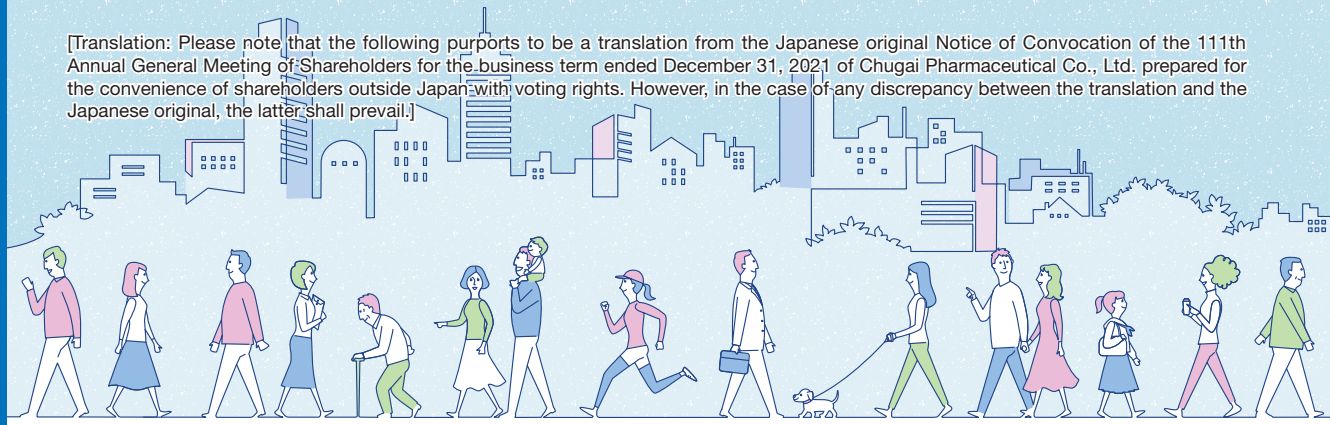
[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the 111th Annual General Meeting of Shareholders for the business term ended December 31, 2021 of Chugai Pharmaceutical Co., Ltd. prepared for the convenience of shareholders 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 111th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2021

**Date and Time**

10:00 a.m. on March 29, 2022 (Tuesday)

**Venue**

Palace Hotel Tokyo - 4F Yamabuki,
1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

**Matters for Resolution**

| | |
|---|---|
| First Proposal | Appropriation of Surplus |
| Second Proposal | Partial Amendments to the Articles of Incorporation |
| Third Proposal | Election of Four (4) Directors |

**Please consider exercising voting rights in writing or via the Internet to prevent the spread of COVID-19. Shareholders can view the Annual General Meeting of Shareholders online in real time.**

Internet Live stream of the Annual General Meeting of Shareholders

The meeting will be delivered on the Internet.

For details, see P.5

**Deadline for submitting advance questions**
March 21, 2022 (Monday)

Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

Securities Code: 4519

# To the shareholders

We express our sincere condolences to those who have lost their lives to COVID-19, and wish a speedy recovery for those who have been afflicted with the disease. We also extend our deepest gratitude to all the medical professionals and those who support society in various scenes.

The Chugai Group's mission is 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. We undertake actions that give the highest priority to patients and consumers.

Healthcare expectations and needs are increasing more and more worldwide against the backdrop of factors including population growth, progressive demographic graying in each country, and dramatic progress in technology. At the same time, the realization of sustainable medical care with limited resources and funds has become a global issue. In such circumstances, we pharmaceutical companies aim to provide treatment and improve QOL for patients through the provision of pharmaceutical products, while facing increasing demands to help solve social issues such as the realization of sustainable medical care.

Based on the philosophy of "Innovation all for the patients," the Chugai Group aims to contribute to the resolution of social issues and the sound development of society by focusing on innovations centered on innovative drug discovery, and providing optimal medical care for each and every patient, while at the same time striving to sustainably increase corporate value. We ask for the further support of our shareholders in our endeavors.

Representative Director
President & CEO

**Notice of Convocation of the 111th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2021** Table of Contents


**Notice of Convocation** P.3

Internet Live stream of the Annual General Meeting of Shareholders and Acceptance of Advance Questions P.5

**Reference Document for General Meeting of Shareholders** P.7

First Proposal Appropriation of Surplus P.7
Second Proposal Partial Amendments to the Articles of Incorporation P.8
Third Proposal Election of Four (4) Directors P.10

**Business Report** P.25

1 Overview of Consolidated Business Activities P.25
2 Company's Shares P.45
3 Company's Stock Acquisition Rights, etc. P.45
4 Company's Officers P.46
5 Accounting Auditor P.52
6 Framework to Ensure Operational Adequacy P.52

**Consolidated Financial Statements** P.53

**Non-Consolidated Financial Statements** P.55

**Audit Report** P.57

**Reference** P.39

Sustainability at Chugai P.39
Communication with Shareholders, Investors, and Stakeholders P.41

# Mission Statement

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

## Mission

Chugai's mission is 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.

## Core Values

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

## Envisioned Future

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

### Chugai's Basic Policy

**Striving for the mutual development of Chugai & Society by solving social issues through the creation of innovative pharmaceutical products**

Chugai growth & development
**Increased corporate value**

=

**Creation of value shared by Chugai and Society**

Realize advanced & sustainable patient-centric healthcare

=

Social growth & development
**Resolution of social issues**

**Chugai business model adopted**

**Focus on innovation**

**Creation of innovative drugs and services**

Chugai's unique science & technologies | Strategic alliance with Roche

**Material issues selected by Chugai**

Sustainable Healthcare | Human Rights | Supply Chain Management | Human Resources | Social Contribution | Global Environment | Corporate Governance | Ethics & Compliance

Securities Code: 4519
February 28, 2022

## To the shareholders:

# NOTICE OF CONVOCATION OF THE 111th ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2021

Chugai Pharmaceutical Co., Ltd. (the "Company") is pleased to announce that its 111th Annual General Meeting of Shareholders for the Business Term ended December 31, 2021 will be held as described below.
Instead of attending 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 28, 2022 (Monday).

Osamu Okuda
Representative Director,
President & CEO
CHUGAI PHARMACEUTICAL CO., LTD.

**1 Date and Time**

**10:00 a.m. on March 29, 2022 (Tuesday)**

**2 Venue**

**Palace Hotel Tokyo - 4F Yamabuki, 1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo**

**3 Purpose**

**Matters for Report**

The Business Report for the Business Term (January 1, 2021 to December 31, 2021), 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 | Partial Amendments to the Articles of Incorporation |
| Third Proposal | Election of Four (4) Directors |

– End –

### Disclosure via the Internet

- The following items have been posted on the Company's website in accordance with laws and regulations and Article 15 of the Articles of Incorporation of the Company; and the documents of such items are accordingly not contained in this Notice of Convocation.
  - Company's Stock Acquisition Rights, etc., Accounting Auditor and Framework to Ensure Operational Adequacy in the Business Report
  - Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements in the Consolidated Financial Statements
  - Non-Consolidated Statement of Changes in Shareholders' Equity and Notes to the Non-Consolidated Financial Statements in the Non-Consolidated Financial Statements

  The Business Report audited by the Audit & Supervisory Board Members as well as the Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor consist of the documents contained in this Notice of Convocation and the items mentioned above that are 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 website ]
**https://www.chugai-pharm.co.jp/english/ir/**

**Handling of voting rights exercised 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 last vote shall be treated as the valid vote.

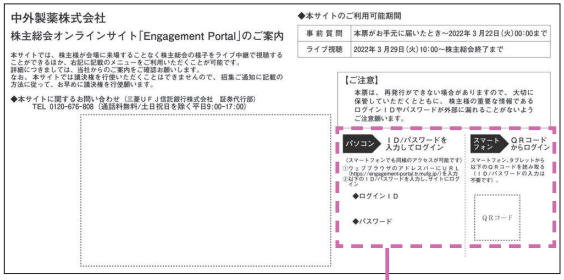
[Only available in Japanese]

# Internet Live stream of the Annual General Meeting of Shareholders and Acceptance of Advance Questions

The Company will **live stream** the Annual General Meeting of Shareholders on the Engagement Portal, a website exclusively for shareholders, so that you will be able to view the meeting at home or another remote location of your convenience. The Company also accepts **advance questions** from shareholders. We hope you will find it useful.
Please note that you cannot exercise your voting rights on this portal site. We ask you to exercise your voting rights in accordance with the instructions set forth in page 4 of this Notice of Convocation as early as possible.

## How to log in to the "Engagement Portal," a website exclusively for shareholders

Please scan the login QR code with your smartphone, etc., or access the following URL and enter your login ID and password.
If you use a smartphone, etc., you can login the site by only scanning the QR code appeared on the form specified above without entering the login ID and password.





1. Enter the login ID and password specified in the enclosed form.
2. Check the "Agree to Terms and Conditions" check box after confirming the terms and conditions.
3. Click the "Login" button.

[URL for the online site for the Annual General Meeting of Shareholders]
**https://engagement-portal.tr.mufg.jp/**

[Only available in Japanese]

## Acceptance of advance questions

We accept questions concerning the agenda items for the General Meeting of Shareholders prior to the meeting.
Matters of high interest to shareholders will be addressed at the meeting. Please note that we will not be able to answer questions individually.

**Deadline for submitting advance questions** **March 21, 2022 (Monday)**

## Internet Live Streaming

The General Meeting of Shareholders will be available on live streaming. In consideration of the privacy of the shareholders attending the meeting, filming will be limited to the area around the Chairman and board members' seats. However, please note that there may be cases in which shareholders in attendance are unavoidably filmed.

**Date and Time of Delivery** **March 29, 2022 (Tuesday)** **from 10:00 a.m. until the end of the meeting**

* The related website will be accessible at **around 9:30 a.m., 30 minutes before the start time**.
* Please note that there is a possibility that we may not be able to provide the Internet delivery of the meeting due to a natural disaster or other circumstances beyond our reasonable control.

### Notes

- ☑ Viewing of the Internet broadcast to participate in the meeting does not constitute attendance at the Annual General Meeting of Shareholders for the purposes of the Companies Act. Therefore, **you will not be able to ask questions, exercise your voting rights or make motions as shareholders are permitted to do at the Annual General Meeting of Shareholders, through Internet participation. Please exercise your voting rights by paying attention to the deadline for exercising your voting rights and using the postal voting form, the Internet voting separately announced, or by attending the meeting by a proxy who has been granted the right of representation by power of attorney or otherwise.**
- ☑ Internet participation of the meeting is limited to shareholders.
- ☑ It is strictly prohibited to film, record, or save the live broadcast, or to publish it on social network or other media.
- ☑ Please note that video and audio may be affected by your computer environment (model, performance, or others) and Internet connection (network conditions, connection speed, or others).
- ☑ Each shareholder is responsible for all communication charges and other costs associated with the viewing of the meeting.

# Reference Document for General Meeting of Shareholders

## Proposals and Matters for Reference

## First Proposal: Appropriation of Surplus

Regarding income distribution, Chugai (the "Company") endeavors to continuously provide a stable allocation of profit to all shareholders, taking into account the changes in strategic funding needs and earnings prospects, and aims for a consolidated dividend payout ratio of 45% on average in comparison with Core EPS(*). In addition, internal reserves will be used to increase corporate value through investments to attain further growth in existing strategic domains and to identify future business.

In the fiscal year ended December 31, 2021, the Company achieved the highest results in the past and increased Core EPS by 42.0% year on year.

Reflecting the favorable results and based on our principles of "stable allocation of profit" and "aiming for a consolidated dividend payout ratio of 45% on average in comparison with Core EPS," 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

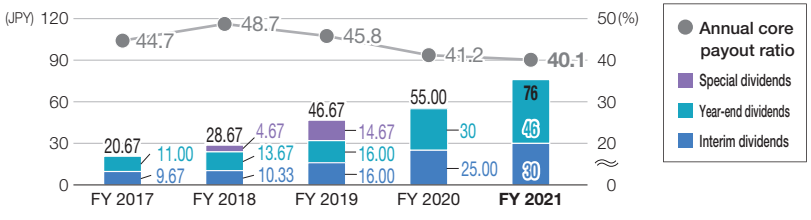
**(2) Allotment of dividend assets to the shareholders and the amount thereof:**

**JPY46** per share of common stock of the Company
Total: JPY75,638,615,304

Since the interim dividends of **JPY30** per share were paid, the total dividends for the fiscal year under review are **JPY76** per share, and the Core dividend payout ratio is 40.1% (an average of 42.9% for the past five years).

**(3) Date when dividends of surplus become effective:**
March 30, 2022

**Reference** | **Dividends* and Dividend payout ratio**




* Effective July 1, 2020, the Company implemented a three-for-one stock split of its common stock. The dividends are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year 2017.

## Second Proposal: Partial Amendments to the Articles of Incorporation

The Company would like to make partial amendments to the Company's existing Articles of Incorporation as follows:

**1. Reasons for the Proposal**

The amended provisions stipulated in the provision of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of a system for providing general shareholder meeting materials in electronic format, the Articles of Incorporation of the Company shall be amended as follows. (Article 15 of the current Articles of Incorporation)

(1) The proposed Article 15, Paragraph 1 stipulates that the Company takes the electronic provision measure for information included in the reference document for general meeting of shareholders, etc.

(2) The purpose of the proposed Article 15, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.

(3) The provisions related to the Disclosure on Internet of Reference Materials for General Meeting of Shareholders Deemed and Deemed Provision of that Information (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.

(4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

**2. Contents of the Amendments**

Details of the proposed amendments are as follows:

(Amended parts are underlined.)

| Current | Proposed Amendments |
|---|---|
| CHAPTER 3 GENERAL MEETING OF SHAREHOLDERS<br>(Disclosure on Internet of Reference Materials for General Meeting of Shareholders Deemed and Deemed Provision of that Information)<br>Article 15 If the Company discloses information relating to matters stated or indicated in reference documents, business report, accounting documents and consolidated financial statements (including Accounting Auditor's report and Audit & Supervisory Board Members' report relating to any such consolidated accounting documents) in connection with convening the General Meeting of Shareholders through the Internet pursuant to the Ordinance of the Ministry of Justice, the Company may deem that it has provided the same to shareholders. | (Deleted) |
| (Newly established) | Article 15 (Electronic Provision Measure, etc.)<br>1. The Company shall, when convening a general meeting of shareholders, take the electronic provision measure for information included in the reference document for general meeting of shareholders, etc.<br>2. Among the matters subject to the electronic provision measure, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights. |
| (Newly established) | (Supplementary Provisions)<br>1. The deletion of Article 15 (Disclosure on Internet of Reference Materials for General Meeting of Shareholders Deemed and Deemed Provision of that Information) of the current Articles of Incorporation and the new establishment of the proposed Article 15 (Electronic Provision Measure, etc.) shall come into effect on September 1, 2022.<br>2. Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six (6) months from September 1, 2022.<br>3. These supplementary provisions shall be deleted on the later of either the day on which six (6) months elapse from September 1, 2022 or the day on which three (3) months elapse from the day of the general meeting of shareholders set forth in the preceding paragraph. |

## Third Proposal: Election of Four (4) Directors

Out of all the nine (9) Directors, the term of office of four (4) Directors, Tatsuro Kosaka, Motoo Ueno, Osamu Okuda, and Mariko Y Momoi will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that four (4) candidates, Osamu Okuda, Hisafumi Yamada, Toshiaki Itagaki and Mariko Y Momoi be elected.
The election of candidates for Directors is deliberated at the Appointment Committee, a voluntary advisory board, and determined at the Board of Directors.
The candidates for Directors and the composition of the Board of Directors after the election (planned) are as follows:

### Composition of the Board of Directors after the election (planned)

| | No. | Name | Current Position and Responsibility | Attendance at the meetings of the Board of Directors | Important Concurrent Positions |
|---|---|---|---|---|---|
| Executive Directors | 1 | Osamu Okuda Reappointment | Representative Director, President & CEO | 100% (10 out of 10) | |
| | 2 | Hisafumi Yamada New appointment | Executive Vice President | — | |
| | 3 | Toshiaki Itagaki New appointment | Executive Vice President, CFO Head of Finance Supervisory Div. | — | |
| Non-Executive Directors | —* | Masayuki Oku Outside Independent | Outside Director | 100% (10 out of 10) | Outside Director of TV TOKYO Holdings Corporation<br>Outside Director of Rengo Co., Ltd.<br>Outside Director of The Royal Hotel, Ltd.<br>Non-Executive Director of The Bank of East Asia |
| | —* | Yoichiro Ichimaru Outside Independent | Outside Director | 100% (10 out of 10) | Outside Director of Seino Holdings Co., Ltd. |
| | 4 | Mariko Y Momoi Reappointment Outside Independent | Outside Director | 100% (10 out of 10) | Professor Emeritus of Jichi Medical University<br>Visiting Professor of School of Medicine, Shinshu University<br>Regent of Tokyo Medical University (part-time) |
| | —* | Christoph Franz | Director | 100% (10 out of 10) | Chairman of the Board of Directors of Roche Holding Ltd.<br>Deputy Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland)<br>Member of the Board of Directors of Stadler Rail (Switzerland) |
| | —* | William N. Anderson | Director | 100% (10 out of 10) | CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee |
| | —* | James H. Sabry | Director | 100% (10 out of 10) | Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee |

Reappointment Candidate for reappointment as Director  New appointment Candidate for new appointment as Director
Outside Outside Director or candidate for Outside Director  Independent Independent officer who has been registered with Tokyo Stock Exchange, Inc.

* The term of office of Directors of the Company is two (2) years. Masayuki Oku, Yoichiro Ichimaru, Christoph Franz, William N. Anderson and James H. Sabry were elected and assumed office as Directors at the 110th Annual General Meeting of Shareholders held in March 2021.

## Reference | Expertise and Experience Expected of the Company's Directors and Audit & Supervisory Board Members

| | Positions and responsibilities at the Company | Name | Roles | Expertise and experience expected of the Company's Directors and Audit & Supervisory Board Members | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Corporate management | R&D | Sales, Marketing | Finance, Accounting, Tax affairs | Legal affairs, Risk management | Medical science, Pharma-ceutical science | International experience |
| Executive Directors | Representative Director, President & CEO | Osamu Okuda | Appointment Committee member | ● | ● | ● | | | ● | ● |
| | Director, Executive Vice President | Hisafumi Yamada | | ● | ● | | | | ● | ● |
| | Director, Executive Vice President, CFO Head of Finance Supervisory Div. | Toshiaki Itagaki | | ● | | ● | ● | | | ● |
| Non-Executive Directors | Outside Director* | Masayuki Oku | Chairman of the Appointment Committee, Compensation Committee member | ● | | ● | ● | ● | | ● |
| | Outside Director* | Yoichiro Ichimaru | Appointment Committee member | ● | | ● | | ● | | |
| | Outside Director* | Mariko Y Momoi | | | | | | | ● | ● |
| | Director | Christoph Franz | Compensation Committee member | ● | | | | | | ● |
| | Director | William N. Anderson | Appointment Committee member Chairman of the Compensation Committee | ● | | ● | | | | ● |
| | Director | James H. Sabry | | ● | ● | | | | ● | ● |
| Audit & Supervisory Board Members | Full-time Audit & Supervisory Board Member | Atsushi Sato | | | | ● | | ● | | |
| | Full-time Audit & Supervisory Board Member | Yoshiaki Ohashi | | | ● | | | ● | ● | ● |
| | Outside Audit & Supervisory Board Member* | Takaaki Nimura | | | | | ● | | | ● |
| | Outside Audit & Supervisory Board Member* | Yuko Maeda | | ● | ● | | | | | |
| | Outside Audit & Supervisory Board Member* | Kenichi Masuda | | | | | | ● | | ● |

* Designated as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.

1

# Osamu Okuda

Reappointment

| | |
|---|---|
| **Date of birth:** | April 5, 1963 (58 years old) |
| **Shares of the Company owned:** | 71,558 shares |
| **Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** | 2 years |
| **Attendance at the meetings of the Board of Directors:** | 100% (10 out of 10) |

**Reasons for nominating the candidate for Director**

· Dr. Osamu Okuda has served as Executive Vice President from 2017, as Representative Director, President & COO from 2020, and as Representative Director, President & CEO from 2021, after having worked mainly in Development Division, Marketing & Sales Division and Corporate Planning Division. He has been engaged in the Company's overall management as well as management and supervision of the Company's global business. The Company is of the judgment that he will be able to continue to perform his roles and duties as Director appropriately, based on his abundant knowledge and experience in management decision-making and business execution.

**●Summary of career and positions at the Company**

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

**●Responsibilities at the Company**

· CEO

**●Other special notes**

· The Company has no special interests with him.

2

# Hisafumi Yamada

New appointment

| | |
|---|---|
| **Date of birth:** | July 12, 1957 (64 years old) |
| **Shares of the Company owned:** | 82,300 shares |

**Reasons for nominating the candidate for Director**

· Dr. Hisafumi Yamada is familiar with all aspects of drug research and development from his work experience. He also has extensive experience in organizational management as the Head of Divisions, and as a member of decision-making bodies such as the Executive Committee where he committed as Vice President. As he has abundant knowledge and experience with the Company to conduct management decision-making and business execution, the Company is of the judgment that he will be able to perform his roles and duties as Director appropriately.

## ●Summary of career and positions at the Company

| | |
|---|---|
| Dec. 1991 | Joined Nippon Roche K.K. (“NR”) |
| Mar. 2002 | Head of Cancer Drugs Research Dept. 1, Research Division of NR |
| Oct. 2002 | Head of Pharmaceutical Research Dept. 4 of the Company |
| Jul. 2006 | Head of Research Planning & Coordination Dept. of the Company |
| Mar. 2009 | Vice President, Head of Research Div. of the Company |
| Apr. 2016 | Senior Vice President, Head of Research Div. of the Company |
| Apr. 2018 | Executive Vice President, Head of Translational Clinical Research Div. of the Company |
| Jan. 2021 | Executive Vice President of the Company (to present) |

## ●Other special notes

· The Company has no special interests with him.

3

# Toshiaki Itagaki

New appointment

| | |
|---|---|
| **Date of birth:** | November 23, 1960 (61 years old) |
| **Shares of the Company owned:** | 14,101 shares |

**Reasons for nominating the candidate for Director**

· Mr. Toshiaki Itagaki is familiar with finance accounting, IT, digital and marketing from his work experience. He also has extensive experience in organizational management as the Head of Supervisory Divisions, and as a member of decision-making bodies such as the Executive Committee where he committed as CFO and Vice President. As he has abundant knowledge and experience with the Company to conduct management decision-making and business execution, the Company is of the judgment that he will be able to perform his roles and duties as Director appropriately.

**●Summary of career and positions at the Company**

| | |
|---|---|
| Apr. 1983 | Joined the Company |
| Jan. 2007 | Head of Finance & Accounting Dept. of the Company |
| Mar. 2010 | Head of Planning & Research Dept. of the Company |
| Apr. 2012 | Head of Marketing & Sales Planning Dept. of the Company |
| Jan. 2015 | Vice President, Head of Finance & Accounting Dept. of the Company |
| Jan. 2017 | Vice President, Head of IT Supervisory Div. and Head of Finance & Accounting Dept. of the Company |
| Mar. 2018 | Executive Vice President, CFO, Head of Finance Supervisory Div., Head of IT Supervisory Div. and Head of Finance & Accounting Dept. of the Company |
| May 2019 | Executive Vice President, CFO, Head of Finance Supervisory Div. and Head of Finance & Accounting Dept. of the Company |
| Apr. 2020 | Executive Vice President, CFO, Head of Finance Supervisory Div. of the Company (to present) |

**●Responsibilities at the Company**

· CFO, Head of Finance Supervisory Div.

**●Other special notes**

· The Company has no special interests with him.

4

# Mariko Y Momoi

Reappointment
Outside Independent

| | |
|---|---|
| **Date of birth:** | February 24, 1948 (74 years old) |
| **Shares of the Company owned:** | 0 shares |
| **Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** | 2 years |
| **Attendance at the meetings of the Board of Directors:** | 100% (10 out of 10) |

**Reasons for nominating the candidate for Outside Director and expected roles**

· Dr. Mariko Y Momoi has no experience in corporate management in the past. However, she has provided appropriate advice and supervision on the management of the Company, based on her experience in managing organizations such as universities and hospitals, in addition to her extensive knowledge, experience, etc. as a physician and university professor. Therefore, the Company nominates her as a candidate for Outside Director based on its expectation that she will continue to execute her duties as Outside Director appropriately in the future as well.

**●Summary of career and positions at the Company**

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

**●Other major positions**

· Member of Science Council of Japan (Section II)

**●Important concurrent positions**

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

**●Other special notes**

· She satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered her as an independent officer with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 22.

· The Company has no special interests with her.

Notes related to Third Proposal

1. 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 a Director ("Director (excluding Executive Director, etc.)," as provided in Article 423, Paragraph 1 of the Japanese Companies Act, and the limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and regulations. The Company has entered into the Agreement with Dr. Mariko Y Momoi and plans to sustain such Agreement with her, provided that she is elected as Director.
2. Overview of the contents of the directors' and officers' liability insurance
   To secure excellent human resources and to prevent contraction in the execution of duties, the Company has concluded a directors' and officers' liability insurance agreement with the following conditions, and plans to renew such agreement in July 2022. Candidates who are being proposed for reelection as Director under this proposal, namely Dr. Osamu Okuda and Dr. Mariko Y Momoi, are already covered by this insurance agreement, and will continue to be covered after the reelection. In the event that candidates Dr. Naofumi Yamada and Mr. Toshiaki Itagaki are elected as Director, they will be newly covered by the insurance agreement.
   [Overview of the insurance]
   1) The ratio of premiums to be actually borne by the insured individuals
      The premiums, including the portion for riders, will be borne by the Company. There are no actual premiums to be borne by the insured individuals.
   2) Overview of the insurance accidents covered
      The insurance, including riders, covers damage that may be incurred by the insured directors and officers as a result of assuming responsibilities relating to the execution of duties or receiving claims relating to the pursuit of such responsibilities. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed.
3. Overview of the contents of the corporate indemnity agreement
   The Company has entered into a corporate indemnity agreement with each of Director and Audit & Supervisory Board Member, as provided for in Article 430-2, Paragraph 1 of the Companies Act, pursuant to the resolution of the Board of Directors meeting held on July 26, 2021. Under such agreement, the Company shall indemnify them for the expenses provided for in Item 1 and the losses provided for in Item 2 of the said Paragraph to the extent prescribed by laws and regulations. Candidates who are being proposed for reelection as Director under this proposal, namely Dr. Osamu Okuda and Dr. Mariko Y Momoi, have already entered into such agreement, and will continue to be covered after the reelection. In the event that candidates Dr. Naofumi Yamada and Mr. Toshiaki Itagaki are elected as Director, a similar agreement will be concluded with each of them.
4. The ages of the candidates are as of this Annual General Meeting of Shareholders.

## Fundamental Views Relating to Corporate Governance

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Company 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 innovator in the healthcare industry that realizes sophisticated and sustainable patient-centered medical care, powered by our unique strength in science and technology and the alliance with Roche" as its fundamental management objective.

While being a member of the Roche Group, the Company maintains its managerial autonomy and independence as a publicly listed company and will constantly strive to perfect its corporate governance as established in the "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy" in order to fulfil the mandate of its many stakeholders appropriately and fairly for the achievement of its basic management objective.

## Corporate Governance System

### Organizational structure

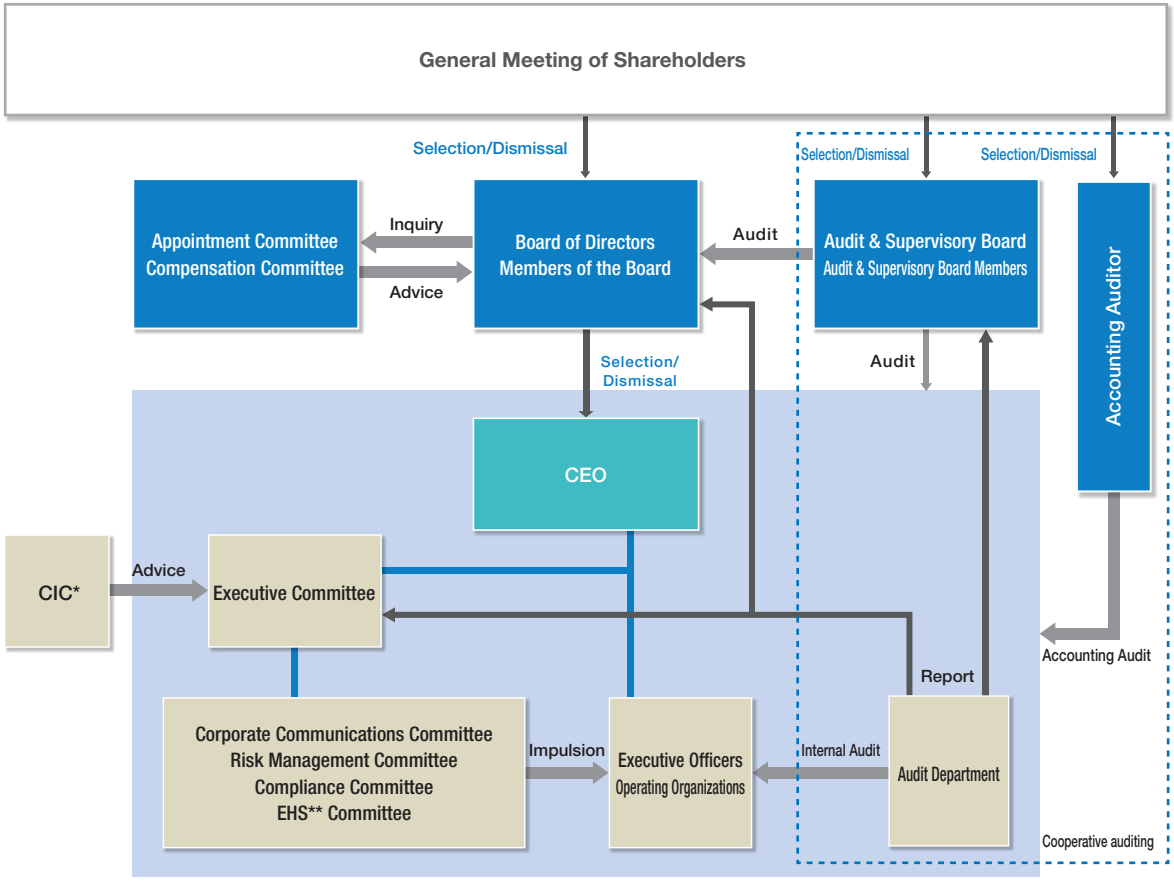
The Company adopted "Company with an Audit & Supervisory Board" as its corporate organizational structure under the Companies Act in order to ensure effective oversight of directors from an independent and objective standpoint.

The Company performs important managerial decision-making and supervises the execution of business through the Board of Directors, and audits the directors' performance of duties and other matters through the Audit & Supervisory Board and its Members, who are independent of the Board of Directors.

In addition, the Company adopted the executive officer system in order to separate managerial decision- making and supervision from the execution of business and work towards swifter executive decision-making. The Board of Directors delegates to the Executive Committee, which is to consist of Executive Directors and Executive Officers, the decision-making and execution of all business not determined by the Board of Directors itself.

Furthermore, the Company established the Appointment Committee and the Compensation Committee as advisory boards to the Board of Directors, so as to secure managerial transparency.

## Chugai's Corporate Governance System (as of January 1, 2022)




*Chugai International Council (CIC)
Chugai has established the Chugai International Council (CIC) as an advisory body composed of internationally recognized and highly evaluated industry leaders and other specialists from various fields inside and outside Japan. In this way we strive to enhance our decision-making by having valuable advice from CIC for business development in light of trends in global business environment.
**Environment, Health and Safety (EHS)

### Board of Directors

The Board of Directors consists of persons with diverse knowledge, experience and skills, and it must be ensured that the Board as a whole has the necessary expertise and skills and is of appropriate diversity, including in terms of gender, international experience, work experience, age and size, while the Board of Directors established and disclosed independence standards aimed at ensuring effective independence of independent directors, taking into consideration the independence criteria set by the Tokyo Stock Exchange, and appoints one-third of the directors or more as independent Outside Directors.

### Appointment and dismissal of directors

The Board of Directors selects as Executive Director candidates individuals with the knowledge and experience to manage the Company properly, fairly and efficiently, and sufficient public trust.

The Board of Directors selects Non-Executive Director candidates from among the managers of other companies, medical experts and others with academic experience, and similar persons, taking into account experience, knowledge, and expertise, so that the Outside Directors may appropriately give advice on the management of the Company and carry out the supervisory function.

If the Board of Directors determines that it is difficult to achieve sustainable growth and the increase of corporate value over the mid- to long-term (such as if Chugai continually fails to achieve business plans and performance is not expected to improve, or if material misconduct or a material compliance violation occurs), it will consider dismissing the Executive Directors, including the CEO.

The selection of director candidates and dismissal of directors will be deliberated by the Appointment Committee and determined at a Board of Directors meeting, and the reasons for the selection or dismissal will be disclosed.

### Audit & Supervisory Board

The Audit & Supervisory Board consists of members with the necessary knowledge, experience, and specialist skills, and ensures the balance of expertise of that Board as a whole. One of the outside Audit & Supervisory Board Members must possess significant knowledge, experience and expertise in finance and accounting. The Office of Audit & Supervisory Board Members ensures the independence and enhances the auditing functions of Audit & Supervisory Board Members.

### Appointment of Audit & Supervisory Board Members

The Board of Directors selects as candidates for the Audit & Supervisory Board Members persons with the knowledge and experience to appropriately audit managerial decision-making and the execution of business. The candidates for the outside Audit & Supervisory Board Members are selected from

among experts with rich knowledge and experience in accounting, law and similar fields.

### Appointment Committee

As an advisory board to the Board of Directors, the Appointment Committee deliberates on the selection of director candidates, succession plan for Executive Directors, including the CEO, and dismissal of directors.

The Appointment Committee consists of one internal committee member and three or more outside committee members, including at least one independent Outside Director. The Board of Directors appoints the internal committee member from representative directors and / or persons with past experience as such representative directors, and outside committee members from directors, excluding Executive Directors, and / or persons with past experience as such directors, excluding Executive Directors.

### Compensation Committee

As an advisory board to the Board of Directors, the Compensation Committee deliberates on remuneration policy and the remuneration of individual directors.

The Compensation Committee consists of three or more outside committee members, including at least one independent Outside Director, and the outside committee members are appointed by the Board of Directors from directors, excluding Executive Directors, and / or persons with past experience as such directors, excluding Executive Directors.

### Coordination between Outside Directors and Audit & Supervisory Board Members

The Company holds regular information-sharing meetings between independent Outside Directors and Audit & Supervisory Board Members for the purpose of providing the information necessary for active discussion at Board of Directors meetings, and enhancing mutual coordination.

### Cooperative auditing

Audit & Supervisory Board Members, the internal audit function and the Accounting Auditor cooperate closely by regularly exchanging information to improve the effectiveness of their respective audits. Audit & Supervisory Board Members and the Accounting Auditor confirm each other's audit plans and hold regular meetings to exchange opinions on matters including the results of quarterly audit reports. They coordinate with Audit & Supervisory Board Members at subsidiaries on quarterly reports, fiscal year-end reports and other matters.

### Evaluation of effectiveness of Chugai Board of Directors

The Board of Directors is subject to the analysis and evaluation of its activities by an external third-party in each financial year, in addition to the self-evaluation of the Directors and Audit & Supervisory

Board Members, to secure the effectiveness of its decision-making and supervision, and discloses a summary of the results.

The Company's Board of Directors retained a third-party law firm ("outside experts") to conduct a third-party evaluation and analysis on the effectiveness of the Board. The outside experts served as the Secretariat and conducted from February to March 2021 a self-evaluation questionnaire on the directors and Audit & Supervisory Board Members who were on the Board as of the end of fiscal year 2020. Furthermore, from the standpoint of objectively and rationally verifying whether the results of the self-evaluation questionnaire were valid and truly reflect the reality of the Board and its related activities, the outside experts conducted a two-step process of: (1) viewing and carefully examining relevant materials, and (2) conducting interviews, as necessary, of the directors and the Audit & Supervisory Board Members who were on the Board as of the end of fiscal year 2020.

Almost all of the responses with respect to these matters in the self-evaluation questionnaire were "Yes," and the materials examined and the interviews conducted by the outside experts indicated that these responses truly reflect the reality of the Board and its related activities. Thus, the outside experts confirmed that, from the standpoint of all evaluations, the effectiveness of the Board is secured.

The Board received the outside experts' reports with respect the results of the self-evaluation questionnaire and the results of analysis and evaluation. It also deliberated on the matters pointed out by the outside experts as issues to be considered for further securing and improving the effectiveness and decided to undertake the following initiatives.

The Board assumes that, if it decides to be listed on the new Prime Market of the Tokyo Stock Exchange after the upcoming market restructuring in April 2022, it must fulfill the requirements newly added by the proposed revisions to the Corporate Governance Code. Therefore, the Board will consider the following matters along with which market to select: (i) composition of the Board, (ii) establishment of an independent special committee to deliberate and review transactions with its parent group, (iii) composition of the Appointment Committee and the Compensation Committee, and (iv) formulation and disclosure of a skills matrix. Based on the evaluation results as described above, the Board will endeavor to further improve its effectiveness.

## Independence Standards

Chugai will judge outside officers (Outside Directors and Outside Audit & Supervisory Board Members) that do not fall under any of the following to be independent officers (independent Outside Directors and independent Outside Audit & Supervisory Board Members) with no risk of a conflict of interests with Chugai's general shareholders:

(1) a person who is currently or has been in the past ten years an executive (see note 1) of Chugai or any of its subsidiaries (collectively, the "Chugai Group");
(2) a person who is currently or has been in the past five years an executive of the parent company or any sister company of Chugai;
(3) a person for whom the Chugai Group is a major business partner (see note 2) or an executive of that person;
(4) a major business partner (see note 2) of the Chugai Group or an executive of that business partner;
(5) a major lender (see note 3) of the Chugai Group or an executive of that lender;
(6) a consultant, accounting professional, or legal professional who receives a large amount of money or other such assets (see note 4) other than officer remuneration from the Chugai Group (including any person belonging to a corporation, partnership, or other such organization that receives such assets);
(7) a major shareholder (see note 5) of Chugai or an executive of that shareholder;
(8) an executive of a company for which the Chugai Group is a major shareholder
(9) an executive of a company that engages a director or Audit & Supervisory Board Member (regardless of whether full or part time) from the Chugai Group or an executive of the parent company or any subsidiary of such company;
(10) a director or other executive of a corporation, partnership, or other such organization that receives contributions or aid exceeding a certain amount (see note 6) from the Chugai Group;
(11) an accounting auditor of the Chugai Group or any person belonging to an auditing corporation that is an accounting auditor of the Chugai Group; and
(12) a close relative (see note 7) of any person (limited to those in material positions (see note 8)) who falls under any of (1) through (11) above.

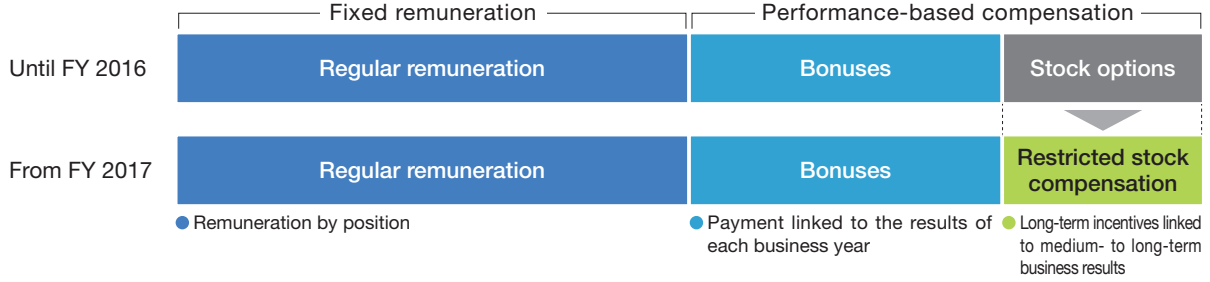
---

Note 1: "Executive" means an executive director, executive officer, corporate officer, or other such employee or the like.
Note 2: "Major business partner" means a business partner whose transactions with the Chugai Group in any business year within the past five years total 2% or more of the consolidated sales of that business partner or the Chugai Group.
Note 3: "Major lender" means a lender from whom the Chugai Group's borrowings at the end of the business year exceed 2% of the Chugai Group's consolidated total assets at the end of that business year.
Note 4: "Large amount of money or other such assets" means, in any business year within the past five years, money or other such assets in excess of the greater of (a) ten million yen annually or (b) 2% of the total annual income of the person receiving the money or other such assets.
Note 5: "Major shareholder" means a shareholder directly or indirectly holding 10% or more of total voting rights in any business year within the past five years.
Note 6: "Contributions or aid exceeding a certain amount" means, in any business year within the past five years, contributions or aid exceeding the greater of (a) ten million yen annually or (b) 2% of the total annual income of the person receiving the contributions or aid.
Note 7: "Close relative" means a spouse or a relative within the second degree of kinship.
Note 8: "Those in material positions" means directors (excluding Outside Directors), corporate officers, and executive officers, or any person with authority equivalent to any of these.

## Remuneration System for the Company's Directors and Audit & Supervisory Board Members

| | Fixed remuneration | Performance-based compensation | | |
|---|---|---|---|---|
| | Regular remuneration | Bonuses | Long-term incentive (stock compensation) | |
| | | | Tenure-based restricted stock compensation | Performance-based restricted stock compensation |
| Executive Directors | ● | ● | ● | ● |
| Non-Executive Directors (including Outside Directors) | ● | — | — | — |
| Audit & Supervisory Board Members | ● | — | — | — |

### Structure of remuneration for Executive Directors

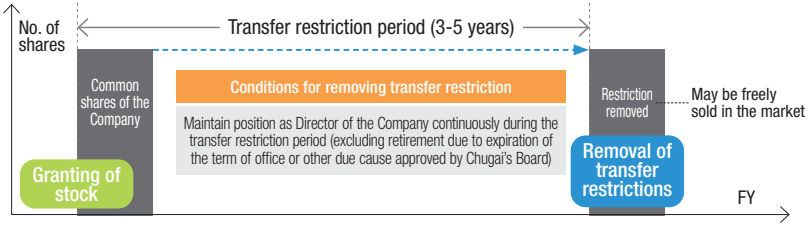


## The Company's Restricted Stock Compensation System

A resolution was passed at the 106th Annual General Meeting of Shareholders held in March 2017 to introduce a new remuneration system that uses two types of restricted stock as a replacement for the stock option compensation for the purpose of further promoting shared value with shareholders, and providing an incentive for the Company's Executive Directors to sustainably increase the Company's corporate value, strengthening linkage between their remuneration and the Company's mid- and long-term business performance.

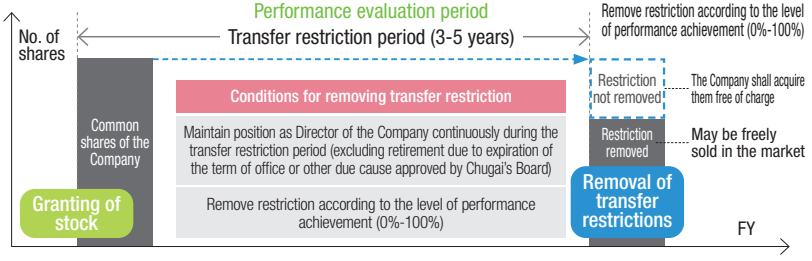
**Tenure-based restricted stock compensation**

On the condition that the eligible Directors maintain their positions as the Company's Directors continuously during the transfer restriction period, the Company shall remove the transfer restriction for the allotted shares at the expiration of the transfer restriction period.

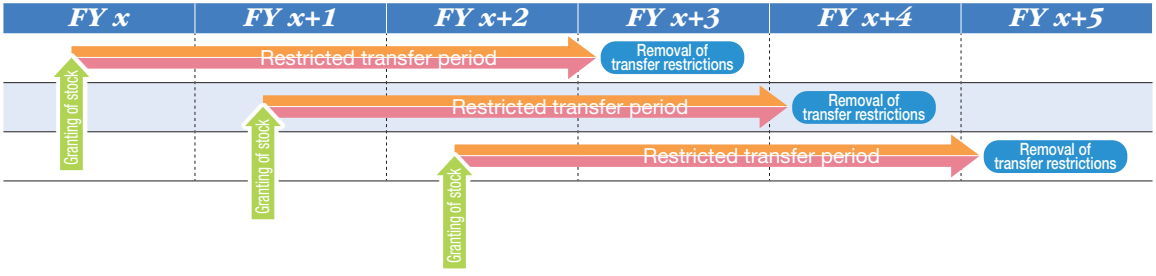



**Performance-based restricted stock compensation**

Regarding the eligible Directors, in addition to fulfilling the above conditions for tenure-based restricted stock compensation, the Company shall remove the transfer restriction with respect to the number of the allotted shares to be decided according to the achievement level of the performance targets, at the expiry of the transfer restriction period.




### Image of granting remuneration over multiple years (in the case of a 3-year transfer restriction period)




End of Reference Document

# Business Report

(January 1, 2021 to December 31, 2021)

## 1 Overview of Consolidated Business Activities

### (1) Asset and Income Status, etc.

#### a) Asset and Income Status

| Item | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|
| Revenues (JPY billion) | 534.2 | 579.8 | 686.2 | 786.9 | 999.8 |
| Operating profit (JPY billion) | 98.9 | 124.3 | 210.6 | 301.2 | 421.9 |
| Net income (JPY billion) | 73.5 | 93.1 | 157.6 | 214.7 | 303.0 |
| Net income attributable to Chugai shareholders (JPY billion) | 72.7 | 92.5 | 157.6 | 214.7 | 303.0 |
| Total assets (JPY billion) | 852.5 | 919.5 | 1,058.9 | 1,235.5 | 1,538.7 |
| Total equity (JPY billion) | 692.9 | 756.5 | 854.0 | 980.0 | 1,188.0 |
| Basic earnings per share (JPY) | 44.35 | 56.36 | 95.95 | 130.66 | 184.29 |
| Equity per share attributable to Chugai shareholders (JPY) | 421.82 | 460.42 | 519.91 | 596.16 | 722.50 |

(Note) 1. Effective July 1, 2020, the Company has implemented a three-for-one stock split of its common stock. “Basic earnings per share” and “Equity per share attributable to Chugai shareholders” are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year 2017.

#### b) Core Results Status

| Item | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|
| Gross profit (JPY billion) | 281.3 | 317.9 | 421.1 | 514.7 | 664.3 |
| Operating profit (JPY billion) | 103.2 | 130.3 | 224.9 | 307.9 | 434.1 |
| Net income (JPY billion) | 76.7 | 97.3 | 167.6 | 219.4 | 311.5 |
| Net income attributable to Chugai shareholders (JPY billion) | 75.9 | 96.7 | 167.6 | 219.4 | 311.5 |
| Core EPS (JPY) | 138.68 | 176.42 | 305.80 | 133.39 | 189.35 |
| Research and development (JPY billion) | 88.9 | 94.2 | 102.1 | 113.5 | 129.8 |

(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.

## c) Other Significant Performance Indicators

| Item | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|
| Ratio of equity attributable to Chugai shareholders (%) | 81.2 | 82.2 | 80.6 | 79.3 | 77.2 |
| Ratio of net income to equity attributable to Chugai shareholders (ROE) (%) | 10.9 | 12.8 | 19.6 | 23.4 | 28.0 |
| Price-earnings ratio (times) | 43.37 | 37.73 | 35.02 | 42.12 | 20.27 |
| Dividends per share (JPY) | 62.00 | 86.00 | 140.00 | 55.00 | 76.00 |
| Core dividend payout ratio (%) | 44.7 | 48.7 | 45.8 | 41.2 | 40.1 |
| Total shareholders return (TSR) (%) | 194.6 | 309.0 | 505.6 | 354.3 | 194.6 |

(Notes) 1. Effective July 1, 2020, the Company has implemented a three-for-one stock split of its common stock. Dividends per share and Core dividend payout ratio for the fiscal year 2020 are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year 2020.
2. "Core dividend payout ratio" stated above represents dividend per share against Core EPS.

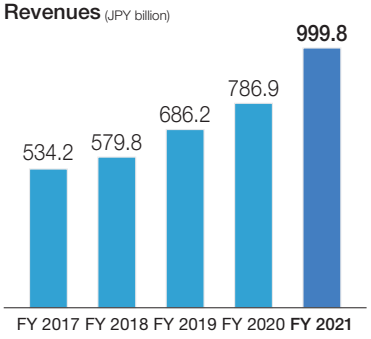
### Reference | Adoption of Core Results

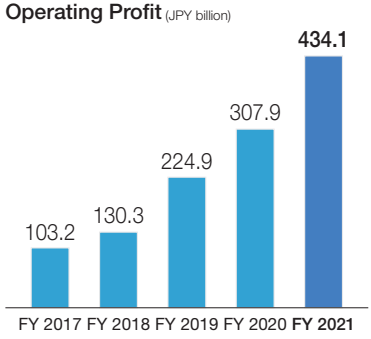
Starting from the fiscal year 2013, the Company adopts Core results as indicators to manage recurring profits generated from the pharmaceutical business, the Company's core business. Core results are the results after deducting gains or losses related to non-Core events of the Company from IFRS results. 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 | Key Performance Indicators (Core Results)



## (2) Developments and Results of Business Activities

### a) Revenues

(Unit: JPY billion)

| 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** | **802.8** | **633.3** | **up 26.8%** |
| Japan | 518.9 | 409.1 | up 26.8% |
| Oncology field | 261.5 | 232.3 | up 12.6% |
| Primary field | 257.4 | 176.8 | up 45.6% |
| Overseas | 283.9 | 224.2 | up 26.6% |
| **Royalties and other operating income** | **196.9** | **153.6** | **up 28.2%** |
| **Revenues** | **999.8** | **786.9** | **up 27.1%** |

#### Domestic sales

Domestic sales were JPY518.9 billion (an increase of 26.8% year on year) mainly due to the favorable market penetration of mainstay products and new products, while sales were affected by the NHI drug price revisions of 2020 and April 2021 and the market penetration of generic drugs.

Oncology products sales were JPY261.5 billion (an increase of 12.6% year on year). Sales increased due to steady sales of Tecentriq (an anti PD-L1 humanized monoclonal antibody, anti-cancer agent) and Kadcyla (an anti-HER2 antibody-tubulin polymerization inhibitor conjugate), mainstay products with additional indications, despite a sales decline of Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) and Rituxan (an anti-CD20 monoclonal antibody, anti-cancer agent) affected by the market penetration of generic drugs. The increase in sales was also attributable to Polivy (an antimicrotubule binding anti-CD79b monoclonal antibody, anti-cancer agent), which was launched in May 2021, and growth in the number of tests provided by the Foundation Medicine genomic mutation analysis program*, for which new blood-based testing services were started in August 2021.

Primary products sales were JPY257.4 billion (an increase of 45.6% year on year). This was mainly due to the favorable sales of the mainstay products Hemlibra (a coagulation factor VIII substitute) and Actemra (a humanized anti-human IL-6 receptor monoclonal antibody), despite a sales decline of products such as Edirol (an osteoporosis agent) and Mircera (a long-acting erythropoiesis stimulating agent), affected by generic drugs and NHI drug price revisions. As for new products, posting sales from the supply of Ronapreve (anti-SARS-CoV-2 monoclonal antibody) to the government, which received the special approval in July 2021, contributed to sales, as did Enspryng (a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody) and Evrysdi (SMN2 splicing modifier), which was launched in August 2021.

Meanwhile, compared to the revised forecast announced on October 22, 2021, domestic sales increased by 1.2% to JPY518.9 billion.

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

### Overseas sales

Overseas sales amounted to JPY283.9 billion (an increase of 26.6% year on year), far exceeding those of the previous fiscal year partly due to the depreciation of the yen over the previous fiscal year. In connection with full-scale exports to Roche at regular shipment prices, the export of Hemlibra increased significantly compared to the previous fiscal year, and the export of Alecensa (an ALK inhibitor, anti-cancer agent) also remained steady. On the other hand, the export of Actemra decreased significantly compared to the previous fiscal year, which was due to an increase in export of Actemra, including those for clinical trials for COVID-19 pneumonia, in the same period of the previous fiscal year.

Meanwhile, compared to the revised forecast announced on October 22, 2021, overseas sales increased by 5.7% to JPY283.9 billion.

## b) Financial Results

### Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were JPY999.8 billion (an increase of 27.1% year on year), operating profit for the fiscal year under review was JPY421.9 billion (an increase of 40.1% year on year), and net income for the fiscal year under review was JPY303.0 billion (an increase of 41.1% year on year). These results include non-Core items, such as amortization of intangible assets of JPY2.2 billion, impairment loss of intangible assets of JPY4.5 billion, and restructuring expenses etc. of JPY5.5 billion, which are excluded from the Core results that Chugai adopts to manage recurring business activities.

### Consolidated financial highlights (Core results)

(Unit: JPY billion)

| 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 | 999.8 | 786.9 | up 27.1% |
| Gross profit | 664.3 | 514.7 | up 29.1% |
| Operating income | 434.1 | 307.9 | up 41.0% |
| Net income | 311.5 | 219.4 | up 42.0% |


Enspryng®

Revenues for the fiscal year under review were JPY999.8 billion (an increase of 27.1% year on year), due to significant increases in sales and royalties and other operating income.

Of revenues, sales were JPY802.8 billion (an increase of 26.8% year on year). Domestic sales grew significantly over the previous fiscal year due to favorable sales of mainstay products Tecentriq, Hemlibra, Kadcyla and Actemra, the steady market penetration of new products such as Enspryng and Polivy, and the supply of Ronapreve to the government, while they were affected by the NHI drug price revisions and market penetration of generic drugs. Overseas sales increased considerably compared to the previous fiscal year since the export of Hemlibra to Roche increased significantly while the export of Actemra decreased substantially. Royalties and other operating income amounted to JPY196.9 billion (an increase of 28.2% year on year), mainly due to an increase in royalties for Hemlibra and its profit-sharing income, despite a decrease in other operating income from one-time income. Furthermore, cost to sales ratio was 41.8%, a 1.2 percentage point improvement year on year, reflecting a change in the product mix, etc. As a result, gross profit amounted to JPY664.3 billion (an increase of 29.1% year on year).

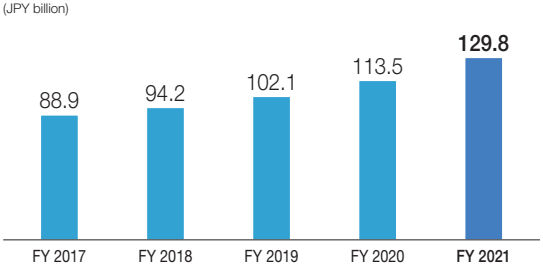
Operating expenses were JPY230.2 billion (an increase of 11.4% year on year). Marketing and distribution expenses were JPY75.8 billion (an increase of 6.0% year on year) mainly as a result of promoting digital marketing. Research and development expenses amounted to JPY129.8 billion (an increase of 14.4% year on year) due to an increase in expenses associated with the progress of projects, etc. General and administration expenses amounted to JPY24.6 billion (an increase of 13.4% year on year) primarily due to increases in the enterprise tax (pro forma standard taxation) and various expenses. As a result, Core operating profit was JPY434.1 billion (an increase of 41.0% year on year) and Core net income was JPY311.5 billion (an increase of 42.0% year on year).

Meanwhile, compared to the revised forecast announced on October 22, 2021, revenues increased by 3.1% to JPY999.8 billion, primarily due to an increase in export of Hemlibra to Roche, increases in royalties related to Actemra and Hemlibra and their profit-sharing income, and favorable domestic sales. The cost to sales ratio was 41.8%, an improvement of 1.6 percentage points over the revised forecast, reflecting a change in the product mix, etc. Operating expenses were JPY230.2 billion (a decrease of 0.3% compared to the revised forecast). As a result, Core operating profit was JPY434.1 billion (an increase of 8.5% compared to the revised forecast).

### c) 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 application. In Japan, the Group has established research bases in Fuji Gotemba and Kamakura, which are collaborating to develop new pharmaceuticals, and its research facilities in Ukima are conducting industrialization research. Overseas, Chugai Pharma USA, Inc. (United States); Chugai Pharma Europe Ltd. (United Kingdom); Chugai Pharma Science (Beijing) Co., Ltd. (China); and Chugai Pharma Taiwan Ltd. (Taiwan) are engaged in clinical development and submission of applications in their respective countries. Chugai Pharmabody Research Pte. Ltd. (Singapore) is engaged in pharmaceutical research and development.

**Reference** | **R&D Expenses**




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

#### (i) Oncology

- We obtained approval for Polivy for the indication of relapsed or refractory diffuse large B-cell lymphoma (DLBCL) in March and launched in May. We also filed for the treatment of previously untreated DLBCL in December.
- We started global Phase III study for Tecentriq for the treatment of hepatocellular carcinoma (HCC) (intermediate stage), in combination with RG435, and muscle-invasive bladder cancer (adjuvant) in March and May, respectively. We also filed for the treatment of non-small cell lung cancer (NSCLC) (adjuvant) in July.
- We started global Phase III study for the anti-VEGF (vascular endothelial growth factor) humanized monoclonal antibody, Avastin, for the treatment of HCC (intermediate stage), in combination with RG7446, in March.
- We started global Phase III study for the selective estrogen receptor downregulator (SERD) RG6171 for the treatment of breast cancer (adjuvant) in August.
- We started global Phase III study for the anti-CD20/CD3 bispecific antibody RG7828 for the treatment of follicular lymphoma in October.
- We started Phase I study for the RET inhibitor RG6396 for the treatment of solid tumors in July. We also started global Phase III study for the treatment of NSCLC in November.
- We started Phase I study for the oncolytic type 5 adenovirus OBP-301 for the treatment of HCC, in combination with RG7446 and RG435, in January.
- We started Phase I study for anti-latent TGF-$\beta$1 monoclonal antibody SOF10/RG6440 for the treatment of solid tumors in June.
- We started Phase I study for the RAS inhibitor LUNA18 for the treatment of solid tumors in October.
- We decided to discontinue the development of the anti-FAP humanized antibody-engineered IL-2 variant fusion protein RG7461 for solid tumors in consideration of the results of multiple overseas studies conducted by Roche.
- We decided to discontinue the development of the AKT inhibitor RG7440 for breast cancer in consideration of the results of the global study IPATunity150.

### (ii) Renal diseases

- We entered into an option and license agreement with Alebund Pharmaceuticals (Hong Kong) Limited in July that Chugai would grant Alebund an exclusive license to develop, manufacture, and commercialize the NaPi-IIb, PiT-1, PiT-2 inhibitor EOS789 for all indications worldwide including Japan.

### (iii) Autoimmune diseases

- We decided to discontinue the development of the BTK inhibitor RG7845 for rheumatoid arthritis in consideration of the results of multiple overseas studies conducted by Roche.

### (iv) Neurology

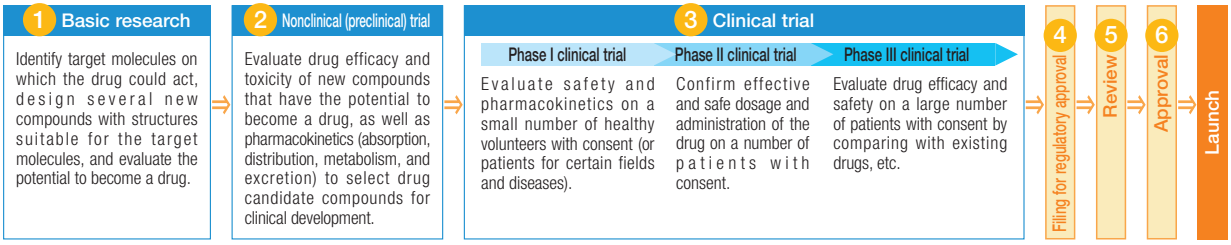
- We obtained approval for Evrysdi for the treatment of spinal muscular atrophy in June and launched in August.
- We obtained approval for Enspryng for the indication of neuromyelitis optica spectrum disorder in the EU in June. We also started global Phase III study for the treatment of generalized myasthenia gravis (gMG) in October.
- We started Phase I study for anti-amyloid beta/TfR1 fusion protein RG6102 for the treatment of Alzheimer's disease in July

### (v) Other diseases

- We started Phase I study for Ronapreve for the treatment of COVID-19 in March and filed for the special approval for emergency in June, and obtained approval for the treatment of COVID-19 in July. We also filed and obtained approval for additional indication as a preventive treatment of symptomatic COVID-19 in October and November, respectively.
- We filed for Hemlibra for the treatment of acquired hemophilia A in November.
- We filed for Actemra for the treatment of COVID-19 pneumonia in December.
- We filed for the anti-VEGF/Ang2 bispecific antibody RG7716 for the treatment of diabetic macular edema and neovascular age-related macular degeneration in June. We also started global Phase III study for RG7716 for the treatment of retinal vein occlusion in March.
- We started global Phase III study for the anti-C5 recycling antibody SKY59/RG6107 for the treatment of atypical hemolytic uremic syndrome in October.
- We started Phase I study for anti-FGFR1/KLB bispecific antibody RG7992 for the treatment of non-alcoholic steatohepatitis in June.
- We started global Phase III study for the RNA polymerase inhibitor RG6422 for the treatment of COVID-19 in April. We decided to discontinue the development in consideration of the decision made by Roche and Atea Pharmaceuticals to terminate their partnership for the global joint development of RG6422.
- We decided to discontinue the development of the PTH1 receptor agonist PCO371 for hypoparathyroidism in consideration of the results of Phase I study.
- We decided to discontinue the development of the sodium hyaluronate drug Suvenyl for knee osteoarthritis and shoulder periarthritis in China for strategic reasons.

**Reference** | **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.



## Status of clinical development (as of December 31, 2021)

| Development code | Generic name / Product name (Scheduled) / Dosage form | Expected indication | Stage (Time) |
|---|---|---|---|
| **Oncology field** | | | |
| **RG7596** | polatuzumab vedotin<br>Polivy / Injection | Relapsed or refractory diffuse large B-cell lymphoma (DLBCL) | |
| | | DLBCL (additional indication) | |
| **RG7446** | atezolizumab<br>Tecentriq / Injection | Non-small cell lung cancer (NSCLC) (adjuvant) (additional indication) | |
| | | NSCLC (neoadjuvant) (additional indication) | |
| | | NSCLC (stage III) (additional indication) | (in combination with RG6058) |
| | | Urothelial carcinoma (additional indication) | |
| | | Muscle-invasive bladder cancer (adjuvant) (additional indication) | |
| | | Renal cell carcinoma (adjuvant) (additional indication) | |
| | | Renal cell carcinoma [second line] (additional indication) | (in combination with cabozantinib) |
| | | Early breast cancer (additional indication) | |
| | | Ovarian cancer (additional indication) | (in combination with RG435) |
| | | Hepatocellular carcinoma (adjuvant) (additional indication) | (in combination with RG435) |
| | | Hepatocellular carcinoma (intermediate stage) (additional indication) | (in combination with RG435) |
| | | Head and neck carcinoma (maintenance therapy) (additional indication) | |
| | | Esophageal cancer (additional indication) | (in combination with RG6058) |
| | | Pancreatic adenocarcinoma (additional indication) | Morpheus platform (in combination with RG1569 or RG6058) |
| **RG435** | bevacizumab<br>Avastin / Injection | Hepatocellular carcinoma (adjuvant) (additional indication) | (in combination with RG7446) |
| | | Hepatocellular carcinoma (intermediate stage) (additional indication) | (in combination with RG7446) |
| | | Small cell lung cancer (additional indication) | (in combination with RG7446) |
| **RG7440** | ipatasertib<br>Product name undetermined / Oral | Prostate cancer | |
| **RG6264** | trastuzumab / pertuzumab<br>Product name undetermined / Injection | Breast cancer<br>(Fixed-dose combination, subcutaneous injection) | |
| **AF802 / RG7853** | alectinib<br>Alecensa / Oral | NSCLC (adjuvant) (additional indication) | |
| **RG6058** | tiragolumab<br>Product name undetermined / Injection | Small cell lung cancer | (in combination with RG7446) |
| | | NSCLC | (in combination with RG7446) |
| | | NSCLC (stage III) | (in combination with RG7446) |
| | | Esophageal cancer | (in combination with RG7446) |
| **RG6171** | giredestrant<br>Product name undetermined / Oral | Breast cancer | |
| | | Breast cancer (adjuvant) | |
| **RG7828** | mosunetuzumab<br>Product name undetermined / Injection | Follicular lymphoma | |
| **RG6396** | pralsetinib<br>Product name undetermined / Oral | NSCLC | |
| **OBP-301** | Generic name undetermined<br>Product name undetermined / Injection | Esophageal cancer | |
| | | Hepatocellular carcinoma | (in combination with RG7446 and RG435) |
| **GC33** | codrituzumab<br>Product name undetermined / Injection | Hepatocellular carcinoma | |
| **ERY974** | Generic name undetermined<br>Product name undetermined / Injection | Solid tumors | |
| **RG7421** | cobimetinib<br>Product name undetermined / Oral | Solid tumors | |
| **RG7802** | cibisatamab<br>Product name undetermined / Injection | Solid tumors | |
| **RG6026** | glofitamab<br>Product name undetermined / Injection | Hematologic tumors | |

| Development code | Generic name<br>Product name (Scheduled) / Dosage form | Expected indication | Stage (Time)<br>Phase I / Phase II / Phase III / Filing / Approval / Launch |
|---|---|---|---|
| **Oncology field** | | | |
| **STA551** | Generic name undetermined<br>Product name undetermined / Injection | Solid tumors | |
| **SPYK04** | Generic name undetermined<br>Product name undetermined / Oral | Solid tumors | |
| **RG6194** | Generic name undetermined<br>Product name undetermined / Injection | Solid tumors | |
| **SOF10 / RG6440** | Generic name undetermined<br>Product name undetermined / Injection | Solid tumors | |
| **LUNA18** | Generic name undetermined<br>Product name undetermined / Oral | Solid tumors | |
| **Autoimmune Diseases field** | | | |
| **RG7880** | efmarodocokin alfa<br>Product name undetermined / Injection | Inflammatory bowel disease | |
| **Neurology field** | | | |
| **RG7916** | risdiplam<br>Evrysdi / Oral | Spinal muscular atrophy | |
| **SA237 / RG6168** | satralizumab<br>Enspryng / Injection | Generalized myasthenia gravis (additional indication) | |
| **RG1450** | gantenerumab<br>Product name undetermined / Injection | Alzheimer's disease | |
| **RG6042** | tominersen<br>Product name undetermined / Injection | Huntington's disease | |
| **RG7906** | ralmitaront<br>Product name undetermined / Oral | Schizophrenia | |
| **RG7935** | prasinezumab<br>Product name undetermined / Injection | Parkinson's disease | |
| **GYM329 / RG6237** | Generic name undetermined<br>Product name undetermined / Injection | Neuromuscular disease | |
| **RG6100** | semorinemab<br>Product name undetermined / Injection | Alzheimer's disease | |
| **RG6102** | Undetermined<br>Product name undetermined / Injection | Alzheimer's disease | |
| **Other fields** | | | |
| **RG6413 / RG6412** | casirivimab / imdevimab<br>Ronapreve / Injection | COVID-19 | |
| | | Prevention of symptomatic COVID-19 (additional indication) | |
| **MRA / RG1569** | tocilizumab<br>Actemra / Injection | COVID-19 pneumonia (additional indication) | |
| **ACE910 / RG6013** | emicizumab<br>Hemlibra / Injection | Acquired hemophilia A (additional indication) | |
| **RG7716** | faricimab<br>Product name undetermined / Injection | Diabetic macular edema | |
| | | Neovascular age related macular degeneration (nAMD) | |
| | | Retinal vein occlusion | |
| **SKY59 / RG6107** | crovalimab<br>Product name undetermined / Injection | Paroxysmal nocturnal hemoglobinuria | |
| | | Atypical hemolytic uremic syndrome | |
| **NXT007** | Generic name undetermined<br>Product name undetermined / Injection | Hemophilia A | (I / II) |
| **AMY109** | Generic name undetermined<br>Product name undetermined / Injection | Endometriosis | |
| **RG7992** | Generic name undetermined<br>Product name undetermined / Injection | Non-alcoholic steatohepatitis | |

In principle, completion of first dose is regarded as the start of clinical studies in each phase. : Change in status in January 2021 and thereafter

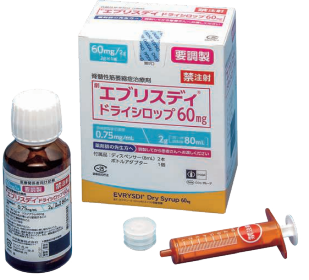
## Oncology field

| | |
|---|---|
| Avastin® | Anti-cancer agent |
| Tecentriq® | Anti-cancer agent |
| Perjeta® | Anti-cancer agent |
| Alecensa® | Anti-cancer agent |
| Kadcyla® | Anti-cancer agent |
| Herceptin® | Anti-cancer agent |
| Polivy® | Anti-cancer agent |
| Rituxan® | Anti-cancer agent |
| Gazyva® | Anti-cancer agent |
| Foundation Medicine | Genomic mutation analysis program |


Alecensa®

## Primary field

| | |
|---|---|
| Ronapreve® | Anti-SARS-CoV-2 monoclonal antibody |
| Actemra® | Rheumatoid arthritis agent |
| Hemlibra® | Coagulation factor VIII substitute |
| Edirol® | Osteoporosis agent |
| Mircera® | Renal anemia agent |
| Enspryng® | PH-dependent binding humanized anti-IL-6 receptor monoclonal antibody |
| CellCept® | Immunosuppressant |
| Bonviva® | Osteoporosis agent |
| Oxarol® | Agent for secondary hyperparathyroidism in hemodialysis patients |
| Evrysdi® | SMN2 splicing modifier |




Evrysdi®

### (3) 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 JPY72.0 billion. Such expenditures mainly consisted of investments for the construction of Chugai Life Science Park Yokohama, the production of small and mid-size molecule APIs (construction of a new production building for synthetic APIs) and the production of synthetic APIs used for the production of study drugs for late-stage development to early-stage commercial production of small and mid-size molecule drugs (construction of a production building for synthetic APIs) in Fujieda Plant, as well as the production of study drugs for early-stage development (construction of a production building for bio APIs) in Ukima Plant.

### (4) Financing

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

### (5) Transfer of Business, etc.

In the fiscal year under review, the Group conducted none of such undertakings as transfer 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.

### (6) Future Tasks

#### a) Basic management principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Group's basic management principles is to develop hand in hand with society under its mission of "dedicating ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world" and its Envisioned Future of "becoming a top innovator for advanced and sustainable patient-centric healthcare."

As the Group works to achieve these goals, it will carry out its business activities in line with its core values of "Patient Centric," "Pioneering Spirit" and "Integrity."

Under these basic management principles, the Group focuses on innovation based on innovative drug discovery, with the aim of resolving social issues through the provision of optimal medical care for each and every patient, while also expanding corporate value in a sustainable manner.

To create shared value for Chugai and society, the Group identifies material issues that should be given priority. The Group will proactively work on social issues including those in ESG and SDGs, for example, "sustainable healthcare," which is also stated in its Envisioned Future. The Group is convinced that these activities will contribute to enhancing the sustainability of society as a whole, while laying a foundation for the long-term development of the Group.

#### b) Target management indicators

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

Under such policy, due to a drastic change in Chugai's revenue structure, innovative products developed in-house have gained importance in terms of revenue, in recent years. As the sources of revenue have expanded to markets around the world, revenue is now affected more than ever by overseas market trends. As for the external environment, the competitive environment is changing significantly, as seen by the digitization of the healthcare industry, the evolution of drug discovery technologies, issues regarding sources of medical financing, and active business combinations and alliances.

Against the backdrop of such a rapidly changing business environment, the Group has formulated a growth strategy toward 2030, "TOP I 2030" (described later), where it has set

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

**c) Management environment and issues to be addressed**

There are growing expectations and needs for pharmaceuticals due to an increase in the world population, progressive demographic graying in each country and the global COVID-19 pandemic continuing from 2020. At the same time, more and more stringent policies to curb medical expenditures, including drug costs, are being implemented amid the strain on budgets in each country due to an increase in social security costs such as medical expenditures. The realization of sustainable medical care has become a common issue in the world. As such, in order to realize advanced and sustainable medical care with limited resources, the trend toward Value Based Healthcare (VBHC) is gaining momentum, in which only solutions that offer true value are pursued.

As the dramatic progress of life science and digital technologies has resulted in expanded opportunities to generate innovation for solving medical issues, digital companies as well as various other players are now entering the healthcare area. As a result, competition beyond the scope of existing industries is intensifying more than ever.

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

The Group achieved top-class growth in Japan based on the development of innovative new drugs and its strategic alliance with Roche. While securing a stable revenue foundation through Roche’s fully stocked pipeline of new drugs as well as leveraging the Roche global platform for the Group’s late-stage development and sales activities to achieve a high level of productivity, the Group concentrates resources on in-house drug discovery and continuously generates innovative R&D projects. As a result, the Group’s drug discovery capabilities have been highly evaluated worldwide, with six drugs (including Actemra, Alecensa, Hemlibra, Enspryng and Nemolizumab) generated by Chugai being designated as Breakthrough Therapy* by the U.S. Food and Drug Administration (FDA).

Going forward, the Group will steadily maximize value for these growth drivers in the global market, while generating the next innovative new drugs ahead of competitors through swift development and demonstrating high patient value, in an aim for sustainable profit growth. In addition, amid a rising need for diagnosis, prevention and treatment of COVID-19, the Group will strive to maintain a stable supply of Actemra and Ronapreve and continue to work to develop and deliver innovative medicines.

In addition to the above-mentioned challenges to realize sustainable medical care, there is a global challenge of growing threats to the sustainability of the social system, including changes in the global environment and widening economic

disparity. Chugai includes those social issues in its material issues so as to continue to strive for the resolution.

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

### d) Growth strategy for 2030 "TOP I 2030"

With a view toward realizing the Envisioned Future set out in its Mission Statement, the Group has formulated and implemented "TOP I 2030," a growth strategy to achieve this goal since 2021, while materializing the vision of what it means to be a top innovator by 2030.

Vision for Top Innovator 2030:

1. Expectations from patients all over the world
   With world-class drug discovery capabilities, patients around the world expect that "Chugai will surely create new treatments."
2. Attracting talent and players from around the world
   Attract passionate talent from all over the world, and inspire players globally to think they can create something new by partnering with Chugai
3. Role model for the world
   Recognized for ESG initiatives through its business activities, Chugai will become a global role model as a leader in resolving social issues.

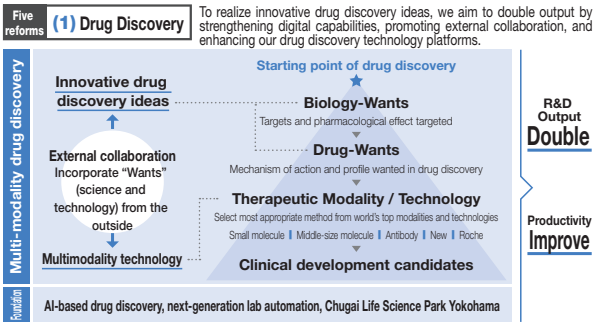
The twin pillars of "TOP I 2030" consist of "realizing the world's highest standard of drug discovery" and "establishing an advanced business model."

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

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

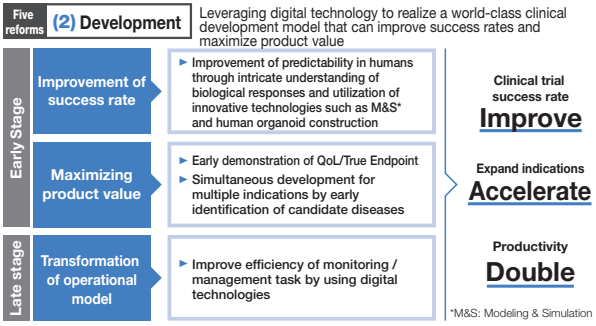
As specific initiatives, the Group has set forth "five reforms" in line with its value chain to realize the twin pillars of the strategy. These reforms comprise "Drug Discovery," "Development," "Pharmaceutical Technology," "Value Delivery" and "Foundation for Growth."

#### (i) Drug Discovery



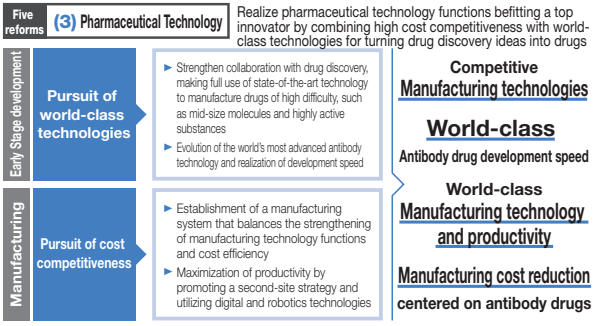

In "TOP I 2030," the Group will aim to further strengthen its drug discovery technology foundation, in order to materialize original drug discovery ideas based on its accumulated strengths in drug discovery, including protein engineering technology. In addition, the Group will concentrate resources on a company-wide basis, on drug discovery and early development, in order to create maximum value and produce results with adequate investment. In particular, in mid-size molecule drugs, which are expected to drive the Group's medium- to long-term growth, the Group will give priority to investing resources in technology development and clinical projects for early commercialization. The Group will also strive to diversify and accelerate drug discovery technologies, through the effective utilization of digital technologies including AI, as well as proactive external collaboration.

### (ii) Development




In order to deliver ground-breaking projects, as quickly as possible to as many patients as possible, the Group will build a top-class clinical development model in the industry that makes maximum use of mathematical models and digital technologies. The Group will enhance the predictability of dosing options, efficacy, and safety by precisely understanding biological reactions and thoroughly utilizing various disease and treatment data accumulated in-house, as well as real-world data (RWD). At the same time, the Group will utilize digital biomarkers and digital devices to demonstrate the QoL of patients at an early stage. In addition, the Group will work on a fundamental reform of its operations model, such as enhancing operational efficiency of late-stage clinical development and reducing the size and duration of studies through the use of RWD and other data.

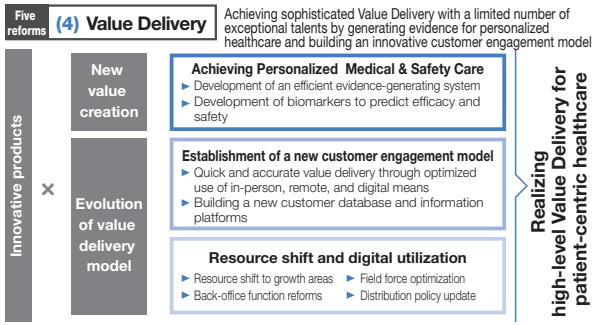
### (iii) Pharmaceutical Technology




While the Group aims to substantially expand its R&D output, the pursuit of world-class pharmaceutical technologies that steadily commercialize innovative drug discovery will also represent an important challenge. The Group will further strengthen the collaboration between the drug discovery/early development and pharmaceutical functions, in order to advance the development of pharmaceutical technologies for drugs with a high degree of difficulty, such as mid-size molecules, through the application of leading-edge technologies. With regard to antibody drugs, which are expected to continue evolving as a core technology, the Group will continue to work to further promote technological development and to improve the speed of development.

Meanwhile, the Group will also pursue world-class cost competitiveness and cost reduction, by building next-generation plants that dramatically improve productivity by means of digital and robotics technologies, and by optimizing insourcing and outsourcing.

### (iv) Value Delivery

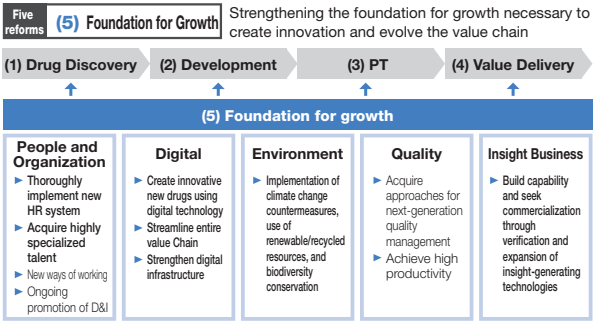



The customer contact points of pharmaceutical companies have also changed significantly owing to the development of digital tools and the impact of the spread of COVID-19. By also taking such changes into account, the Group will aim to establish an innovative customer engagement model, in order to deliver the information required by healthcare professionals and patients accurately and promptly, while ensuring a high level of expertise. Specifically, the Group will strengthen a system that is capable of providing valuable information to customers promptly and optimally, through the appropriate utilization of face-to-face, remote and digital systems, as well as suitable collaboration among the specialized functions of sales, safety and medical functions.

In line with changes in its product portfolio, the Group will also work on shifting resources by intensively allocating resources to new and growth areas.

In addition, the Group will advance the generation of evidence that promotes Personalized Healthcare, and also accelerate the development of biomarkers that accurately predict efficacy and safety for each patient, through the comprehensive analysis and utilization of various databases accumulated through drug discovery and development, as well as real-world data.

### (v) Foundation for Growth




In parallel with the reforms of each value chain, the Group will work to strengthen its company-wide foundation, which supports the generation of innovation and the realization of its growth strategy. To this end, the Group has specifically set out the following five themes, as priority areas.

"People and Organization": Through operation of the personnel system, which commenced in 2020, the Group will promote the assignment of the right personnel to the right positions through further advances in position management and talent management, and enhance the corporate culture to encourage personnel to boldly take on challenges. The Group will also focus on the acquisition, nurturing and provision of a sufficient number of highly specialized human resources, who will be the key in implementing business strategies, such as those in the fields of digital technology and science, including data scientists. At the same time, the Group will strive to foster an innovation culture through ongoing promotion of diversity and inclusion (D&I).

"Digital": Under "CHUGAI DIGITAL VISION 2030," the Group will implement three basic strategies: 1. Build a digital platform for both software and hardware, while establishing a global-level IT infrastructure by integrating various in-house data and building an analysis platform in collaboration with the Roche Group; 2. Promote digitalization in all value chains; and 3. Digital transformation for drug discovery and development.

"Environment": The Group will contribute to the realization of a sustainable global environment by setting mid-term environmental goals for the three issues identified as material: climate change countermeasures, use of renewable/recycled resources, and protection of biodiversity, with the final year set for 2030. Climate change countermeasures, which is the most critical global theme, will the Group work on over the long term, aiming to achieve its goal of zero $CO_2$ emissions by 2050.

"Quality": The Group has worked to advance not only product quality, but also quality management, with respect to its responses to pharmaceutical affairs and the entire business processes. Going forward, the Group will also enhance the development and implementation of quality management methods, suitable for changing business processes, including responding to new regulations accompanying a variety of technological evolution and modality challenges, enhancing digital compliance, and developing a quality assurance system in anticipation of expanded collaboration with external parties.

"Insight Business": The Group will accelerate initiatives to extract and utilize various insights that contribute to in-house drug discovery and development, and maximization of the value of drugs, by performing advanced analysis on the accumulated data obtained in each phase of drug discovery, development, pharmaceuticals and Value Delivery, as well as external data, including RWD. The Group will promote these initiatives while working in cooperation with Roche Group companies, including Flatiron Health, Foundation Medicine and Roche Diagnostics.

There are currently a large number of unmet medical needs worldwide, for which no treatments yet exist or treatment satisfaction is low, and patients around the world are eagerly awaiting the emergence of effective treatments. Solving each of these unmet medical needs is the need of society, and this is also the mission of the Chugai Group, as well as an opportunity for growth as a company. With the aim of becoming "a top innovator in the healthcare industry," as set out in the Mission Statement, the Group will continue to pursue the development of society and its own growth through innovation, by steadily implementing the five reforms formulated in the growth strategy, "TOP I 2030."

# Sustainability at Chugai

Under the Growth Strategy “TOP I 2030,” the Group will, in parallel with the reforms of each value chain, work to strengthen its company-wide foundation, which supports the generation of innovation and the realization of its growth strategy. Below is a report on just some of the efforts carried out in fiscal year 2021.

## Mid-Term Environmental Goals 2030 and Initiatives to Achieve the Goals

### Setting of Goals from a Long-Term, Comprehensive Perspective

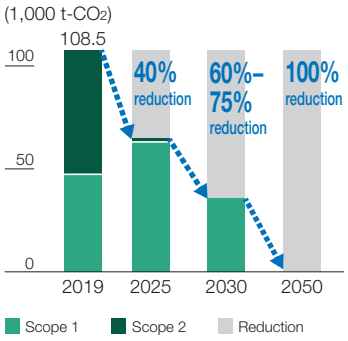
The Company set mid-term environmental goals for 2020 and made solid progress in initiatives to help protect the global environment. The subsequent new mid-term environmental goals, with the final year set for 2030, have 10 goals so that we can respond to material issues from a medium- to long-term perspective. Such goals include those related to water risk and chemical substance management to reflect expectations and demands of society and our conclusions following analysis of the previous mid-term environmental goals. Many of the goals have set 2025 as a milestone toward achieving the goals by 2030. We have also set a long-term goal of zero $CO_2$ emissions by 2050, as we need large-scale and long-term initiatives if we are to combat climate change.

For climate change countermeasures to prevent the global warming, we will work on achieving 100 percent use of sustainable electricity and also consider reducing direct $CO_2$ emissions due to fuel use (Scope 1[*1]) and cutting energy use and improving efficiency through renovations and repairs to our facilities and equipment.

For use of renewable/recycled resources to conserve resources and manage wastes, we will accelerate actions toward waste reduction while strengthening efforts to reduce water consumption.

For protection of biodiversity to reduce environmental impact, we will implement stricter protocols on the use of hazardous chemical substances and design environmentally conscious manufacturing processes.

Reference | Projected Reductions in $CO_2$ Emissions




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

*1. Scope 1: Direct emissions, Scope 2: Indirect emissions from the generation of purchased energy *2. Per total floor area (excluding leased properties) *3. Substances of Very High Concern

## Initiatives at pharmaceutical plants

### Construction of New Production Buildings for APIs with Advanced Technologies Adopted in Terms of EHS

The Company has renewed its research and production facilities and equipment that emit $CO_2$ in an amount that accounts for a large portion of the total $CO_2$ emissions from Chugai, and worked to promote efficient use of resources focusing on saving energy, reducing the amount of fluorocarbons used and promoting circular economies, taking those actions as priority steps to achieve the mid-term environmental goals 2030.

At Ukima Plant of Chugai Pharma Manufacturing Co., Ltd., a biologic API manufacturing building (UK4) is being constructed for scheduled completion in September 2023. The building draws on the concept of faster and more efficient manufacturing without using HHCs, burning natural gas or emitting $CO_2$. In Fujieda Plant, a new building for manufacturing synthetic APIs for small/mid-size molecule drugs (FJ3) is under construction and scheduled to be completed in October 2024. The building will employ advanced technologies adopted for environment, health and safety. We will continue to promote the adoption of advanced EHS technologies as well as renewal of research and production facilities and equipment.

**Building for manufacturing biologic APIs (UK4) in Ukima Plant**

- Completion of construction: September 2023
- Start of operation: January 2024
- Total investment: 12.1 billion yen

**Building for manufacturing synthetic APIs for small/mid-size molecule drugs (FJ3) in Fujieda Plant**

- Completion of construction: October 2024
- Start of operation: March 2025
- Total investment: 55.5 billion yen

# Human Rights Initiatives

## Promotion of Initiatives to Respect Human Rights As a Company in the Healthcare Industry

The Company declares its respect for human rights in the Chugai Group Code of Conduct (CCC), which is based on its shared Core Values. Aiming to achieve a workplace where personnel accept each other's values and respect diversity based on our corporate culture "respect for self and others," we have provided training on prevention of discrimination and harassment.

In line with the Chugai Group Human Rights Policy formulated based on the UN Guiding Principles on Business and Human Rights, we have managed suppliers pursuant to the guidelines established in accordance with the Pharmaceutical Supply Chain Initiative (PSCI) Principles to assess risks in terms of human rights and environment, in addition to steady supply and quality control on which we have already worked.

# Human Resources Initiatives

## Human Resource Management Policy for Realizing Growth Strategies

The Company recognizes that its people are its most important asset. That is because human resources are the generators of innovation and the driving force of value creation. We believe that assigning the right people to the right positions and conducting talent management will recognize individuals with independent thinking ability and motivation for self-improvement and support them to take on challenges and demonstrate to the fullest their strengths and expertise. By acquiring and developing highly specialized talent, including those in the fields of digital technology and science, we seek to create workplaces that bring together innovative people regardless of nationality, gender, career entry, or other attributes to work enthusiastically and with satisfaction together in a diverse environment.

# Communication with Shareholders, Investors, and Stakeholders

In its disclosure of information to shareholders and investors, Chugai has a policy of engaging in timely, appropriate, and fair disclosure activities in compliance with laws and regulations with the aim of being fairly evaluated by the capital market. As part of our efforts to ensure transparency, we provide information simultaneously in Japanese and English as a general rule, and we have created an environment that provides easy access to disclosure information. With regard to holding events, in 2021, we strived to secure opportunities for dialogue with shareholders and investors by holding a number of meetings and interviews online, amid the restrictions due to COVID-19 as in the last year. We held many more individual interviews with top management, in an effort to appropriately grasp the needs of investors and analysts through two-way communication and to disclose information that contributes to raising corporate value. Furthermore, we held online briefings for individual shareholders/investors to explain our characteristics in an easy-to-understand manner. As our new initiative for information dissemination, we have posted the scripts of briefings on our website in addition to streaming the briefings. We also actively engage in communication activities (media relations) with the media by issuing press releases, cooperating in interviews and coverage activities, providing briefings, and holding meetings with executives. At the same time, we use diverse tools such as our website to communicate with the community and the general public. At the same time, we use diverse tools such as our website to communicate with the community and the general public. We make special efforts to share information regarding our contribution to healthcare through our business activities as well as our broad-ranging efforts in areas such as the environment, human rights, social contributions, and human resource development.

**Investor Relations**

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

## (7) Main Businesses (as of December 31, 2021)

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

## (8) Principal Sales Offices, Plants and Research Laboratories (as of December 31, 2021)

### [Domestic]

1. Registered office (5-1 Ukima 5-Chome, Kita-ku, Tokyo)
2. Headquarters' office (1-1 Nihonbashi-Muromachi 2-Chome, Chuo-ku, Tokyo)

**<Sales branches>**

3. Hokkaido and Tohoku RMO (Miyagi Pref.)
4. Kanto-Kita and Koshinetsu RMO (Saitama Pref.)
5. Kanto-Minami RMO (Tokyo)
6. Tokai and Hokuriku RMO (Aichi Pref.)
7. Kansai RMO (Osaka)
8. Chugoku and Shikoku RMO (Hiroshima Pref.)
9. Kyushu RMO (Fukuoka Pref.)

**<Research & Development>**

10. Fuji-Gotemba Research Laboratories (Shizuoka Pref.)
11. Kamakura Research Laboratories (Kanagawa Pref.)
12. Ukima Research Laboratories (Tokyo)

**<Production>** * Bases of Chugai Pharma Manufacturing Co., Ltd.

13. Utsunomiya Plant (Tochigi Pref.)
14. Ukima Plant (Tokyo)
15. Fujieda Plant (Shizuoka Pref.)

### [Overseas]

**<Sales, Research & Development>**

1. Chugai Pharma Europe Ltd. (UK)
2. Chugai Pharma Europe Logistics S.A.S. (France)
3. Chugai Pharma Taiwan Ltd. (Taiwan)

**<Sales>**

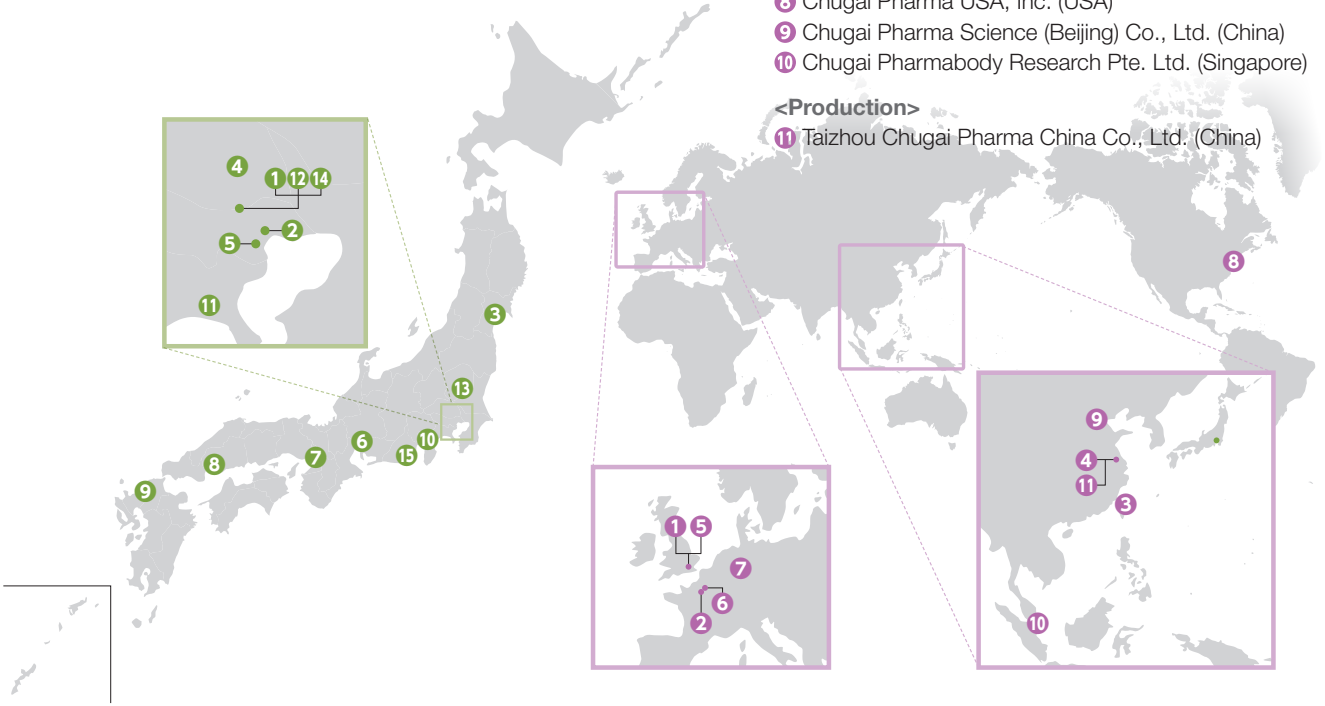
4. Chugai Pharma China Co., Ltd. (China)
5. Chugai Pharma U.K. Ltd. (UK)
6. Chugai Pharma France S.A.S. (France)
7. Chugai Pharma Germany Gmbh (Germany)

**<Research & Development>**

8. Chugai Pharma USA, Inc. (USA)
9. Chugai Pharma Science (Beijing) Co., Ltd. (China)
10. Chugai Pharmabody Research Pte. Ltd. (Singapore)

**<Production>**

11. Taizhou Chugai Pharma China Co., Ltd. (China)



## (9) Employees (as of December 31, 2021)

| Number of employees | Increase/decrease since end of previous fiscal year |
|---|---|
| 7,664 persons | 109 persons (Increase) |

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

## (10) Parent Company and Principal Subsidiaries

### a) Parent Company

Chugai belongs to a corporate group (Roche Group) centering on Roche Holding Ltd. (Head Office: Switzerland), which is its parent company.

Based on the Basic Alliance Agreement concluded in December 2001, Roche Holding Ltd. holds 1,005,670,935 shares of Chugai (shareholding percentage against total number of issued shares: 59.89%, or 61.16% when calculated based on the total number of issued shares excluding the number of treasury stock). However, as Chugai and Roche have agreed to cooperate in maintaining the listing of Chugai common stock on the First Section (Prime Market on and after April 4, 2022) of the Tokyo Stock Exchange, it maintains its managerial autonomy and independence as a publicly listed company.

As such, 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.

Out of the 9 Directors of Chugai, 3 Directors concurrently holds a position at the Roche Group. However, these members comprise less than half of management, and thus Chugai recognizes that its management independence is ensured.

### b) Transactions with Parent Company, etc.

Under the Japan Umbrella Rights Agreement concluded in December 2001, the Company became the sole pharmaceutical business company of the Roche Group in Japan. The Company also has the preoption for the development and marketing in Japan of all development compounds advanced by Roche.

The Rest of the World Umbrella Rights Agreement (excluding Japan and South Korea) concluded in May 2002 was revised and the Amended and Restated Rest of the World Umbrella Rights Agreement (excluding Japan, South Korea and Taiwan) was concluded in August 2014. Under this Agreement, Roche has the preoption for the development and marketing of the Company's development compounds in overseas markets, excluding South Korea and Taiwan.

These umbrella agreements were concluded with the approval of the Board of Directors.

Pursuant to these agreements, Roche and the Company have concluded a series of separate agreements for certain specific products. Depending on the specific circumstances and the terms of the agreement, this may result in payments on an arm's length basis between Roche and the Company, for any or all of the following matters:

- Upfront payments, if a preoption to license a product is exercised
- Milestone payments, dependent upon the achievement of agreed performance targets
- Royalties on future product sales

In its business dealings with the Roche Group, the Company conducts fair transactions on an arm's length basis, and the Directors of the Company are of the judgment that it will not harm the interests of the Company and minority shareholders.

From the perspective of ensuring independence from the parent company, although Roche Holding Ltd. includes the Company in its consolidated accounts, the Company functions as an independent listed company and makes all of its own management decisions based on the principle of self-governance. Important decisions on the management of the Company are made by the Board of Directors, and each Director considers and makes decisions in the best interest of the Company and all of its shareholders including minority shareholders.

### c) Principal Subsidiaries

| Name of Company | Capital | The Company's Shareholding Percentage | Main Business Activities |
|---|---|---|---|
| Chugai Pharma Manufacturing Co., Ltd. | JPY80 million | 100% | Manufacturing of pharmaceuticals |
| Chugai Pharma Europe Ltd. (UK) | GBP8,677,808 | 100% | Marketing & Development of pharmaceuticals |

There are 15 consolidated subsidiaries including the aforementioned two principal subsidiaries.

## (11) Other Important Matters of the Group

There is no applicable information.

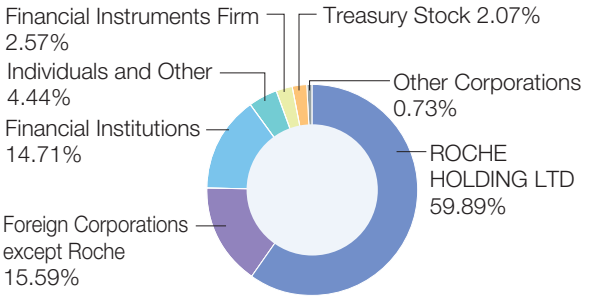
## 2 Company's Shares (as of December 31, 2021)

(1) Total Number of Authorized Shares 2,399,415,150 shares

(2) Total Number of the Issued Shares 1,679,057,667 shares
(Includes 34,739,943 shares of treasury stock)

(3) Number of Shareholders 90,546 shareholders

Reference | **Ownership Profile**




(4) Major Shareholders (Top Ten)

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

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 34,739 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 is based on the General Shareholder Notifications of the Japan Securities Depository Center, Incorporated.

(5) Shares Granted to the Company's Officers as Compensation for the Execution of Duties in the Fiscal Year under Review

The Company has introduced a restricted stock compensation system for Executive Directors in order to realize a remuneration system with a strong linkage with the Company's medium- and long-term business performance as well as with a high degree of transparency and objectivity.

During the fiscal year under review, 59,300 shares were granted to three Executive Directors.

(6) Other Important Matters Concerning Shares

There is no applicable information.

## 3 Company's Stock Acquisition Rights, etc.

Posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir) in accordance with laws and regulations and Article 15 of the Articles of Incorporation of the Company.

A resolution was passed at the 106th Annual General Meeting of Shareholders held in March 2017 to introduce a restricted stock compensation system and abolish the compensation system in the form of stock options. For this reason, the Company has not issued new stock acquisition rights as stock options during the fiscal year under review.

# 4 Company's Officers

## (1) Directors and Audit & Supervisory Board Members (as of December 31, 2021)

| | Name | Position and Responsibility in the Company | Important Concurrent Positions |
|---|---|---|---|
| Executive Directors | Tatsuro Kosaka | Representative Director, Chairman, In charge of External Affairs Department | Outside Director of Asahi Group Holdings, Ltd. |
| | Motoo Ueno | Representative Director, Deputy Chairman, In charge of Sustainability Department, Audit Department | |
| | Osamu Okuda | Representative Director, President & CEO | |
| Non-Executive Directors | Masayuki Oku | Outside Director | Outside Director of TV TOKYO Holdings Corporation<br>Outside Director of Rengo Co., Ltd.<br>Outside Director of The Royal Hotel, Ltd.<br>Non-Executive Director of The Bank of East Asia |
| | Yoichiro Ichimaru | Outside Director | Outside Director of Seino Holdings Co., Ltd. |
| | Mariko Y Momoi | Outside Director | Professor Emeritus of Jichi Medical University<br>Visiting Professor of School of Medicine, Shinshu University<br>Regent of Tokyo Medical University (part-time) |
| | Christoph Franz | Director | Chairman of the Board of Directors of Roche Holding Ltd.<br>Deputy Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland)<br>Member of the Board of Directors of Stadler Rail (Switzerland) |
| | William N. Anderson | Director | CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee |
| | James H. Sabry | Director | Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee |
| Audit & Supervisory Board Members | Atsushi Sato | Full-time Audit & Supervisory Board Member | |
| | Yoshiaki Ohashi | Full-time Audit & Supervisory Board Member | |
| | Takaaki Nimura | Outside Audit & Supervisory Board Member | Representative of Nimura Certified Public Accountant Office |
| | Yuko Maeda | Outside Audit & Supervisory Board Member | Director of CellBank Corp.<br>Outside Director of KOSÉ Corporation<br>Outside Director of Asahi Kasei Corporation<br>Auditor (part-time) of Japan Agency for Marine-Earth Science and Technology<br>Executive Vice President (part-time) of Kyushu University |
| | Kenichi Masuda | Outside Audit & Supervisory Board Member | Partner of Anderson Mōri & Tomotsune<br>Outside Director of Bridgestone Corporation<br>Outside Audit & Supervisory Board Member of Mercuria Holdings Co., Ltd.<br>Visiting professor of School of Law, The University of Tokyo |

(Notes) 1. Audit & Supervisory Board Members who retired or were newly appointed during the fiscal year under review are as follows:
<Retired>
Audit & Supervisory Board Member Mamoru Togashi (retirement due to expiration of term in office on March 23, 2021)
<Newly appointed>
Audit & Supervisory Board Member Yoshiaki Ohashi (assumed office on March 23, 2021)
2. Directors Christoph Franz, William N. Anderson and James H. Sabry are members of the executive committee of the Roche Group and are Non-Executive Directors of the Company. The relationship between the Company and the Roche Group is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries."
3. Audit & Supervisory Board Member Takaaki Nimura is a Certified Public Accountant and has considerable expertise in finance and accounting.
4. The Company designated Directors Masayuki Oku, Yoichiro Ichimaru and Mariko Y Momoi and Audit & Supervisory Board Members Takaaki Nimura, Yuko Maeda and Kenichi Masuda as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.
5. The Company established the Appointment Committee and the Compensation Committee as advisory boards to the Board of Directors, so as to secure managerial transparency.

| Committee Name | Role | Member Structure |
|---|---|---|
| Appointment Committee | The Appointment Committee deliberates on the selection of director candidates, succession plan for Executive Directors, including the CEO, and dismissal of directors. | Chairman: Masayuki Oku<br>Members: Osamu Okuda, Yoichiro Ichimaru, William N. Anderson |
| Compensation Committee | The Compensation Committee deliberates on remuneration policy and the remuneration of individual directors. | Chairman: William N. Anderson<br>Members: Masayuki Oku, Christoph Franz |

## (2) Overview of Limited Liability Agreement

With all Non-Executive Directors and all Audit & Supervisory Board Members, 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 regulations. The limit of the liability for compensation of damages under such agreement is the minimum liability limit stipulated by laws and regulations.

## (3) Overview of Indemnity Agreement

The Company has entered into an indemnity agreement with each of Directors and Audit & Supervisory Board Members of the Company, as provided for in Article 430-2, Paragraph 1 of the Companies Act, pursuant to the resolution of the Board of Directors adopted at its meeting held on July 26, 2021. Under such agreement, the Company shall indemnify them for the expenses provided for in item 1 and the losses provided for in item 2 of the said paragraph to the extent provided in laws and regulations.

## (4) Overview of Directors' and Officers' Liability Insurance

To secure excellent human resources and to prevent contraction in the execution of duties, the Company has concluded a directors' and officers' liability insurance agreement with the following conditions.

### a) Scope of Insured Persons

All Directors and all Audit & Supervisory Board Members of the Company

### b) The Ratio of Premiums to Be Actually Borne by the Insured Individuals

The premiums, including the portion for riders, will be borne by the Company. There are no actual premiums to be borne by the insured individuals.

### c) Overview of the Insurance Accidents Covered

The insurance, including riders, covers damage that may be incurred by the insured directors and officers as a result of assuming responsibilities relating to the execution of duties or receiving claims relating to the pursuit of such responsibilities. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed.

## (5) Outside Corporate Officers

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

· There is no relationship to be disclosed between the Company and entities where its Outside Corporate Officers hold concurrent positions.

### b) Major Activities during the Fiscal Year under Review

| | Name | Attendance at Meetings | | Major Activities at Meetings of Board of Directors and Audit & Supervisory Board |
|---|---|---|---|---|
| | | Board of Directors | Audit & Supervisory Board | |
| Outside Directors | Masayuki Oku | 10 out of 10 meetings (100%) | — | Attended all meetings of the Board of Directors held during the fiscal year under review, made suggestions and advice, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as a corporate manager. As the chairman of the Appointment Committee and a member of the Compensation Committee, attended all committee meetings held during the fiscal year under review and served a supervisory function from an objective and neutral standpoint. |
| | Yoichiro Ichimaru | 10 out of 10 meetings (100%) | — | Attended all meetings of the Board of Directors held during the fiscal year under review, made suggestions and advice, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as a corporate manager. As a member of the Appointment Committee, attended all committee meetings held during the fiscal year under review and served a supervisory function from an objective and neutral standpoint. |
| | Mariko Y Momoi | 10 out of 10 meetings (100%) | — | Attended all meetings of the Board of Directors held during the fiscal year under review, made suggestions and advice, etc. on the Company's management as necessary based on her experience in managing organizations such as universities and hospitals, in addition to her extensive experience, knowledge, etc. as a physician and university professor. |
| Outside Audit & Supervisory Board Members | Takaaki Nimura | 10 out of 10 meetings (100%) | 11 out of 11 meetings (100%) | Attended all meetings of the Board of Directors and the Audit & Supervisory Board held during the fiscal year under review, 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). |
| | Yuko Maeda | 10 out of 10 meetings (100%) | 11 out of 11 meetings (100%) | Attended all meetings of the Board of Directors and the Audit & Supervisory Board held during the fiscal year under review, made comments, etc. on the Company's management as necessary based on her extensive experience, knowledge, etc., including management experiences and audit experiences as an auditor of independent administrative corporation, along with her extensive experiences and knowledge on the application of intellectual properties of companies and academia and on collaboration between industry and academia, etc. |
| | Kenichi Masuda | 10 out of 10 meetings (100%) | 11 out of 11 meetings (100%) | Attended all meetings of the Board of Directors and the Audit & Supervisory Board held during the fiscal year under review, 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). |

(Note) The major activities of Outside Directors include the duties they performed related to their expected roles.

## (6) Amount of Remuneration, etc. Paid to Directors and Audit & Supervisory Board Members

Total amount of remuneration, etc. paid to officers for the fiscal year under review is as outlined below:

| Position | Total Remuneration, etc. (JPY millions) | Total Amount by Type of Remuneration, etc. (JPY millions) | | | | Number of Eligible Officers |
|---|---|---|---|---|---|---|
| | | Regular Remuneration | Bonuses | Restricted Stock Compensation | | |
| | | | | Tenure-based | Performance-based | |
| Directors (Excluding Outside Directors) | 570 | 229 | 169 | 78 | 94 | 3 |
| Outside Directors | 45 | 45 | — | — | — | 3 |
| Total | 615 | 443 | | 172 | | 6 |
| Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members) | 63 | 63 | — | — | — | 3 |
| Outside Audit & Supervisory Board Members | 36 | 36 | — | — | — | 3 |
| Total | 99 | 99 | | — | | 6 |

(Notes) 1. The table above includes one Audit & Supervisory Board Member who retired during the fiscal year under review.
2. 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.
3. The amounts of "restricted stock compensation (tenure-based and performance-based)" shown in the table above are the amounts that were posted as expenses for the fiscal year under review as each respective restricted stock compensation. Issue status of the restricted stock compensation is as outlined in "2. Company's Shares."
4. Apart from the JPY120 million in provision for reserve for bonuses to directors noted in the Business Report for the previous fiscal year as bonuses for directors for the previous fiscal year, JPY1 million was paid to three Directors (excluding Non-Executive Directors including Outside Directors) during the fiscal year under review.

<Overview of the Amount of Officer's Remuneration, etc., Policy Details Concerning Its Calculation Method and the Method to Determine Its Amount>

The Company has designed the remuneration for Directors and Audit & Supervisory Board Members with the intention of realizing sustainable increase of the Company's corporate value by securing superior human resources and giving appropriate motivation. The Company, after deliberation at the Compensation Committee, has defined the amount of remuneration, etc. for Directors or details of the policy for determining its calculation method, and the method to determine its amount under the Directors' Remuneration Rules and the Remuneration Standard for Directors established by the resolution of the Board of Directors. Each item is stated as below:

In order to further clarify the link among remuneration, the Company's business performance and shareholders' value and enhance the Directors' motivation and morale leading to the growth of the business results, remuneration for Executive Directors from Chugai consists of bonuses payable as a short-term incentive based on performance, etc., for each fiscal year and restricted stock compensation as a long-term incentive linked to mid-and long-term performance (tenure-based and performance-based), in addition to regular remuneration as fixed remuneration. The Board of Directors determines the details of such individual remuneration (total remuneration and the proportion of each remuneration) after deliberating at the Compensation Committee.

Further, remuneration for Non-Executive Directors including Outside Directors consists solely of regular remuneration as fixed remuneration. CEO (Osamu Okuda for the fiscal year under review), delegated by the Board of Directors, determines individual remuneration amount to set a remuneration level that enables the Company to secure market competitiveness in acquiring talents according to the report of the Compensation Committee. Transparency and objectivity are secured by setting a procedure in which the Compensation Committee excluding Executive Directors deliberates and reviews the remuneration level and such advice is respected in determining the remuneration level.

The Board of Directors, through deliberation, reporting, etc. at the Board of Directors and the Compensation Committee, has confirmed that the details of the remuneration, etc. of individual Directors for the fiscal year under review conform to the policy to determine the remuneration amount.

Further, remuneration for Audit & Supervisory Board Members consists solely of regular remuneration as fixed remuneration.

<Standard of Remuneration>
The Company aims to materialize a market competitive remuneration standard that enables to secure superior human resources and give appropriate motivation. The remuneration standard is determined for each fiscal year in reference to the remuneration benchmark of a group of companies comprising large corporations and pharmaceutical companies in Japan, based on the results of a survey conducted by an external specialist organization, after deliberation by the Compensation Committee in consideration of roles and duties, etc. of each Director.
<Structure of Remuneration>
For the fiscal year under review, the proportion of performance-based remuneration (bonuses plus restricted stock compensation calculated assuming full payment) for CEO shall be based on a guideline of "basic remuneration at 35%, bonuses at 30% and stock compensation at 35%" and the proportion of each remuneration for other Executive Directors is determined based on the proportion for the CEO, in consideration of their responsibilities, etc.

Composition of remuneration for the Company's Directors and Audit & Supervisory Board Members for the fiscal year under review

| | Fixed Remuneration | Performance-based Compensation | | |
|---|---|---|---|---|
| | | | Long-term Incentive (Stock Compensation) | |
| | Regular Remuneration | Bonuses | Tenure-based Restricted Stock Compensation | Performance-based Restricted Stock Compensation |
| **Executive Directors** | ● | ● | ● | ● |
| **Non-Executive Directors (including Outside Directors)** | ● | – | – | – |
| **Audit & Supervisory Board Members** | ● | – | – | – |

<Criteria for Performance-Based Remuneration and the Method to Determine Its Amount>
(i) Bonuses
Bonuses paid as a short-term incentive are determined by multiplying the base amount set according to individual positions, by the evaluation coefficient based on the comprehensive evaluation of company-wide performance and individual performance in the respective fiscal years in comparison to announced forecasts. Evaluation criteria for company-wide performance shall be the degree of achievement of factors including Core operating profit, revenues, R&D performance and company-wide tasks in the respective fiscal years. Evaluation criteria for individual performance shall be based on the achievement status of measures to meet performance targets for in-charge operations and ESG initiatives, etc. The Board determines the payment amount, within the range of 0%–200% of the base amount, after deliberating at the Compensation Committee. The reason for selecting the evaluation criteria and targets/actuals of main evaluation criteria are as shown in the following table.
(ii) Restricted Stock Compensation
Restricted stock compensation is a long-term incentive granting tenure-based restricted stock and performance-based restricted stock, which are subject to a three- to five-year transfer restriction period, at a ratio of 50:50. The number of shares to be granted shall be calculated by dividing the base amount set according to individual positions, duties, etc., by the closing price of the Company's shares in regular trading on the Tokyo Stock Exchange, Inc. on the business day immediately preceding the date of the resolution by the Board of Directors. The transfer restriction on the granted shares shall be lifted at the expiry of the transfer restriction period, subject to the applicable Director continuously remaining in office during the transfer restriction period. Furthermore, as for the performance-based restricted stock compensation, the number of shares applicable to the lifting of transfer restriction shall be determined within the range of 0% to 100%, based on the comparison results of total shareholders returns between domestic pharmaceutical companies and the Company (evaluation period: three fiscal years.) The release rate of the performance-based restricted stock compensation for the fiscal year under review is set at 100% based on the results that total shareholders return of the Company for the evaluation period between fiscal year 2019 and fiscal year 2021 is +77% and

being ranked No. 2 out of 11 domestic pharmaceutical companies. The reason for selecting the evaluation criteria and targets/actuals of main evaluation criteria are as shown in the following table.

| | | Criteria | Reason for selection | Targets at the beginning of fiscal year | Actuals |
|---|---|---|---|---|---|
| Bonuses | | Core operating profit | Linkage with fiscal year plans, sustainable and reliable increase of financial and social values | JPY 320.0 billion | JPY 434.1 billion |
| | | Revenues | | JPY 800.0 billion | JPY 999.8 billion |
| | | R&D performance | | (i) Achieved Key R&D output targets (Post-PoC)<br>(ii) Achieved Key R&D output targets (Pre-PoC)<br>(iii) Number of projects transitioned to PC | Achieved targets set by the Company |
| | | Measures for achieving performance targets for in-charge operations | | Per officer | Per officer |
| | | Achievement status of ESG initiatives, etc. | | ESG evaluation (evaluation by professional institutions, etc.) | Achieved targets set by the Company |
| Restricted stock compensation | Tenure-based | — | Sharing value with shareholders, respecting the linkage between officers' remuneration and the Company's mid-and long-term business performance, and sustainably increasing corporate value | — | — |
| | Performance-based | Total shareholders return (TSR) | | — | 100% release rate as the Company was ranked No. 2 among 11 companies |

<Overview of Compensation Committee>
The Compensation Committee deliberates on remuneration for individual Directors with a full understanding of expertise on officers' remuneration systems and changes in the environment surrounding executive compensation. Transparency and objectivity of the decision-making process is secured by deliberating at the Compensation Committee consisting of at least three outside committee members, including one or more independent Outside Director appointed by the Board of Directors based on the results of the survey conducted by an external specialist organization.

Main issues deliberated at the Compensation Committee and resolved at the Board of Directors during fiscal year 2021 are as outlined below:

- Individual bonus amount for fiscal year 2020 (paid in March 2021)
- The Company's standard of remuneration, proportion of remuneration, and verification of the appropriateness of the remuneration benchmark of a group of companies for fiscal year 2020
- Standard of remuneration by position for fiscal year 2021 (base amount set by individual position), proportion of remuneration
- Revision of the Directors' Remuneration Rules and the Remuneration Standard for Directors
- Release rate of the transfer restriction for performance-based restricted stock compensation based on the comparison results of total shareholders returns

[Date of Resolution at the General Meeting of Shareholders Related to Officers' Remuneration and its Details]

| | Type of Remuneration | Limit of Remuneration | Date of Resolution at the General Meeting of Shareholders | Number of Officers at the Time of Resolution |
|---|---|---|---|---|
| Directors | Regular remuneration | No more than JPY750 million per year | The 96th Annual General Meeting of Shareholders held on March 23, 2007 | 13 Directors (including three Outside Directors) |
| | Bonuses | | | |
| | Restricted stock compensation | No more than JPY345 million per year | The 106th Annual General Meeting of Shareholders held on March 23, 2017 | Four Executive Directors |
| Audit & Supervisory Board Members | Regular remuneration | No more than JPY120 million per year | The 109th Annual General Meeting of Shareholders held on March 30, 2020 | Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) |

(Notes) 1. Based on the resolution made at the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008 held on March 25, 2009, the Company abolished the retirement benefits system for Executive Directors and decided 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.
2. The retirement benefits system for Non-Executive Directors and Audit & Supervisory Board Members has been abolished by the resolution passed at the 95th Annual General Meeting of Shareholders for the year ended December 31, 2005 held on March 23, 2006.

### (7) Other Important Matters Concerning Company's Officers

There is no applicable information.

## 5 Accounting Auditor

Posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir) in accordance with laws and regulations and Article 15 of the Articles of Incorporation of the Company.

## 6 Framework to Ensure Operational Adequacy

Posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir) in accordance with laws and regulations and Article 15 of the Articles of Incorporation of the Company.

(Notes) 1. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of Ordinance of Company Accounting.
2. With regard to figures indicated in the Business Report, amounts less than the unit have been rounded off, whereas number of shares and shareholding percentages less than the unit have been rounded down.

# Consolidated Financial Statements

## Consolidated balance sheet (IFRS*) (As of December 31, 2021)

(Millions of yen)

| Item | FY2021 | FY2020(Reference) |
|---|---|---|
| Assets | | |
| Non-current assets: | | |
| Property, plant and equipment | 338,841 | 289,218 |
| Right-of-use assets | 13,266 | 8,272 |
| Intangible assets | 21,974 | 23,880 |
| Financial non-current assets | 2,393 | 2,841 |
| Deferred tax assets | 56,287 | 47,934 |
| Defined benefit plan assets | 1,327 | 492 |
| Other non-current assets | 40,944 | 27,954 |
| **Total non-current assets** | **475,033** | **400,592** |
| Current assets: | | |
| Inventories | 208,838 | 183,893 |
| Accounts receivable | 355,081 | 253,342 |
| Current income tax assets | 928 | 12 |
| Marketable securities | 204,217 | 166,287 |
| Cash and cash equivalents | 267,753 | 212,333 |
| Other current assets | 26,844 | 19,039 |
| **Total current assets** | **1,063,661** | **834,906** |
| **Total assets** | **1,538,694** | **1,235,498** |

| Item | FY2021 | FY2020(Reference) |
|---|---|---|
| Liabilities | | |
| Non-current liabilities: | | |
| Deferred tax liabilities | (7,614) | (9,166) |
| Defined benefit plan liabilities | (2,945) | (2,282) |
| Long-term provisions | (2,101) | (2,142) |
| Other non-current liabilities | (10,595) | (5,835) |
| **Total non-current liabilities** | **(23,255)** | **(19,425)** |
| Current liabilities: | | |
| Current income tax liabilities | (86,312) | (63,171) |
| Short-term provisions | (2,695) | (358) |
| Accounts payable | (152,266) | (100,396) |
| Other current liabilities | (86,149) | (72,146) |
| **Total current liabilities** | **(327,422)** | **(236,070)** |
| **Total liabilities** | **(350,677)** | **(255,495)** |
| **Total net assets** | **1,188,017** | **980,003** |
| Equity: | | |
| Capital and reserves attributable to Chugai shareholders | 1,188,017 | 980,003 |
| **Total equity** | **1,188,017** | **980,003** |
| **Total liabilities and equity** | **1,538,694** | **1,235,498** |

*International Financial Reporting Standards

## Consolidated income statement (IFRS) (January 1, 2021 to December 31, 2021)

(Millions of yen)

| Item | FY2021 | FY2020(Reference) |
|---|---|---|
| Revenues | 999,759 | 786,946 |
| Sales | 802,836 | 633,314 |
| Royalties and other operating income | 196,922 | 153,631 |
| Cost of sales | (338,147) | (273,465) |
| Gross profit | 661,612 | 513,481 |
| | | |
| Marketing and distribution | (76,592) | (72,585) |
| Research and development | (137,299) | (117,850) |
| General and administration | (25,824) | (21,816) |
| Operating profit | 421,897 | 301,230 |
| | | |
| Financing costs | (48) | (62) |
| Other financial income (expense) | 76 | (1,477) |
| Other expense | (2,540) | (1,504) |
| Profit before taxes | 419,385 | 298,188 |
| | | |
| Income taxes | (116,390) | (83,455) |
| Net income | 302,995 | 214,733 |
| | | |
| Attributable to: | | |
| Chugai shareholders | 302,995 | 214,733 |

Consolidated statement of changes in equity and notes to the consolidated financial statements have been posted on the Company's website in accordance with laws and regulations and Article 15 of the Articles of In-corporation of the Company.
CHUGAI website: https://www.chugai-pharm.co.jp/english/ir

# Non-Consolidated Financial Statements

## Non-consolidated balance sheet (JGAAP*) (As of December 31, 2021)

(Millions of yen)

| Item | FY2021 | FY2020(Reference) |
|---|---|---|
| Assets | | |
| Total current assets: | 1,027,388 | 801,070 |
| Cash and deposits | 245,237 | 163,664 |
| Accounts receivable-trade | 344,906 | 246,331 |
| Marketable securities | 199,989 | 164,988 |
| Merchandise and finished goods | 91,990 | 73,702 |
| Raw materials and supplies | 31,922 | 26,095 |
| Prepaid expenses | 7,443 | 6,490 |
| Short-term loans receivable from subsidiaries and affiliates | 5,400 | 37,900 |
| Accounts receivable-other | 83,693 | 71,854 |
| Other | 16,807 | 10,046 |
| Allowance for doubtful accounts | (0) | — |
| Total non-current assets: | 367,530 | 317,389 |
| Total property, plant and equipment: | 190,044 | 157,957 |
| Buildings (net) | 15,811 | 18,404 |
| Structures (net) | 465 | 492 |
| Machinery and equipment (net) | 1,363 | 1,197 |
| Vehicles (net) | 2 | 4 |
| Tool, furniture and fixtures (net) | 7,680 | 6,981 |
| Land | 51,421 | 52,173 |
| Construction in progress | 113,303 | 78,705 |
| Total intangible assets: | 3,096 | 7,109 |
| Software | 3,073 | 4,549 |
| Other | 23 | 2,560 |
| Total investments and other assets: | 174,390 | 152,323 |
| Investment securities | 11,534 | 3,050 |
| Stocks of subsidiaries and affiliates | 54,998 | 54,998 |
| Investments in capital of subsidiaries and affiliates | 3,309 | 3,309 |
| Long-term loans receivable from subsidiaries and affiliates | — | 1,100 |
| Long-term prepaid expenses | 24,147 | 20,501 |
| Deferred tax assets | 70,547 | 61,133 |
| Lease and guarantee deposits | 4,250 | 4,198 |
| Other | 5,622 | 4,052 |
| Allowance for doubtful accounts | (18) | (18) |
| Total assets | 1,394,918 | 1,118,459 |

| Item | FY2021 | FY2020(Reference) |
|---|---|---|
| Liabilities | | |
| Total current liabilities: | 325,256 | 245,878 |
| Accounts payable-trade | 100,345 | 83,946 |
| Accounts payable-other | 1,885 | 326 |
| Accrued expenses | 46,848 | 42,597 |
| Income taxes payable | 88,758 | 65,257 |
| Accrued consumption taxes | 2,474 | 275 |
| Deposits received | 30,263 | 2,216 |
| Provision for bonuses to employees | 13,089 | 11,270 |
| Provision for bonuses to directors | 170 | 120 |
| Provision for sales rebates | 2,292 | 1,630 |
| Provision for environmental matters | — | 53 |
| Provision for loss on guarantees | — | 262 |
| Accrued payables - facilities | 13,913 | 23,884 |
| Asset retirement obligations | 140 | 17 |
| Other | 25,078 | 14,026 |
| Total non-current liabilities: | 3,071 | 2,450 |
| Provision for employees' retirement benefits | 1,530 | 821 |
| Provision for directors' retirement benefits | 100 | 100 |
| Asset retirement obligations | 1,232 | 1,475 |
| Other | 209 | 54 |
| Total liabilities | 328,328 | 248,328 |
| Net assets | | |
| Total shareholders' equity: | 1,070,834 | 873,924 |
| Capital stock | 73,202 | 73,202 |
| Total capital surplus | 95,489 | 94,995 |
| Legal capital surplus | 93,050 | 93,050 |
| Other capital surplus | 2,439 | 1,945 |
| Total retained earnings | 929,305 | 733,234 |
| Legal retained earnings | 6,480 | 6,480 |
| Other retained earnings | 922,825 | 726,754 |
| Reserve for advanced depreciation of non-current assets | 646 | 662 |
| General reserve | 149,220 | 149,220 |
| Retained earnings carried forward | 772,958 | 576,872 |
| Own equity instruments, at cost | (27,161) | (27,507) |
| Total valuation and translation adjustments: | (4,772) | (4,416) |
| Net unrealised gain on available-for-sale securities | (147) | (83) |
| Deferred gains or losses on hedges | (4,624) | (4,332) |
| Stock acquisition rights | 528 | 622 |
| Total net assets | 1,066,590 | 870,131 |
| Total liabilities and net assets | 1,394,918 | 1,118,459 |

* Generally Accepted Accounting Principles in Japan

## Non-consolidated income statement (JGAAP) (January 1, 2021 to December 31, 2021) (Millions of yen)

| Item | FY2021 | FY2020(Reference) |
|---|---|---|
| Revenues | 993,350 | 779,194 |
| Cost of sales | 335,057 | 268,868 |
| Gross profit | 658,292 | 510,326 |
| Total selling, general and administrative expenses | 247,979 | 222,217 |
| Operating income | 410,313 | 288,109 |
| Non-operating income: | 5,362 | 5,109 |
| Interest and dividend income | 1,213 | 1,233 |
| Other | 4,149 | 3,876 |
| Non-operating expenses: | 1,559 | 2,395 |
| Interest expenses | 3 | 3 |
| Other | 1,556 | 2,392 |
| Ordinary income | 414,116 | 290,823 |
| Extraordinary gain: | 707 | 6 |
| Gain on sales of non-current assets | 624 | 3 |
| Gain on sales of investment securities | 28 | 3 |
| Gain on liquidation of subsidiaries | 55 | — |
| Extraordinary loss: | 6,871 | 2,364 |
| Loss on sales of non-current assets | 492 | 1 |
| Loss on revaluation of stocks of subsidiaries and affiliates | — | 50 |
| Impairment loss | 1,812 | 275 |
| Loss on sales of investment securities | — | 10 |
| Loss on valuation of investment securities | 559 | — |
| Adjustment from transfer pricing taxation | 2,540 | 1,504 |
| Restructuring expenses | 1,468 | 262 |
| Provision for loss on guarantees | — | 262 |
| Income before income taxes | 407,952 | 288,465 |
| Income taxes - current | 122,497 | 86,644 |
| Income taxes - deferred | (9,258) | (5,974) |
| Net income | 294,713 | 207,795 |

Non-consolidated statement of changes in shareholders' equity and notes to the non-consolidated financial statements have been posted on the Company's website in accordance with laws and regulations and Article 15 of the Articles of In-corporation of the Company.
CHUGAI website: https://www.chugai-pharm.co.jp/english/ir

With regard to figures indicated in the Consolidated Financial Statements and the Non-Consolidated Financial Statements, amounts less than one million yen have been rounded.

# Audit Report

## Copy of the Accounting Auditors' Report on Consolidated Financial Statements

**(TRANSLATION)**

### Independent Auditor's Report

January 31, 2022

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

KPMG AZSA LLC
Tokyo Office
Akihiro Otani (seal)
Designated and Engagement Partner with Limited Liability
Certified Public Accountant

Terukazu Nagamine (seal)
Designated and Engagement Partner with Limited Liability
Certified Public Accountant

Yujiro Kitamura (seal)
Designated and Engagement Partner with Limited Liability
Certified Public Accountant

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Chugai Pharmaceutical Co., Ltd. (the "Company") for the fiscal year from January 1, 2021 through December 31, 2021.

In our opinion, the above consolidated financial statements, prepared with the omission of some disclosure items required under the International Financial Reporting Standards in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting, present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management as Well as the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting which allows companies to prepare consolidated financial statements with the omission of some

disclosure items required under 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.
In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards.
The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements
Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.
We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest
Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Law of Japan.

## Copy of the Accounting Auditors' Report

**(TRANSLATION)**

# Independent Auditor's Report

January 31, 2022

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

KPMG AZSA LLC
Tokyo Office
Akihiro Otani (seal)
Designated and Engagement Partner with
Limited Liability
Certified Public Accountant

Terukazu Nagamine (seal)
Designated and Engagement Partner with
Limited Liability
Certified Public Accountant

Yujiro Kitamura (seal)
Designated and Engagement Partner with
Limited Liability
Certified Public Accountant

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated income statement, the non-consolidated statement of changes in shareholders' equity and the notes to the non-consolidated financial statements and the supplementary schedules (collectively, the "non-consolidated financial statements, etc.") of Chugai Pharmaceutical Co., Ltd. (the "Company") for the fiscal year from January 1, 2021 through December 31, 2021.

In our opinion, the above non-consolidated financial statements, etc. present fairly, in all material respects, the financial position and results of operations for the period covered by the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements, etc." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management as Well as the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. 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, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc. management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements, etc.

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements, etc. from an independent standpoint in

an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.
We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements, etc. is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the non-consolidated financial statements, etc. on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements, etc. in the audit report, or if the notes to the non-consolidated financial statements, etc. pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements, etc. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements, etc. are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements, etc. including related notes, and whether the non-consolidated financial statements, etc. fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

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

## 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 on 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, 2021 to December 31, 2021:

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

(1) 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.

(2) 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 and conducted audits in the following ways.

1) Each Audit & Supervisory Board Member 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. 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.

2) 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/her opinion on: (a) the nature of the Board of Directors' resolutions set forth in the 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 business operations of a corporate group, comprising its subsidiaries and other companies, 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.

3) Based on the status of deliberations by the Board of Directors and others, each Audit & Supervisory Board Member reviewed the contents of matters that were noted as stipulated in Article 118, Item 5 (a) of the Ordinance for Enforcement of the Companies Act, which are described in the business report, as well as judgment and reasons, which are set forth in (b) of the same item.

4) 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 each item of 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 business report, its supplementary schedules and 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.

4) In regards to transactions with the parent company, etc., stated in the business report, there are no matters to be pointed out in relation to the matters that were noted in order to prevent the said transactions from harming the interests of the Company and the judgment of the Board of Directors on said issue as well as the reason for said judgment.

(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.

February 2, 2022

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

Full-time Audit & Supervisory Board Member
Atsushi Sato
Full-time Audit & Supervisory Board Member
Yoshiaki Ohashi
Audit & Supervisory Board Member
Takaaki Nimura
Audit & Supervisory Board Member
Yuko Maeda
Audit & Supervisory Board Member
Kenichi Masuda

(Note) Audit & Supervisory Board Members Takaaki Nimura, Yuko Maeda and Kenichi Masuda are Outside Audit & Supervisory Board Members stipulated in Article 2, Item 16 and Article 335, Paragraph 3, of the Companies Act.

End