August-September | October-November | December-January | February-March | April-May |
|---|---|---|---|---|
| **Secretariat Planning and Design**<br>• Set up production systems<br>• Clarification of topics to be covered with main executive responsible (CFO)<br>• Create outline of planned structure<br>• Interview with investors | **Draft Plan Review**<br>• Discussion with management team<br>• Interview with relevant parties<br>• Review of composition with CFO and other relevant executives<br>• Sustainability Meeting<br>• Interview with investors | **Content Production**<br>• Discussion and examination by the Corporate Communications Committee<br>• Confirmation of content by CFO and relevant executives<br>• Coordination with internal divisions<br>• Progress update on short-, medium-, and long-term plans | **Discussion of Specific Content**<br>• Develop messaging, structure composition, data<br>• Create messaging from management team (CEO, CFO)<br>• Page layout verification by relevant executives | **Finalization**<br>• Checking and approval by Corporate Communications Committee and final confirmation by top management<br>• Overall checks, finetuning by production department<br>• Third-party review |

The underlined stages in the production processes listed above show the steps that involve the management team. In particular, the main executive responsible, the chair of the Corporate Communications Committee (director in charge of corporate communications activities) engaged in discussions on its concept, structure, content, and design through a number of meetings and took responsibility up to its completion. In addition, the executive in charge of governance and the executive in charge of environmental and social issues also conducted regular discussions and verification of the composition and content. Interviews and confirmation of the content were conducted with Representative Director, President & CEO Dr. Osamu Okuda.
The production structure included the Corporate Communications Department as the secretariat with an extended team including members from the Corporate Planning Department, Human Resources Management Department, ESG Department, and Risk & Compliance Department. In the approval process, the report was discussed by the Corporate Communications Committee, which made a report to the Executive Committee.

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/

Created: May 2024