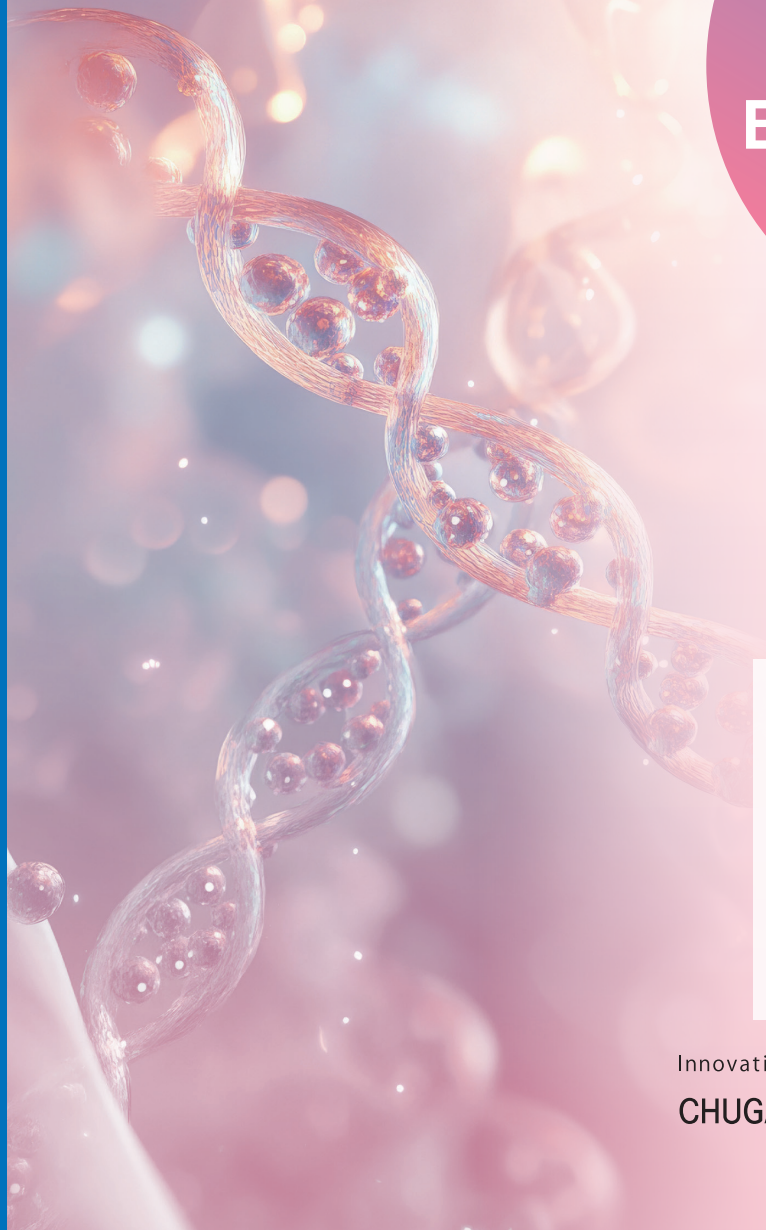
CHUGAI

Roche Group

[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the 114th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2024 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.]



THE 114th Business Report

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Among the matters subject to electronic provision, the following matters are not provided in the paper based documents delivered to shareholders who have requested the delivery of such documents, in accordance with laws and regulations and the provisions of the Company's Articles of Incorporation.

- 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
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Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

Securities Code: 4519

Business Report

January 1, 2024 to December 31, 2024

1 Overview of Consolidated Business Activities

(1) Asset and Income Status, etc. of the Group

a) Asset and Income Status

Item	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues (JPY billion)	786.9	999.8	1,259.7	1,111.4	1,170.6
Operating profit (JPY billion)	301.2	421.9	533.3	439.2	542.0
Net income (JPY billion)	214.7	303.0	374.4	325.5	387.3
Net income attributable to Chugai shareholders (JPY billion)	214.7	303.0	374.4	325.5	387.3
Total assets (JPY billion)	1,235.5	1,538.7	1,869.8	1,932.5	2,208.4
Total equity (JPY billion)	980.0	1,188.0	1,424.4	1,625.6	1,901.5
Basic earnings per share (JPY)	130.66	184.29	227.64	197.83	235.39
Equity per share attributable to Chugai shareholders (JPY)	596.16	722.50	865.88	988.01	1,155.56

(Note) 1. Effective the fiscal year 2023, the Company has changed its method of presentation to exclude income from disposal of product rights from revenues. Accordingly, the figures for the fiscal year 2022 have been reclassified in the same manner.

2. 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 2020.

b) Core Results Status

Item	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues (JPY billion)	786.9	999.8	1,167.8	1,111.4	1,170.6
Gross profit (JPY billion)	514.7	664.3	692.8	699.4	832.5
Operating profit (JPY billion)	307.9	434.1	451.7	450.7	556.1
Net income (JPY billion)	219.4	311.5	317.7	333.6	397.1
Net income attributable to Chugai shareholders (JPY billion)	219.4	311.5	317.7	333.6	397.1
Core EPS (JPY)	133.39	189.35	193.11	202.71	241.31
Research and development (JPY billion)	113.5	129.8	143.7	162.8	176.9

(Notes) 1. Effective the fiscal year 2023, the Company has changed its method of presentation to exclude income from disposal of product rights from revenues. Accordingly, the figures for the fiscal year 2022 have been reclassified in the same manner.

2. Effective July 1, 2020, the Company has implemented a three-for-one stock split of its common stock. “Core EPS” for the fiscal year 2020 is calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year 2020.

3. 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 2020	FY 2021	FY 2022	FY 2023	FY 2024
Ratio of equity attributable to Chugai shareholders (%)	79.3	77.2	76.2	84.1	86.1
Ratio of net income to equity attributable to Chugai shareholders (ROE) (%)	23.4	28.0	28.7	21.3	22.0
Price-earnings ratio (times)	42.12	20.27	14.80	27.00	29.73
Dividends per share (JPY)	55.00	76.00	78.00	80.00	98.00
Core dividend payout ratio (%)	41.2	40.1	40.4	39.5	40.6
Total shareholders return (TSR) (%)	165.4	115.1	106.5	167.6	219.8

(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. The amount of dividends per share for the fiscal year 2024 is conditional on the approval of the First Proposal (Appropriation of Surplus) proposed at the 114th Annual General Meeting of Shareholders for the Business Term ended December 31, 2024, and the dividend payout ratio has been calculated based on this amount.
3. "Core dividend payout ratio" stated above represents dividend per share against Core EPS.

Reference | ### Adoption of Core Results

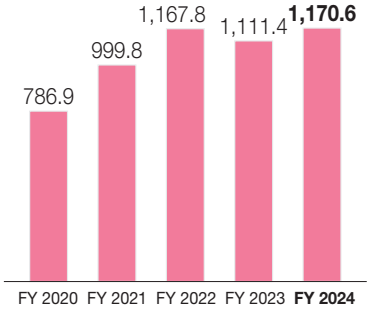
The Company discloses its results on a Core basis from the fiscal year 2013 in conjunction with its transition to IFRS. Core results are the results after adjusting non-recurring items recognized by the Company to IFRS results. The Company's recognition of non-recurring items may differ from that of Roche due to the difference in the scale of operations, the scope of business and other factors. Core results are used by 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.

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

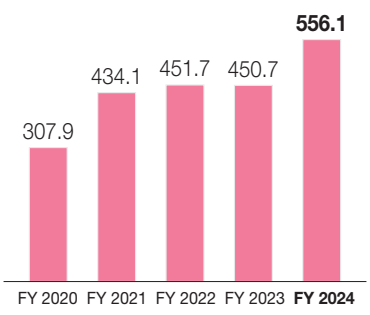
- Amortization and impairment of intangible assets (for example, lump-sum and milestone payments pertaining to products under development in-licensed from third parties)
- Merger impacts attributable to acquisitions of companies or businesses
- Non-recurring items such as expenses for restructuring,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

Key Performance Indicators (Core Results)

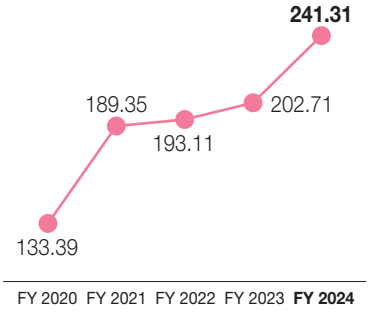
Revenues (JPY billion)



Operating Profit (JPY billion)



Core EPS (JPY)



(2) Developments and Results of Business Activities of the Group

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 (%)
Sales	**997.9**	**974.5**	**up 2.4%**
Japan	461.1	558.0	down 17.4%
Oncology field	247.7	260.2	down 4.8%
Specialty field	213.4	297.8	down 28.3%
Overseas	536.8	416.5	up 28.9%
Other revenue	**172.7**	**136.9**	**up 26.2%**
Revenues	**1,170.6**	**1,111.4**	**up 5.3%**

Domestic sales

Domestic sales were JPY461.1 billion (a decrease of 17.4% year on year) due to the effects of the supply of Ronapreve (anti-SARS-CoV-2 monoclonal antibody) to the government, which was recognized in the previous fiscal year, the NHI drug price revisions, and the market penetration of generic drugs, despite the growth in sales of new products and mainstay products.

Oncology products sales were JPY247.7 billion (a decrease of 4.8% year on year). While sales of the new product Phesgo (antineoplastic agent/anti-HER2 humanized monoclonal antibody/hyaluronan-degradation enzyme combination drug) were favorable, sales of mainstay products including Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) decreased due to the effects of the NHI drug price revisions and the market penetration of generic drugs. In addition, sales of Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) decreased compared to the previous fiscal year mainly due to the effects of the market penetration of Phesgo, a subcutaneous combination drug containing Perjeta.

Specialty products sales were JPY213.4 billion (a decrease of 28.3% year on year). In addition to the increased sales of the new product Vabysmo (an ophthalmic VEGF/Ang-2 inhibitor, anti-VEGF/anti-Ang-2 humanized bispecific monoclonal antibody) and the favorable market penetration of PiaSky (a pH-dependent binding humanized anti-complement (C5) monoclonal antibody), which was launched in May 2024, sales of the mainstay products Hemlibra (a blood coagulation factor VIII substitute/anticoagulation factor IXa/X humanized bispecific monoclonal antibody) and Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) remained favorable. Meanwhile, specialty products sales were significantly affected by the impact of the supply of Ronapreve to the government (JPY81.2 billion), which was recognized in the previous fiscal year, and the decline in sales of Tamiflu (an anti-influenza agent) to the government stockpiles.

Overseas sales

Overseas sales amounted to JPY536.8 billion (an increase of 28.9% year on year). The export of Hemlibra to Roche significantly increased compared to the previous fiscal year.

b) Financial Results

Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were JPY1,170.6 billion (an increase of 5.3% year on year), operating profit for the fiscal year under review was JPY542.0 billion (an increase of 23.4% year on year), and net income for the fiscal year under review was JPY387.3 billion (an increase of 19.0% year on year). These results include non-Core items, which are excluded from the Core results that Chugai adopts to manage recurring business activities, such as amortization of intangible assets of JPY1.6 billion, impairment loss of intangible assets of JPY4.1 billion, business rebuilding expenses of JPY7.9 billion, and restructuring expenses of JPY0.5 billion.

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	1,170.6	1,111.4	up 5.3%
Gross profit	832.5	699.4	up 19.0%
Operating profit	556.1	450.7	up 23.4%
Net income	397.1	333.6	up 19.0%

Revenues for the fiscal year under review were JPY1,170.6 billion (an increase of 5.3% year on year), due to an increase in sales and other revenue.

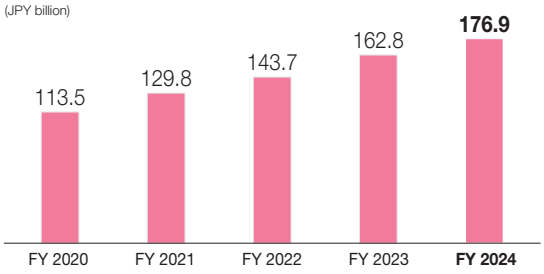
Of revenues, sales were JPY997.9 billion (an increase of 2.4% year on year). In domestic sales, sales of new products Phesgo and Vabysmo grew, and the mainstay products, such as Hemlibra and Actemra, performed favorably. However, due to the effects of the supply of Ronapreve to the government, which was recognized in the previous fiscal year, the NHI drug price revisions, and the market penetration of generic drugs, domestic sales declined from the previous fiscal year. Overseas sales increased significantly compared to the previous fiscal year primarily due to the major increase in the export of Hemlibra to Roche. Other revenue amounted to JPY172.7 billion (an increase of 26.2% year on year), primarily due to increases in income related to Hemlibra and lump-sum income. Furthermore, cost to sales ratio was 33.9%, an improvement of 8.4 percentage points year on year, reflecting the impact of a change in the product mix and other factors. As a result, gross profit amounted to JPY832.5 billion (an increase of 19.0% year on year).

Research and development expenses amounted to JPY176.9 billion (an increase of 8.7% year on year) due to investments into drug discovery/early development and increases associated with the progress of development projects, etc. Selling, general and administration expenses were comparable to the previous fiscal year at JPY102.2 billion (an increase of 0.2% year on year). Other operating income (expense) was income of JPY2.7 billion (JPY16.1 billion of income for the previous fiscal year due to the recognition of income from disposal of product rights and gain on sale of property, plant and equipment) primarily due to income from disposal of product rights. As a result, core operating profit was JPY556.1 billion (an increase of 23.4% year on year), and core net income increased for eight consecutive fiscal years to JPY397.1 billion (an increase of 19.0% year on year).

c) R&D Activities

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

Reference | **R&D Expenses**



Progress made in R&D activities was as follows.

(i) Oncology

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

(ii) Immunology

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

(iii)Neuroscience

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

(iv) Hematology

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

(v) Ophthalmology

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

(vi) Other Diseases

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

Oncology field Immunology field Neuroscience field Hematology field Ophthalmology field Other fields

Development code	Origin	Generic name	Product name	Expected indication <Combination drug>
Approved				
AF802/RG7853	in-house	alectinib	Alecensa	Non-small cell lung cancer (NSCLC) (adjuvant) # USA, EU, China and Japan
RG7828	Roche	mosunetuzumab	Lunsumio	Relapsed or refractory follicular lymphoma Japan
–	Roche	mycophenolate mofetil	CellCept	Systemic sclerosis with interstitial lung disease (SSclLD) # Japan
RG7916	PTC Therapeutics	risdiplam	Evrysdi	Pre-symptomatic spinal muscular atrophy # Japan
SKY59/RG6107	in-house	crovalimab	PiaSky	Paroxysmal nocturnal Hemoglobinuria (PNH) USA, EU, China and Japan
RG7716	Roche	faricimab	Vabysmo	Macular edema associated with retinal vein occlusion # Japan
–	Roche	rituximab	Rituxan	Refractory steroid-resistant nephrotic syndrome # Japan
				Chronic idiopathic thrombocytopenic purpura in children # Japan
–	in-house	nicorandil	Sigmart Injection	Unstable angina China
Filed				
RG7446	Roche	atezolizumab	Tecentriq	Alveolar soft part of sarcoma #
				Relapsed or refractory extranodal natural killer/T-cell lymphoma, nasal type #
RG6356/ SRP-9001	Sarepta*	delandistrogene moxeparvovec	–	Duchenne muscular dystrophy (DMD)
RG7716	Roche	faricimab	Vabysmo	Angioid streaks #
Phase III				
AF802/RG7853	in-house	alectinib	Alecensa	Maintenance treatment of NSCLC (stage III) after chemoradiotherapy #
RG7446	Roche	atezolizumab	Tecentriq	NSCLC (perioperative) #
				Muscle-invasive bladder cancer (adjuvant) #
				HCC (intermediate stage) # <Avastin> #
				HCC (2nd Line) # <lenvatinib or sorafenib>
RG435	Roche	bevacizumab	Avastin	Small cell lung cancer (SCLC) (1st Line) # <Tecentriq>
RG6058	Roche	tiragolumab	–	NSCLC (stage III) <Tecentriq> #
				Esophageal cancer <Tecentriq> #
				HCC (1st line) <Tecentriq/Avastin>

Development code	Origin	Generic name	Product name	Expected indication <Combination drug>
RG6171	Roche	giredestrant	–	Breast cancer (adjuvant)
				Breast cancer (1st Line) <palbociclib + letrozole>
				Breast cancer (1st Line-3rd Line) <everolimus>
RG7828	Roche	mosunetuzumab	Lunsumio	Follicular lymphoma (2nd Line) #<lenalidomide>
				Relapsed or refractory aggressive B-cell non-Hodgkin's lymphoma #<Polivy> #
				Previously untreated follicular lymphoma #
RG6026	Roche	glofitamab	–	Previously untreated large B-cell lymphoma <Polivy>
RG6330	Roche	divarasib	–	NSCLC (2nd Line)
RG7159	GlycArt Biotechnology	obinutuzumab	Gazyva	Lupus nephritis #
				Pediatric nephrotic syndrome #
				Extra renal lupus #
RG6299/ ASO factor B	Ionis Pharmaceuticals	–	–	IgA nephropathy
SA237/RG6168	in-house	satralizumab	Enspryng	Myelin oligodendrocyte glycoprotein antibody-associated disease (MOGAD) #
				Autoimmune encephalitis (AIE) #
SKY59/RG6107	in-house	crovalimab	PiaSky	Atypical hemolytic uremic syndrome (aHUS) #
RG6179	Roche	vamikibart	–	Noninfectious uveitic macular edema (UME)
SA237/RG6168	in-house	satralizumab	Enspryng	Thyroid eye disease (TED) #
Phase II/III				
GYM329/RG6237	in-house	–	–	Spinal muscular atrophy <Evrysdi>
Phase II				
GYM329/RG6237	in-house	–	–	Facioscapulohumeral muscular dystrophy (FSHD)
RG6042	Ionis Pharmaceuticals	tominersen	–	Huntington's disease
SKY59/RG6107	in-house	crovalimab	PiaSky	Sickle cell disease (SCD)
AMY109	in-house	–	–	Endometriosis
Phase I/II				
RG6102	MorphoSys	trontinemab	–	Alzheimer's disease

In principle, completion of first dose is regarded as the start of clinical studies in each phase. * Sarepta manages the global clinical study including Japan.

#: Additional indication

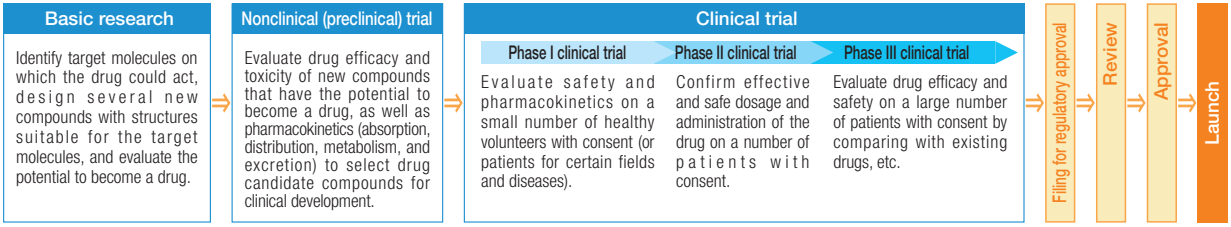
Development code	Origin	Generic name	Product name	Expected indication <Combination drug>
NXT007/RG6512	in-house	–	–	Hemophilia A
RG6321	Roche	ranibizumab (Port delivery system)	–	Neovascular age-related macular degeneration
				Diabetic macular edema
RG6615	Alnylam Pharmaceuticals	zilebesiran	–	Hypertension
Phase I				
LUNA18	in-house	paluratide	–	Solid tumors
GC33	in-house	codrituzumab	–	HCC
STA551	in-house	–	–	Solid tumors
SOF10/RG6440	in-house	–	–	Solid tumors
ALPS12/RG6524	in-house	–	–	Solid tumors
SAIL66	in-house	–	–	CLDN6 positive solid tumors
ROSE12	in-house	–	–	Solid tumors
RG7421	Exelixis	cobimetinib	–	Solid tumors
RG6026	Roche	glofitamab	–	Hematologic tumors
RG6160	Roche	cevostamab	–	Relapsed or refractory multiple myeloma
DONQ52	in-house	–	–	Celiac disease
RAY121	in-house	–	–	Autoimmune disease
RG7935	Prothena	prasinezumab	–	Parkinson's disease
REVN24	in-house	–	–	Acute diseases
GYM329/RG6237	in-house	–	–	Obesity
BRY10	in-house	–	–	Chronic diseases

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

#: Additional indication

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.



(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 JPY52.7 billion.

Such expenditures mainly consisted of investments for the construction of a production building for bio APIs (UT3) used for the production of study drugs for middle to later-stage development to early-stage commercial production in Utsunomiya Plant, the construction of a production building for sterile injectables (UTA) for early commercial use, and the construction of a production building for synthetic APIs (FJ3) used for the production of study drugs for late-stage development to early-stage commercial production of small and mid-size molecule drugs in Fujieda 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 upholds its mission of "dedicating ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world" and its Envisioned Future of "becoming a top innovator for advanced and sustainable patient-centric healthcare." Backed by its basic management principles to create shared value and develop hand in hand with society, the Group has developed a value-creation model based on a value-creation framework to bring about the realization of advanced and sustainable patient-centric healthcare.

Under these basic management principles, the Group has organized the elements that are to become the source of shared value creation and identified material issues that should be given priority. In 2024, the Group implemented a comprehensive review and identified 16 material issues that should be given priority. The Group evaluated the degree of materiality of issues from a double materiality perspective, considering both the impact that the environment and society have on companies (financial materiality) and the impact that companies' activities have on the environment and society.

In addition to our strategic alliance with Roche, we aim to become a global role model that leads the way in solving social issues represented by ESG and SDGs, including "sustainable healthcare" as stated in our Envisioned Future by focusing on innovation centered on innovative drug discovery based on our unique science and technology capabilities.

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

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

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.

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

c) Management environment and issues to be addressed

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

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

The Group achieved top-class growth in Japan based on its unique strengths in science and technology and its strategic alliance with Roche. The Group concentrates resources on inhouse drug discovery and continuously generates innovative R&D projects, through the business model that leverages the Roche global platform and achieves a high level of productivity in the late-stage development and sales of its own products, while securing a stable revenue foundation on the Japanese market through Roche's fully stocked pipeline. As a result, the Group's drug discovery capabilities have been highly evaluated worldwide, with six drugs (including Actemra, Alecensa, Hemlibra, Enspryng and Nemolizumab) generated by Chugai and nine projects implemented the Company being designated as Breakthrough Therapy*1 by the U.S. Food and Drug Administration (FDA).

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

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. In July 2024, the Group refined the strategy by reviewing the progress and results that it achieved.

Our envisioned Top Innovator in 2030:

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

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

By making use of its unique strengths in 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

Glossary

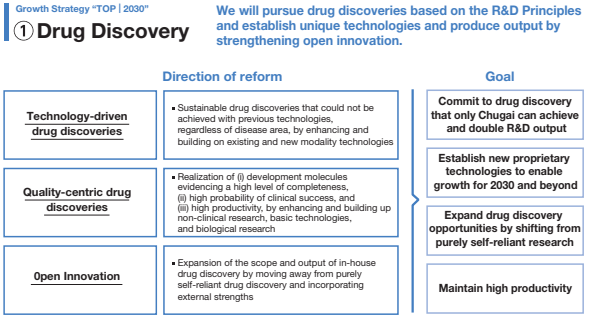
*1 Breakthrough Therapy: Drug candidates that are expected to be more effective than existing therapies for treating serious or life-threatening diseases or conditions.

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 to achieve the twin pillars of the "TOP I 2030" strategy, the Group has set forth "five reforms" that comprise reforms in each of the value chains of "Drug Discovery," "Development," "Pharmaceutical Technology," and "Value Delivery" as well as in "Foundation for Growth," which supports those value chains.

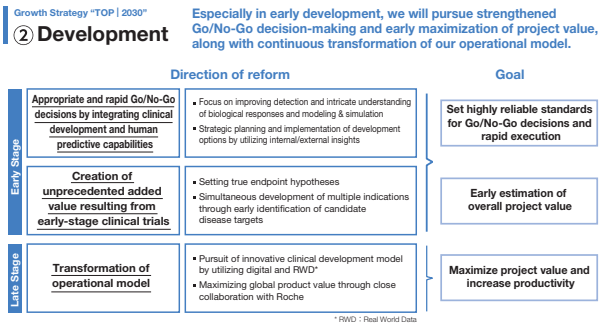
(i) Drug Discovery



The Group advances drug discovery based on R&D principles, and aims to approach targets that have been considered difficult to reach while also aiming to achieve pharmacological effects that are difficult to realize with current technology by tackling new modalities such as mid-size molecule drugs, in addition to innovating existing technologies such as small molecule drugs and antibodies. The Group will also strive to create high-quality development candidate molecules without making any compromise in all aspects including efficacy, safety DMPK,*2 and physical properties, thereby achieving high success rates in clinical development.

The Group has a history of creating a large number of pharmaceuticals by collaborating with academia in Japan, and is now actively engaging in collaborations with academia and startups in and outside of Japan. In January 2024, Chugai Venture Fund (CVF), the Group's corporate venture fund based in the United Sates, began operations. The Group will step up efforts to explore external technologies and targets, instead of focusing on its single-handed in-house drug discovery, and will integrate them with its own strengths to expand opportunities for drug discovery. The Group will strive to meet unmet medical needs, pursue innovative drug discovery that leads to treatment, early intervention, and prevention, and continue to contribute to the improvement of patients' quality of life.

(ii) Development



As the TOP I 2030 initiatives progress, an increasing number of projects will advance to the clinical development phase. The Group will aim to maximize the overall value of its projects as early as possible by making an appropriate and speedy go-or-no-go decision for each project by using a combination of its clinical development capabilities and human pharmacokinetics prediction*3 capabilities, and by implementing clinical development for multiple indications simultaneously once it is determined that there is a high probability that the compound can be put into practical use as a pharmaceutical. In addition, we will strive to maximize the value delivered to patients by working on the verification of the true endpoint*4 at an earlier phase and utilizing the results for late-stage development.

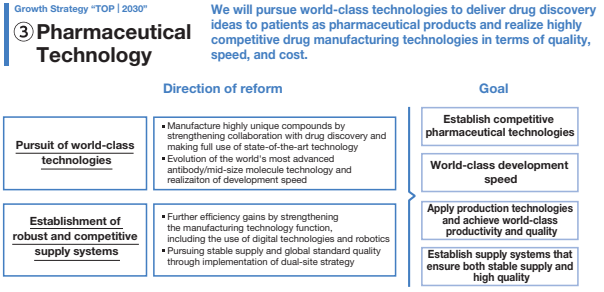
Glossary

*2 DMPK: Drug metabolism and pharmacokinetics, or in-vivo pharmacological behavior
*3 Human pharmacokinetics prediction: Modeling and simulation of pharmacokinetics and biological responses of drugs in the human body
*4 True endpoint: True value that contributes to the improvement of patients' quality of life

As for late-stage development, the Group is working to create industry-leading new value and further transform its operation model by leveraging digital technology and real world data (RWD), and by reconsidering how clinical trials should be conducted. Furthermore, the Group will make recommendations for development strategies and trial plans through cooperation with Roche to contribute to increasing success rates and maximizing global product value.

Through these efforts, the Group will seek to maximize project value and increase productivity.

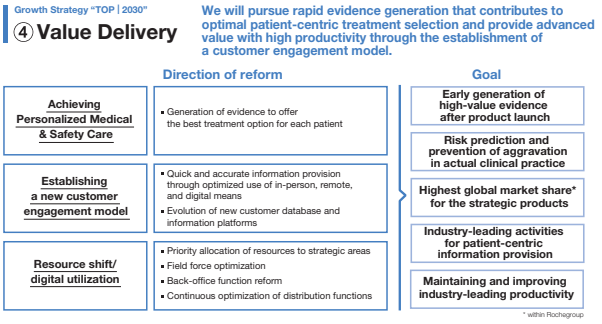
(iii) Pharmaceutical Technology



In line with the goal of doubling R&D output, the Group will pursue world-class pharmaceutical technologies to deliver new drug discovery modalities such as mid-size molecules to patients in the form of pharmaceuticals. The Group will enhance its production systems by further strengthening the coordination between functions, spanning from drug discovery and early-stage clinical development to pharmaceutical technology, and by establishing API, production and analysis technologies for highly active compounds that are extremely difficult to turn into drugs. In the field of antibodies, the Group will also strive to shorten the time from the selection of clinical development candidates to clinical trial application and speed up development by further promoting technological development.

In production, the Group is working to increase efficiency by strengthening its production technology capabilities by means of digital and robotics technologies, while also striving to build robust and competitive supply systems in preparation for disasters and geopolitical risks. The Group will aim to ensure stable supply and global-level quality by basically focusing on various initiatives to realize smart factory and its dual-site strategy through collaboration with external partners such as CMOs*5 after market launch, while also actively making necessary capital investments.

(iv) Value Delivery



In the function of value delivery, the Group will seek even more eagerly to generate evidence that contributes to the patient-centric choice of optimal treatment solutions and to achieve high-level value delivery by establishing an innovative customer engagement model. Specifically, the Group aims to deliver highly valuable evidence soon after market launch by conducting high-quality clinical research and post marketing surveillance through collaboration with Roche and academia. In addition, the Group is advancing efforts to promote the proper use of drugs, such as efforts to predict the risks of side effects and prevent side effects from becoming serious by use of knowledge in non-clinical and translational research.

In an effort to establish a new customer engagement model, the Group is implementing a multi-channel strategy that combines face-to-face, remote and digital channels, considering the environment in which dramatic changes are taking place in the customer contact points. The Group will work to optimize value delivery by establishing a system that allows it to select an appropriate approach flexibly to meet customer needs, which are expected to become more diverse going forward.

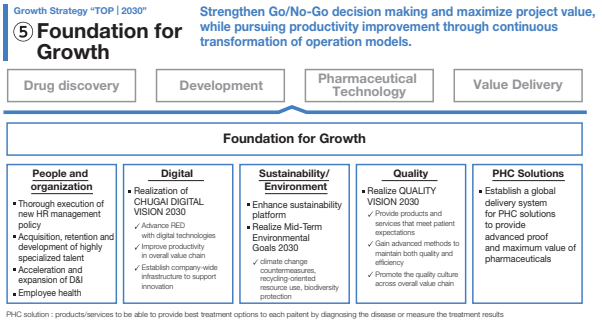
For organizational rationalization, the Group is working to identify high-priority tasks to which resources should be directed while also shifting the focus on the investment of resources to growth and new areas. To achieve this, the Group will continue to consider streamlining efforts such as transferring matured products to third parties. The Group will also advance fundamental transformations without being bound by conventional practices and processes through the

Glossary

*5 CMO: Contract Manufacturing Organization

use of digital technology, outsourcing, shared services, and other means.

(v) Foundation for Growth



In parallel with the reforms of each value chain, the Group will continue to work to strengthen its company-wide foundation, which supports the generation of innovation and the realization of its growth strategy, specifically focusing on the following five priority areas.

"People and Organization": The Group will work to strengthen its human capital by thoroughly implementing its human resource management policy based on business strategies. The Group will thoroughly implement a human resource system that encourages all personnel to take on challenges regardless of age and other attributes, and focus on supporting each employee's career development as well as autonomous learning and personal growth, and on acquiring and developing highly specialized human resources, who will be the key in implementing business strategies, such as those in the fields of digital technology and science. At the same time, the Group will further step up its efforts to promote diversity and inclusion (D&I) to foster a culture that creates innovation, as well as efforts to promote the health of all employees.

"Digital": Under "CHUGAI DIGITAL VISION 2030," the Group will continue to work to achieve the goal of "transforming our business by using digital technologies to make Chugai a top innovator in the provision of society-changing healthcare solutions." Specifically, the Group has launched co-creation initiatives to solve the priority issues of each function as part of its efforts to create innovative new drugs through the use of digital technology, and to increase productivity in all value chains.

In addition, the Group will strive to build a company-wide foundation that supports the creation of innovation by continuing such efforts as the strengthening of IT infrastructure, which contributes to strengthening the development of specialized human resources in the field of digital technology and enhancing business value.

"Sustainability and Environment": With sustainability at the heart of its business activities, the Group will continue to endeavor to achieve its ambitious Mid-Term Environmental Goals 2030 and thereby strive to reduce environmental impact on society. Specifically, the Group will continue to work on: climate change countermeasures, such as the reduction of CO_2 emissions, and energy consumption and fluorocarbon use; use of renewable/ recycled resources through the reduction of waste emissions and water consumption; and protection of biodiversity through the reduction of the emission of harmful waste. In addition to the environment, the Group will also advance the improvement of governance and the enhancement of information disclosure.

"Quality": The Group will aim to lead the world by leveraging its high-quality products, information and processes and its human resources that achieve them, and promote and raise external awareness of Chugai quality. To achieve this, the Group will make sure to provide products and services that meet patients' expectations, and work to acquire innovative methods that ensure both quality and efficiency, and advance collaborations with partners. In addition, the Group will work to instill in all value chains a "quality culture" that provides the foundation for all these efforts.

"Personalized healthcare (PHC) solutions":

Patients' needs are becoming more diversified and advanced. In the creation and delivery of innovative drugs, it will become increasingly important to precisely diagnose pathologies and measure therapeutic effects for demonstrating the value of drugs and maximizing their therapeutic effects, thereby making it possible to provide an optimal treatment for individual patients.

For PHC solutions, the Group aims to establish a global supply system to demonstrate the value of drugs in a more sophisticated manner while also maximizing their value, based on knowledge obtained through insight business.

(7) Main Businesses (as of December 31, 2024)

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, 2024)

[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. Kita-Nihon 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. Chugai Life Science Park Yokohama (Kanagawa Pref.)
11. Ukima Research Laboratories (Tokyo)
12. Chugai Clinical Research Center Co., Ltd. (Tokyo)

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

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

* Regional Management Office (RMO)

[Overseas]

<Sales, Research & Development>

1. Chugai Pharma Europe Ltd. (UK)
2. Chugai Pharma R&D Taiwan Ltd. (Taiwan)
3. Chugai Pharma China Co., Ltd. (China)

<Sales>

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

<Research & Development>

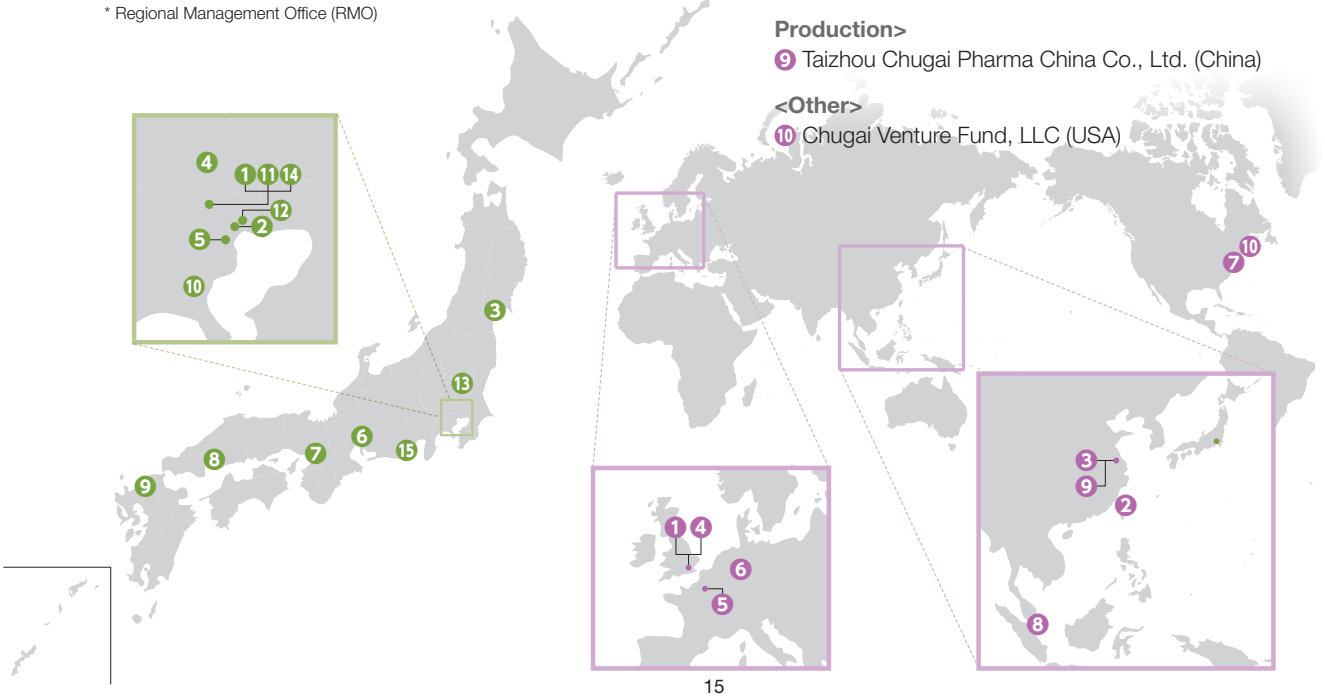
7. Chugai Pharma USA, Inc. (USA)
8. Chugai Pharmabody Research Pte. Ltd. (Singapore)

Production>

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

<Other>

10. Chugai Venture Fund, LLC (USA)



(9) Employees (as of December 31, 2024)

Number of employees	Increase/decrease since end of previous fiscal year
7,778 persons	174 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 61.11% 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 Prime Market of the Tokyo Stock Exchange, it maintains its managerial autonomy and independence as a publicly listed company.

As such, this strategic alliance has led to the establishment of a new business model that differs from conventional practices in corporate acquisitions and the formation of joint ventures.

Out of the 8 Directors of Chugai, 1 Director concurrently holds a position at Roche and 1 Director held a position in the past. 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.

In addition to these agreements, Roche and the Company have concluded a series of separate agreements for certain specific development candidates. 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 development candidate is exercised
- Milestone payments, dependent upon the achievement of agreed performance targets
- Royalties on future product sales

In its business dealings with Roche, 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. The Special Committee was established as an advisory board to the Board of Directors in March 2022 and discusses and reports significant transactions and conducts, etc., with Roche (The Committee was held six times during fiscal year 2024 (in February, March, May, July, August, and December)).

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

There are 15 consolidated subsidiaries including the aforementioned one principal subsidiary.

(11) Other Important Matters of the Group

There is no applicable information.

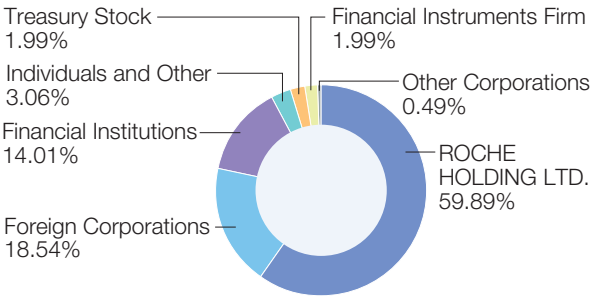
2 Company's Shares (as of December 31, 2024)

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

(2) Total Number of the Issued Shares 1,679,057,667 shares
(Includes 33,531,864 shares of treasury stock)

(3) Number of Shareholders 44,636 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	61.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	143,365	8.71
Custody Bank of Japan, Ltd. (Trust Account)	56,749	3.44
STATE STREET BANK AND TRUST COMPANY 505001	29,340	1.78
STATE STREET BANK WEST CLIENT - TREATY 505234	15,034	0.91
JP MORGAN CHASE BANK 385632	14,452	0.87
JPMorgan Securities Japan Co., Ltd.	9,987	0.60
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	9,334	0.56
JP MORGAN CHASE BANK 385781	9,240	0.56
SUMITOMO LIFE INSURANCE COMPANY	9,000	0.54

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 33,531 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, 38,800 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.

Not included in the paper copy to be sent to shareholders who have requested it in accordance with laws and regulations and the Articles of Incorporation of the Company and posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir/share/agm.html) and the website of the Tokyo Stock Exchange (https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show).

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, 2024)

	Name	Position and Responsibility in the Company	Important Concurrent Positions
Executive Directors	Osamu Okuda	Representative Director, President & CEO, In charge of Audit Department	
	Iwaaki Taniguchi	Director, Executive Vice President & CFO, Head of Finance Supervisory Division	
	Hitoshi Iikura	Director, Executive Vice President, Head of Translational Research Division	
Non-Executive Directors	Mariko Y Momoi	Outside Director	Professor Emeritus of Jichi Medical University Invited Professor of School of Medicine, Shinshu University Regent of Tokyo Medical University (part-time)
	Fumio Tateishi	Outside Director	Honorary Advisor of OMRON Corporation
	Hideo Teramoto	Outside Director	President of Dai-ichi Life Research Institute, Inc. Outside Director of Imperial Hotel, Ltd.
	Christoph Franz	Director	Vice Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland) Member of the Board of Directors of Stadler Rail (Switzerland)
	Teresa A. Graham	Director	CEO of Roche Pharmaceuticals, Member of the Roche Corporate Executive Committee
Audit & Supervisory Board Members	Yoshiaki Ohashi	Full-time Audit & Supervisory Board Member	
	Shigehiro Yamada	Full-time Audit & Supervisory Board Member	
	Kenichi Masuda	Outside Audit & Supervisory Board Member	Partner of Anderson Mōri & Tomotsune Outside Director of Bridgestone Corporation Outside Audit & Supervisory Board Member of Mercuria Holdings Co., Ltd.
	Yumiko Waseda	Outside Audit & Supervisory Board Member	Partner Attorney-at-Law/Partner Patent Attorney, Tokyo Roppongi Law and Patent Office Outside Audit & Supervisory Board Member of IHI Corporation Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation
	Mami Yunoki	Outside Audit & Supervisory Board Member	Representative of Mami Yunoki Certified Public Accountant Office Outside Director of Daiwa Securities Group Inc.

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

<Retired>

Director Hisafumi Yamada (retirement due to expiration of term in office on March 28, 2024)

Director Toshiaki Itagaki (retirement due to expiration of term in office on March 28, 2024)

Director James H. Sabry (retirement due to resignation on June 30, 2024) James H. Sabry also retired from Roche, at which he held a concurrent position (Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee), on June 30, 2024.

Audit & Supervisory Board Member Takaaki Nimura (retirement due to expiration of term in office on March 28, 2024)

<Newly appointed>

Director Iwaaki Taniguchi (assumed office on March 28, 2024)

Director Hitoshi Iikura (assumed office on March 28, 2024)

Audit & Supervisory Board Member Mami Yunoki (assumed office on March 28, 2024)

2. Director Teresa A. Graham is a member of the executive committee of Roche and is a Non-Executive Director of the Company. The relationship between the Company and Roche is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries."
3. Audit & Supervisory Board Member Mami Yunoki is a Certified Public Accountant and has considerable expertise in finance and accounting.
4. The Company designated Directors Mariko Y Momoi, Fumio Tateishi and Hideo Teramoto and Audit & Supervisory Board Members Kenichi Masuda, Yumiko Waseda and Mami Yunoki as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.
5. The name of Audit & Supervisory Board Member Mami Yunoki on the family register is Mami Kato.
6. The Company established the Appointment Committee, the Compensation Committee and the Special 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, etc.	Chairman: Fumio Tateishi Members: Osamu Okuda, Mariko Y Momoi, Teresa A. Graham
Compensation Committee	The Compensation Committee deliberates on remuneration policy and the remuneration of individual directors.	Chairman: Teresa A. Graham Members: Fumio Tateishi, Hideo Teramoto, Christoph Franz
Special Committee	The Special Committee deliberates and reports significant transactions and conducts, etc., that may generate a conflict of interests between Roche and minority shareholders.	Chairman: Hideo Teramoto Members: Fumio Tateishi, Kenichi Masuda

(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. 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 an insurance company with the following conditions.

a) Scope of Insured Persons

Directors, Audit & Supervisory Board Members and Executive Officers 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	Mariko Y Momoi	12 out of 12 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. As a member of the Appointment Committee, she attended all committee meetings held during the fiscal year under review and served a supervisory function from an objective and neutral standpoint.
	Fumio Tateishi	12 out of 12 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 experience in corporate management at a global company and his deep insight on sustainability and ESG issues, etc. As the chairman of the Appointment Committee and a member of the Compensation Committee and the Special Committee, attended all committee meetings held during the fiscal year under review and served a supervisory function from an objective and neutral standpoint.
	Hideo Teramoto	12 out of 12 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 and knowledge of corporate management as well as his deep insight on finance and financial accounting, etc. As the chairman of the Special 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.
Outside Audit & Supervisory Board Members	Kenichi Masuda	12 out of 12 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). As a member of the Special Committee, he attended all committee meetings held during the fiscal year under review and served a supervisory function from an objective and neutral standpoint.
	Yumiko Waseda	12 out of 12 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 and knowledge as an expert in corporate legal affairs and intellectual property laws specialist (attorney-at-law and patent attorney).
	Mami Yunoki	9 out of 9 meetings (100%)	9 out of 9 meetings (100%)	Attended all meetings of the Board of Directors and the Audit & Supervisory Board held after assuming office, made comments, etc. on the Company's management as necessary based on her extensive experience and knowledge as an expert in corporate accounting (certified public accountant).

(Notes) 1. Audit & Supervisory Board Member Mami Yunoki was elected and assumed office at the 113th Annual General Meeting of Shareholders held on March 28, 2024.
2. 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)	558	220	165	100	74	6
Outside Directors	66	66	—	—	—	3
Total	624	451		174		9
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	72	72	—	—	—	2
Outside Audit & Supervisory Board Members	48	48	—	—	—	4
Total	120	120		—		6

(Notes) 1. The table above includes two Directors and 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 JPY151 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, JPY25 million was paid to three Executive 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. The CEO (Osamu Okuda), 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% to 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 2022 and fiscal year 2024 is +81% and being ranked No. 2 out of 10 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	JPY460.0 billion	JPY556.1 billion
		Revenues		JPY1,070.0 billion	JPY1,170.6 billion
		R&D performance		(i) Achieved Key R&D output targets (Post-PoC) (ii) Achieved Key R&D output targets (Pre-PoC) (iii) Number of projects transitioned to PC	Achieved targets set by the Company
		Measures for achieving performance targets for in-charge operations		Per Director	Per Director
		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 10 companies

<Overview of Compensation Committee Activities>

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 that enables the Company to fulfill accountability to stakeholders 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 2024 are as outlined below:

- Individual bonus amount for fiscal year 2023 (paid in March 2024)
- 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 2023
- Individual remuneration amount for fiscal year 2024, 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 seven 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 JPY180 million per year	The 113th Annual General Meeting of Shareholders held on March 28, 2024	Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members)

(7) Other Important Matters Concerning Company's Officers

There is no applicable information.

5 Accounting Auditor

Not included in the paper copy to be sent to shareholders who have requested it in accordance with laws and regulations and the Articles of Incorporation of the Company and posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir/share/agm.html) and the website of the Tokyo Stock Exchange (https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show).

6 Framework to Ensure Operational Adequacy

Not included in the paper copy to be sent to shareholders who have requested it in accordance with laws and regulations and the Articles of Incorporation of the Company and posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir/share/agm.html) and the website of the Tokyo Stock Exchange (https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show).

(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.

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

Type of remuneration			Eligible officers			Payment criteria	Payment method
			Executive Directors	Non-Executive Directors (including Outside Directors)	Audit & Supervisory Board Members		
Fixed remuneration	Regular remuneration		●	●	●	Position, duties, and other factors	Monthly (Cash)
Performance-based compensation	Bonuses		●	—	—	Performance in each fiscal year	Yearly (Cash)
	Long-term incentive (stock compensation)	Tenure-based restricted stock compensation	●	—	—	Fixed length of service	Yearly (Commonstock)
		Performance-based restricted stock compensation	●	—	—	Performance over fixed period in addition to above	Yearly (Commonstock)

Reference Indicators for Performance-Based Remuneration of Executive Directors

Fixed

Regular compensation (CEO: 35%)

Performance-based

Bonuses (CEO: 30%)

Indicators

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

Restricted stock compensation (CEO: 35%)

Indicators

[Continuous service-based] (50%)

- Continuous service during the transfer restriction period

[Performance-based] (50%)

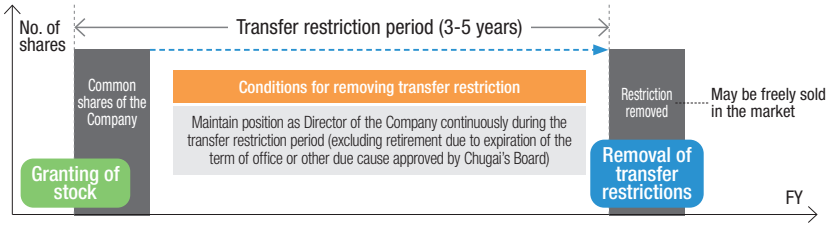
- Total shareholder return (TSR) (Evaluation period: 3 fiscal years)
  (Number of shares applicable to the lifting of transfer restriction shall be determined within the range of 0% to 100%, based on the comparison of total shareholder return with other domestic pharmaceutical companies.)

The Company's Restricted Stock Compensation System

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 remuneration system that uses two types of restricted stock 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.

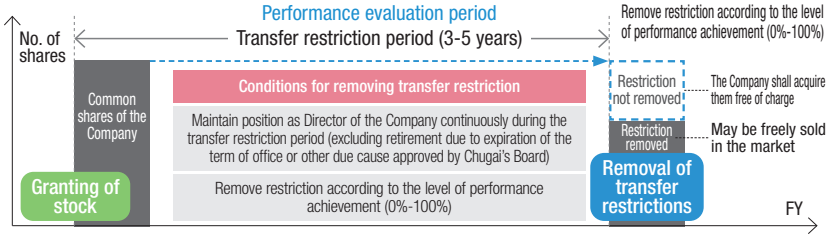
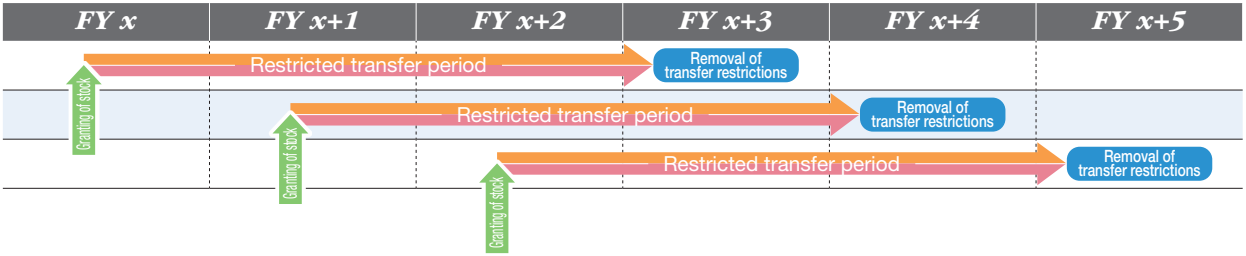


Image of granting remuneration over multiple years (in the case of a 3-year transfer restriction period)



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Consolidated Financial Statements

Consolidated balance sheet (IFRS*) (As of December 31, 2024)

(Millions of yen)

Item	FY2024	FY2023(Reference)
Assets		
Non-current assets:		
Property, plant and equipment	433,129	409,939
Right-of-use assets	8,425	10,762
Intangible assets	17,868	19,860
Deferred tax assets	69,835	64,474
Defined benefit plan assets	13,978	7,481
Other non-current assets	59,094	53,605
Total non-current assets	**602,330**	**566,121**
Current assets:		
Inventories	240,067	273,480
Accounts receivable	334,256	318,892
Current income tax assets	896	1,456
Marketable securities	456,143	280,308
Cash and cash equivalents	540,202	458,674
Other current assets	34,479	33,616
Total current assets	**1,606,043**	**1,366,426**
Total assets	**2,208,373**	**1,932,547**

Item	FY2024	FY2023(Reference)
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(5,076)	(5,787)
Defined benefit plan liabilities	(3,935)	(3,146)
Long-term provisions	(2,188)	(2,593)
Other non-current liabilities	(5,319)	(7,224)
Total non-current liabilities	**(16,516)**	**(18,750)**
Current liabilities:		
Current income tax liabilities	(108,732)	(40,798)
Short-term provisions	(2,974)	(3,442)
Accounts payable	(65,353)	(112,468)
Other current liabilities	(113,298)	(131,510)
Total current liabilities	**(290,357)**	**(288,217)**
Total liabilities	**(306,873)**	**(306,967)**
Total net assets	**1,901,499**	**1,625,580**
Equity:		
Capital and reserves attributable to Chugai shareholders	1,901,499	1,625,580
Total equity	**1,901,499**	**1,625,580**
Total liabilities and equity	**2,208,373**	**1,932,547**

*International Financial Reporting Standards

Consolidated income statement (IFRS) (January 1, 2024 to December 31, 2024)

(Millions of yen)

Item	FY2024	FY2023(Reference)
Revenues	**1,170,611**	**1,111,367**
Sales	997,901	974,493
Other revenue	172,710	136,874
Cost of sales	(339,409)	(413,306)
Gross profit	**831,201**	**698,061**
Research and development	(181,440)	(174,868)
Selling, general and administration	(110,098)	(112,580)
Other operating income (expense)	2,339	28,561
Operating profit	**542,002**	**439,174**
Financing costs	5	(27)
Other financial income (expense)	1,027	4,674
Profit before taxes	**543,034**	**443,821**
Income taxes	(155,717)	(118,349)
Net income	**387,317**	**325,472**
Attributable to:		
Chugai shareholders	387,317	325,472

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Non-Consolidated Financial Statements

Non-consolidated balance sheet (JGAAP*) (As of December 31, 2024)

(Millions of yen)

Item	FY2024	FY2023(Reference)
Assets		
Total current assets:	1,575,628	1,329,808
Cash and deposits	453,408	412,652
Accounts receivable-trade	322,966	306,422
Marketable securities	455,621	250,115
Merchandise and finished goods	83,958	101,724
Raw materials and supplies	49,289	56,522
Prepaid expenses	10,932	10,342
Short-term loans receivable from subsidiaries and affiliates	150,500	128,600
Accounts receivable-other	30,609	42,351
Other	18,344	21,079
Allowance for doubtful accounts	(0)	(0)
Total non-current assets:	420,115	411,220
Total property, plant and equipment:	200,855	210,214
Buildings (net)	122,352	125,933
Structures (net)	8,459	8,699
Machinery and equipment (net)	6,774	10,010
Vehicles (net)	11	15
Tool, furniture and fixtures (net)	13,758	15,195
Land	47,023	47,023
Construction in progress	2,479	3,338
Total intangible assets:	275	805
Software	210	715
Other	65	90
Total investments and other assets:	218,985	200,201
Investment securities	13,392	12,950
Stocks of subsidiaries and affiliates	58,262	55,902
Investments in capital of subsidiaries and affiliates	3,293	3,293
Long-term prepaid expenses	42,545	38,777
Deferred tax assets	88,458	81,853
Other	13,054	7,444
Allowance for doubtful accounts	(18)	(18)
Total assets	1,995,743	1,741,027

Item	FY2024	FY2023(Reference)
Liabilities		
Total current liabilities:	245,613	258,881
Accounts payable-trade	18,179	63,872
Accounts payable-other	3,659	7,786
Accrued expenses	57,205	53,517
Income taxes payable	113,292	42,240
Deposits received	1,309	2,002
Provision for bonuses to employees	21,358	18,973
Provision for bonuses to directors	165	151
Other	30,445	70,339
Total non-current liabilities:	4,580	3,794
Provision for employees' retirement benefits	3,114	2,495
Asset retirement obligations	1,092	1,087
Other	374	212
Total liabilities	250,194	262,675
Net assets		
Total shareholders' equity:	1,748,834	1,494,766
Capital stock	73,202	73,202
Total capital surplus	96,961	96,337
Legal capital surplus	93,050	93,050
Other capital surplus	3,911	3,287
Total retained earnings	1,604,863	1,351,597
Legal retained earnings	6,480	6,480
Other retained earnings	1,598,383	1,345,117
Reserve for advanced depreciation of non-current assets	1	1
General reserve	149,220	149,220
Retained earnings carried forward	1,449,161	1,195,896
Own equity instruments, at cost	(26,192)	(26,369)
Total valuation and translation adjustments:	(3,348)	(16,539)
Net unrealised gain on available-for-sale securities	(750)	(1,035)
Deferred gains or losses on hedges	(2,598)	(15,504)
Stock acquisition rights	63	125
Total net assets	1,745,549	1,478,353
Total liabilities and net assets	1,995,743	1,741,027

* Generally Accepted Accounting Principles in Japan

Non-consolidated income statement (JGAAP) (January 1, 2024 to December 31, 2024) (Millions of yen)

Item	FY2024	FY2023(Reference)
Revenues	1,166,276	1,105,883
Cost of sales	332,855	406,600
Gross profit	833,422	699,283
Total selling, general and administrative expenses	298,998	278,107
Operating income	534,424	421,176
Non-operating income:	13,969	23,008
Interest and dividend income	4,416	1,940
Other	9,553	21,068
Non-operating expenses:	5,893	2,171
Interest expenses	0	213
Other	5,893	1,958
Ordinary income	542,500	442,014
Extraordinary gain:	5	14,125
Gain on sales of non-current assets	5	13,990
Other	—	135
Extraordinary loss:	1,001	13,176
Loss on sales of non-current assets	7	268
Other	994	12,908
Income before income taxes	541,504	442,962
Income taxes - current	167,358	115,924
Income taxes - deferred	(12,397)	2,334
Total income taxes	154,961	118,258
Net income	386,543	324,704

Not included in the paper copy to be sent to shareholders who have requested it in accordance with laws and regulations and the Articles of Incorporation of the Company and posted on the Company's website (https://www.chugai-pharm.co.jp/english/ir/share/agm.html) and the website of the Tokyo Stock Exchange (https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show).

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 28, 2025

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

KPMG AZSA LLC
Tokyo Office
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
Tatsuo Utsugi (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, 2024 through December 31, 2024.
In our opinion, the above consolidated financial statements, in accordance with the accounting standards omitting some disclosure items required under the International Financial Reporting Standards as prescribed in 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.

Other Information

Other information is comprised of the business report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. 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 reporting process of the other information.
Our audit opinion on the consolidated financial statements does not cover the other information and we do not express an opinion on the other information.
Our responsibility for the audit of the consolidated financial statements is to read the other information and consider, while reading, whether or not there is a material inconsistency between the other information and the consolidated financial statements or the knowledge that we obtained in the audit process, and to pay attention as to whether, other than such material inconsistency, there are any indications of material misstatements in the other information.
If we determine, based on the work we performed, that a material misstatement is included in the other information, we are required to report that fact.
We have nothing to report in relation to the other information.

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 accounting standards omitting some disclosure items required under International Financial Reporting Standards as prescribed in the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting, 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, except when management has an intention to liquidate the Company or discontinue its operations or has no other realistic alternative, 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 accounting standards omitting some disclosure items required under the International Financial Reporting Standards as prescribed in the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company.
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 accounting standards omitting some disclosure items required under International Financial Reporting Standards as prescribed in the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting, 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.
- Plan and implement the audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries that provides a basis for the expression of an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and inspecting 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 measures that are in place to eliminate obstacles or any safeguards that are in place to reduce obstacles to an acceptable level.

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 28, 2025

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

KPMG AZSA LLC
Tokyo Office
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
Tatsuo Utsugi (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, 2024 through December 31, 2024.
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.

Other Information

Other information is comprised of the business report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. 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 reporting process of the other information.
Our audit opinion on the financial statements, etc. does not cover the other information and we do not express an opinion on the other information.
Our responsibility for the audit of the financial statements, etc. is to read the other information and consider, while reading, whether or not there is a material inconsistency between the other information and the financial statements, etc. or the knowledge that we obtained in the audit process, and to pay attention as to whether, other than such material inconsistency, there are any indications of material misstatements in the other information.
If we determine, based on the work we performed, that a material misstatement is included in the other information, we are required to report that fact.
We have nothing to report in relation to the other information.

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 measures that are in place to eliminate obstacles or any safeguards that are in place to reduce obstacles to an acceptable level.

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, 2024 to December 31, 2024:

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.

January 29, 2025

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

Full-time Audit & Supervisory Board Member
Yoshiaki Ohashi

Full-time Audit & Supervisory Board Member
Shigehiro Yamada

Audit & Supervisory Board Member
Kenichi Masuda

Audit & Supervisory Board Member
Yumiko Waseda

Audit & Supervisory Board Member
Mami Yunoki

(Note) Audit & Supervisory Board Members Kenichi Masuda, Yumiko Waseda and Mami Yunoki are Outside Audit & Supervisory Board Members stipulated in Article 2, Item 16 and Article 335, Paragraph 3, of the Companies Act.

End