

Chugai Group's Tax policy

In accordance with Chugai Group Code of Conduct, item 3 “Acting with integrity”, Chugai Group complies with tax regulations in each country and follows, as a member of the Roche Group, the Roche Group Tax Policy. “Chugai Group’s Tax policy” is approved by Executive Committee, of which Representative Director is a regular member. Board of Directors of Chugai Pharmaceutical Co., Ltd. delegates the supervisory responsibility for business execution to Representative Directors.

1. Alignment of operational and Tax Structures

Chugai Group’s structures and transactions are documented in the Group’s business processes which are based on economic substance and on the principle that taxes should be paid where economic value is generated. Chugai Group does not engage in artificial arrangements involving tax havens or secrecy jurisdictions. Chugai Group’s structures are aligned with the business purpose and are not set up with the sole intention of avoiding taxes, such as transferring value created to low tax jurisdictions. This approach is in line with the goals of the OECD/G20 Base Erosion and Profit Shifting project.

2. Governance

Following Chugai Group’s Finance and Accounting policy, the Group Finance is committed to complying with the local tax laws in the various countries where the Group operates. In complying with these laws, the Group also considers the spirit these laws are intended for.

As a parent company of Chugai Group, Finance & Accounting Department in Chugai Pharmaceutical Co., Ltd. is engaging in the Group’s overall tax issue handling and risk management. The Head of Finance & Accounting Department is reporting those to the CFO. Furthermore, application for advance pricing agreements with F. Hoffmann-La Roche Ltd. is considered in order to appropriately reduce tax risk.

3. Transfer Pricing - In line with OECD Guidelines

One of the basic principles for sustainable tax management is that taxes should be paid where economic value is generated. This is in line with the “OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations”, first issued in 1995. In order to prevent or at least reduce the probability of double taxation, Chugai Group, as a member of Roche group, applies the OECD transfer pricing guidelines as an overarching guiding principle.

Tax authorities primarily apply local, country specific, law. Cross-border transactions and related party product prices (so-called transfer prices) may be accepted by one country but not by the

other. As a consequence, additional taxable income may be imposed on one party. If the tax authority of the other country does not adjust such income correspondingly, income adjustment leads to double taxation. Chugai Group minimizes potential taxation conflicts by applying arm's length basis transfer prices in line with the economic substance of the transaction. Transfer prices take into account functions performed, assets used and risks assumed as well as documentation of the arm's length nature of the prices. Arm's length prices are prices an independent party would pay to a non-related company under similar circumstances. Transfer pricing decisions are taken in a balanced manner considering the basic principle for sustainable tax management that taxes should be paid where economic value is generated.

4. Intellectual Property

The intellectual property related to our products is the key profit driver in Chugai Group and such profits belong to the respective owner. The owner is the company taking the entrepreneurial risk of investing in the intellectual property. The main entrepreneur and intellectual property owner in Chugai Group is the parent company, Chugai Pharmaceutical Co., Ltd.

5. Dispute Resolution

As described in the code of conduct, taxation conflicts may arise between different national tax authorities defending their national interests with the result that two authorities try to tax the same profit. Chugai Group reduces the probability of such conflicts and taxation risks by balanced pricing decisions for cross-border transactions. Such decisions are documented, in many cases by economic studies confirming the pricing and thus minimizing the exposure of reassessments by tax authorities. In the event of disputes, Chugai Group collaborates with the respective authorities in a positive spirit to find balanced solutions in accordance with the applicable laws.

6. Transparency – Country-by-Country Reporting (BEPS Action Point 13)

As a minimum standard, the OECD/G20 requires countries to request multinational enterprises to prepare and file a Country-by-Country Report containing aggregate tax information per country relating to the global allocation of the income, the taxed paid, and certain other indicators. The OECD/G20 emphasizes that such reporting will be helpful for high- level transfer pricing risk assessment purposes by tax administrations.

For Chugai Group, the Country-by-Country Report is filed with the Swiss Tax Administration by F. Hoffmann-La Roche Ltd. for Roche Holding Ltd., the ultimate parent company of the Roche Group. The Swiss Tax Administration shares the reports under tax secrecy with other participating countries where Roche Group companies including Chugai Group companies operate. Chugai Group has established all the necessary processes and requests additional information from its affiliates to fulfill the Country-by-Country Reporting requirements and shares it with F. Hoffmann-La Roche Ltd.

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