[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the Annual General Meeting of Shareholders 2014 of Chugai Pharmaceutical Co., Ltd. prepared for the convenience of shareholders outside Japan with voting rights. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

NOTICE OF CONVOCATION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2014

Date and Time

10:00 a.m. on March 26, 2015 (Thursday)

Place

Royal Park Hotel - 3F Royal Hall
1-1, Nihonbashi-Kakigara-cho 2-chome, Chuo-ku, Tokyo

Matters for Resolution

First Proposal : Appropriation of Surplus
Second Proposal : Election of Two (2) Directors
Third Proposal : Election of One (1) Audit & Supervisory Board Member

Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

Securities Code: 4519

To the shareholders

Chugai Pharmaceutical's mission is to add exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world. We undertake actions that give the highest priority to patients and consumers.
Oncology, renal diseases, and bone and joint diseases are positioned as Chugai's strategic areas. We are undertaking measures to create original and innovative drugs, both in Japan and overseas, particularly to address unmet medical needs, where the level of pharmaceutical contribution and satisfaction concerning patient treatment remains low. This is accomplished by effectively leveraging the resources of the Roche Group, while we pursue cutting-edge biopharmaceutical, antibody, and molecular targeted research technologies—areas that constitute Chugai's greatest strengths—as well as chemical synthesis technology.
Through these measures, we aim to become a top pharmaceutical company with global-level capabilities. We have a responsibility and a mission to succeed as a pharmaceutical industry leader. Our goal as a leader is to provide outstanding corporate value by meeting the expectations of our stakeholders—including patients and their families as well as healthcare professionals—as we work to acquire the trust of society. We will continue to meet challenges in order to ;fulfill our mission, with all our activities firmly based on a strong ethical foundation as a company engaged in businesses related to the lives of human beings. We ask for the further support of our shareholders in our endeavors.

Representative Director
Chairman & CEO

February 2015

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Disclosure via the Internet

- The "Notes to the Consolidated Financial Statements" and the "Notes to the Non-Consolidated Financial Statements" have been posted on the Company's website in accordance with the related legislation and Article 15 of the Articles of Incorporation of the Company; and the documents of such notes are accordingly not contained in this Notice of Convocation.
- Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor consist of documents contained in this Notice of Convocation and the "Notes to the Consolidated Financial Statements" and the "Notes to the Non-Consolidated Financial Statements" posted on the Company's website.
- In cases where items in the Reference Document for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements are amended, the Company will announce the updated documents on the Company's website.
  CHUGAI PHARMACEUTICAL CO., LTD. website:
  http://www.chugai-pharm.co.jp/hc/ir

(Securities Code: 4519)
February 25, 2015

To the Shareholders:

NOTICE OF CONVOCATION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2014

Dear Shareholders:
You are cordially invited to attend the Annual General Meeting of Shareholders of Chugai Pharmaceutical Co., Ltd. (the "Company") for the Business Term ended December 31, 2014. The meeting will be held as described below.
If you are unable to attend the meeting, you can exercise your voting rights in writing or via electromagnetic method (the Internet, etc.). Please review the following reference documents concerning the General Meeting of Shareholders, and exercise your voting rights no later than 5:30 p.m. on March 25, 2015 (Wednesday).

Yours very truly,

Osamu Nagayama
Chairman & CEO
CHUGAI PHARMACEUTICAL CO., LTD.
1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo

PARTICULARS

1. Date and Time : 10:00 a.m. on March 26, 2015 (Thursday)

2. Place : Royal Park Hotel - 3F Royal Hall
1-1, Nihonbashi-Kakigara-cho 2-chome, Chuo-ku, Tokyo
(Please refer to the map attached at the end of this document (translation omitted).)

3. Purpose :

Matters for Reporting : The Business Report for the Business Term (January 1, 2014 to December 31, 2014), Non-Consolidated Financial Statements for the Business Term, Consolidated Financial Statements for the Business Term, and the Report on the Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and Audit & Supervisory Board

Matters for Resolution :

First Proposal : Appropriation of Surplus

Second Proposal : Election of Two (2) Directors

Third Proposal : Election of One (1) Audit & Supervisory Board Member

– End –

- If you are attending in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
- If you wish to exercise your voting rights through a proxy, such proxy must be a shareholder with voting rights. You may appoint only one (1) proxy. A shareholder acting as a proxy will be required to submit a letter of proxy at the reception desk.

Handling of voting rights exercised for multiple times:

- If you exercised your voting right both in writing and via the Internet, the voting right exercised via the Internet shall be treated as the valid vote.
- If you exercised your voting right for multiple times via the Internet, the voting right exercised last shall be treated as the valid vote.

First Proposal : Appropriation of Surplus

The Company aims to pay out stable dividends to shareholders with a target payout ratio at a rate equal to 50% of the average of the Core EPS(*), taking into account the Company's strategic demand for funds for investment and performance forecasts. In addition, internal reserves will be used to make investments for further growth in existing strategic fields as well as pursuing future business opportunities to further enhance corporate value.

Under the policy, the Company would like to declare appropriation of surplus for the fiscal year under review as described below:

(*) Core EPS is diluted earnings per share attributable to the Company's shareholders after deduction of non-Core profit or loss items determined by the Company.

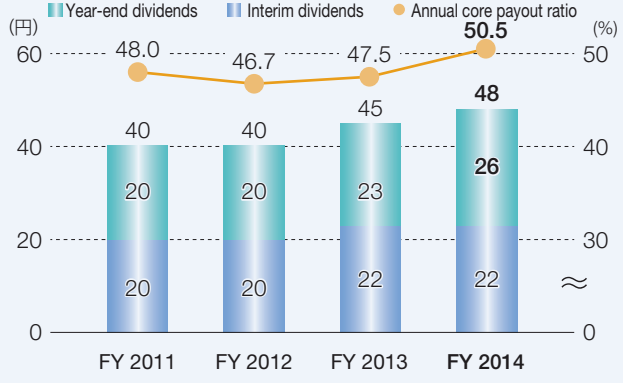
Matters concerning Year-End Dividends

(1) Type of dividend assets:
Cash

(2) Matters concerning the allotment of dividend assets to the shareholders and the amount thereof:
26 yen per share of common stock of the Company
Total: 14,181,113,752 yen
Total dividend for the business term 2014 is 48 yen per share, as an interim dividend of 22 yen per share has been paid.

(3) Date when dividends of surplus become effective:
March 27, 2015

Reference **Dividends and Dividend payout ratio**



Adoption of International Financial Reporting Standards (IFRS) and Core Results

The Company has adopted the dividend payout ratio using net income under Japanese accounting standards as an indicator to calculate dividends up to the fiscal year 2012. From the fiscal year 2013, however, the Company changed to using net income attributable to Chugai shareholders under Core results, which reflects adjusted IFRS results. As core results are IFRS results that exclude factors including extraordinary matters, it serves as a stable indicator less susceptible to temporary factors. Therefore, adoption of this practice is expected to contribute to provision of a stable return to shareholders.

Second Proposal : Election of Two (2) Directors

Of all the ten (10) Directors, the term of office of two (2) Directors, Mr. Mitsuo Ohashi and Mr. Daniel O'Day will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that two (2) Directors be elected.
The candidates are as follows:

#1

Candidate for an Outside Director

New appointment

Masayuki Oku

(December 2, 1944)

Shares of the Company Owned
0 shares

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Apr. 1968	Entered into the Sumitomo Bank, Ltd. ("SB")
Jun. 1994	Director of SB
Nov. 1998	Managing Director of SB
Jun. 1999	Managing Director and Managing Executive Officer of SB
Jan. 2001	Senior Managing Director and Senior Managing Executive Officer of SB
Apr. 2001	Senior Managing Director of Sumitomo Mitsui Banking Corporation ("SMBC")
Dec. 2002	Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. ("SMFG")
Jun. 2003	Deputy President of SMBC
Jun. 2005	Chairman of SMFG (to present)
Jun. 2005	President and Chief Executive Officer of SMBC

(Important concurrent positions)
Chairman of SMFG
Outside Director of Kao Corporation
Outside Director of KOMATSU LTD.
Outside Director of Panasonic Corporation
Outside Corporate Auditor of Nankai Electric Railway Co., Ltd.

[Special notes relating to the candidate for Outside Director]
The Company recommends Mr. Masayuki Oku with the belief that he will be able to execute his duties as an Outside Director appropriately through giving advice and supervising the Company about its management based on his extensive knowledge and experience, etc. as an entrepreneur. The Company will designate him as an independent officer as stipulated under the Tokyo Stock Exchange guideline and register him as such with the Exchange, if he is elected as a Director.
Nikko Cordial Securities Inc. (current SMBC Nikko Securities Inc.), where he served as a Director until March 2011, was issued a business improvement order by Financial Services Agency ("FSA") in April 2011 for the incident where one of its employees defrauded certain customers of their money through means not connected to their accounts with the company. The company was also given a business improvement order by FSA in April 2012 for its inadequate control structure and inappropriate solicitation activities relating to corporate information. Furthermore, the company was given another business improvement order by FSA in August 2012 for the lack of measures necessary and appropriate for the prevention of unfair trade practices related to corporate information.
Panasonic Corporation, where Mr. Masayuki Oku has served as an Outside Director from June 2008 to the present, entered into an agreement with the United States Department of Justice in September 2010, and the Canadian Competition Bureau in October 2010, respectively, for Panasonic Corporation to pay fines with respect to its violation of antitrust laws conducted in relation to its refrigerator compressor business; and an order for the payment of fines was also issued by the European Commission in December 2011 with respect to the same matter. In relation to the violation of the antitrust laws in the certain automotive components business for certain customers, the company came to an agreement to pay penalties with the United States Department of Justice in July 2013 and with the Competition Bureau of Canada in February 2014, respectively. The antitrust violation in the refrigerator compressor business had taken place before Mr. Oku assumed his post, and thus he had not been aware of such violation activities until they were identified. Nevertheless, he executed his duties from the point of view of compliance at all times, through meetings of the Board of Directors, etc. and strove to prevent the execution of any business in violation of laws and regulations. He affirmed the measures taken by the company toward prevention of recurrence upon identification of such violations.

#2 Candidate for an Outside Director
Reappointment

Daniel O'Day

(May 26, 1964)

Shares of the Company Owned
0 shares

Attended 8 out of 8 meetings of the Board of Directors (100%)

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Apr. 1987	Entered into Roche Pharma (USA)
Jan. 1995	Director of Human Resources, Roche Pharma (USA)
Nov. 1996	Director of Product Marketing, Roche Pharma (USA)
May. 1998	Business Unit Head of Roche Arthritis and Respiratory, Roche Pharma Headquarters
Jul. 1999	Lifecycle Leader of Roche Tamiflu, Roche Pharma Headquarters
Apr. 2001	Head of Corporate Planning, Nippon Roche K.K.
Apr. 2003	General Manager of Roche Pharma (Denmark)
Apr. 2006	President & CEO of Roche Molecular Diagnostics
Jan. 2010	COO of Roche Diagnostics Division and Member of the Corporate Executive Committee
Sep. 2012	COO of Roche Pharmaceuticals Division, Member of the Corporate Executive Committee and Member of the Genentech (USA) Board of Directors (to present)
Mar. 2013	Director of the Company (to present)

[Special notes relating to the candidate for Outside Director]

Mr. Daniel O'Day gives advice and supervises the Company about its management as a member of the executive committee of the Roche Group from a global perspective. The Company recommends him with the belief that he will be able to execute his duties as an Outside Director appropriately in the future.

He will have held the position of an Outside Director of the Company for 2 years as at the closing of this Annual General Meeting of Shareholders.

(Notes) 1. Special interest between the candidate and the Company
(1) The Company has no special interest with Mr. Masayuki Oku.
(2) The relationship between the Company and the Roche Group (including Genentech), where Mr. Daniel O'Day serves as a member of the executive committee, is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries a) Parent Company" of the Business Report.

2. Conclusion of a limited liability agreement
The Company has provided in its Articles of Incorporation that it may enter into a limited liability agreement (the "Agreement") with an Outside Director, as provided in Article 423, Paragraph 1 of the Companies Act, and the limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and ordinances. The Company has entered into the Agreement with Mr. Daniel O'Day, and the Company plans to sustain such Agreement with him if he is elected as a Director. The Company also plans to enter into such Agreement with Mr. Masayuki Oku if he is elected as a Director.

Reference Upon the approval of the Second Proposal (Election of Two (2) Directors) proposed at the Annual General Meeting of Shareholders for the Business Term ended December 31, 2014, the Board of Directors shall be comprised of the following:
Osamu Nagayama, Motoo Ueno, Tatsuro Kosaka, Yoshio Itaya, Yutaka Tanaka, Yasuo Ikeda, Masayuki Oku, Franz B. Humer, Daniel O'Day, Sophie Kornowski-Bonnet.

Third Proposal : Election of One (1) Audit & Supervisory Board Member

Of all the four (4) Audit & Supervisory Board Members, the term of office of Mr. Kotaro Miwa will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that one (1) Audit & Supervisory Board Member be elected.

This Proposal has obtained the consent of the Audit & Supervisory Board.

The candidate is as follows:

New appointment

Shunji Yokoyama

(March 12, 1955)

Shares of the Company Owned
0 shares

Summary of Career, Position and Important Concurrent Positions Held	
Apr. 1981	Entered into the Company
Oct. 2002	General Manager of Clinical Research Dept. 1
Oct. 2004	Vice President, General Manager of Clinical Research & Development Div.
Mar. 2007	Vice President, Deputy General Manager of Corporate Regulatory Compliance & Quality Assurance Div. and Head of Drug Safety Unit
Jul. 2009	Vice President, General Manager of Drug Safety Div.
Apr. 2011	Vice President, Head of Quality & Regulatory Compliance Unit and General Manager of Drug Safety Div.
Jan. 2013	Senior Vice President, Head of Regulatory & Quality Management Unit (to present)

(Note) Special interest between the candidate and the Company
The Company has no special interest with Mr. Shunji Yokoyama.

Reference Upon the approval of the Third Proposal (Election of One (1) Audit & Supervisory Board Member) proposed at the Annual General Meeting of Shareholders for the Business Term ended December 31, 2014, the Audit & Supervisory Board Members shall be comprised of the following:
Kunitoshi Watanabe, Shunji Yokoyama, Hisashi Hara, Michio Ishizuka.

End of Document

1 Overview of Consolidated Business Activities

(1) Developments and Results of Business Activities

a) Overview of Business Activities

During the fiscal year under review, the pharmaceutical industry continued to find itself in a harsh environment amid a host of challenges, including the placing of greater importance on policies to reduce medical expenditures and economic evaluation of pharmaceuticals by each country in conjunction with growing budget deficits, deterioration in R&D productivity, reinforcement of regulatory controls over safety and quality, and change in marketing activities.

Meanwhile, the Chugai Group (the "Group"), determined "to greatly accelerate its efforts toward realizing its model of becoming a top Japanese pharmaceutical company," launched the Mid-Term Business Plan "ACCEL 15" in January 2013. This Plan leverages the strengths nurtured in the course of the former plan "Sunrise 2012," and aims to further accelerate the pace at which the Group offers innovative value to patients and medical care professionals, keeping pace with the ever-changing business environment, and build a management infrastructure and raise the awareness of its employees at a pace never before seen.

Under such circumstances, during the fiscal year under review, the Group was able to achieve a wide range of concrete results, including realization of launch of new products, market penetration of major products, new expansion in overseas businesses, as well as advancement in proprietary and innovative research themes, and progress in the research of next-generation antibody pharmaceuticals.

Financial results for the fiscal year under review amounted to revenues of ¥461.1 billion, operating profit of ¥77.3 billion and net income of ¥53.0 billion (all results are on a Core basis).

Reference **Transition to International Financial Reporting Standards (IFRS)**

Up to the fiscal year 2012, the Company had reported consolidated accounts based on the Japanese accounting standards (JGAAP), whereas from the first quarter of the fiscal year 2013 onward, the Company has transitioned to report business results based on IFRS.

Major differences between JGAAP and IFRS

	JGAAP	IFRS
▶ Differences in the depreciation method of property, plant and equipment	Declining-balance method	Straight-line method
▶ Differences in accounting treatment of upfront and milestone payments pertaining to products under development in-licensed from third parties	Research and development expenditures	Intangible assets
▶ Differences in accounting treatment of upfront receipts pertaining to products under development and products out-licensed to third parties	Other operating income	Deferred income

b) Revenues

(Billions of Yen)

Item	Actual performance for the fiscal year under review	Actual performance for the previous fiscal year	Year-on-year difference for the same period (%)
Product sales	**436.9**	**401.3**	**up 8.9%**
Excluding Tamiflu	423.8	390.2	up 8.6%
Japan	349.5	329.2	up 6.2%
Oncology field	188.9	172.4	up 9.6%
Bone and joint diseases field	69.6	60.6	up 14.9%
Renal diseases field	44.7	48.9	down 8.6%
Transplant, immunology and infectious diseases field	20.8	18.8	up 10.6%
Other fields	25.6	28.6	down 10.5%
Overseas	74.3	61.1	up 21.6%
Tamiflu	13.0	11.0	up 18.2%
Royalties and other operating income	**24.2**	**22.4**	**up 8.0%**
Revenues	**461.1**	**423.7**	**up 8.8%**

The consolidated revenues for the fiscal year under review increased 8.8% year on year to ¥461.1 billion.

Domestic sales (excluding Tamiflu)

Domestic sales excluding the anti-influenza agent Tamiflu were ¥349.5 billion (an increase of 6.2% year on year), driven by steady growth of new products and major products, offsetting the impact of the NHI drug price revisions in April.

Oncology products sales were ¥188.9 billion (an increase of 9.6% year on year). This increase was due to the steady expansion in sales of major oncology drugs such as Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) and Tarceva (an epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor, anti-cancer agent). In addition, there was a contribution by two new products both for the indication of HER2-positive breast cancer, which are Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) launched in September 2013 and Kadcyla (an anti-HER2 antibody - tubulin polymerization inhibitor conjugate) launched in April 2014. Sales of Alecensa (an ALK inhibitor, anti-cancer agent) launched in September were ¥1.4 billion.

Bone and joint diseases products sales increased substantially to ¥69.6 billion (an increase of 14.9% year on year). This increase was led by strong sales of Edirol, a top brand in the oral therapeutic agent for osteoporosis, a humanized anti-human IL-6 receptor monoclonal antibody Actemra, whose subcutaneous injection formulation was launched in May 2013 and for which the restriction in prescribing period of two-weeks was lifted in June 2014, and an agent for the treatment of osteoporosis Bonviva, launched in August 2013.

Renal diseases product sales amounted to ¥44.7 billion (a decrease of 8.6% year on year), due to a substantial decline in sales of Epogin (a recombinant human erythropoietin agent) resulting from factors such as the effects of the NHI drug price revisions.

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were ¥20.8 billion (an increase of 10.6% year on year). This increase was due to higher sales of Pegasys (a peginterferon-α-2a agent) and Copegus (an anti-viral agent), which are concurrently used with a newly launched 3rd party product.

Tamiflu

As regards Tamiflu, sales for ordinary use amounted to ¥12.9 billion (an increase of 27.7% year on year), while sales to government stockpiles etc. amounted to ¥0.2 billion (a decrease of 77.8% year on year).

Overseas sales

Overseas sales were ¥74.3 billion (an increase of 21.6% year on year), due to the depreciation of the yen and an increase of Actemra exports to Roche in volume, whose subcutaneous injection formulation was launched in Europe and the United States.

c) Financial Results

Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were ¥461.1 billion (an increase of 8.8% year on year), operating profit for the fiscal year under review was ¥75.9 billion (a decrease of 3.6% year on year), and net income for the fiscal year under review was ¥52.1 billion (an increase of 0.4% year on year). These results include non-Core items, such as amortization of intangible assets of ¥1.2 billion, impairment of intangible assets of ¥0.2 billion, restructuring costs of ¥0.1 billion, and other items, which are excluded from the Core results managed by the Company.

Consolidated financial highlights (Core results)

(Core results, Billions of Yen)

Item	Actual performance for the fiscal year under review	Actual performance for the previous fiscal year	Year-on-year difference for the same period (%)
Revenues	461.1	423.7	up 8.8%
Gross profit	244.2	237.6	up 2.8%
Operating profit	77.3	79.9	down 3.3%
Net income	53.0	52.6	up 0.8%

Revenues for the fiscal year under review were ¥461.1 billion (an increase of 8.8% year on year) due to the growth in sales and increase in royalties and other operating income.

Of the revenues, sales excluding Tamiflu were ¥423.8 billion (an increase of 8.6% year on year). Royalties and other operating income also increased year on year to ¥24.2 billion (an increase of 8.0% year on year), due to an increase in royalties and profit

sharing income received related to an increase in overseas sales of Actemra by Roche.

Cost of sales totaled ¥217.0 billion (an increase of 16.6% year on year), mainly resulting from the impact of the significant depreciation of the yen, and gross profit amounted to ¥244.2 billion (an increase of 2.8% year on year).

Marketing and distribution expenses were ¥71.7 billion (an increase of 0.3% year on year), while research and development expenditures were ¥80.6 billion (an increase of 8.8% year on year), due mainly to the depreciation of the yen as well as the progress in development projects originating from the Company and increased activities at Chugai Pharmabody Research Pte. Ltd. (Singapore). General and administration expenses were ¥14.6 billion (an increase of 20.7% year on year) due to an increase in expenditures associated with the renewal of buildings and PR activities for the purpose of enhancing corporate brand recognition.

As a consequence, Core operating profit was ¥77.3 billion (a decrease of 3.3% year on year). Meanwhile, Core net income was ¥53.0 billion (an increase of 0.8% year on year), due to the major improvements from fiscal year 2013 in other financial income (expense) and an increase in profits thanks to the reduction of the tax rate for fiscal year 2014, as a result of the changes in the taxation system.

Reference **Adoption of Core Results**

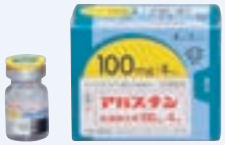
Starting from the fiscal year 2013, the Company adopts Core results as indicators to manage recurring profits generated from the pharmaceutical business, the Company's core business. Core results are the results after deducting gains or losses related to non-Core events of the Company from IFRS results. The Company uses Core results for explaining the status of recurring profits both internally and externally, and also as the basis for payment-by-results such as a return to shareholders.

Core results are determined from the IFRS results by adjusting the following items.

- Amortization and impairment of intangible assets (for example, lump-sum and milestone payments pertaining to products under development in-licensed from third parties)
- Merger impacts attributable to acquisitions of companies or businesses
- Non-recurring items such as expenses for restructuring, environmental measures and litigation, and disasters
- Tax effect for the above items and income attributable to non-controlling interests

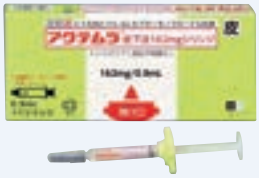
Reference Main Products by Therapeutic Field

Avastin®	Anti-cancer agent
Herceptin®	Anti-cancer agent
Rituxan®	Anti-cancer agent
Tarceva®	Anti-cancer agent
Xeloda®	Anti-cancer agent
Neutrogin®	Agent for neutropenia associated with chemotherapy
Perjeta®	Anti-cancer agent
Kadcyla®	Anti-cancer agent
Alecensa®	Anti-cancer agent



Avastin®

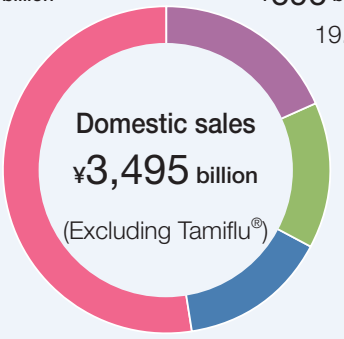
Actemra®	Rheumatoid arthritis agent
Edirol®	Osteoporosis agent
Suvenyl®	Agent for joint function improvement
Alfarol®	Agent that improves calcium and bone metabolism
Bonviva®	Osteoporosis agent



Actemra®

Sigmart®

Mircera®



Oncology field
¥1,889 billion
54.0%

Bone and joint diseases field
¥696 billion
19.9%

Renal diseases field
¥447 billion
12.8%

Other fields
¥464 billion
13.2%
(including transplant, immunology and infectious diseases field)

Mircera®	Renal anemia agent
Oxarol®	Agent for secondary hyperparathyroidism in hemodialysis patients
Epogin®	Renal anemia agent

CellCept®	Immunosuppressant
Pegasys®	Peginterferon-α-2a agent
Copegus®	Anti-viral agent
Sigmart®	Anti-anginal agent
Tamiflu®	Anti-influenza agent

d) R&D Activities

In Japan and overseas, the Group is actively engaged in prescription pharmaceutical R&D activities and is working to develop innovative products with global applications, focusing on the oncology field. In Japan, the Chugai Group has established research bases in Fuji Gotemba (Shizuoka Prefecture) and Kamakura (Kanagawa Prefecture), which are collaborating to develop new pharmaceuticals, and its research facilities in Ukima (Tokyo) are conducting industrialization research. Overseas, Chugai Pharma U.S.A., LLC (United States); Chugai Pharma Europe Ltd. (United Kingdom); Chugai Pharma Science (Beijing) Co., Ltd. (China); and Chugai Pharma R&D Taiwan Ltd. (Taiwan) are engaged in clinical development and submission of applications in their respective countries. PharmaLogicals Research Pte. Ltd. (Singapore) and jointly controlled business C&C Research Laboratories (South Korea) are engaged in pharmaceutical research and development.

As for clinical development activities, the Group saw progress as described below.

Clinical development activities in Japan

(i) Oncology field

- In April, we launched Kadcyla for the indication of non-operable or recurrent HER2-positve breast cancer. Additionally, in January, we initiated the Phase III multinational clinical trial for Kadcyla for the expected indication of breast cancer (postoperative adjuvant chemotherapy).
- In July, we obtained manufacturing and marketing authorization of Alecensa for ALK fusion gene positive, unresectable, advanced/recurrent non-small cell lung cancer, and launched it in September. Additionally, overseas, we initiated the Phase III clinical trial for Alecensa for the expected indication of non-small cell lung cancer in August.
- In April, we filed an application for manufacturing and marketing authorization of the BRAF inhibitor RG7204 (product name: Zelboraf) for the indication of unresectable melanoma with BRAF mutation, and obtained approval in December.
- In December, we filed an application for manufacturing and marketing authorization of Xeloda, the 5-FU derivative, for the expected indication of postoperative adjuvant chemotherapy for gastric cancer.
- In February, we initiated the Phase III multinational clinical trial for RG7446, the engineered anti-PDL1 monoclonal antibody, for the expected indication of non-small cell lung cancer.
- In July, we initiated the Phase I clinical trial for RG7596, the anti-CD79b antibody-drug conjugate, for the expected indication of indolent non-Hodgkin's lymphoma.
- In September, we initiated the Phase I clinical trial for the PI3K inhibitor RG7604 for solid cancer.
- In February, we decided to discontinue development of the anti-EGFL7 humanized monoclonal antibody RG7414, for which the Phase I clinical trial for solid cancer had been in progress, since predetermined efficacy criteria were not satisfied in overseas clinical trials.
- In March, an independent data monitoring committee recommended to discontinue the Phase III multinational clinical trial (the METLung study) for the anti-Met humanized monoclonal antibody RG3638. Accordingly, we decided to discontinue development of RG3638 for non-small cell lung cancer in April.

- In June, we decided to discontinue development of Avastin, for which the Phase III multinational clinical trial (the BEATRICE study) for breast cancer (postoperative adjuvant chemotherapy) had been in progress, since predetermined efficacy criteria were not satisfied.

(ii) Bone and Joint Diseases field

- We had conducted the Phase III clinical trial for sodium hyaluronate Suvenyl for the expected indication of lateral epicondylitis, patellar tendinitis, Achilles tendinopathy, and plantar fasciitis, but in 2013 it was determined that the primary endpoint had not been satisfied. Subsequently, additional analysis and evaluation was conducted on other endpoints. After reviewing the analysis, we decided to discontinue its development in September.

(iii) Autoimmune Diseases field

- In April, we obtained manufacturing and marketing authorization of subcutaneous injection formulation (a new formulation) in Europe for Actemra (product name in Europe: RoACTEMRA). Additionally, in Japan, we initiated the Phase III clinical trial for the expected indication of large-vessel vasculitis in October.
- In February, we initiated the Phase III multinational clinical trial, managed solely by the Company, for SA237, the anti-IL-6 receptor humanized monoclonal antibody for the expected indication of neuromyelitis optica.
- In April, we decided to discontinue development of the anti-interferon alpha humanized monoclonal antibody RG7415, for which the Phase I clinical trial had been in progress for the expected indication of systemic lupus erythematosus (SLE), in consideration of the development progress at Roche.

(iv) Central Nervous System field

- In May, we initiated the Phase III multinational clinical trial for RG1450, the anti-amyloid-beta human monoclonal antibody, for the expected indication of Alzheimer's disease.
- In May, we initiated the Phase I clinical trial for RG1662, the $GABA_A\alpha5$ receptor antagonist, for the expected indication of improvement of intellectual ability in individuals with Down syndrome.
- Roche had conducted six Phase III multinational clinical trials for RG1678, the glycine reuptake inhibitor, for the expected indication of Schizophrenia, and the Company had also participated in two of the clinical trials. However, we decided to discontinue development in October upon comprehensive consideration of Roche's decision to discontinue development and the results of the six clinical trials.

(v) Respiratory Diseases

- In October, we initiated the Phase II multinational clinical trial for RG3637, the anti-IL-13 humanized monoclonal antibody, for the expected indication of idiopathic pulmonary fibrosis.

(vi) Other fields

- In July, we initiated the Phase II clinical trial overseas for URAT1 inhibitor URC102 for the expected indication of gout.
- In July, we decided to discontinue development of the anti-PCSK9 human monoclonal antibody RG7652, for which the Phase I clinical trial had been in progress for the expected indication of hyperlipidemia, in consideration of Roche's decision to discontinue development.

Reference **Status of clinical development** (as of December 31, 2014)

Development code / Generic name / Product name / Dosage form	Expected indication	Developed	Stage (Time)
Oncology field			
AF802 / RG7853 alectinib / Alecensa / Oral	Non-small cell lung cancer (NSCLC)	Japan	Phase III → Approval (September)
		Over-seas	Phase III → Filing
RG7204 vemurafenib / Zelboraf / Oral	Melanoma	Japan	Filing → Approval (December)
RG340 capecitabine / Xeloda / Oral	Gastric cancer (adjuvant) (additional indication)	Japan	Filing (December) → Approval
RG1273 pertuzumab / Perjeta / Injection	Breast cancer (adjuvant) (additional indication)	*	Phase III → Filing
	Gastric cancer (additional indication)	*	Phase III → Filing
RG3502 trastuzumab emtansine / Kadcyla / Injection	Breast cancer	Japan	Phase III → Launch (April)
	Breast cancer (adjuvant) (additional indication)	*	Phase III → Filing
	Gastric cancer (additional indication)	*	Phase III *** → Filing
GA101 / RG7159 obinutuzumab / Product name undetermined / Injection	Indolent non-Hodgkin's lymphoma (NHL)	*	Phase III → Filing
	Aggressive NHL	*	Phase III → Filing
RG7446 Generic name undetermined / Product name undetermined / Injection	NSCLC	*	Phase II → Filing
GC33 / RG7686 Generic name undetermined / Product name undetermined / Injection	Hepatocellular carcinoma	*	Phase I → Phase II
CKI27 / RG7304 Generic name undetermined / Product name undetermined / Oral	Solid tumors	Japan	Phase I
		Over-seas	Phase I
RG7321 pictilisib / Product name undetermined / Oral	Solid tumors	Japan	Phase I
RG7596 polatuzumab vedotin / Product name undetermined / Injection	NHL	Japan	Phase I
RG7604 taselisib / Product name undetermined / Oral	Solid tumors	Japan	Phase I
Bone and Joint Diseases field			
RG484 ibandronic acid / Bonviva / Oral	Osteoporosis	Japan	Phase III → Filing

Phase I | Phase II | Phase III | Filing | Approval | Launch

* : Multinational study ** : Phase I / II clinical trial *** : Phase II / III clinical trial : Change in status in January 2014 and thereafter

Development code / Generic name / Product name / Dosage form	Expected indication	Location	Stage (Time)
Autoimmune Diseases field			
MRA tocilizumab / Actemra, RoActemra (EU) / Injection	Rheumatoid arthritis (new formulation: subcutaneous injection)	Europe	Phase III → Approval (April)
	Large-vessel vasculitis (additional indication)	Japan	Phase II → Phase III
	Giant cell arteritis (additional indication)	Overseas	Phase II → Phase III
	Systemic sclerosis (additional indication)	Overseas	Phase I → Phase II
SA237 Generic name undetermined / Product name undetermined / Injection	Neuromyelitis optica	*	Phase II → Phase III
Central Nervous System field			
RG1450 gantenerumab / Product name undetermined / Injection	Alzheimer's disease	*	Phase II → Phase III
RG7090 basimglurant / Product name undetermined / Oral	Major depressive disorder	*	Phase I → Phase II
RG1577 Generic name undetermined / Product name undetermined / Oral	Alzheimer's disease	Japan	Phase I
RG1662 Generic name undetermined / Product name undetermined / Oral	Improvement of intellectual ability in individuals with Down syndrome	Japan	Phase I
Respiratory Diseases field			
RG3637 lebrikizumab / Product name undetermined / Injection	Asthma	*	Phase II → Phase III
	Idiopathic pulmonary fibrosis	*	Phase I → Phase II
Other fields			
CIM331 Generic name undetermined / Product name undetermined /Injection	Atopic dermatitis	*	Phase I → Phase II
URC102 Generic name undetermined / Product name undetermined / Oral	Gout	Overseas	Phase II → Phase II
ACE910 / RG6013 Generic name undetermined / Product name undetermined /Injection	Hemophilia A	Japan	Phase II** → Phase II

Process of new drug development

It takes as long as 9 to 17 years to develop a new drug, from the discovery of candidate compounds to the launch as a pharmaceutical product.

1 Basic research

Identify target molecules on which the drug could act, design several new compounds with structures suitable for the target molecules, and evaluate the potential to become a drug.

⇒

2 Nonclinical (preclinical) trial

Evaluate drug efficacy and toxicity of new compounds that have the potential to become a drug, as well as pharmacokinetics (absorption, distribution, metabolism, and excretion) to select drug candidate compounds for clinical development.

⇒

3 Clinical trial

Phase I clinical trial	Phase II clinical trial	Phase III clinical trial
Evaluate safety and pharmacokinetics on a small number of healthy volunteers with consent (or patients for certain fields and diseases).	Confirm effective and safe dosage and administration of the drug on a small number of patients with consent.	Evaluate drug efficacy and safety on a large number of patients with consent by comparing with existing drugs, etc.

⇒

4 Filing for regulatory approval

⇒

5 Review

⇒

6 Approval

⇒

Launch

(2) Capital Expenditures

The Group continuously undertakes capital investments to improve and streamline its manufacturing facilities, as well as to enhance and strengthen R&D capabilities. Capital expenditures during the fiscal year under review were ¥16.3 billion. Such expenditures mainly consisted of the Company's renovation of the investigational biopharmaceutical drug wing at the Ukima Plant, the Company's relocation and renovation of facilities in response to the seismic analysis of the research wing in Kamakura, and Chugai Pharma Manufacturing's renovation of its bio-agents manufacturing wing within the Utsunomiya Plant.

(3) Financing

The Group did not raise any capital through the issuance of corporate bonds nor capital increase, etc. during the fiscal year under review.

(4) Assignment of Business, etc.

In the fiscal year under review, the Group conducted none of such undertakings as assignment of business, absorption-type company split, incorporation-type company split, acceptance of assignment of business of another company, succession to rights and obligations in connection with business of another juridical person by absorption-type merger or absorption-type company split, or acquisition/disposition of shares, other equity or stock option of another company.

(5) Future Tasks

a) Basic Management Principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Chugai Group has established "dedicating itself to creating new values through the provision of innovative medical products and services for the benefit of the medical community and human health around the world" as its mission and "becoming a top Japanese pharmaceutical company which provides a continuous flow of innovative new medicines domestically and internationally" as its fundamental management objective.

As the Group works to achieve these goals, it will carry out its business activities in line with its core values of "putting patients and customers first" and "committing to the highest ethical and moral standards as befits a corporate group involved in the healthcare industry".

By putting these Basic Management Principles into practice, the Group is making continuous efforts to pursue innovation by setting the slogan of "INNOVATION BEYOND IMAGINATION" under the business philosophy "Innovation all for the patients". In addition, by progressively increasing business efficiency, the Group is aiming to meet the expectations of patients, medical care professionals, shareholders, and other stakeholders and realize its objective of becoming a top pharmaceutical company.

b) Medium-to-Long-Term Business Strategy and Tasks

Having drafted its new Medium-Term Business Plan "ACCEL 15" which covers the period from fiscal year 2013 through fiscal year 2015, the Chugai Group is moving ahead with measures designed to expeditiously realize its objective of becoming a top pharmaceutical company.

The environment for the pharmaceutical business is undergoing dramatic changes—economic growth in emerging countries and progressive demographic graying throughout the world are magnifying expectations and needs with respect to pharmaceuticals while, on the other hand, various challenges are being presented, such as the increasing difficulty of R&D projects owing to the targeting of more-difficult-to-treat diseases and the intensification of downward pressures on prices against the backdrop of financial crises in many countries.

Amid this environment, the Group has been leveraging its close relationship with Roche to license-in products from Roche's development pipeline as well as to arrange for cooperation regarding the promotion of personalized healthcare (PHC) and global development and marketing programs as means of creating systems capable of

efficiently and continuously developing and marketing new drugs. The Group has also worked to further bolster its own strengths, achieving groundbreaking results in such fields as leading-edge drug discovery technologies, such as those related to next-generation antibody drugs, and consulting-based promotion, which has enabled it to capture the top share of the domestic oncology market.

The new Medium-Term Business Plan "ACCEL 15" is designed to further augment such competitive strengths and promote sustained growth in corporate value. It calls for emphasizing reform measures related to the following objectives.

(i) Increasing marketing productivity

By effectively making the most of Avastin, Actemra, and numerous other new drugs developed in-house or licensed-in from Roche, the Chugai Group has been building solid presences in Japanese markets for drugs in the oncology, renal disease, bone and joint disease fields as well as other fields. Going forward, besides continuously launching outstanding first-in-class and best-in-class drugs, the Group will strive to promote PHC, increase the use of consulting-based promotion based on efficacy- and safety-related evidence generated during clinical trials, and further augment its contributions to the promotion of standards of care and to improving regional medical care capabilities, thereby seeking to provide patients and medical professionals with solutions that are even more effective than previously. At the same time, the Group will move ahead with marketing system reforms designed to upgrade capabilities for flexibly and efficiently responding to changes in the medical care provision environment and to raise the level of marketing productivity.

In addition, in overseas markets, the Group will be taking steps going forward to realize sales growth centered on measures undertaken in cooperation with Roche with respect to Actemra.

(ii) Accelerating global development

The Chugai Group holds a development pipeline well-stocked with items generated by its own research units as well as items obtained from Roche. To respond to unmet medical needs of patients and medical professionals throughout the world, the Group is working to strengthen its clinical science capabilities and build its own global development systems so that it can quickly determine the clinical and business values of individual development projects as means of accelerating the development and marketing of new products.

Moreover, by proactively licensing products and projects to and from Roche, promoting cooperative global clinical trials, and taking other initiatives, the Group is seeking to increase the closeness and flexibility of mutual cooperation systems as means of implementing both companies' development projects with maximum speed. In this way, the Group is moving to promote the rapid approval and launch of new products in Japan, the United States, Europe, emerging countries, and elsewhere.

(iii) Continuously generating innovative projects

The Chugai Group has leveraged its special strengths with respect to biopharmaceutical research to move ahead with the generation of such innovative drugs as Actemra, the first antibody drug created in Japan. Regarding small molecule drugs, also, the Group has successfully supplemented its own accumulated technologies with Roche's compound library to achieve a dramatic strengthening of its drug discovery base. Moreover, the Group has been proactively promoting open innovation by networking with academic and other institutions.

Efforts in the biopharmaceutical field have been particularly successful, leading to the world's most-advanced results with respect to the establishment of such next-generation antibody technologies as recycling antibody and sweeping antibody technologies, cancer stem cell research, and other research topics.

Aiming to use these achievements to address medical needs as quickly as possible, during 2012, the Group established Singapore-based Chugai Pharmabody Research Pte. Ltd., thereby establishing systems for continuously generating innovative development projects.

Going forward, the Group will be leveraging these innovative drug discovery technologies and drug discovery research systems to further accelerate its generation of outstanding first-in-class and best-in-class pharmaceutical products.

(iv) Further strengthening the management foundation

The Chugai Group is employing a business model with a superior risk-return balance that is centered on a win-win relationship with Roche and, through relentless cost-cutting efforts, it has been able to realize top-class profitability in Japan.

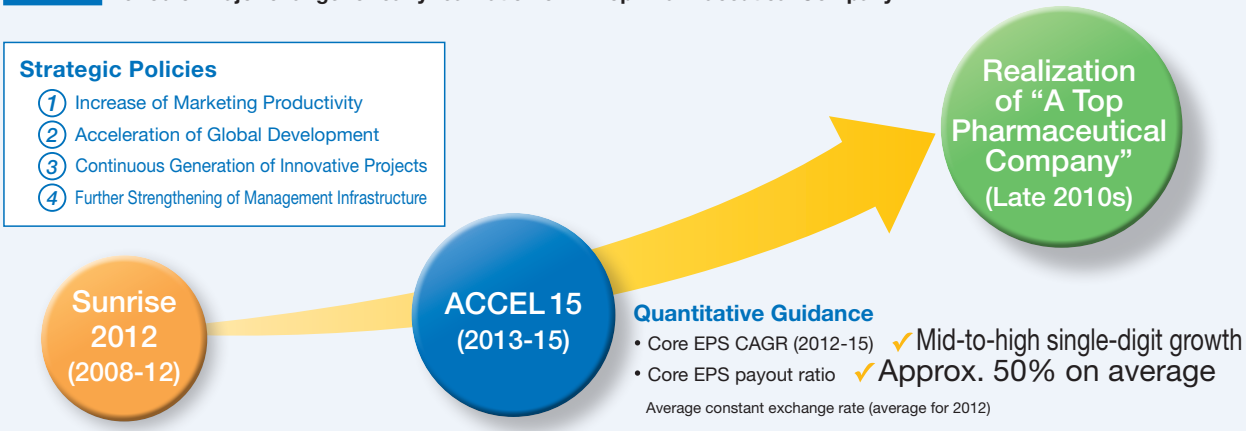
To promote continuous growth in corporate value while responding to changes in its operating environment going forward, the Group is taking measures to control fixed expenses associated with personnel, facility, and other aspects of its operations while making further cost reduction efforts, thereby moving ahead with the building of a cost structure characterized by still-greater efficiency and flexibility.

At the same time, the Group is flexibly implementing strategic investments designed to make the most of opportunities for expanding its corporate value.

Regarding human resources, the Group is accelerating measures to promote diversity in terms of nationality, gender, and other characteristics, and it is strengthening its human resource systems capabilities for promoting innovation based on broad perspectives and diverse expertise.

By means of these reforms, the Chugai Group is seeking to increase the value it provides to shareholders and all other types of stakeholders as it proceeds towards its objective of becoming a top pharmaceutical company.

Reference **Period of major change for early realization of "A Top Pharmaceutical Company"**



(6) Asset and Income Status, etc.

a) Asset and Income Status

IFRS

Item	FY 2011	FY 2012	FY 2013	FY 2014
Revenues (billions of yen)	–	386.6	423.7	**461.1**
Operating profit (billions of yen)	–	74.7	78.7	**75.9**
Net income attributable to Chugai shareholders (billions of yen)	–	46.1	50.9	**51.0**
Total assets (billions of yen)	–	645.3	697.2	**739.5**
Total equity (billions of yen)	–	529.2	573.2	**597.8**
Basic earnings per share (yen)	–	84.62	93.47	**93.53**
Equity per share attributable to Chugai shareholders (yen)	–	970.08	1,049.47	**1,092.90**

JGAAP

Item	FY 2011	FY 2012	FY 2013	FY 2014
Revenues (billions of yen)	373.5	391.2	–	**–**
Operating income (billions of yen)	62.4	76.4	–	**–**
Net income (billions of yen)	35.2	48.2	–	**–**
Total assets (billions of yen)	533.5	587.7	–	**–**
Net assets (billions of yen)	459.1	490.1	–	**–**
Net income per share (yen)	64.75	88.58	–	**–**
Net assets per share (yen)	839.50	896.02	–	**–**

(Note) The consolidated financial statements, starting from the fiscal year 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of Ordinance of Company Accounting. In addition, the results for the fiscal year 2012 have also been prepared in accordance with IFRS for reference purposes.

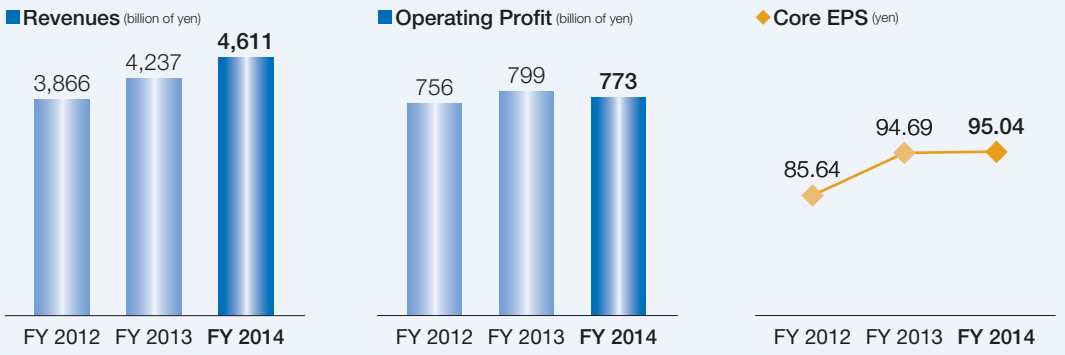
b) Core Results Status

Item	FY 2011	FY 2012	FY 2013	FY 2014
Gross profit (billions of yen)	–	219.3	237.6	**244.2**
Operating profit (billions of yen)	–	75.6	79.9	**77.3**
Net income (billions of yen)	–	47.4	52.6	**53.0**
Net income attributable to Chugai shareholders (billions of yen)	–	46.6	51.6	**51.9**
Core EPS (yen)	–	85.64	94.69	**95.04**

(Notes)1. Starting from the fiscal year 2013, the Company adopts Core results, which are the results after deducting gains or losses related to non-Core events of the Company from IFRS results, as indicators to manage recurring profits generated from the pharmaceutical business, the Company's core business. Core results are used by the Company as an internal performance indicator, for explaining the status of recurring profits both internally and externally, and as the basis for payment-by-results such as a return to shareholders.

2. Core EPS is diluted earnings per share attributable to Chugai shareholders after deduction of non-Core profit or loss items determined by the Company.

Reference **Key Performance Indicators (Core Results)**



c) Other Significant Performance Indicators

IFRS

Item	FY 2011	FY 2012	FY 2013	FY 2014
Ratio of equity attributable to Chugai shareholders (%)	–	81.8	82.0	**80.6**
Ratio of net income to equity attributable to Chugai shareholders (%)	–	9.0	9.3	**8.7**
Price-earnings ratio (times)	–	19.51	24.88	**31.69**
Dividends per share (yen)	–	40.00	45.00	**48.00**
Core dividend payout ratio (%)	–	46.7	47.5	**50.5**

JGAAP

Item	FY 2011	FY 2012	FY 2013	FY 2014
Shareholders' equity to total assets (%)	85.6	83.0	–	**–**
Return on equity (%)	7.8	10.2	–	**–**
Price-earnings ratio (times)	19.60	18.64	–	**–**
Cash dividends per share (yen)	40.00	40.00	–	**–**
Payout ratio (%)	61.8	45.2	–	**–**

(Notes)1. The consolidated financial statements, starting from the fiscal year 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of Ordinance of Company Accounting. In addition, the results for the fiscal year 2012 have also been prepared in accordance with IFRS for reference purposes.

2. The amount of dividends per share for fiscal year 2014 is conditional on the approval of the First Proposal (Appropriation of Surplus) proposed at the Annual General Meeting of Shareholders for the Business Term ended December 31, 2014, and the dividend payout ratio has been calculated based on this amount.

3. "Core dividend payout ratio" stated above represents dividend per share against Core EPS.

(7) Main Businesses (as of December 31, 2014)

The main businesses of the Chugai Group include the research, development, manufacturing, sale, importation and exportation of the pharmaceuticals.

(8) Principal Sales Offices, Plants and Research Laboratories (as of December 31, 2014)

Domestic	Registered office Headquarters' office	5-1 Ukima 5-Chome, Kita-ku, Tokyo 1-1 Nihonbashi-Muromachi 2-Chome, Chuo-ku, Tokyo
	Sales branches	Sapporo Branch, Sendai Branch, Tokyo Branch 1, Tokyo Branch 2 (Saitama Pref.), Yokohama Branch, Nagoya Branch, Kyoto Branch, Osaka Branch, Hiroshima Branch, Takamatsu Branch, Fukuoka Branch
	Research & Development	Fuji-Gotemba Research Laboratories (Shizuoka Pref.), Kamakura Research Laboratories (Kanagawa Pref.), Ukima Research Laboratories (Tokyo)
	Production*	Utsunomiya Plant (Tochigi Pref.), Ukima Plant (Tokyo), Fujieda Plant (Shizuoka Pref.)
Overseas	Sales subsidiaries	Chugai Pharma Marketing Ltd. (UK, Germany) Chugai Pharma U.K. Ltd. (UK) Chugai Pharma France S.A.S. (France) Chugai sanofi-aventis S.N.C. (France) Chugai Pharma Taiwan Ltd. (Taiwan)
	Research & Development	Chugai Pharma USA, LLC (USA) Chugai Pharma Europe Ltd. (UK) Chugai Pharma Science (Beijing) Co., Ltd. (China) Chugai Pharmabody Research Pte. Ltd. (Singapore) Chugai Pharma R&D Taiwan Ltd. (Taiwan)

* Bases of Chugai Pharma Manufacturing Co., Ltd.

(9) Employees (as of December 31, 2014)

Number of employees	Increase/decrease since end of previous fiscal year
7,023 persons	151 persons (Increase)

(Note) The number of employees above represents the number of persons in employment. The number of persons in employment excludes individuals seconded from the Chugai Group to outside the Group, but includes individuals seconded to the Chugai Group from outside the Group.

(10) Parent Company and Principal Subsidiaries

a) Parent Company

The Company's parent company is Roche Holding Ltd. (Head Office: Switzerland), which holds 335,223,645 shares of the Company (shareholding percentage against total number of issued shares: 59.89%, or 61.46% when calculated based on the total number of issued shares excluding the number of treasury stock), based on a strategic alliance agreement between the two companies. However, the Company and Roche have agreed to cooperate in maintaining the listing of the Company's common stock on the First Section of the Tokyo Stock Exchange.

The aim of this strategic alliance is to establish a new business model that differs from conventional practices in corporate acquisitions and the formation of joint ventures. Although the Company is included in the scope of consolidation of Roche Holding Ltd., the Company functions as an independent listed company and makes all of its own management decisions based on the principles of self-governance. In addition, all transactions with the Roche Group are conducted fairly on an arm's length basis to protect minority interests.

Out of the 10 Directors of the Company, 2 Directors concurrently holds a position at the Roche Group. However, these members comprise less than half of management, and thus the Company recognizes that its management independence is ensured.

b) Principal Subsidiaries

Name of Company	Capital	The Company's Shareholding Percentage	Main Business Activities
Chugai Pharma Manufacturing Co., Ltd.	¥80 million	100%	Marketing of pharmaceuticals
Chugai Pharma Marketing Ltd. (UK)	£8,677,808	100%	Marketing of pharmaceuticals

There are 20 consolidated subsidiaries including the aforementioned two principal subsidiaries.

(11) Other Important Matters of the Group

There is no applicable information.

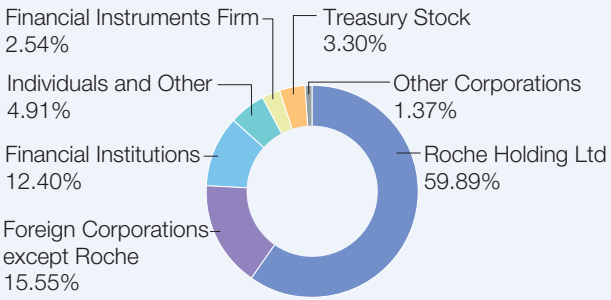
2 Company's Shares (as of December 31, 2014)

(1) Total Number of Authorized Shares 799,805,050 shares

(2) Total Number of the Issued Shares 559,685,889 shares
(Includes 14,258,437 shares of treasury stock)

(3) Number of Shareholders 30,039 shareholders

Reference **Ownership Profile**



(4) Major Shareholders (Top Ten)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding percentage (%)
ROCHE HOLDING LTD.	335,223	61.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,176	3.33
Japan Trustee Services Bank, Ltd. (Trust Account)	15,254	2.79
Nomura Securities Co., Ltd.	7,541	1.38
Goldman Sachs and Company Regular Account	6,289	1.15
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	3,787	0.69
BNP Paribas Securities (Japan) Limited	3,610	0.66
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	3,589	0.65
Chugai Pharmaceutical Employee Shareholders' Association	3,338	0.61
BNP PARIBAS SEC SERVICES LUXEMBOURG/JASDEC/ABERDEEN GLOBAL CLIENT ASSETS	3,228	0.59

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 14,258 thousand shares of treasury stock.
2. Shareholding percentage indicated above was calculated based on the total number of the issued shares excluding the number of treasury stock.
3. Names of the shareholders indicated above are based on the General Shareholder Notifications of the Japan Securities Depository Center, Incorporated.

(5) Other Important Matters Concerning Shares

There is no applicable information.

3 Company's Stock Acquisition Rights, etc.

(1) Stock Acquisition Rights Held by Corporate Officers (as of December 31, 2014)

a) Common Stock Option

In order to increase the Company Group's corporate value by enhancing the Directors' motivation and morale leading to the growth of the business results of the Company, and by securing superior human resources, the Company issues stock acquisition rights as common stock options.

Name (Issuance date)	Number of rights issued	Type and number of shares issued	Amount payable upon exercise per stock acquisition right	Period for exercise	Stock acquisition rights held by Corporate Officers	
					Directors	Audit & Supervisory Board Members
Third issue of stock acquisition rights (April 1, 2005)	510 units	51,000 shares of the Company's common stock	¥164,900	From April 1, 2005 to March 23, 2015	106 units (one person)	–
Fourth issue of stock acquisition rights (April 3, 2006)	2,101 units	210,100 shares of the Company's common stock	¥224,500	From April 3, 2006 to March 23, 2016	857 units (three persons)	10 units (one person)
Fifth issue of stock acquisition rights (April 9, 2007)	2,841 units	284,100 shares of the Company's common stock	¥303,900	From April 9, 2007 to March 23, 2017	689 units (five persons)	50 units (two persons)
Sixth issue of stock acquisition rights (April 9, 2009)	1,410 units	141,000 shares of the Company's common stock	¥169,600	From April 9, 2009 to March 25, 2019	350 units (four persons)	–
Seventh issue of stock acquisition rights (May 11, 2010)	1,631 units	163,100 shares of the Company's common stock	¥188,100	From May 11, 2010 to April 23, 2020	387 units (three persons)	80 units (two persons)
Eighth issue of stock acquisition rights (June 14, 2011)	1,730 units	173,000 shares of the Company's common stock	¥139,700	From June 14, 2011 to May 27, 2021	581 units (three persons)	–
Ninth issue of stock acquisition rights (May 10, 2012)	2,628 units	262,800 shares of the Company's common stock	¥152,800	From May 10, 2012 to April 24, 2022	1,278 units (five persons)	–
Tenth issue of stock acquisition rights (May 13, 2013)	3,250 units	325,000 shares of the Company's common stock	¥250,000	From May 13, 2013 to April 25, 2023	1,310 units (five persons)	–
Eleventh issue of stock acquisition rights (May 12, 2014)	3,100 units	310,000 shares of the Company's common stock	¥267,400	From May 12, 2014 to April 24, 2024	1,450 units (five persons)	–

(Notes)1. The number of shares per stock acquisition right shall be 100 shares.

2. Notwithstanding the aforementioned exercise periods, the Stock Acquisition Right Granting Agreement concluded with each holder of stock acquisition rights offered as a common stock option stipulates that the stock acquisition rights are not exercisable for approximately two years from their respective issuance resolution dates.

3. These stock acquisition rights are not allotted to Outside Directors and Audit & Supervisory Board Members (Outside). "Stock acquisition rights held by Corporate Officers" indicated above include stock acquisition rights allotted prior to their appointment as Director or Audit & Supervisory Board Member.

b) Stock Option as Stock-Based Compensation

Stock acquisition rights are issued in the form of stock options as stock-based compensation to the Company's Directors for the purpose of further clarifying the link between the compensation to the Company's Directors and the Company's business performance/value of its shares, and making the Company's Directors share not only the benefits of higher share prices but also the risks of lower share prices with shareholders.

Name (Issuance date)	Number of rights issued	Type and number of shares issued	Amount payable upon exercise per stock acquisition right	Period for exercise	Stock acquisition rights held by Directors
2009 issue of stock acquisition rights (May 11, 2009)	519 units	51,900 shares of the Company's common stock	¥100	From May 11, 2009 to April 24, 2039	519 units (two persons)
2010 issue of stock acquisition rights (May 11, 2010)	579 units	57,900 shares of the Company's common stock	¥100	From May 11, 2010 to April 23, 2040	579 units (three persons)
2011 issue of stock acquisition rights (June 14, 2011)	672 units	67,200 shares of the Company's common stock	¥100	From June 14, 2011 to May 27, 2041	672 units (three persons)
2012 issue of stock acquisition rights (May 10, 2012)	723 units	72,300 shares of the Company's common stock	¥100	From May 10, 2012 to April 24, 2042	723 units (four persons)
2013 issue of stock acquisition rights (May 13, 2013)	457 units	45,700 shares of the Company's common stock	¥100	From May 13, 2013 to April 25, 2043	457 units (four persons)
2014 issue of stock acquisition rights (May 12, 2014)	461 units	46,100 shares of the Company's common stock	¥100	From May 12, 2014 to April 24, 2044	461 units (five persons)

(Notes) 1. The number of shares per stock acquisition right shall be 100 shares.
2. The Stock Acquisition Right Granting Agreement concluded with each holder of stock acquisition rights offered as a stock option as stock-based compensation stipulates that the stock acquisition rights are exercisable only within ten days counting from the day immediately following the day he/she loses the position of Director in the Company.
3. These stock acquisition rights are not allotted to Outside Directors and Audit & Supervisory Board Members (Outside).

(2) Overview of Stock Acquisition Rights Issued to Company's Employees and Others during the Fiscal Year under Review, etc.

Common stock option

Name (Issuance date)	Number of rights issued	Type and number of shares issued	Amount payable upon exercise per stock acquisition right	Period for exercise	Stock acquisition rights held
Eleventh issue of stock acquisition rights (May 12, 2014)	3,100 units	310,000 shares of the Company's common stock	¥267,400	From May 12, 2014 to April 24, 2024	Employees of Company 1,630 units (103 persons)
					Employees of Company's subsidiaries 20 units (two persons)

(Notes) 1. The number of shares per stock acquisition right shall be 100 shares.
2. Notwithstanding the aforementioned exercise period, the Stock Acquisition Right Granting Agreement concluded with each holder of stock acquisition rights offered as a common stock option stipulates that the stock acquisition rights are not exercisable for approximately two years from the issuance resolution date.

(3) Other Important Matters on Stock Acquisition Rights, etc.

There is no applicable information.

4 Company's Officers

(1) Directors and Audit & Supervisory Board Members (as of December 31, 2014)

Position	Name	Responsibilities and other important concurrent positions
Representative Director, Chairman	Osamu Nagayama	CEO Chairman (Outside Director) of SONY CORPORATION
Representative Director, Deputy Chairman	Motoo Ueno	Corporate Social Responsibility, Audit
Representative Director, President	Tatsuro Kosaka	COO
Director, Executive Vice President	Yoshio Itaya	CFO, General Manager of Finance Supervisory Div., Finance & Accounting Dept. and IT Supervisory Div.
Director, Executive Vice President	Yutaka Tanaka	Head of Project & Lifecycle Management Unit, Research, Clinical Development and Medical Affairs
Director (Outside)	Mitsuo Ohashi	Senior Counselor of Showa Denko K.K. Outside Director of Mizuho Financial Group, Inc.
Director (Outside)	Yasuo Ikeda	Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation Chairman of Japanese Medical Specialty Board
Director (Outside)	Franz B. Humer	Non-Executive Chairman of Diageo Plc (UK)
Director (Outside)	Daniel O'Day	COO Roche Pharmaceuticals Division, Member of the Corporate Executive Committee and Member of the Genentech (USA) Board of Directors
Director (Outside)	Sophie Kornowski-Bonnet	Head of Roche Partnering and Member of Roche's Enlarged Corporate Executive Committee
Audit & Supervisory Board Member (Full-time)	Kotaro Miwa	
Audit & Supervisory Board Member (Full-time)	Kunitoshi Watanabe	
Audit & Supervisory Board Member (Outside)	Hisashi Hara	General Representative of the Asia-Pacific region, The Law Office of Nagashima Ohno & Tsunematsu
Audit & Supervisory Board Member (Outside)	Michio Ishizuka	Michio Ishizuka Certified Public Accountant office

(Notes)1. Directors and Audit & Supervisory Board Members who retired or were newly appointed during the fiscal year under review are as follows:

<Retired>

Director	Tatsumi Yamazaki (retirement due to expiration of term in office on March 27, 2014)
Director	William M. Burns (retirement due to expiration of term in office on March 27, 2014)

<Newly appointed>

Director	Yutaka Tanaka (assumed office on March 27, 2014)
Director	Franz B. Humer (assumed office on March 27, 2014)

2. Audit & Supervisory Board Member Michio Ishizuka is a Certified Public Accountant and has considerable expertise in finance and accounting.
3. The Company designated Directors Mitsuo Ohashi and Yasuo Ikeda and Audit & Supervisory Board Member Michio Ishizuka as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.
4. Responsibilities and other important concurrent positions indicated above were changed as follows as of January 1, 2015.

	Position	Name	Responsibilities and other important concurrent positions
Before change	Director, Executive Vice President	Yoshio Itaya	CFO, General Manager of Finance Supervisory Div., Finance & Accounting Dept. and IT Supervisory Div.
After change	Director, Executive Vice President	Yoshio Itaya	CFO, General Manager of Finance Supervisory Div. and IT Supervisory Div.

(2) Outside Corporate Officers

a) Company's Relationship with Companies Where Important Concurrent Positions Are Held

- The relationship between the Company and the Roche Group (including Genentech (USA)), where Directors Daniel O'Day and Sophie Kornowski-Bonnet concurrently serve, is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries a) Parent Company" above.
- Although the Company makes donations to Musashi Academy of the Nezu Foundation, where Director Yasuo Ikeda concurrently serves, the amounts of these donations are insignificant.
- As regards to the Law Office of Nagashima Ohno & Tsunematsu, where Audit & Supervisory Board Member Hisashi Hara concurrently serves, although the Company receives legal advices as necessary from counsels other than Audit & Supervisory Board Member Hisashi Hara, the amount of transactions between the said law firm and the Company is negligible.
- There is no relationship to be disclosed between the Company and entities where its Outside Corporate Officers hold concurrent positions, other than those indicated above.

b) Major Activities during the Fiscal Year under Review

	Name	Attendance at Meetings		Comments at Meetings of Board of Directors and Audit & Supervisory Board
		Board of Directors	Audit & Supervisory Board	
Outside Directors	Mitsuo Ohashi	8 out of 8 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a corporate manager.
Outside Directors	Yasuo Ikeda	8 out of 8 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a doctor and professor.
Outside Directors	Franz B. Humer	2 out of 6 meetings (33.3%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a corporate manager of a global pharmaceutical company, etc.
Outside Directors	Daniel O'Day	8 out of 8 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary from a global perspective as a member of management of the Roche Group.
Outside Directors	Sophie Kornowski-Bonnet	8 out of 8 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary from a global perspective as a member of management of the Roche Group.
Audit & Supervisory Board Members (Outside)	Hisashi Hara	7 out of 8 meetings (87.5%)	10 out of 10 meetings (100%)	Made comments, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as an expert in corporate legal affairs (attorney at law).
Audit & Supervisory Board Members (Outside)	Michio Ishizuka	8 out of 8 meetings (100%)	10 out of 10 meetings (100%)	Made comments, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as an expert in corporate accounting (certified public accountant).

(Note) The number of meetings attended by Director Franz B. Humer stated above refers to the number of meetings he attended after his assumption of office on March 27, 2014.

c) Content Overview of Limited Liability Agreement

With all Outside Directors and all Audit & Supervisory Board Members (outside), the Company has entered into an agreement that limits their liability if the liability for compensation of damages provided in Article 423, Paragraph 1 of the Companies Act fulfills the requirements set forth in laws and ordinances (limited liability agreement). The limit of the liability for compensation of damages under such agreement is the minimum liability limit stipulated by laws and ordinances.

(3) Matters Concerning the Amount of Remuneration, etc. Paid to Directors and Audit & Supervisory Board Members

In respect of remuneration for Directors and Audit & Supervisory Board Members, the Company has designed its remuneration standards and structure, taking performance and shared value with shareholders into consideration, in order to maximize the Group's corporate value as its primary objective.

Remuneration for Directors which consists of three types, namely regular remuneration as fixed remuneration, bonuses payable based on performance, and stock option granted as a long-term incentive, is payable based on the Company's remuneration standards subject to the resolution of the Board of Directors, within the overall limit of remuneration approved by general meeting of shareholders. Meanwhile, policies and details of remuneration for Directors with special titles are decided by the Compensation Committee consisting of current and former Outside Directors, to ensure objective and transparent decision-making processes.

Remuneration for Outside Directors and Audit & Supervisory Board Members (including Audit & Supervisory Board Members (Outside)) which consists solely of regular remuneration as fixed remuneration is payable subject to the resolution of the Board of Directors in the case of Outside Directors, while subject to the consultation of Audit & Supervisory Board Members in the case of Audit & Supervisory Board Members, within the overall limit of remuneration approved by the general meeting of shareholders in either case.

The retirement benefits system for Directors has been abolished by the resolution passed in the 98th Annual General Meeting of Shareholders held in March 2009, and the retirement benefits system for Outside Directors and Audit & Supervisory Board Members (including Audit & Supervisory Board Members (Outside)) has been abolished by the resolution passed in the 95th Annual General Meeting of Shareholders held in March 2006.

Position	Total Remuneration, etc. (millions of yen)	Total Amount by Type of Remuneration, etc. (millions of yen)				Number of Eligible Officers
		Regular Remuneration	Bonuses	Common Stock Option	Stock Option as Stock-based Compensation	
Directors (Excluding Outside Directors)	745	304	220	104	117	6
Outside Directors	45	45	—	—	—	4
Total	790	569		104	117	10
Audit & Supervisory Board Members (Excluding Audit & Supervisory Board Members (Outside))	63	63	—	—	—	2
Audit & Supervisory Board Members (Outside)	22	22	—	—	—	2
Total	85	85		—	—	4

(Notes) 1. The table above includes two Audit & Supervisory Board Members who retired during the fiscal year under review.

2. The amount of remuneration, etc. (regular remuneration and bonuses) paid to all Directors was no more than ¥750 million per year as per the resolution passed in the 96th Annual General Meeting of Shareholders for the year ended December 31, 2006 held in March 2007.

   Apart from this, the maximum amounts of compensation paid to Directors in the form of stock acquisition rights allocated as stock option are ¥125 million per year for common stock option and ¥150 million per year for stock option as stock-based compensation as per the resolution passed in the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008 held in March 2009.

3. The amount of remuneration for all Audit & Supervisory Board Members was no more than ¥100 million per year as per the resolution passed in the 95th Annual General Meeting of Shareholders for the year ended December 31, 2005 held in March 2006.

4. The amounts of bonuses shown in the table above are the amount of provision for reserve for bonuses to directors for the fiscal year under review.
5. The amounts and the number of eligible officers of common stock option and stock option as stock-based compensation shown in the table above are the amounts that were posted as expenses for the fiscal year under review and the number of corporate officers eligible for the issue of said stock options.
6. In addition to the amounts of total remuneration, etc. shown in the table above, the following amounts were paid as retirement benefits corresponding to the period from the time each officer assumed office to the abolishment of the retirement benefits system.
   One retired Director ¥54 million
   One retired Outside Director ¥ 1 million
   A resolution was passed in the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008 held in March 2009, to abolish the retirement benefits system for Directors with executive power, and to pay retirement benefits corresponding to their residual term up to the abolishment of the system to each concerned Director remaining in office after the closing of the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008, at the respective time of their retirement.
   Also, a resolution was passed in the 95th Annual General Meeting of Shareholders for the year ended December 2005 held in March 2006, to abolish the retirement benefits system for Directors and Audit & Supervisory Board Members with no executive power, and to pay retirement benefits corresponding to their residual term up to the abolishment of the system to each concerned Director and Audit & Supervisory Board Member remaining in office after the closing of the 95th Annual General Meeting of Shareholders for the year ended December 31, 2005, at the respective time of their retirement.
7. In the fiscal year under review, the amount of remuneration, etc., received by two Outside Directors, namely Franz B. Humer and Daniel O'Day as an officer from the parent company of the Company or subsidiaries of the said parent company totaled ¥1,832 million (converted into yen at the average exchange rate in the fiscal year under review).
8. In addition to the amounts of bonuses paid in the fiscal year under review shown in the table above, ¥34 million was paid as bonuses for the previous fiscal year to five Directors (excluding Outside Directors), in addition to ¥185 million in provision for reserve for bonuses to directors reported in the Business Report of the previous fiscal year.

(4) Other Important Matters Concerning Company's Officers

There is no applicable information.

5 Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of Fees, etc. Paid to Accounting Auditor in the Fiscal Year under Review

a) Amount of Fees, etc. as Accounting Auditor in the Fiscal Year under Review: ¥114 million

b) Total Amount of Cash and Other Proprietary Benefits Payable by the Company and its Subsidiaries: ¥128 million

(Notes)1. The amount of auditing fees is neither distinguished nor effectively distinguishable under the auditing agreement concluded between the Company and the Accounting Auditor with respect to audits under the Companies Act, audits under the Financial Instruments and Exchange Law and audits of financial statements reported by the Company as a consolidated subsidiary to the parent company. Therefore, the amount in a) represents the sum of the fees for such audits.

2. Among the Company's principal subsidiaries, Chugai Pharma Marketing Ltd. is subject to audits (limited to those under the provisions of the Companies Act or the Financial Instruments and Exchange Law (including equivalent foreign laws and ordinances)) of financial statements (including equivalent documents) of a Certified Public Accountant or an auditing corporation other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).

(3) Policy for Determining Dismissal or Non-reappointment of Accounting Auditor

The Board of Directors shall propose to the general meeting of shareholders, as the objective of such meeting, dismissing or not reappointing the Accounting Auditor with the consent of the Audit & Supervisory Board or upon the request of the Audit & Supervisory Board, if deemed necessary, such as in cases where it is deemed difficult to have audits conducted properly if circumstances that undermine the Accounting Auditor's aptitude and independence have arisen.

Also, if any of the provisions of the subparagraphs of Article 340, Paragraph 1 of the Companies Act are deemed to apply to the Accounting Auditor, the Audit & Supervisory Board shall dismiss the Accounting Auditor with the unanimous consent of Audit & Supervisory Board Members.

6 Framework to Ensure Operational Adequacy

The Group is pursuing transparent, fair and highly ethical corporate activities aimed at realizing the mission "to dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world." Moreover, in accordance with the provisions of the Companies Act, the Board of Directors has passed resolutions on basic policies concerning internal controls as follows, and we have built a robust framework to ensure the operational adequacy of the Group.

a) System for ensuring compliance of business operations executed by directors and employees with laws and articles of incorporation

- Directors and employees comply with "Chugai Business Conduct Guidelines (Chugai BCG)."
- The Company sets Corporate Social Responsibility Department, which is in charge of the Company's compliance with laws and other relevant rules.
- Audit Department performs internal audits in accordance with "Internal Audit Charter" and reports the results to the Executive Committee and to the Audit & Supervisory Board.
- The Company shall establish and implement the internal control system for ensuring the reliability of financial reporting, and also conduct its assessment appropriately.

b) System for preserving and managing information relating to business operations performed by directors

- Documents and other information that relate to directors' performance of its duties shall be properly preserved in accordance with "Document Management Rules" and other internal rules.
- The Audit & Supervisory Board and each individual Audit & Supervisory Board Member at its request shall be given a timely access to the documents in the above.

c) Regulations and systems regarding management of risks that may cause losses

- The Company makes efforts to reduce risks that may affect business of the Company. Also, the Company resolves troubles promptly and properly, when troubles come out. In doing these, directors and employees of the Company comply with "Risk Management Rules" and other internal rules.

d) System for ensuring efficient functioning of directors

- The Board of Directors supervises operation of each individual director in order for its effective operation.
- The Company keeps the number of directors within proper range, and retains outside directors, so that the Board of Directors can perform more effectively its function, including supervision of each individual director, and can make decisions more promptly. Also, the Company adopts the executive officer system where each officer has specific roles and responsibilities for the Company's operation, in order for its effective operation.
- Directors and employees of the Company comply with "Regulations for Decision-Making" so that the Company can operate its business more promptly and effectively.

e) System for ensuring appropriate business operations of the corporate group comprised of the Company, its parent company and subsidiaries

- The company sets each administration section for each affiliated company in accordance with "Administration Rules for Affiliated Companies" in order for proper operation of each affiliated company.
- Audit Department examines the affiliated companies in accordance with "Internal Audit Charter" and finds out whether the affiliated companies operate their business properly and effectively complying with laws, their articles of incorporation and other relevant rules.

f) System for elimination of antisocial forces

- The Company shall establish and maintain the corporate system that eliminates any connection with antisocial forces and groups in accordance with "Chugai Business Conduct Guidelines (Chugai BCG)."

g) System concerning employees who are requested by Audit & Supervisory Board Members to provide support

- The Company sets Office of Audit & Supervisory Board Members, which supports the Audit &

Supervisory Board and each individual Audit & Supervisory Board Member.

h) Issues related to the independence of the above-mentioned employees from directors

- Office of Audit & Supervisory Board Members reports directly to the Audit & Supervisory Board. The Company shall have a prior approval from the Audit & Supervisory Board, when the Company does something that may cause a material effect to an employee of Office of Audit & Supervisory Board Members, such as new designation, transfer, evaluation and disciplinary action.

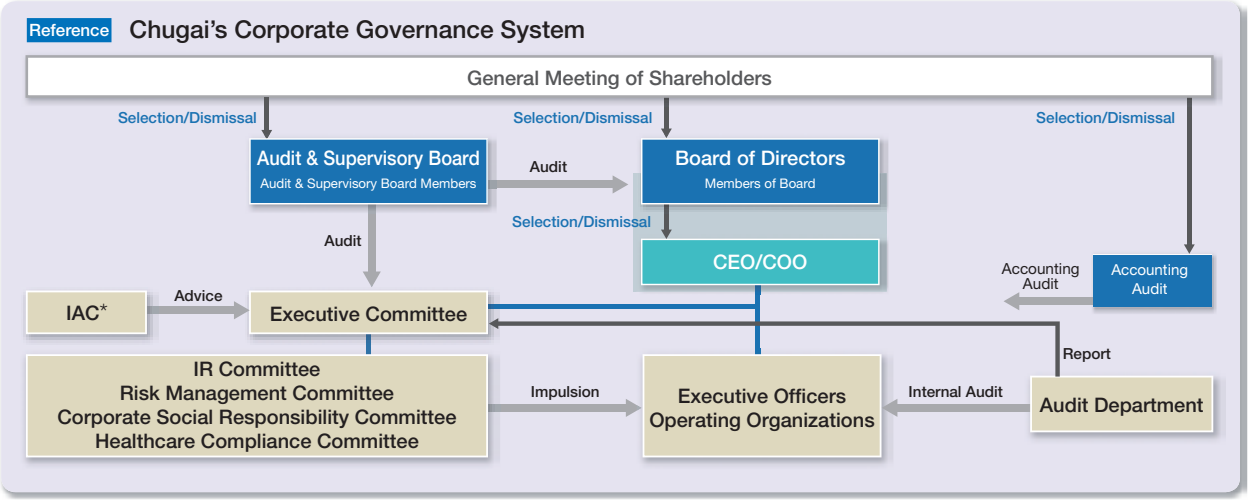
i) System available to directors and employees for reporting to Audit & Supervisory Board Members and the other system for reporting to Audit & Supervisory Board Members

- Each director makes a report to the Audit & Supervisory Board in accordance with "Regulations of Audit & Supervisory Board" set by the Audit & Supervisory Board.

j) System for ensuring effective auditing by Audit & Supervisory Board Members

- Representative Directors have meetings regularly with the Audit & Supervisory Board to exchange opinions and deepen mutual understandings with regard to issues relating to audit which need to be improved by the Company, circumstances under which Audit & Supervisory Board Members perform audits, and other important issues relating to audits.
- Directors and employees of the Group cooperate with Audit & Supervisory Board Members, when Audit & Supervisory Board Members perform audits of the Group in accordance with "Audit & Supervisory Board Members' Auditing Standards" set by Audit & Supervisory Board Members.

Reference **Chugai's Corporate Governance System**



* International Advisory Council (IAC)

Chugai has established the International Advisory Council (IAC), an advisory board composed of industry leaders and other professionals from around the world. The IAC works to enhance decision-making by providing valuable advice on how to deal with changes in the global business environment and appropriate business conduct.

(Note) In the Business Report, amounts less than the unit indicated have been rounded off, and the number of shares and shareholding percentages that are less than the unit indicated have been rounded down.

Consolidated balance sheet (IFRS*) (As of December 31, 2014)

(Millions of yen)

Item	FY 2014	FY 2013 (Reference)
Assets		
Non-current assets:		
Property, plant and equipment	140,245	140,445
Intangible assets	11,286	9,514
Financial non-current assets	10,755	9,066
Deferred tax assets	25,673	19,244
Defined benefit plan assets	1,946	3,862
Other non-current assets	10,728	10,846
Total non-current assets	**200,635**	**192,977**
Current assets:		
Inventories	139,571	128,536
Accounts receivable	159,773	128,182
Current income tax assets	114	205
Marketable securities	116,030	119,573
Cash and cash equivalents	114,037	115,070
Other current assets	9,379	12,669
Total current assets	**538,904**	**504,235**
Total assets	**739,538**	**697,212**
Liabilities		
Non-current liabilities:		
Long-term debt	(185)	(195)
Deferred tax liabilities	(10,722)	(12,211)
Defined benefit plan liabilities	(2,616)	(1,269)
Long-term provisions	(2,110)	(2,082)
Other non-current liabilities	(11,799)	(10,584)
Total non-current liabilities	**(27,432)**	**(26,341)**
Current liabilities:		
Short-term debt	(29)	(38)
Current income tax liabilities	(16,619)	(12,673)
Short-term provisions	(987)	(105)
Accounts payable	(62,694)	(59,544)
Other current liabilities	(34,021)	(25,307)
Total current liabilities	**(114,350)**	**(97,667)**
Total liabilities	**(141,782)**	**(124,008)**
Total net assets	**597,756**	**573,204**
Equity:		
Capital and reserves attributable to Chugai shareholders	596,099	571,692
Equity attributable to non-controlling interests	1,657	1,512
Total equity	**597,756**	**573,204**

* International Financial Reporting Standards

Consolidated income statement (IFRS) (January 1, 2014 to December 31, 2014)

(Millions of yen)

Item	FY 2014	FY 2013 (Reference)
Revenues	**461,109**	**423,652**
Sales	436,883	401,298
Royalties and other operating income	24,226	22,354
Cost of sales	(218,076)	(186,977)
Gross profit	243,033	236,675
Marketing and distribution	(71,742)	(71,588)
Research and development	(80,800)	(74,280)
General and administration	(14,632)	(12,069)
Operating profit	75,859	78,738
Financing costs	(11)	(12)
Other financial income (expense)	315	(1,782)
Profit before taxes	76,164	76,944
Income taxes	(24,087)	(25,058)
Net income	52,077	51,886
Attributable to:		
Chugai shareholders	50,980	50,895
Non-controlling interests	1,097	991

Consolidated statement of changes in equity (IFRS) (January 1, 2014 to December 31, 2014)

(Millions of yen)

Item	Attributable to Chugai Shareholders					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal		
At January 1, 2014	72,967	65,768	426,213	6,744	571,692	1,512	573,204
Net income recognized in income statement	—	—	50,980	—	50,980	1,097	52,077
Available-for-sale investments	—	—	—	1,050	1,050	—	1,050
Cash flow hedges	—	—	—	(4,052)	(4,052)	—	(4,052)
Currency translation of foreign operations	—	—	—	851	851	10	862
Remeasurements of defined benefit plans	—	—	(1,451)	—	(1,451)	(1)	(1,452)
Total comprehensive income	—	—	49,529	(2,150)	47,379	1,107	48,485
Dividends	—	—	(24,521)	—	(24,521)	(962)	(25,483)
Equity compensation plans	—	(73)	—	—	(73)	—	(73)
Own equity instruments	—	1,623	—	—	1,623	—	1,623
At December 31, 2014	72,967	67,317	451,220	4,594	596,099	1,657	597,756

Non-consolidated balance sheet (JGAAP*) (As of December 31, 2014)

(Millions of yen)

Item	FY 2014	FY 2013 (Reference)
Assets		
Total current assets:	**496,139**	**452,309**
Cash and deposits	91,439	101,985
Accounts receivable-trade	149,307	117,852
Marketable securities	98,996	97,996
Merchandise and finished goods	69,634	57,787
Raw materials and supplies	21,009	19,809
Prepaid expenses	3,262	2,759
Deferred tax assets	21,703	15,920
Accounts receivable-other	36,359	28,527
Short-term loans receivable from subsidiaries and affiliates	—	548
Other	4,429	9,129
Allowance for doubtful accounts	—	(3)
Total non-current assets:	**138,205**	**132,910**
Total property, plant and equipment:	**47,838**	**44,378**
Buildings (net)	26,697	25,123
Structures (net)	879	907
Machinery and equipment (net)	3,641	2,145
Vehicles (net)	19	18
Tool, furniture and fixtures (net)	5,854	5,228
Land	9,147	9,315
Leases assets (net)	4	5
Construction in progress	1,597	1,637
Total intangible assets:	**891**	**609**
Software	249	175
Other	642	434
Total investments and other assets:	**89,476**	**87,922**
Investment securities	9,856	8,892
Stocks of subsidiaries and affiliates	55,789	55,790
Investments in capital of subsidiaries and affiliates	1,075	59
Long-term loans receivable from employees	2	3
Long-term loans receivable from subsidiaries and affiliates	1,100	1,200
Long-term prepaid expenses	5,219	4,720
Deferred tax assets	12,186	12,834
Lease and guarantee deposits	4,008	4,175
Long-term accounts receivable-other	12	12
Other	379	379
Allowance for doubtful accounts	(148)	(140)
Total assets	**634,344**	**585,219**

Item	FY 2014	FY 2013 (Reference)
Liabilities		
Total current liabilities:	**113,488**	**90,036**
Accounts payable-trade	42,267	36,376
Lease obligations	3	3
Accounts payable-other	890	818
Accrued expenses	38,786	27,191
Income taxes payable	16,531	12,874
Accrued consumption taxes	1,555	780
Deposits received	1,042	1,035
Provision for bonuses to employees	4,811	4,707
Provision for bonuses to directors	220	186
Provision for sales rebates	2,509	1,435
Provision for environmental matters	127	—
Provision for decommissioning and removal	244	28
Accrued payables - facilities	4,396	4,584
Other	106	18
Total non-current liabilities:	**6,149**	**5,026**
Lease obligations	1	2
Provision for employees' retirement benefits	3,677	2,538
Provision for directors' retirement benefits	599	649
Provision for environmental measures	—	174
Provision for decommissioning and removal	516	313
Asset retirement obligations	1,306	1,284
Other	49	67
Total liabilities	**119,637**	**95,062**
Net assets		
Total shareholders' equity:	**509,205**	**481,154**
Capital stock	72,967	72,967
Total capital surplus	92,815	92,815
Legal capital surplus	92,815	92,815
Total retained earnings	376,793	350,343
Legal retained earnings	6,480	6,480
Other retained earnings	370,313	343,863
Reserve for advanced depreciation of non-current assets	703	719
General reserve	149,220	149,220
Retained earnings carried forward	220,390	193,924
Own equity instruments, at cost	(33,370)	(34,970)
Total valuation and translation adjustments:	**4,047**	**7,579**
Net unrealized gain on available-for-sale securities	3,936	3,417
Deferred gains or losses on hedges	111	4,163
Stock acquisition rights	**1,455**	**1,424**
Total net assets	**514,707**	**490,158**
Total liabilities and net assets	**634,344**	**585,219**

* Generally Accepted Accounting Principles in Japan

Non-consolidated income statement (JGAAP) (January 1, 2014 to December 31, 2014) (Millions of yen)

Item	FY 2014	FY 2013 (Reference)
Revenues	451,775	417,393
Cost of sales	214,484	192,384
Gross profit	237,291	225,009
Total selling, general and administrative expenses	165,381	156,117
Operating income	71,910	68,892
Non-operating income:	4,413	3,240
Interest and dividend income	1,357	925
Other	3,056	2,315
Non-operating expenses:	1,189	3,237
Interest expenses	7	7
Other	1,182	3,230
Ordinary income	75,134	68,895
Extraordinary gain:	307	9
Gain on sales of non-current assets	307	9
Extraordinary loss:	28	1,182
Loss on sales of non-current assets	11	—
Impairment loss	18	1,179
Loss on revaluation of investment securities	0	3
Income before income taxes	75,413	67,722
Income taxes - current	27,289	23,670
Income taxes - deferred	(2,931)	(1,872)
Net income	51,056	45,925

Non-consolidated statement of changes in shareholders' equity (JGAAP) (January 1, 2014 to December 31, 2014)

(Millions of yen)

Item				Amount
Shareholders' equity	Capital stock		Balance as of the beginning of the year	72,967
			Changes during the period	
			Net change during the period	—
			Balance as of the end of the year	72,967
	Capital surplus	Legal capital surplus	Balance as of the beginning of the year	92,815
			Changes during the period	
			Net change during the period	—
			Balance as of the end of the year	92,815
	Retained earnings	Legal retained earnings	Balance as of the beginning of the year	6,480
			Changes during the period	
			Net change during the period	—
			Balance as of the end of the year	6,480
		Other retained earnings	Balance as of the beginning of the year	719
			Changes during the period	
			Reversal of reserve for advanced depreciation of non-current assets	(16)
			Net change during the period	(16)
			Balance as of the end of the year	703
		General reserve	Balance as of the beginning of the year	149,220
			Changes during the period	
			Net change during the period	—
			Balance as of the end of the year	149,220
		Retained earnings carried forward	Balance as of the beginning of the year	193,924
			Changes during the period	
			Reversal of reserve for advanced depreciation of non-current assets	16
			Dividends paid	(24,521)
			Net income	51,056
			Disposal of own equity instruments	(84)
			Net change during the period	26,466
			Balance as of the end of the year	220,390

Item			Amount
Shareholders' equity	Own equity instruments, at cost	Balance as of the beginning of the year	(34,970)
		Changes during the period	
		Purchase of own equity instruments	(19)
		Disposal of own equity instruments	1,620
		Net changes during the period	1,601
		Balance as of the end of the year	(33,370)
	Total shareholders' equity	Balance as of the beginning of the year	481,154
		Changes during the period	
		Dividends paid	(24,521)
		Net income	51,056
		Purchase of own equity instruments	(19)
		Disposal of own equity instruments	1,536
		Net change during the period	28,051
		Balance as of the end of the year	509,205
Valuation and translation adjustments	Net unrealized gain on available-for-sale securities	Balance as of the beginning of the year	3,417
		Changes during the period	
		Net changes except for shareholders' equity	519
		Net change during the period	519
		Balance as of the end of the year	3,936
	Deferred gains or losses on hedges	Balance as of the beginning of the year	4,163
		Changes during the period	
		Net changes except for shareholders' equity	(4,052)
		Net change during the period	(4,052)
		Balance as of the end of the year	111
	Total valuation and translation adjustments	Balance as of the beginning of the year	7,579
		Changes during the period	
		Net changes except for shareholders' equity	(3,533)
		Net change during the period	(3,533)
		Balance as of the end of the year	4,047
Stock acquisition rights		Balance as of the beginning of the year	1,424
		Changes during the period	
		Net changes except for shareholders' equity	31
		Net change during the period	31
		Balance as of the end of the year	1,455
Total net assets		Balance as of the beginning of the year	490,158
		Changes during the period	
		Dividends paid	(24,521)
		Net income	51,056
		Purchase of own equity instruments	(19)
		Disposal of own equity instruments	1,536
		Net changes except for shareholders equity	(3,502)
		Net change during the period	24,549
		Balance as of the end of the year	514,707

Copy of the Accounting Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

Independent Auditors' Report

January 23, 2015

To the Board of Directors
Chugai Pharmaceutical Co., Ltd.

KPMG AZSA LLC
Masahiro Mekada (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Hiroshi Shiina (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Shigeo Kobayashi (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Pursuant to Article 444, Paragraph 4, of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, and notes to the consolidated financial statements of Chugai Pharmaceutical Co., Ltd. (the "Company"), for the fiscal year from January 1, 2014 to December 31, 2014.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Company Calculation Rules which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under the International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but in making risk assessments that the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the above consolidated financial statements, prepared with the omission of a part of the disclosures required under the International Financial Reporting Standards in accordance with the provisions of the latter half of Article 120, Paragraph 1 of the Company Calculation Rules, fairly present in every material aspect, the financial position and results of operations of the consolidated group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements

Conflicts of Interest
Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Law.

Copy of the Accounting Auditors' Report

(TRANSLATION)

Independent Auditors' Report

January 23, 2015

To the Board of Directors
Chugai Pharmaceutical Co., Ltd.

KPMG AZSA LLC
Masahiro Mekada (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Hiroshi Shiina (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Shigeo Kobayashi (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements of Chugai Pharmaceutical Co., Ltd. (the "Company"), the fiscal year from January 1, 2014 to December 31, 2014, together with the supplementary schedules of the Company for the same year.

Management's Responsibility for the Non-consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these non-consolidated financial statements and supplementary schedules from an independent standpoint based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but in making risk assessments that the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supplementary schedules.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Conflicts of Interest
Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Law.

Copy of the Audit Report by the Audit & Supervisory Board

(TRANSLATION)

Audit Report

We, the Audit & Supervisory Board, hereby present this Audit Report compiled after deliberating the respective audit reports prepared by the Audit & Supervisory Board Members regarding the execution of duties by Directors for the fiscal year from January 1, 2014 to December 31, 2014:

1. Method and Description of Audits conducted by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board determined the auditing policies, auditing plans, etc. for the fiscal year under review and received reports on the execution status and results of audits from each Audit & Supervisory Board Member, in addition to receiving reports from Directors, etc. and the Accounting Auditor regarding the execution status of their duties and demanding an explanation from them if necessary.

Pursuant to the Standards for Audits conducted by Audit & Supervisory Board Members established by the Audit & Supervisory Board, and in accordance with the auditing policies, auditing plans, etc. for the fiscal year under review, each Audit & Supervisory Board Member: sought to communicate with Directors, the Audit Department and other employees, etc.; endeavored to gather information and make improvements to the auditing environment; attended meetings of the Board of Directors and other important meetings; received reports from Directors and employees, etc. regarding the execution status of their duties, and if necessary, demanded an explanation from them; reviewed documents regarding the approval of material matters, etc.; and investigated the status of the business operations and assets of the head office and major offices. Each Audit & Supervisory Board Member also received reports from directors and employees, etc. on a regular basis, requested explanation on a necessary basis and represented his opinion on: (a) the nature of the Board of Directors' resolutions set forth in Business Report to develop (i) a system to ensure that the Directors' duties are executed in compliance with laws, regulations and the Articles of Incorporation of the Company, and (ii) other systems required for ensuring the appropriateness of a joint-stock company's business operations as provided in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act; and (b) the status of construction and operation of systems (internal control systems) developed based on such resolutions. In regards to subsidiaries, each Audit & Supervisory Board Member sought to communicate and exchange information with Directors and Audit & Supervisory Board Members of the subsidiaries, and if necessary, received reports on business operations from the subsidiaries. Based on the aforementioned methods, each Audit & Supervisory Board Member examined the business report and their supplementary schedules for the fiscal year under review.

Furthermore, the Audit & Supervisory Board monitored and verified as to whether the Accounting Auditor conducted audits in an appropriate manner while maintaining an independent positioning, received reports from the Accounting Auditor on the execution status of its duties, and if necessary, demanded an explanation from the Accounting Auditor. We also received a notice from the Accounting Auditor that systems for ensuring the appropriate execution of duties by the accounting auditor set forth in Article 131 of the Corporate Calculation Regulations have been developed in accordance with the Standards on Quality Control for Audits (Business Accounting Council), etc., and if necessary, demanded an explanation from the Accounting Auditor. Based on the aforementioned methods, we reviewed the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements) together with the supplementary schedules for the same year as well as the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results

(1) Results of Audit of Business Report, etc.

1) The business report and its supplementary schedules present fairly the Company's current position in compliance with laws, regulations and the Articles of Incorporation of the Company.

2) With respect to the execution of duties by Directors, there were no instances of misconduct or material matters in violation of the laws, regulations, or the Articles of Incorporation of the Company.

3) The resolutions of the Board of Directors regarding internal control systems are fair and reasonable in content. There are no matters to be pointed out in relation to the contents and Business Report and the execution of duties by Directors regarding the internal control systems.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The methods and results of audits conducted by the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

The methods and results of audits conducted by the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

January 26, 2015

Audit & Supervisory Board of Chugai Pharmaceutical Co., Ltd.

Audit & Supervisory Board Member (Full-time)
Kotaro Miwa (seal)

Audit & Supervisory Board Member (Full-time)
Kunitoshi Watanabe (seal)

Audit & Supervisory Board Member
Hisashi Hara (seal)

Audit & Supervisory Board Member
Michio Ishizuka (seal)

(Note) Audit & Supervisory Board Members Hisashi Hara and Michio Ishizuka are Audit & Supervisory Board Members (Outside) stipulated in Article 2, Item 16 and Article 335, Paragraph 3, of the Companies Act.

Chugai will help to establish public trust in the Company as well as contribute to the sustainable development of society by working to create innovative drugs that address unmet medical needs.

■ Our View of CSR ■

To realize its mission, Chugai has established a Mission Statement that includes seven Core Values to be shared individually and across the Company in order to ensure sound business activities as we work toward our Envisioned Future. The Core Values also form the basis of the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior for management decision-making and for employees. The Chugai BCG are reflected in the activities of each business unit and serve as a foundation to support the execution of our mid-term business plan, ACCEL 15. We believe that corporate activities consistent with our Mission Statement and the Chugai BCG are the essence of our CSR.

TOPICS ❶

Donation of welfare vehicles providing transportation as part of home welfare services

—Total of 203 vehicles over 30 years since the start of donation—

Chugai donated welfare vehicles for use as transportation for home welfare services to five groups engaged in welfare services for seniors and people with disabilities (September - October 2014). Chugai has been carrying out this donation program since 1985, with 2014 marking the 30th year of this program. The cumulative total number of vehicles donated, including the five vehicles donated this time, has reached 203.

TOPICS ❷

Joining the Global Health Innovative Technology Fund (GHIT Fund)*

Chugai joined the Global Health Innovative Technology Fund (GHIT Fund) in December 2014 as it agrees with the background and purposes of the establishment of the GHIT Fund. The GHIT Fund has a vision of its activities: “Our vision is one in which the crushing burden of infectious disease no longer prevents billions of people in the developing world from seeking the level of prosperity and longevity now common in the industrialized world.”

*The Global Health Innovative Technology Fund (GHIT Fund) is an international not-for-profit organization initiated in Japan to promote the development of new drugs aimed at controlling of infectious diseases spreading particularly in developing countries such as AIDS, tuberculosis, malaria and neglected tropical diseases (NTDs). The GHIT Fund was established as Japan’s first public-private partnership by the Japanese Government, pharmaceutical industries, and the Bill & Melinda Gates Foundation. It promotes the development of new drugs through promoting cooperation between Japanese and overseas research organizations and by providing grants.

TOPICS ❸

Fulfilling the philosophy of para-sports aimed at "increase of vitality for convivial society"

—Releasing of new contents on the Chugai website—

In October 2014, Chugai released new contents supporting para-sports on its website in an effort to widely promote para-sports and athletes who compete in such athletic events.

As part of its social contribution activities, Chugai has cosponsored as an official partner of the Japanese Paralympic Committee (JPC) of the Japanese Para-Sports Association since September 2013. Chugai has been actively promoting public awareness activities aiming at fulfilling the philosophy of para-sport of "increase of vitality for convivial society."

Report of main activities in 2014

- Production of "Para-sports Awareness Brochure"
- Implementation of jointly planned event with National Museum of Emerging Science and Innovation
- Provision of opportunities to experience para-sports
- Holding of Paralympic news photo exhibition
- Holding of talk show "*Kabe-nante-yabureru!* (Break down the barrier!)"
- Para-sports news photo exhibition and provision of opportunities to experience wheelchair basketball (Utsunomiya Plant)
- Support of the 29th National Grand Softball Tournament for Schools for the Blind, Kanagawa tournament
- Holding of para-sports panel exhibition (Kids Plaza Osaka)
- Setup of a joint booth with Japan Chair Ski Association
- Co-sponsorship of Japan Para Wheelchair Rugby Championships 2014
- Holding of "Everyone is an Athlete—Disabled Persons Week 2014" at National Museum of Emerging Science and Innovation

Para-sports Awareness Brochure

Event to experience wheelchair basketball

Jointly planned event with National Museum of Emerging Science and Innovation (trying on an artificial leg)

Photo at National Grand Softball Tournament for Schools for the Blind

▶The contents can be accessed from the URL below.

Chugai website for CSR: "We support para-sports"

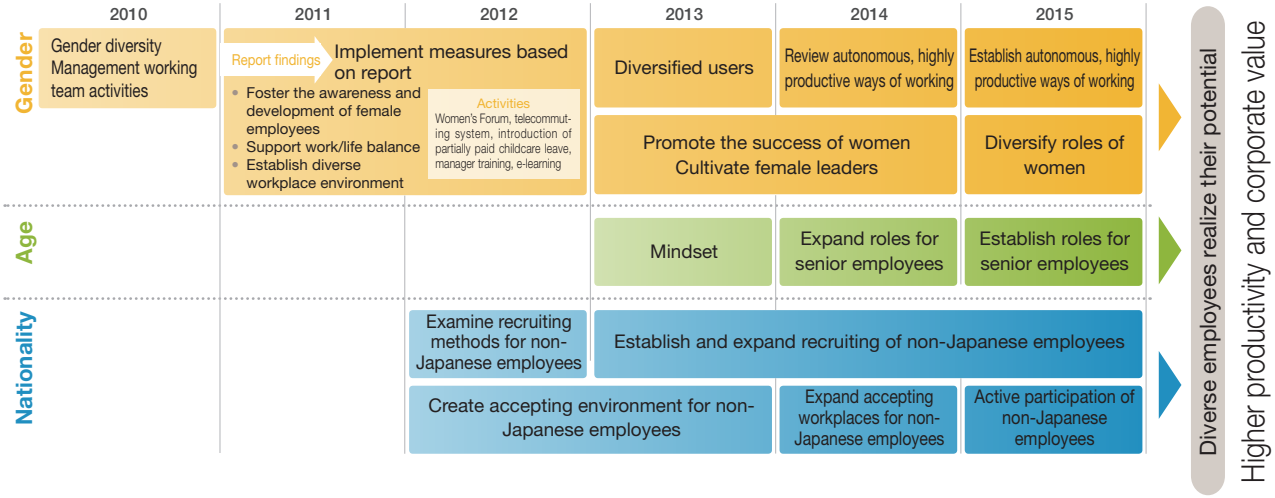
http://www.chugai-pharm.co.jp/csr/parasports/index.html

Promotion of diversity management that allows a rich variety of human resources to play active roles

By promoting diversity in terms of nationality and age as we did with gender, we will pursue human resource management that leads to the realization of a top pharmaceutical company.

Chugai has given priority to the promotion of diversity management to enable a rich variety of human resources to work enthusiastically and create new values. We began addressing this issue with the launch of a management working team in 2010 to promote gender diversity. We established the Diversity Office in 2012 and are taking initiatives with regard to nationality and age, in addition to gender. In addition to providing e-learning and distributing awareness guidebooks to all employees, in 2014 we offered to all managers training for the management of diversifying subordinates and team. To promote the success of women, we held forums in every division and provided opportunities to exchange opinions with a female Director to promote awareness of career. In addition, in 2014 we introduced training to nurture female leaders. The percentage of women in management positions is increasing and stands at 9.1%. In the future, we will take initiatives to further develop the next generation of female leaders.

In conjunction with the diversification of employees, we are enhancing the working system to help employees balance work and life events such as childcare or nursing care, and provide information at lunch gatherings and through the company Intranet. In 2014, we started video distribution to the concerned employees and their supervisors to support the employees' career development after childcare leave. Also, assuming that employees will work until the age of 65, we conduct career



training for employees aged 50. In addition, based on the seminar regarding nursing care for the elderly held in 2013, we improved the portal site for nursing care in 2014. Given the increase in the number of employees who engage in child-rearing and nursing care and growing opportunities to work globally, the utilization rate for the telecommuting system is rising. Furthermore, we have set up an information support website for non-Japanese employees in an effort to create an environment in which they can work together with other employees. In order to develop innovations for realizing a top pharmaceutical company, we will accelerate diversity by promoting the active participation of a more diverse range of employees.

Chugai Received Two Awards in "Commendation of Companies Promoting Gender Equality and Work-Family Balance" Hosted by the Ministry of Health, Labour and Welfare

Chugai received two awards in "Commendation of Companies Promoting Gender Equality and Work-Family Balance 2014," an initiative hosted by the Ministry of Health, Labour and Welfare (MHLW). One award is "Minister's Prize for Excellence, MHLW (Companies promoting gender equality)." The other award is "Prefectural Labor Bureau Chief's Prize for Excellence (Family-friendly companies)."

The "Commendation of Companies Promoting Gender Equality and Work-Family Balance" are initiatives sponsored by the MHLW to award companies that are making exemplary efforts to proactively encourage women to demonstrate their potential in full, and to support a balance between work, childcare and nursing care. Chugai believes that the two awards were presented on this occasion in recognition of various activities it carried out while positioning the promotion of diversity as the most important management challenge.

Chugai's effort

- Organized a working team in 2010 and began implementing programs to double the number of female managers in five years.
- In January 2012, set up the Diversity Office in the Human Resources Management Department, and introduced a talent management system to select persons based on the objective criteria regardless of gender and revised the employee compensation system. With these three pillars, Chugai is building its human resource management.
- The teams promoting diversity at each department work to tackle challenges according to the conditions of the department.
- As the fruit of this program, the percentage of women increased at the managerial level.

At the award ceremony of "Minister's Prize for Excellence, MHLW"

Percentage of women at managerial level:

Deputy manager class:	20.0% in fiscal year 2011 → **22.1**% in fiscal year 2013
Section manager class:	7.3% in fiscal year 2011 → **9.2**% in fiscal year 2013
Department manager class:	3.6% in fiscal year 2011 → **5.5**% in fiscal year 2013

Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group