

[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the 113th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2023 of Chugai Pharmaceutical Co., Ltd. prepared for the convenience of shareholders outside Japan with voting rights. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

# Notice of Convocation of the 113th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2023

## Date and Time

10:00 a.m. on March 28, 2024 (Thursday)

## Venue

Palace Hotel Tokyo – 2F Aoi  
1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

## Matters for Resolution

First Proposal	Appropriation of Surplus
Second Proposal	Partial Amendment to the Articles of Incorporation
Third Proposal	Election of Nine (9) Directors
Fourth Proposal	Election of Two (2) Audit & Supervisory Board Members
Fifth Proposal	Revision of Remuneration Limit of Audit & Supervisory Board Members

You are kindly requested to exercise your voting rights in advance.



Deadline for exercising your voting rights in writing or via the Internet  
**No later than 5:30 p.m. on March 27, 2024 (Wednesday)**



**Internet Live stream of the Annual General Meeting of Shareholders**

The meeting will be delivered on the Internet.

**For details, see page 5.**



Deadline for submitting advance questions  
**March 20, 2024 (Wednesday)**

Innovation all for the patients

**CHUGAI PHARMACEUTICAL CO., LTD.**

Securities Code: 4519

# To the Shareholders

We would like to express our deepest sympathies to all those who have been suffering from the 2024 Noto Peninsula Earthquake, and we hope for the earliest possible restoration and recovery.

The Chugai Group's mission is to dedicate ourselves to adding value by creating and delivering innovative medical products and services for the benefit of the medical community and human health around the world. We undertake actions that give the highest priority to patients and consumers.

The world abounds with diseases that currently have no cure. Moreover, there are growing expectations and needs for healthcare due to an increase in the world population and progressive demographic graying in each country. At the same time, the realization of sustainable medical care with limited resources and funds has become a global issue. In such circumstances, we pharmaceutical companies aim to provide treatment and improve QOL for patients through the provision of pharmaceutical products, while facing increasing demands to help solve social issues such as the realization of sustainable medical care.

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



Representative Director  
President & CEO

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## Mission Statement

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

### Mission

Our mission is to dedicate ourselves to adding value by creating and delivering innovative medical products and services for the medical community and human health around the world.

### Core Values

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

### Envisioned Future

Become a top innovator to realize advanced and sustainable patient-centric healthcare, powered by our unique strength in science and technology, in collaboration with Roche

### Our Basic Policy

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

Chugai growth & development  
= Increased corporate value

Creation of shared value by Chugai and society  
= Realize advanced and sustainable patient-centric healthcare =

Social growth & development  
= Solving of social issues

Utilizing Chugai business model adopted

### Focus on innovation

Creation of innovative pharmaceutical products and services

Unique strengths in science and technology

Strategic alliance with Roche

Key issues selected by Chugai (Materiality)

Sustainable Healthcare

Human Rights

Supply Chain Management

Human Resources

Social Contribution

Global Environment

Governance

Ethics & Compliance

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Securities Code: 4519

February 28, 2024

(Start date of measures for electronic provision: February 27, 2024)

To the shareholders:

## NOTICE OF CONVOCAION OF THE 113th ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2023

Chugai Pharmaceutical Co., Ltd. (the “Company”) is pleased to announce that its 113th Annual General Meeting of Shareholders for the Business Term ended December 31, 2023 will be held as described below.

The Company has taken measures for electronic provision when convening the meeting and the matters subject to the measures for electronic provision are posted on the Company’s websites below on the Internet under “Notice of Convocation of the 113th Annual General Meeting of Shareholders (2023).”

The Company’s website: <https://www.chugai-pharm.co.jp/english/ir/share/agm.html>

The matters subject to the measures for electronic provision are also posted on the website of the Tokyo Stock Exchange (“TSE”), in addition to the website above. Accordingly, please confirm details by accessing the TSE’s website (Listed Company Search) below, conducting a search with the issue name (company name) or the securities code, and selecting “Basic information” and “Documents for public inspection/PR information.”

TSE’s website (Listed Company Search)

<https://www2.jpix.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

In addition to attending the meeting, you can exercise your voting rights via the Internet or in writing. Please review the reference documents concerning the General Meeting of Shareholders, and exercise your voting rights no later than 5:30 p.m. on March 27, 2024 (Wednesday) upon referring to the Guide on How to Exercise Your Voting Rights below.

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

### 1. Date and Time

10:00 a.m. on March 28, 2024 (Thursday)

### 2. Venue

Palace Hotel Tokyo - 2F Aoi 1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

### 3. Purpose

#### Matters for Report

The Business Report for the Business Term (January 1, 2023 to December 31, 2023), Non-Consolidated Financial Statements for the Business Term, Consolidated Financial Statements for the Business Term, and the Report on the Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and Audit & Supervisory Board

#### Matters for Resolution

First Proposal  
Second Proposal  
Third Proposal  
Fourth Proposal  
Fifth Proposal

Appropriation of Surplus  
Partial Amendment to the Articles of Incorporation  
Election of Nine (9) Directors  
Election of Two (2) Audit & Supervisory Board Members  
Revision of Remuneration Limit of Audit & Supervisory Board Members

– End –

### Notes

- Among the matters subject to the measures for electronic provision, the following matters are not included in the paper copy to be sent to shareholders who have requested it in accordance with laws and regulations and the provisions of Article 15 of the Articles of Incorporation of the Company.
  - Company’s Stock Acquisition Rights, etc., Accounting Auditor and Framework to Ensure Operational Adequacy in the Business Report
  - Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements in the Consolidated Financial Statements
  - Non-Consolidated Statement of Changes in Shareholders’ Equity and Notes to the Non-Consolidated Financial Statements in the Non-Consolidated Financial Statements
- Accordingly, the paper copy to be sent to shareholders who have requested it are some of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor when the Audit Report is prepared.
- In cases where the matters subject to the measures for electronic provision are amended, the Company will post the amendments on the respective websites on which such matters are posted.



..... Handling of voting rights exercised multiple times: .....

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

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

[Only available in Japanese]

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

The Company will **live stream** the Annual General Meeting of Shareholders on the Engagement Portal, a website exclusively for shareholders, so that you will be able to view the meeting at home or another remote location of your convenience. The Company also accepts **advance questions** from shareholders. We hope you will find it useful.

Please note that you cannot exercise your voting rights on this portal site. We ask you to exercise your voting rights in accordance with the instructions set forth in page 4 of this Notice of Convocation as early as possible.



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



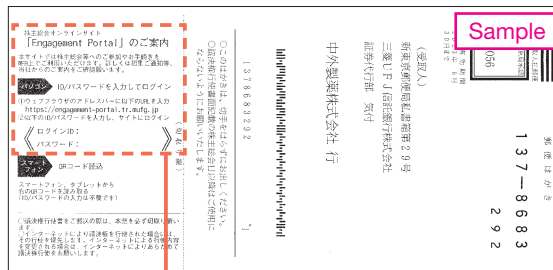
Please scan the login QR code with your smartphone, etc., or access the following URL and enter your login ID and password in case of using your laptop.

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



If you use a smartphone, etc., you can login the site by only scanning the QR code appeared on the form specified above without entering the login ID and password.

- 1 Enter the login ID and password specified in the “Engagement Portal,” an online site for the Annual General Meeting of Shareholders,” provided on the back of the enclosed Voting Rights Exercise Form.
- 2 Check the “Agree to Terms and Conditions” check box after confirming the terms and conditions.
- 3 Click the “Login” button.



[Only available in Japanese]

## Acceptance of advance questions



We accept questions concerning the agenda items for the General Meeting of Shareholders prior to the meeting.

Matters of high interest to shareholders will be addressed at the meeting. Please note that we will not be able to answer questions individually.

**Deadline for submitting advance questions** **March 20, 2024 (Wednesday)**

## Internet Live Streaming



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

**Date and Time of Delivery**

**March 28, 2024 (Thursday)**

**from 10:00 a.m. until the end of the meeting**

\* The related website will be accessible at **around 9:30 a.m., 30 minutes before the start time.**

\* Please note that there is a possibility that we may not be able to provide the Internet delivery of the meeting due to a natural disaster or other circumstances beyond our reasonable control.

## Notes

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

# Reference Documents for General Meeting of Shareholders



## Proposals and Matters for Reference

### First Proposal: Appropriation of Surplus

Taking into account the changes in strategic funding needs and earnings prospects, Chugai (“the Company”) sets a target for consolidated dividend payout ratio of 45% on average in comparison with Core EPS, with an aim to continuously provide a stable allocation of profit to all shareholders. In addition, internal reserves will be used to increase corporate value through investments to attain further growth in existing strategic domains and to identify future business opportunities. In the fiscal year ended December 31, 2023, the Company achieved the highest results in the past in Core net income, which resulted in Core EPS increasing by 5.0% year on year. Reflecting the favorable results and based on our principles of “stable allocation of profit” and “aiming for a consolidated dividend payout ratio of 45% on average in comparison with Core EPS,” the Company would like to declare appropriation of surplus for the fiscal year under review as described below:

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

### Matters concerning Year-End Dividends

#### (1) Type of dividend assets:

Cash

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

**JPY40** per share of common stock of the Company

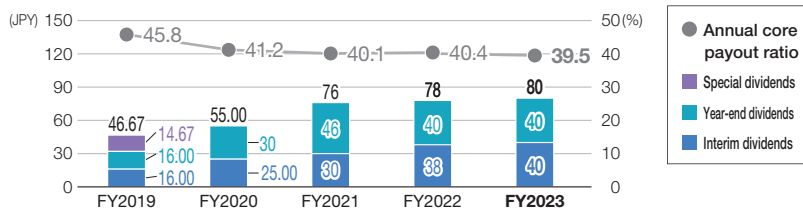
Total: JPY65,812,558,200

Since the interim dividends of **JPY40** per share were paid, the total dividends for the fiscal year under review are **JPY80** per share, and the Core dividend payout ratio is 39.5% (an average of 40.9% for the past five years).

#### (3) Date when dividends of surplus become effective:

March 29, 2024

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



\* Effective July 1, 2020, the Company implemented a three-for-one stock split of its common stock. The dividends are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year 2019.





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

The Company proposes to make a partial amendment to its current Articles of Incorporation as follows:

### 1. Reasons for the Proposal

The term of office of Directors as stipulated in Article 19 of the current Articles of Incorporation will be changed from two (2) years to one (1) year to provide greater clarity to the management responsibilities of directors, to increase opportunities for shareholders to express their trust and to build a management system that can promptly adapt to evolving management environments.

### 2. Contents of the Amendment

Details of the proposed amendment are as follows:

(Underlined parts are amended)

Current	Proposed Amendment
<p>CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS Article 19 (Term of Office of Directors) The term of office of Directors shall be until the close of the ordinary general meeting of shareholders held with respect to the last business term ending within <u>two (2) years</u> after election.</p>	<p>CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS Article 19 (Term of Office of Directors) The term of office of Directors shall be until the close of the ordinary general meeting of shareholders held with respect to the last business term ending within <u>one (1) year</u> after election.</p>

## Third Proposal: Election of Nine (9) Directors

Out of all the nine (9) Directors, the term of office of four (4) Directors, Osamu Okuda, Hisafumi Yamada, Toshiaki Itagaki and Mariko Y Momoi will expire at the closing of this Annual General Meeting of Shareholders.

In addition, if the Second Proposal, “Partial Amendment to the Articles of Incorporation,” is approved and passed as proposed, the term of office of the Company’s Directors will change from two (2) years to one (1) year, and the terms of office of five (5) Directors, Fumio Tateishi, Hideo Teramoto, Christoph Franz, James H. Sabry and Teresa A. Graham will expire at the closing of this Annual General Meeting of Shareholders. Therefore, subject to the approval of the Second Proposal, “Partial Amendments to the Articles of Incorporation,” it is proposed that nine (9) candidates, Osamu Okuda, Iwaaki Taniguchi, Hitoshi Iikura, Mariko Y Momoi, Fumio Tateishi, Hideo Teramoto, Christoph Franz, James H. Sabry and Teresa A. Graham, be elected.

The election of candidates for Directors is deliberated at the Appointment Committee, a voluntary advisory board, and determined at the Board of Directors.

The candidates for Directors and the composition of the Board of Directors after the election (planned) are as follows:

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

	No.	Name	Gender	Age*1	Attribute	Current Position and Responsibility	Attendance at the Meetings of the Board of Directors
Executive Directors	1	Osamu Okuda	Male	60	Reappointment	Representative Director, President & CEO In charge of Partnering Dept., External Affairs Dept., and Audit Dept.	100% (10 out of 10)
	2	Iwaaki Taniguchi	Male	57	New appointment	Senior Vice President Head of Finance Supervisory Div. and Head of Finance & Accounting Dept.	—
	3	Hitoshi Iikura	Male	54	New appointment	Vice President Head of Translational Research Div.	—
Non-Executive Directors	4	Mariko Y Momoi	Female	76	Reappointment Outside Independent	Outside Director	100% (10 out of 10)
	5	Fumio Tateishi	Male	74	Reappointment Outside Independent	Outside Director	100% (7 out of 7)*2
	6	Hideo Teramoto	Male	63	Reappointment Outside Independent	Outside Director	100% (7 out of 7)*2
	7	Christoph Franz	Male	63	Reappointment	Director	100% (10 out of 10)
	8	James H. Sabry	Male	65	Reappointment	Director	100% (10 out of 10)
	9	Teresa A. Graham	Female	50	Reappointment	Director	100% (7 out of 7)*2

Reappointment Candidate for reappointment as Director    New appointment Candidate for new appointment as Director

Outside Candidate for Outside Director    Independent Independent officer who has been registered with the Tokyo Stock Exchange

\*1 The ages of the candidates are as of this Annual General Meeting of Shareholders.

\*2 The number of meetings attended by Directors Fumio Tateishi, Hideo Teramoto and Teresa A. Graham stated above refers to the number of the Board of Directors meetings they attended after their assumption of office on March 30, 2023.



**Reference | Expertise and experience expected of Directors and Audit & Supervisory Board Members after the approval of the Third Proposal and the Fourth Proposal are as follows:**

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

Independent Independent officer who has been registered with the Tokyo Stock Exchange.



## Osamu Okuda

**Date of birth:** April 5, 1963 (60 years old)

**Shares of the Company owned:** 158,151 shares

**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 4 years

**Attendance at the meetings of the Board of Directors:** 100% (10 out of 10)

### Reasons for nominating the candidate for Director

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

Apr. 2017 Executive Vice President, General Manager of Corporate Planning Dept. of the Company

Apr. 2018 Executive Vice President, Co-Head of Project & Lifecycle Management Unit of the Company

Mar. 2020 Representative Director, President & COO of the Company

Mar. 2021 Representative Director, President & CEO of the Company (to present)

### Summary of career and positions at the Company

Apr. 1987 Joined the Company

Oct. 2008 General Manager of Lifecycle Management Dept. II of the Company

Jun. 2009 General Manager of Lifecycle Management Dept. II and Head of Lifecycle of the Company

Apr. 2011 President of Roche Products (Ireland) Limited

Oct. 2013 General Manager of Oncology Unit, Marketing & Sales Div. of the Company

Jan. 2014 Vice President, General Manager of Oncology Unit, Marketing & Sales Div. of the Company

Jan. 2015 Vice President, General Manager of Corporate Planning Dept. of the Company

### Responsibilities at the Company

- CEO, in charge of Partnering Dept., External Affairs Dept., and Audit Dept

### Other special notes

- The Company has no special interests with him.



## Iwaaki Taniguchi

**Date of birth:** December 4, 1966 (57 years old)

**Shares of the Company owned:** 2,100 shares

### Reasons for nominating the candidate for Director

Mr. Iwaaki Taniguchi is familiar with the finance and financial accounting fields and risk management through his extensive work experience in Japan and overseas. He also has extensive experience in organizational management as the Head of Finance Supervisory Div., and as a member of decision-making bodies such as the Executive Committee. As he has abundant knowledge and experience with the Company to conduct management decision-making and business execution, the Company is of the judgment that he will be able to perform his roles and duties as Director appropriately.

Aug. 2022 Joined the Company  
Executive Vice President, Head of Finance & Accounting Dept. of the Company

Jan. 2023 Senior Vice President  
Head of Finance Supervisory Div. and Head of Finance & Accounting Dept. of the Company (to present)

### Summary of career and positions at the Company

Apr. 1989 Joined The Long-Term Credit Bank of Japan, Limited (currently SBI Shinsei Bank, Limited)

Jan. 2004 Joined Takeda Pharmaceutical Company Limited ("Takeda")

Apr. 2013 General Manager of Corporate Finance Dept. of Takeda

Apr. 2015 General Manager of Finance Management Dept. of Takeda

Jan. 2017 Joined Recruit Holdings Co., Ltd.  
Corporate Executive Officer (Responsible for Finance) of Recruit Holdings Co., Ltd.

Apr. 2018 Corporate Executive Officer (Responsible for Finance) of Recruit Holdings Co., Ltd. and Director of Recruit Co., Ltd.

### Responsibilities at the Company

- Head of Finance Supervisory Div. and Head of Finance & Accounting Dept.

### Other special notes

- The Company has no special interests with him.

3

New appointment



## Hitoshi Iikura

**Date of birth:** February 26, 1970 (54 years old)

**Shares of the Company owned:** 3,383 shares

### Reasons for nominating the candidate for Director

Dr. Hitoshi Iikura is familiar with all aspects of pharmaceutical research and development through his extensive work experience in Japan and overseas. He also has extensive experience in organizational management as the Head of Divisions, and as a member of decision-making bodies such as the Executive Committee. As he has abundant knowledge and experience with the Company to conduct management decision-making and business execution, the Company is of the judgment that he will be able to perform his roles and duties as Director appropriately.

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

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

### ● Responsibilities at the Company

- Head of Translational Research Div.

### ● Other special notes

- The Company has no special interests with him.

4

Reappointment

Outside

Independent



## Mariko Y Momoi

**Date of birth:** February 24, 1948 (76 years old)

**Shares of the Company owned:** 0 shares

**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 4 years

**Attendance at the meetings of the Board of Directors:** 100% (10 out of 10)

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

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

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

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

### ● Other major positions

- Member of Science Council of Japan (Section II)

### ● Important concurrent positions

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

### ● Other special notes

- She satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered her as an independent officer with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 24.
- The Company has no special interests with her.

5

Reappointment  
Outside  
Independent



## Fumio Tateishi

**Date of birth:** July 6, 1949 (74 years old)  
**Shares of the Company owned:** 0 shares  
**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 1 year  
**Attendance at the meetings of the Board of Directors:** 100% (7 out of 7)

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

Dr. Fumio Tateishi has provided appropriate advice and supervision on the management of the Company, based on his long engagement in global corporate management and a high level of insight into sustainability and ESG. Therefore, the Company nominates him as a candidate for Outside Director based on its expectation that he will continue to execute his duties as Outside Director appropriately in the future as well.

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

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

### ● Important concurrent positions

- Honorary Advisor of OMRON Corporation

### ● Other special notes

- He satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered him as an independent officer with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 24.
- The Company has no special interests with him.

6

Reappointment  
Outside  
Independent



## Hideo Teramoto

**Date of birth:** May 20, 1960 (63 years old)  
**Shares of the Company owned:** 0 shares  
**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 1 year  
**Attendance at the meetings of the Board of Directors:** 100% (7 out of 7)

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

Mr. Hideo Teramoto has provided appropriate advice and supervision on the management of the Company based on his extensive experience and knowledge concerning corporate management and a high level of insight into finance and financial accounting, etc. Therefore, the Company nominates him as a candidate for Outside Director based on its expectation that he will continue to execute his duties as Outside Director appropriately in the future as well.

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

Apr. 1983 Joined The Dai-ichi Mutual Life Insurance Company  
 Jun. 2012 Director, Managing Executive Officer, Deputy Chief General Manager of Group Management Headquarters, and General Manager of Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited. ("DLI")  
 Apr. 2013 Director, Managing Executive Officer, and Deputy Chief General Manager of Group Management Headquarters of DLI  
 Apr. 2015 Director, Senior Managing Executive Officer, and General Manager of Marketing Promotion of DLI  
 Oct. 2016 Director, Senior Managing Executive Officer, and General Manager of Marketing Promotion of Dai-ichi Life Holdings, Inc. ("DLH")  
 Apr. 2017 Director and Senior Managing Executive Officer of DLI  
 Apr. 2017 Representative Director and Vice Chairman of DLI  
 Apr. 2020 Director, Vice Chairman, and General Manager of Innovation Strategy Unit of DLH

Apr. 2021 Representative Director, Vice Chairman, and Executive Officer of DLH  
 Apr. 2022 Director of DLH  
 Jun. 2022 President of Dai-ichi Life Research Institute, Inc. (to present)  
 Mar. 2023 Director of the Company (to present)  
 Jun. 2023 Outside Director of Imperial Hotel, Ltd. (to present)

### ● Important concurrent positions

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

### ● Other special notes

- He satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered him as an independent officer with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 24.
- The Company has no special interests with him.

7

Reappointment



## Christoph Franz

**Date of birth:** May 2, 1960 (63 years old)

**Shares of the Company owned:** 0 shares

**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 7 years

**Attendance at the meetings of the Board of Directors:** 100% (10 out of 10)

### Reasons for nominating the candidate for Director

Dr. Christoph Franz has provided appropriate advice and supervision on the management of the Company based on his extensive knowledge and experience, etc. as a corporate manager of global companies. Therefore, the Company is of the judgment that he will be able to continue to execute his duties as Director appropriately in the future as well.

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

- Jan. 1990 Joined Deutsche Lufthansa AG
- Jul. 1994 Member of the Executive Board and CEO of Passenger Transport Division of Deutsche Bahn AG
- Jul. 2004 CEO of Swiss International Air Lines AG
- Jun. 2009 Deputy Chairman of the Executive Board of Deutsche Lufthansa AG
- Jan. 2011 Chairman of the Executive Board and CEO of Deutsche Lufthansa AG
- Mar. 2014 Chairman of the Board of Directors of Roche Holding Ltd.
- Mar. 2017 Director of the Company (to present)

### ● Important concurrent positions

- Vice Chairman of the Board of Zurich Insurance Group Ltd (Switzerland)
- Member of the Board of Directors of Stadler Rail (Switzerland)

### ● Other special notes

- He retired as Chairman of the Board of Directors of Roche Holding Ltd. as of March 14, 2023.

8

Reappointment



## James H. Sabry

**Date of birth:** December 19, 1958 (65 years old)

**Shares of the Company owned:** 0 shares

**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 5 years

**Attendance at the meetings of the Board of Directors:** 100% (10 out of 10)

### Reasons for nominating the candidate for Director

Dr. James H. Sabry has provided appropriate advice and supervision on the management of the Company from a global perspective as a member of the management of the Roche Group. Therefore, the Company is of the judgment that he will be able to continue to execute his duties as Director appropriately in the future as well.

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

- Aug. 1997 Co-founder, President and CEO of Cytokinetics
- Jun. 2008 President and CEO of Arete Therapeutics
- Mar. 2010 Global Head and Vice President of Genentech Partnering
- Jan. 2013 Global Head and Senior Vice President of Genentech Partnering
- Aug. 2018 Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee (to present)
- Mar. 2019 Director of the Company (to present)

### ● Important concurrent positions

- Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee

### ● Other special notes

- The relationship between the Company and the Roche Group, where he serves as a member of the Board of Directors, is as stated in “1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries” of the Business Report.

9

Reappointment



## Teresa A. Graham

**Date of birth:** December 30, 1973 (50 years old)

**Shares of the Company owned:** 0 shares

**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 1 year

**Attendance at the meetings of the Board of Directors:** 100% (7 out of 7)

### Reasons for nominating the candidate for Director

Ms. Teresa Graham has provided appropriate advice and supervision on the management of the Company from a global perspective as a member of the management of the Roche Group. Therefore, the Company is of the judgment that she will be able to continue to execute her duties as Director appropriately in the future as well.

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

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

### ● Important concurrent positions

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

### ● Other special notes

- The relationship between the Company and the Roche Group, where she serves as a member of the Board of Directors, is as stated in “1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries” of the Business Report.

#### Notes related to Third Proposal

1. Overview of the contents of a limited liability agreement  
The Company has provided in its Articles of Incorporation that it may enter into a limited liability agreement (the “Agreement”) with a Director (excluding Director serving as Executive Director, etc.),” as provided in Article 423, Paragraph 1 of the Japanese Companies Act, and the limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and regulations. The Company has entered into the Agreement with Dr. Mariko Y Momoi, Dr. Fumio Tateishi, Mr. Hideo Teramoto, Dr. Christoph Franz, Dr. James H. Sabry and Ms. Teresa A. Graham, and the Company plans to sustain such Agreement with them if they are elected as Directors.
2. Overview of the contents of the corporate indemnity agreement  
The Company has entered into a corporate indemnity agreement with each of the Directors and Audit & Supervisory Board Members, as provided for in Article 430-2, Paragraph 1 of the Companies Act, pursuant to the resolution of the Board of Directors meeting. Under such agreement, the Company shall indemnify them for the expenses provided for in Item 1 and the losses provided for in Item 2 of the said Paragraph to the extent prescribed by laws and regulations. Dr. Osamu Okuda, Dr. Mariko Y Momoi, Dr. Fumio Tateishi, Mr. Hideo Teramoto, Dr. Christoph Franz, Dr. James H. Sabry and Ms. Teresa A. Graham have already entered into such agreement, and the Company plans to sustain such agreement with them if they are elected as Directors. In addition, the Company plans to enter into the indemnity agreement with Mr. Iwaaki Taniguchi and Dr. Hitoshi Iikura if they are elected as Directors.
3. Overview of the contents of the directors’ and officers’ liability insurance  
To secure excellent human resources and to prevent contraction in the execution of duties, the Company has concluded a directors’ and officers’ liability insurance agreement with an insurance company with the following conditions, and plans to renew such agreement in July 2024. If each candidate is reelected or elected, he/she will be covered by this insurance agreement.  
[Overview of the insurance]
  - 1) The ratio of premiums to be actually borne by the insured individuals  
The premiums, including the portion for riders, will be borne by the Company. There are no actual premiums to be borne by the insured individuals.
  - 2) Overview of the insurance accidents covered  
The insurance, including riders, covers damage that may be incurred by the insured directors and officers as a result of assuming responsibilities relating to the execution of duties or receiving claims relating to the pursuit of such responsibilities. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed.
4. The number of “Shares of the Company owned” by each candidate shown in the table above includes shares of stock in the Officers Shareholders’ Association or the Employee Shareholders’ Association of the Company.
5. The ages of the candidates are as of this Annual General Meeting of Shareholders.



## Fourth Proposal: Election of Two (2) Audit & Supervisory Board Members

Out of all the five (5) Audit & Supervisory Board Members, the term of office of two (2) Audit & Supervisory Board Members, Takaaki Nimura and Kenichi Masuda, will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that two (2) candidates, Kenichi Masuda and Mami Yunoki, be elected.

The election of candidates for Audit & Supervisory Board Members is determined at the Board of Directors with the consent of the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Members and the composition of the Audit & Supervisory Board after the election (planned) are as follows:

### Composition of the Audit & Supervisory Board after the election (planned)

No.	Name	Gender	Age*2	Attribute	Current Position	Attendance at the meetings of the Board of Directors	Attendance at the Meetings of the Audit & Supervisory Board
—*1	Yoshiaki Ohashi	Male	64		Full-time Audit & Supervisory Board Member	100% (10 out of 10)	100% (12 out of 12)
—*1	Shigehiro Yamada	Male	59		Full-time Audit & Supervisory Board Member	100% (7 out of 7)*3	100% (9 out of 9)*3
1	Kenichi Masuda	Male	61	Reappointment Outside Independent	Outside Audit & Supervisory Board Member	100% (10 out of 10)	100% (12 out of 12)
—*1	Yumiko Waseda	Female	64	Outside Independent	Outside Audit & Supervisory Board Member	100% (7 out of 7)*3	100% (9 out of 9)*3
2	Mami Yunoki*4	Female	60	New appointment Outside Independent	—	—	—

**Reappointment** Candidate for reappointment as Audit & Supervisory Board Member

**New appointment** Candidate for new appointment as Audit & Supervisory Board Member

**Outside** Outside Audit & Supervisory Board Member or candidate for Outside Audit & Supervisory Board Member

**Independent** Independent officer who has been registered with the Tokyo Stock Exchange

\*1 The term of office of Audit & Supervisory Board Members of the Company is four (4) years. Dr. Yoshiaki Ohashi was elected and assumed office as Audit & Supervisory Board Member at the 110th Annual General Meeting of Shareholders held in March 2021, and Dr. Shigehiro Yamada and Ms. Yumiko Waseda were elected and assumed office as Audit & Supervisory Board Members at the 112th Annual General Meeting of Shareholders held in March 2023, respectively.

\*2 The ages of the candidates are as of this Annual General Meeting of Shareholders.

\*3 The number of meetings attended by Audit & Supervisory Board Members Dr. Shigehiro Yamada and Ms. Yumiko Waseda stated above refers to the number of the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board they attended after their assumption of office on March 30, 2023.

\*4 Her name in the family register is Mami Kato.



## Kenichi Masuda

**Date of birth:** January 11, 1963 (61 years old)  
**Shares of the Company owned:** 0 shares  
**Number of years served as Audit & Supervisory Board Member (as at the closing of this Annual General Meeting of Shareholders):** 4 years  
**Attendance at the meetings of the Board of Directors:** 100% (10 out of 10)  
**Attendance at the meetings of the Audit & Supervisory Board:** 100% (12 out of 12)

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

- Apr. 1988 Registered as an attorney-at-law (Daini Tokyo Bar Association)  
Joined Anderson Mori & Rabinowitz  
(currently Anderson Mori & Tomotsune)
- Sep. 1993 Registered as an attorney-at-law in the state of New York
- Jan. 1997 Partner of Anderson Mori (currently Anderson Mori & Tomotsune)  
(to present)
- May 2007 Outside Corporate Auditor of LIFENET INSURANCE COMPANY
- Apr. 2010 Part-time Lecturer at School of Law, The University of Tokyo
- Mar. 2011 Outside Corporate Auditor of Bridgestone Corporation
- Mar. 2016 Outside Director of Bridgestone Corporation (to present)
- May 2016 Outside Audit & Supervisory Board Member of Mercuria Investment Co., Ltd. (currently Mercuria Holdings Co., Ltd.) (to present)
- Apr. 2019 Visiting Professor of School of Law, The University of Tokyo

### Reasons for nominating the candidate for Outside Audit & Supervisory Board Member

Mr. Kenichi Masuda has no experience in corporate management in the past. However, he has appropriately conducted audits as an Outside Audit & Supervisory Board Member based on his extensive experience and knowledge as a corporate legal specialist (attorney-at-law). Therefore, the Company is of the judgment that he will be able to continue to execute his duties as Outside Audit & Supervisory Board Member appropriately in the future as well.

Mar. 2020 Outside Audit & Supervisory Board Member of the Company  
(to present)

### ● Important concurrent positions

- Partner of Anderson Mori & Tomotsune
- Outside Director of Bridgestone Corporation
- Outside Audit & Supervisory Board Member of Mercuria Holdings Co., Ltd.

### ● Other special notes

- He satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered him as an independent officer with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 24.
- The Company has no special interests with him.



## Mami Yunoki

**Date of birth:** May 27, 1963 (60 years old)  
**Shares of the Company owned:** 0 shares

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

- May 1985 Joined Aoyama Audit Corporation
- Sep. 2006 Joined Arata Audit Corporation  
(currently PricewaterhouseCoopers Japan LLC)
- Jul. 2008 Partner of PricewaterhouseCoopers Arata ("Arata")
- Jul. 2016 Member of the firm management committee and executive officer in charge of the manufacturing, distribution, and services division of Arata
- Jul. 2023 Representative of Mami Yunoki Certified Public Accountant Office  
(to present)

### ● Important concurrent positions

- Representative of Mami Yunoki Certified Public Accountant Office

### Reasons for nominating the candidate for Outside Audit & Supervisory Board Member

Ms. Mami Yunoki has no experience in corporate management in the past. However, she has extensive experience and knowledge as a corporate accounting specialist (certified public accountant). Therefore, the Company is of the judgment that she will be able to execute her duties as Outside Audit & Supervisory Board Member appropriately.

### ● Other major positions

- Part-time lecturer at Graduate School of Hitotsubashi University
- Member of the Examination Board for Strengthening of Financial Function, Financial Services Agency

### ● Other special notes

- She satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered her as an independent officer with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 24.
- The Company has no special interests with her.
- Her name in the family register is Mami Kato.

## Notes related to Fourth Proposal

1. Overview of the contents of a limited liability agreement  
The Company has provided in its Articles of Incorporation that it may enter into a limited liability agreement (the "Agreement") with an Audit & Supervisory Board Member, as provided in Article 423, Paragraph 1 of the Japanese Companies Act, and the limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and regulations. The Company has entered into the Agreement with Mr. Kenichi Masuda and plans to sustain such Agreement with him if he is elected as an Audit & Supervisory Board Member. The Company plans to enter into the Agreement with Ms. Mami Yunoki if she is elected as an Audit & Supervisory Board Member.
2. Overview of the contents of the corporate indemnity agreement  
The Company has entered into a corporate indemnity agreement with each of the Directors and Audit & Supervisory Board Members, as provided for in Article 430-2, Paragraph 1 of the Companies Act, pursuant to the resolution of the Board of Directors meeting. Under such agreement, the Company shall indemnify them for the expenses provided for in Item 1 and the losses provided for in Item 2 of the said Paragraph to the extent prescribed by laws and regulations. Mr. Kenichi Masuda has already entered into such agreement, and the Company plans to sustain such agreement with him if he is elected as an Audit & Supervisory Board Member. In addition, the Company plans to enter into the indemnity agreement with Ms. Mami Yunoki if she is elected as an Audit & Supervisory Board Member.
3. Overview of the directors' and officers' liability insurance  
To secure excellent human resources and to prevent contraction in the execution of duties, the Company has concluded a directors' and officers' liability insurance agreement with an insurance company with the following conditions and plans to renew such agreement in July 2024. If each candidate is reelected or elected, he/she will be covered by this insurance agreement.  
[Overview of the insurance]
  - 1) The ratio of premiums to be actually borne by the insured individuals  
The premiums, including the portion for riders, will be borne by the Company. There are no actual premiums to be borne by the insured individuals.
  - 2) Overview of the insurance accidents covered  
The insurance, including riders, covers damage that may be incurred by the insured directors and officers as a result of assuming responsibilities relating to the execution of duties or receiving claims relating to the pursuit of such responsibilities. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed.
4. The ages of the candidates are as of this Annual General Meeting of Shareholders.

## Fifth Proposal: Revision of Remuneration Limit of Audit & Supervisory Board Members

Remuneration of the Audit & Supervisory Board Members was approved to be JPY120 million or less at the 109th Annual General Meeting of Shareholders held in March 2020, and this limit has remained in place to date.

In order to establish an effective remuneration level to secure and retain talented personnel while primarily benchmarking against domestic companies in the same industry or of similar scale, taking into account our financial status and business environment, the Company would like to increase this limit of the remuneration of Audit & Supervisory Board Members up to JPY180 million.

The number of Audit & Supervisory Board Members is five (5) (including three (3) Outside Audit & Supervisory Board Members), and there will be no change in the number after the Fourth Proposal is approved as originally proposed.

## Fundamental Views Relating to Corporate Governance

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Company has established “dedicating itself to creating new values through the provision of innovative medical products and services for the benefit of the medical community and human health around the world” as its mission and “becoming a top innovator in the healthcare industry that realizes sophisticated and sustainable patient-centered medical care, powered by our unique strength in science and technology and the alliance with Roche” as its envisioned future.

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

## Corporate Governance System

### • Organizational Structure

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

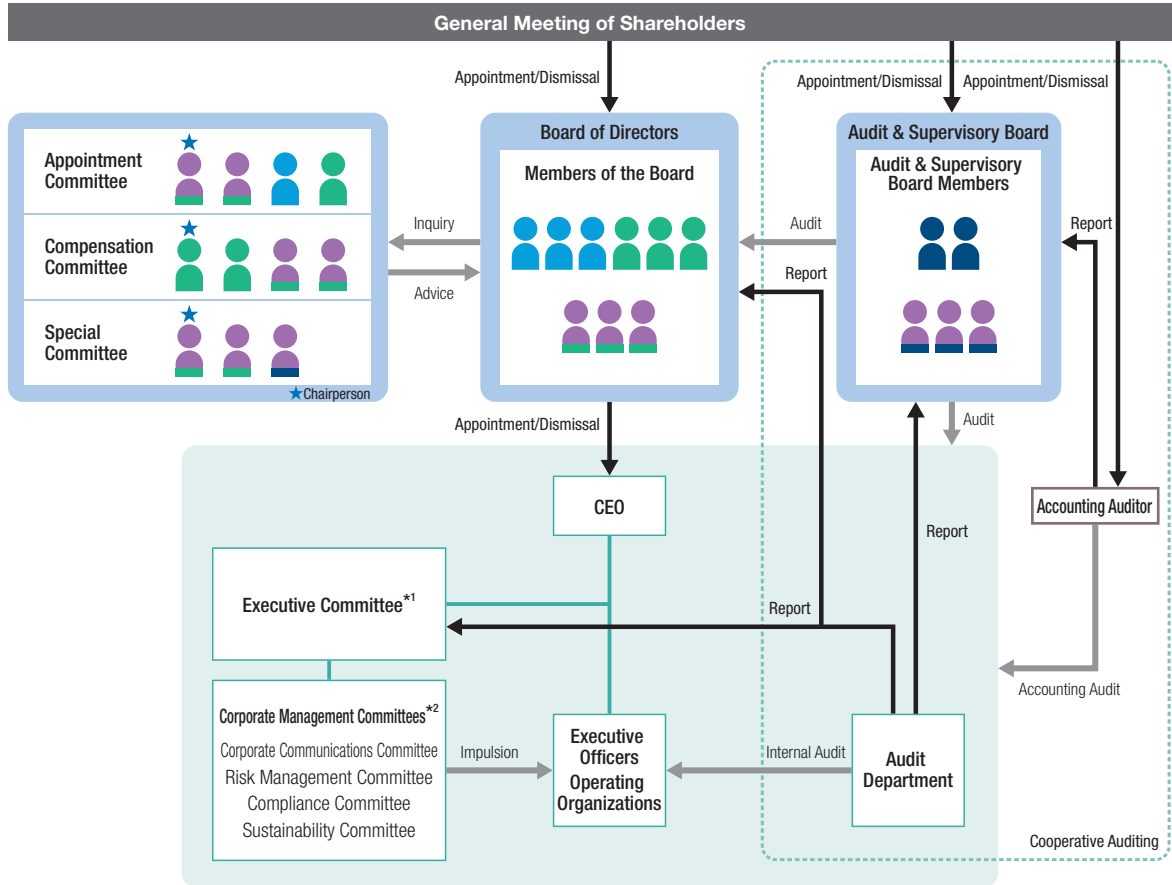
The Company performs important managerial decision-making and supervises the execution of business through the Board of Directors, and audits the Directors’ performance of duties and other matters through the Audit & Supervisory Board and its Members, who are independent of the Board of Directors.

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

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

### Chugai's Corporate Governance System (as of February 1, 2024)

■ Executive Directors    ■ Non-Executive Directors  
■ Independent Outside Directors    ■ Audit & Supervisory Board Members    ■ Independent Outside Audit & Supervisory Board Members



\*1 Executive Committee: Performs important decision-making related to company-wide business strategies and execution of business.

\*2 Corporate Management Committees: Subcommittees of the Executive Committee. The Corporate Communications Committee makes decisions and oversees promotion of activities regarding information disclosure and dialogue with stakeholders; the Risk Management Committee oversees risk management and promotes activities to identify and measure risks; the Compliance Committee reinforces the PDCA cycle for compliance activities and monitors the implementation of countermeasures and the status for particular items; the Sustainability Committee is responsible for formulating and promoting the implementation of the Chugai Group's sustainability strategies.

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### • Board of Directors

Based on fiduciary duties and accountability to shareholders, in order to achieve sustainable growth and increase corporate value over the medium to long term, and to improve profitability and capital efficiency, the Board of Directors makes important decisions on the management of the Company, including management strategies, management plans, and other important matters, establishes an environment that supports appropriate risk taking by Executive Directors, and supervises business execution.

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

### • Appointment and Dismissal of Directors

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

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

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

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

### • Audit & Supervisory Board

Audit & Supervisory Board Members work with the Board of Directors to play a part in the supervisory function of the Company and, as an independent organization entrusted by shareholders, ensure sound and sustainable growth of the Company and audit the execution of duties by Directors, to secure a high-quality corporate governance system that responds to social trust. The Audit & Supervisory Board receives reports from the Audit & Supervisory Board Members on important matters related to audits and makes consultations or resolutions.

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

### • Appointment of Audit & Supervisory Board Members

The Board of Directors selects as candidates for the Audit & Supervisory Board Members persons with the knowledge and experience to appropriately audit managerial decision-making and the execution of business. The candidates for the Outside Audit & Supervisory Board Members are selected from among experts with rich knowledge and experience in accounting, law and similar fields.

The Board of Directors decides on the appointment of candidates for Audit & Supervisory Board Members with the consent of the Audit & Supervisory Board and discloses the reasons for their appointment.

### • Appointment Committee

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

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

### • Compensation Committee

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

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

### • Special Committee

As an advisory board to the Board of Directors, the Special Committee deliberates and reviews significant transactions and conducts, etc. that may generate a conflict of interests between a controlling shareholder and minority shareholders.

The Special Committee consists of only Independent Directors or Audit & Supervisory Board Members including one Independent Outside Director who is also serving as an outside committee member of the Compensation Committee.

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

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

### • Cooperative Auditing

Audit & Supervisory Board Members, the internal audit function and the Accounting Auditor cooperate closely by regularly exchanging information to improve the effectiveness of their respective audits.

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Audit & Supervisory Board Members and the Accounting Auditor confirm each other's audit plans and hold regular meetings to exchange opinions on matters including the results of quarterly audit reports. They coordinate with Audit & Supervisory Board Members at subsidiaries on quarterly reports, fiscal year-end reports and other matters.

• **Evaluation of Effectiveness of Chugai Board of Directors**

The Board of Directors is subject to the analysis and evaluation of its activities by an external third-party in each financial year, in addition to the self-evaluation of the Directors and Audit & Supervisory Board Members, to secure the effectiveness of its decision-making and supervision, and discloses a summary of the results.

The Company's Board of Directors retained a third-party law firm ("outside experts") to conduct a third-party evaluation and analysis on the effectiveness of the Board. The outside experts served as the Secretariat and conducted from February to March 2023 a self-evaluation questionnaire on the Directors and Audit & Supervisory Board Members who were on the Board as of the end of fiscal year 2022. Furthermore, from the standpoint of objectively and rationally verifying whether the results of the self-evaluation questionnaire were valid and truly reflect the reality of the Board and its related activities, the outside experts conducted a two-step process of: (1) viewing and carefully examining relevant materials, and (2) conducting interviews, as necessary, of the Directors and the Audit & Supervisory Board Members who were on the Board as of the end of fiscal year 2022.

Almost all of the responses with respect to these matters in the self-evaluation questionnaire were "Yes," and the materials examined and the interviews conducted by the outside experts

indicated that these responses truly reflect the reality of the Board and its related activities. Thus, the outside experts confirmed that, from the standpoint of all evaluations, the effectiveness of the Board is secured.

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

The Board will endeavor to further improve its effectiveness through, among other things, operation of Board meetings taking into account the request by the Tokyo Stock Exchange with regard to management in consideration of cost of capital and profitability, making comprehensive efforts on investments in human capital and assessment of appropriateness of those efforts by the Board, and comprehensive assessment by the Board with regard to the progress of initiatives toward environmental targets, as well as expanding opportunities for information sharing and exchange of opinions for Outside Directors and Outside Audit & Supervisory Board Members not only in but also outside of Board meetings.



## Independence Standards

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

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

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Note 1: "Executive" means an executive director, executive officer, corporate officer, or other such employee or the like.

Note 2: "Major business partner" means a business partner whose transactions with the Chugai Group in any business year within the past five years total 2% or more of the consolidated sales of that business partner or the Chugai Group.

Note 3: "Major lender" means a lender from whom the Chugai Group's borrowings at the end of the business year exceed 2% of the Chugai Group's consolidated total assets at the end of that business year.

Note 4: "Large amount of money or other such assets" means, in any business year within the past five years, money or other such assets in excess of the greater of (a) ten million yen annually or (b) 2% of the total annual income of the person receiving the money or other such assets.

Note 5: "Major shareholder" means a shareholder directly or indirectly holding 10% or more of total voting rights in any business year within the past five years.

Note 6: "Contributions or aid exceeding a certain amount" means, in any business year within the past five years, contributions or aid exceeding the greater of (a) ten million yen annually or (b) 2% of the total annual income of the person receiving the contributions or aid.

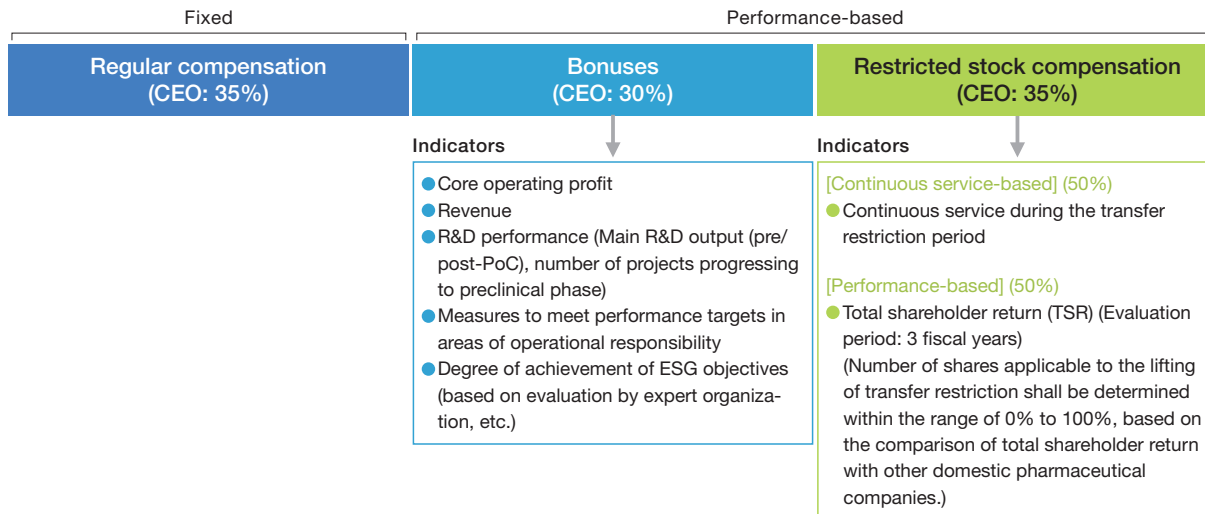
Note 7: "Close relative" means a spouse or a relative within the second degree of kinship.

Note 8: "Those in material positions" means directors (excluding outside directors), corporate officers, and executive officers, or any person with authority equivalent to any of these.

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

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)
	Bonuses	●	—	—	Performance in each fiscal year	Yearly (Cash)
Performance-based compensation	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

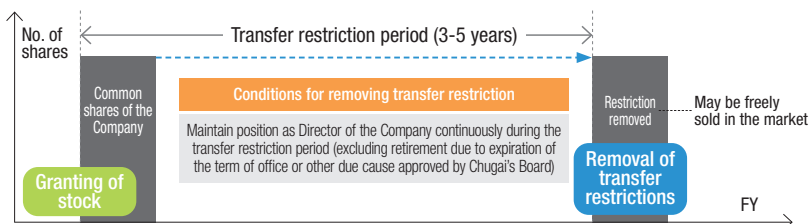


## The Company's Restricted Stock Compensation System

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.

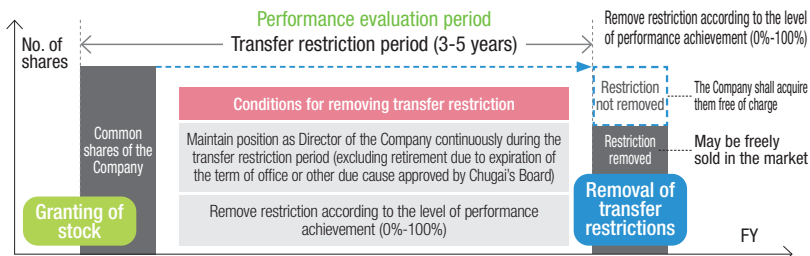
### Tenure-based restricted stock compensation

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.

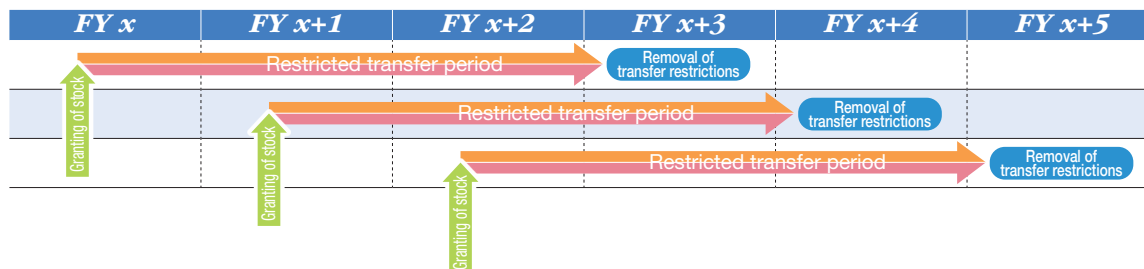


### Performance-based restricted stock compensation

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)



# Sustainability at Chugai

Under the Growth Strategy “TOP I 2030,” in order to become a top innovator in the healthcare industry by 2030, the Company has set goals to double R&D output and launch global in-house products every year, and is working to strengthen its company-wide foundation, which supports the realization of its growth strategy. Below is a report on just some of the efforts carried out in fiscal year 2023.

## Human Resources Initiatives

In order to realize “TOP I 2030,” it is essential to have diverse human resources who will be the driving force and play active roles. For this purpose, it is necessary to increase the number of self-directed employees who can identify issues themselves and solve them with the involvement of people around them. Therefore, we focus on the personal growth of each individual and promote various initiatives based on the three elements necessary to strengthen each individual: “envisage individuals,” “enhance individuals,” and “enable excellence of individuals.”

“Envisage individuals” means “individual employees envisage their careers and attune their future self-realization to “TOP I 2030.” As autonomy support based on “dialogue” is key to achieving this, we are working on “Check in (1on1)” as an opportunity to promote dialogue with their managers and the people around them. In addition, for the next generation of management personnel and highly specialized human resources, we are drawing up the profiles and requirements of our ideal human resources, and accelerating the process of finding, hiring, and training them. For the next generation of management personnel, the medium- to long-term successor development policy is discussed and determined by top management and department heads, then strategic assignments and appointments are made to promote systematic development. The preparation rate of successor candidates for important key positions in Japan and overseas is over 250%. With regard to highly specialized human resources, these individuals are also identified each year by the Executive Committee based on strategy, and a company-wide effort is made to acquire and develop them.

“Enhance individuals” means “respect employees’ autonomy, and encourage them to take on challenges, learn autonomously, and increase their expertise.” To generate innovation, it is essential to have a system that encourages individuals to improve skills, take on challenges, and grow. To this end, we are promoting dialogue between employees, regardless of their seniority to one another, and investing in individual career development and training programs. An online learning platform, “I Learning,” introduced in 2021, is used as a space for employee-led mutual learning opportunities. Furthermore, to enable individual employees to develop their

careers autonomously, we make visible the expertise (skill sets) needed for each department and work type, and are also promoting the use of tools that match these with employees’ own careers and expert skill training programs for each department. In addition, we actively promote not only internal but also external working abroad programs and personnel exchange programs with our strategic partner Roche. Since 2004, 261 employees in total have gained global business experience and worked as human resources to lead our business, which has produced steady results.

“Enable excellence of individuals” means “provide an environment that enables individuals to fully demonstrate their own abilities and achieve personal growth through undertaking challenges.” To generate innovation, we believe it is of paramount importance to create an environment in which individuals can demonstrate their unique talents and participate. We are therefore working to foster an inclusive workplace culture that makes full use of diversity and an organizational culture that encourages challenges and personal growth, while also promoting “reform of job satisfaction,” promoting health and productivity management, and working to establish diversity and inclusion (D&I). For the promotion of D&I, we will further accelerate efforts to promote women’s active participation, as well as continue to focus on creating an environment that enables diverse employees to play active roles at work and achieve personal growth by tackling various issues, such as balancing nursing care and childcare with work, women’s health issues and issues faced by LGBTQ employees.

### Examples of initiatives to promote women’s active participation in the workplace

#### Targets and actuals

- ◆ **Targets:** With the aim of having diverse human resources, regardless of gender, participate in decision-making in all aspects, we are targeting a female manager ratio that matches the overall ratio of female employees (estimated ratio of 38%) and reaches 30% or more at all levels by the end of 2030.
- ◆ **Actual:** 17.2% (as of the end of 2023)

### Strong commitment from executives and department managers

- ◆ Implementation of dialogue and mentoring by executives and heads, including women.

### Promoting more flexible work styles in terms of location and time

- ◆ Introduction of super-flex system without core hours and mobile work in flexible locations not limited to company office, satellite, or home.
- ◆ Remote teleworking system limited to jobs that allow residence outside the commuting area.
- ◆ Introduction of a flexible career leave system that can be used for studying abroad, working abroad, acquiring qualifications, or accompanying a spouse overseas.
- ◆ Introduction of a limited-hour work system that allows shorter hours and a four-day work week for reasons other than childcare or nursing care work systems.

### ● Promoting initiatives to incorporate the voices of patients and their families in all value chains

In order to realize medical care enabling individual patients to select the best treatment for them, the Group has established three pillars of cooperation with patient groups (maximizing product value for patients, disease awareness to improve patient literacy, and advocacy\* activity support for patients' participation in medical care). The foundation we see is communication to promote mutual understanding with patient groups. Since 2020, we have held dialogue every year between representatives of patient groups and others and our CEO to address the issues raised in the discussions. As one of these initiatives, in 2022, we launched "PHARMONY," an activity to incorporate the voices of patients and their families into drug discovery research. From 2023, we have redefined our activities as "activities to create shared value by listening to the voices of patients and their families in all value chains and aiming for mutual understanding," and have worked to further promote and spread these activities. We have also launched



PHARMONY ONE

\*Protection of rights/representation

"PHARMONY ONE", a dialogue project with patients available for all employees, with the purpose of changing the awareness and behavior of each and every employee toward a patient-centered approach. We will continue to promote cooperation with patient groups and accelerate our efforts to realize medical care enabling individual patients to select the best treatment for them.

### ● Opened a biotechnology laboratory with a view to training the next generation

Chugai Life Science Park Yokohama has established the "Bio Lab," a science experience facility for students ranging from elementary to high school. The Bio Lab consists of a bright, open, futuristic "laboratory," filled with natural light, and a "lecture space," a large space without partitions, with a flat area and stairway benches. The Bio Lab creates opportunities for experiment classes, science education programs, and other activities to increase interest in living organisms and biotechnology.

In 2023, we started a program for elementary and junior high school students to observe familiar organisms such as water fleas, paramecia, and pollen using microscopes, and to conduct experiments such as mashing broccoli to extract its DNA. The program is held twice a week during summer holidays and once every week or two during other times of the year. From 2024, we plan to offer a program for high school students to learn about biotechnology, one of Chugai's specialties, through practical training.



A view of the actual classroom



Explaining drug research

# Business Report

(January 1, 2023 to December 31, 2023)



## 1 Overview of Consolidated Business Activities

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

#### a) Asset and Income Status

Item	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues (JPY billion)	686.2	786.9	999.8	1,259.7	1,111.4
Operating profit (JPY billion)	210.6	301.2	421.9	533.3	439.2
Net income (JPY billion)	157.6	214.7	303.0	374.4	325.5
Net income attributable to Chugai shareholders (JPY billion)	157.6	214.7	303.0	374.4	325.5
Total assets (JPY billion)	1,058.9	1,235.5	1,538.7	1,869.8	1,932.5
Total equity (JPY billion)	854.0	980.0	1,188.0	1,424.4	1,625.6
Basic earnings per share (JPY)	95.95	130.66	184.29	227.64	197.83
Equity per share attributable to Chugai shareholders (JPY)	519.91	596.16	722.50	865.88	988.01

(Notes) 1. Effective the fiscal year under review, 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. The figures in the subsequent tables have also 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 2019.

#### b) Core Results Status

Item	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues (JPY billion)	686.2	786.9	999.8	1,167.8	1,111.4
Gross profit (JPY billion)	421.1	514.7	664.3	692.8	699.4
Operating profit (JPY billion)	224.9	307.9	434.1	451.7	450.7
Net income (JPY billion)	167.6	219.4	311.5	317.7	333.6
Net income attributable to Chugai shareholders (JPY billion)	167.6	219.4	311.5	317.7	333.6
Core EPS (JPY)	305.80	133.39	189.35	193.11	202.71
Research and development (JPY billion)	102.1	113.5	129.8	143.7	162.8

(Notes) 1. 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.

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

## c) Other Significant Performance Indicators

Item	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Ratio of equity attributable to Chugai shareholders (%)	80.6	79.3	77.2	76.2	84.1
Ratio of net income to equity attributable to Chugai shareholders (ROE) (%)	19.6	23.4	28.0	28.7	21.3
Price-earnings ratio (times)	35.02	42.12	20.27	14.80	27.00
Dividends per share (JPY)	140.00	55.00	76.00	78.00	80.00
Core dividend payout ratio (%)	45.8	41.2	40.1	40.4	39.5
Total shareholders return (TSR) (%)	160.2	263.5	184.0	170.4	267.0

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

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

#### Reference | Adoption of Core Results

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.

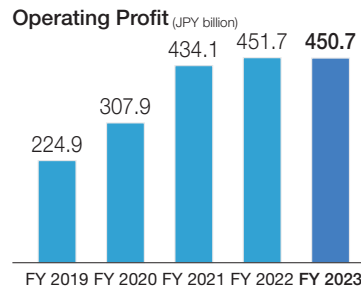
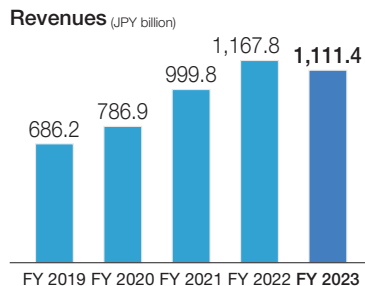
Amortization and impairment of intangible assets (for example, lump-sum and milestone payments pertaining to products under development in-licensed from third parties)

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)



## (2) Developments and Results of Business Activities

### a) Revenues

(Unit: JPY billion)

Item	Actual performance for the fiscal year under review	Actual performance for the previous fiscal year	Year-on-year difference for the same period (%)
<b>Sales</b>	<b>974.5</b>	<b>1,039.2</b>	<b>down 6.2%</b>
Japan	558.0	654.7	down 14.8%
Oncology field	260.2	256.0	up 1.6%
Specialty field	297.8	398.6	down 25.3%
Overseas	416.5	384.6	up 8.3%
<b>Other revenue</b>	<b>136.9</b>	<b>128.6</b>	<b>up 6.5%</b>
<b>Revenues</b>	<b>1,111.4</b>	<b>1,167.8</b>	<b>down 4.8%</b>

#### Domestic sales

Domestic sales were JPY558.0 billion (a decrease of 14.8% year on year) due to the significant decline in sales as a result of the supply of Ronapreve (anti-SARS-CoV-2 monoclonal antibody) to the government, NHI drug price revisions, and the market penetration of generic drugs, despite the favorable market penetration of new products and mainstay products.

Oncology products sales were JPY260.2 billion (an increase of 1.6% year on year). Sales of the new product Polivy (an antimicrotubule binding anti-CD79b monoclonal antibody, anti-cancer agent) increased significantly, while sales of the mainstay product Tecentriq (an anti-PD-L1 humanized monoclonal antibody, anti-cancer agent) were strong, in spite of the decline in sales of Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent), Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent), and Kadcylla (an anti-HER2 antibody-tubulin polymerization inhibitor conjugate), affected by the market penetration of generic drugs, NHI drug price revisions, and changes in the competitive landscape.

Specialty products sales were JPY297.8 billion (a decrease of 25.3% year on year). In addition to the strong growth of new products Vabysmo (an ophthalmic VEGF/Ang-2 inhibitor, anti-

VEGF/anti-Ang-2 humanized bispecific monoclonal antibody) and Evrysdi (a spinal muscular atrophy agent), sales of the mainstay products Enspryng (a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody) and Hemlibra (a blood coagulation factor VIII substitute/anti-coagulation factor IXa/X humanized bispecific monoclonal antibody) continued to be strong. Sales of Tamiflu (an anti-influenza agent) significantly increased due to flu epidemic. On the other hand, the supply of Ronapreve to the government resulted in a significant decline in sales and sales of products including Edirof (an osteoporosis agent) and Mircera (a long-acting erythropoiesis stimulating agent) decreased due to NHI drug price revisions and market penetration of generic drugs.

#### Overseas sales

Overseas sales amounted to JPY416.5 billion (an increase of 8.3% year on year). The exports of Hemlibra and Alecensa (an ALK inhibitor, anti-cancer agent) 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 JPY1,111.4 billion (a decrease of 11.8% year on year), operating profit for the fiscal year under review was JPY439.2 billion (a decrease of 17.6% year on year), and net income for the fiscal year under review was JPY325.5 billion (a decrease of 13.1% 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 JPY5.1 billion, restructuring expenses, etc. of JPY5.5 billion (revenue) such as the gain on sale of non-current assets in conjunction with the closing of offices, and expenses associated with the Early Retirement Incentive Program of JPY10.3 billion. Revenues, operating profit, and net income have decreased compared to the previous fiscal year, due to the one-time impact of recognizing the lump-sum payment of JPY90.7 billion as a result of the settlement agreement between Chugai and Alexion Pharmaceuticals, Inc., in the first quarter of the previous fiscal year.

### 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	<b>1,111.4</b>	1,167.8	down 4.8%
Gross profit	<b>699.4</b>	692.8	up 1.0%
Operating profit	<b>450.7</b>	451.7	down 0.2%
Net income	<b>333.6</b>	317.7	up 5.0%



Enspryng®

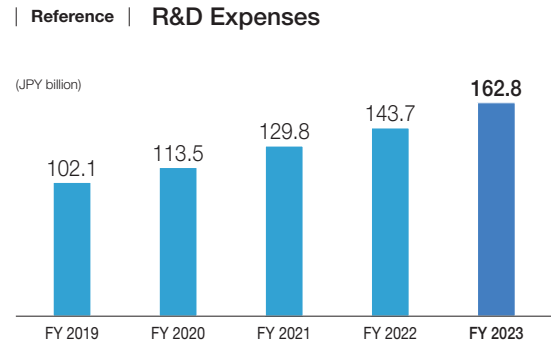
Revenues for the fiscal year under review were JPY1,111.4 billion (a decrease of 4.8% year on year), due to a decrease in sales, despite an increase in other revenue.

Of revenues, sales were JPY974.5 billion (a decrease of 6.2% year on year). Domestic sales declined from the previous fiscal year primarily due to the major decrease in sales as a result of the supply of Ronapreve to the government, as well as the effects of the NHI drug price revisions and the market penetration of generic drugs, despite the favorable sales of the mainstay products including Enspryng, Hemlibra, and Tecentrig, in addition to the strong growth of new products such as Polivy and Vabysmo. Overseas sales increased compared to the previous fiscal year due to the major increase in the exports of Hemlibra and Alecensa to Roche. Other revenue amounted to JPY136.9 billion (an increase of 6.5% year on year), primarily due to increases in income related to Hemlibra and lump-sum income. Furthermore, cost to sales ratio was 42.3%, an improvement of 3.4 percentage points year on year, reflecting the impact of foreign exchange, as well as a change in the product mix and other factors. As a result, gross profit amounted to JPY699.4 billion (an increase of 1.0% year on year).

Research and development expenses amounted to JPY162.8 billion (an increase of 13.3% year on year) due to investments into drug discovery/early development including the full-scale operation of Chugai Life Science Park Yokohama, and increases associated with the progress of development projects, etc. Selling, general and administration expenses amounted to JPY102.0 billion (an increase of 3.2% year on year), due to an increase in various expenses. Other operating income (expense) was income of JPY16.1 billion (JPY1.4 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. As a result, core operating profit was comparable to the previous fiscal year at JPY450.7 billion (a decrease of 0.2% year on year), and core net income increased for seven consecutive fiscal years to JPY333.6 billion (an increase of 5.0% year on year) due to a decrease in income taxes and an improvement in financial income and expenses.

### 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.



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

#### (i) Oncology

- We obtained approval in September for antineoplastic agent/anti-HER2 combination humanized monoclonal antibody/hyaluronan-degradation enzyme combination drug RG6264 (Product name: Phesgo) for the treatment of HER2-positive breast cancer and advanced or recurrent HER2-positive colon cancer or rectal cancer not amenable to curative resection that has progressed after cancer chemotherapy, and we launched it in November.
- We filed for humanized anti-human IL-6 receptor monoclonal antibody MRA/RG1569 (Product name: Actemra) for the treatment of cytokine release syndrome induced by cancer therapy in February and obtained approval for an additional indication in September.
- We filed for an *ALK* inhibitor AF802/RG7853 (Product name: Alecensa) for the treatment of postoperative adjuvant therapy for *ALK* fusion gene-positive non-small cell lung cancer to the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA), and the National Medical Products Administration (NMPA) of People’s Republic of China in November, and in Japan in December.
- We started a global Phase III study for SERD (Selective Estrogen Receptor Degradar) RG6171 for the treatment of breast cancer (1st Line-3rd Line) (everolimus combination) in April.
- We started a global Phase III study for anti-TIGIT human monoclonal antibody RG6058 for the treatment of HCC (1st Line) (RG7446/RG435 combination) in October.
- We started a Phase I study for an anti-DLL3/CD3/CD137 trispecific antibody ALPS12/RG6524 for the treatment of solid tumors in January.
- We started a Phase I study for anti-CLDN6/CD3/CD137 trispecific antibody SAIL66 for the treatment of CLDN6 positive solid tumors in April.
- We started a Phase I study for ROSE 12 for the treatment of solid tumors in June.
- We started a Phase I study for anti-PD-1/LAG-3 bispecific antibody RG6139 for the treatment of solid tumors in August.
- We decided to temporarily suspend the development of anti-CEA/CD3 bispecific antibody RG7802 for the treatment of solid tumors in consideration of the results of the Phase I study.
- We decided to discontinue the development of engineered anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) for the treatment of non-small cell lung cancer (NSCLC) (2nd Line) and renal cell carcinoma (2nd Line) (both in combination with cabozantinib) in consideration of the results of the global Phase III studies CONTACT-01 and CONTACT-03. We also decided to discontinue development for the treatment of urothelial carcinoma (1st Line) and early breast cancer (adjuvant) in consideration of the results of the global Phase III studies IMvigor130 and IMPassion030.
- We decided to discontinue the development of AKT inhibitor RG7440 for the treatment of prostate cancer (1st Line) (abiraterone combination) in consideration of the results of the global Phase III study IPATential150.

**(ii) Immunology**

- We filed for anti-C5 recycling antibody SKY59/RG6107 for the treatment of paroxysmal nocturnal hemoglobinuria (PNH) in Japan in June. An application for regulatory approval for PNH was submitted to the U.S. FDA and the EMA in June. We started a Phase I study for lupus nephritis in February.
- We started a global Phase III study for glycoengineered type II anti-CD20 monoclonal antibody RG7159 (Product name: Gazyva) for the treatment of pediatric nephrotic syndrome in March, and also started a domestic Phase III study for the treatment of systemic lupus erythematosus not accompanied by nephropathy in October.
- We withdrew the indication application submitted to EMA for humanized anti-human IL-6 receptor monoclonal antibody MRA/RG1569 (Product name: Actemra) for the treatment of systemic sclerosis-associated interstitial lung disease in consideration of the opinion of the European Medicines Agency (EMA).

**(iii) Neuroscience**

- We changed the development stage of antisense oligonucleotide targeting *HTT* mRNA RG6042 to a Phase II study after Roche started a global Phase II study for the treatment of Huntington’s disease in January.
- We started a Phase II study for anti-latent myostatin sweeping antibody GYM329/RG6237 for the treatment of facioscapulohumeral muscular dystrophy (FSHD) in March.
- We started a global Phase I/II study for anti-amyloid beta/TfR1 fusion protein RG6102 for the treatment of Alzheimer’s disease in October.
- We decided to discontinue the development of anti-amyloid beta human monoclonal antibody RG1450 for Alzheimer’s disease in consideration of the results of the global Phase III study GRADUATE1/2.

**(iv) Hematology**

- We obtained approval by the European Commission for anti-factor IXa/X bispecific antibody ACE910/RG6013 (Product name: Hemlibra) for the additional indication of moderate hemophilia A with a severe bleeding phenotype in January.

**(v) Ophthalmology**

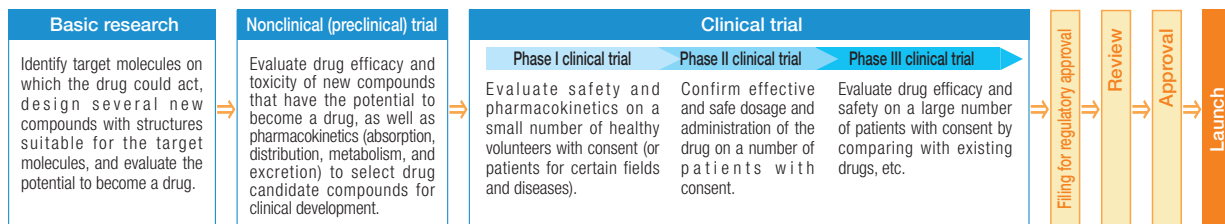
- We filed for anti-VEGF/anti Ang-2 bispecific antibody RG7716 (Product name: Vabysmo) for the treatment of macular edema associated with retinal vein occlusion in April. In addition, we started a domestic Phase III study for the treatment of angioid streaks in March.
- We started a global Phase III study for anti-IL-6 monoclonal antibody RG6179 for the treatment of noninfectious uveitic macular edema in June.
- We started a global Phase III study for pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody SA237/RG6168 (Product name: Enspryng) for the treatment of thyroid ophthalmopathy in October.

**(vi) Other diseases**

- We started a Phase I study for REVN24 for the treatment of acute disease in October.

**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.



Reference | **Status of clinical development** (as of December 31, 2023)

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

Development code	Origin	Generic name	Product name	Expected indication <Combination drug>
<b>Approved</b>				
<span style="color: red;">■</span> ACE910/RG6013	in-house	emicizumab	Hemlibra	Moderate hemophilia A # EU
<span style="color: purple;">■</span> MRA/RG1569	in-house	tocilizumab	Actemra	COVID-19 pneumonia # Taiwan
<span style="color: yellow;">■</span> RG6264	Roche	trastuzumab/pertuzumab	Phesgo	Breast cancer/colorectal cancer
<span style="color: yellow;">■</span> MRA/RG1569	in-house	tocilizumab	Actemra	Cytokine release syndrome induced by cancer therapy # Japan
<b>Filed</b>				
<span style="color: yellow;">■</span> AF802/RG7853	in-house	alectinib	Alecensa	Non-small cell lung cancer (NSCLC) (adjuvant) # USA, EU, China and Japan
<span style="color: red;">■</span> SKY59/RG6107	in-house	crovalimab	—	Paroxysmal nocturnal hemoglobinuria (PNH) China Paroxysmal nocturnal hemoglobinuria (PNH) Japan, EU and USA
<span style="color: blue;">■</span> RG7716	Roche	faricimab	Vabysmo	Retinal vein occlusion #
<b>Phase III</b>				
<span style="color: yellow;">■</span> AF802/RG7853	in-house	alectinib	Alecensa	NSCLC (stage III) maintenance treatment after chemoradiotherapy #
<span style="color: yellow;">■</span> RG7446	Roche	atezolizumab	Tecentriq	NSCLC (neoadjuvant) #
				Muscle-invasive bladder cancer (adjuvant) #
				Early breast cancer (neoadjuvant) #
				Hepatocellular carcinoma (adjuvant) # <Avastin> #
				Hepatocellular carcinoma (intermediate stage) # <Avastin> #
				Hepatocellular carcinoma [second line] # <lenvatinib or sorafenib>
<span style="color: yellow;">■</span> RG435	Roche	bevacizumab	Avastin	Small cell lung cancer [first line] # <Tecentriq>
<span style="color: yellow;">■</span> RG6058	Roche	tiragolumab	—	NSCLC [first line] <Tecentriq>
				NSCLC (stage III) <Tecentriq> #
				Non-squamous NSCLC [first line] <Tecentriq>
				Esophageal cancer <Tecentriq>
<span style="color: yellow;">■</span> RG6171	Roche	giredestrant	—	Breast cancer (adjuvant) Breast cancer [first line] <palbociclib and letrozole> Breast cancer [first line - third line] <everolimus>

Development code	Origin	Generic name	Product name	Expected indication <Combination drug>
RG7828	Roche	mosunetuzumab	—	Follicular lymphoma [second line] <lenalidomide>
				Relapsed or refractory aggressive B-cell non-Hodgkin's lymphoma # <Polivy> #
RG6396	Blueprint Medicines	pralsetinib	—	NSCLC [first line] <pembrolizumab>
RG7159	GlycArt Biotechnology	obinutuzumab	Gazyva	Lupus nephritis #
				Pediatric nephrotic syndrome #
				Systemic lupus erythematosus not accompanied by nephropathy #
SA237/RG6168	in-house	satralizumab	Enspryng	Generalized myasthenia gravis (gMG) #
				Myelin oligodendrocyte glycoprotein antibody-associated disease (MOGAD) #
				Autoimmune encephalitis (AIE) #
RG6356/SRP-9001	Sarepta*	delandistrogene moxeparvovec	—	Duchenne muscular dystrophy (DMD)
SKY59/RG6107	in-house	crovalimab	—	Atypical hemolytic uremic syndrome (aHUS)
RG7716	Roche	faricimab	Vabysmo	Angioid streaks
RG6179	Roche	—	—	Noninfectious uveitic macular edema (UME)
SA237/RG6168	in-house	satralizumab	Enspryng	Thyroid eye disease (TED)
<b>Phase II/III</b>				
GYM329/RG6237	in-house	—	—	Spinal muscular atrophy (SMA) <Evrysdi>
<b>Phase II</b>				
RG6396	Blueprint Medicines	pralsetinib	—	NSCLC [second line]
				Solid tumors
GYM329/RG6237	in-house	—	—	Facioscapulohumeral muscular dystrophy (FSHD)
RG6042	Ionis Pharmaceuticals	tomersen	—	Huntington's disease
SKY59/RG6107	in-house	crovalimab	—	Sickle cell disease (SCD)
AMY109	in-house	—	—	Endometriosis
<b>Phase I/II</b>				
RG6102	MorphoSys	trontinemab	—	Alzheimer's disease
NXT007/RG6512	in-house	—	—	Hemophilia A
RG6321	Roche	ranibizumab (Port delivery system)	—	Neovascular age-related macular degeneration
				Diabetic macular edema

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.

: Change in status in January 2023 and thereafter # : Additional indication

Development code	Origin	Generic name	Product name	Expected indication <Combination drug>
<b>Phase I</b>				
LUNA18	in-house	—	—	Solid tumors
GC33	in-house	codrituzumab	—	Hepatocellular carcinoma
ERY974	in-house	—	—	Solid tumors
STA551	in-house	—	—	Solid tumors
SOF10/RG6440	in-house	—	—	Solid tumors
ALPS12/RG6524	in-house	—	—	Solid tumors
SAIL66	in-house	—	—	CLDN6 positive solid tumors
ROSE12	in-house	—	—	Solid tumors
SPYK04	in-house	—	—	Solid tumors
RG7828	Roche	mosunetuzumab	—	Follicular lymphoma [third line]
RG7421	Exelixis	cobimetinib	—	Solid tumors
RG6026	Roche	glofitamab	—	Hematologic tumors
RG6194	Roche	runimotamab	—	Solid tumors
RG6160	Roche	cevostamab	—	Relapsed or refractory multiple myeloma
RG6330	Roche	—	—	Solid tumors
RG6433	Relay Therapeutics	—	—	Solid tumors
RG6139	Roche	tobemstomig	—	Solid tumors
SKY59/RG6107	in-house	crovalimab	—	Lupus nephritis
DONQ52	in-house	—	—	Celiac disease
RAY121	in-house	—	—	Autoimmune diseases
RG7935	Prothena	prasinezumab	—	Parkinson's disease
REVN24	in-house	—	—	Acute disease

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

  : Change in status in January 2023 and thereafter    #: Additional indication

Reference | Main Products by Therapeutic Field

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



Alecensa®

Specialty field	
Ronapreve®	Anti-SARS-CoV-2 monoclonal antibody
Hemlibra®	Coagulation factor VIII substitute
Actemra®	Anti-human IL-6 receptor monoclonal antibody
Enspryng®	PH-dependent binding humanized anti-IL-6 receptor monoclonal antibody
Vabysmo®	Anti-VEGF/anti Ang-2 bispecific antibody
Evrysdi®	Spinal muscular atrophy agent
Mircera®	A longacting erythropoiesis stimulating agent
CellCept®	Immunosuppressant
Edirol®	Osteoporosis agent



Evrysdi®

### (3) Capital Expenditures

The Group continuously undertakes capital investments to improve and streamline its manufacturing facilities, as well as to enhance and strengthen R&D capabilities. Capital expenditures during the fiscal year under review were JPY68.3 billion.

Such expenditures mainly consisted of investments for 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, the construction of a production building for bio APIs (UK4) used for the production of study drugs for early-stage development in Ukima Plant, as well as 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 and the construction of a production building for sterile injectables (UTA) for early commercial use in Utsunomiya 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 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), 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 in-house 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 being designated as Breakthrough Therapy\* 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.

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

### **d) Growth strategy for 2030 “TOP I 2030”**

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

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 serves as a global role model, due to recognition for its ESG initiatives through its business activities, and by playing a leading role in solving social issues

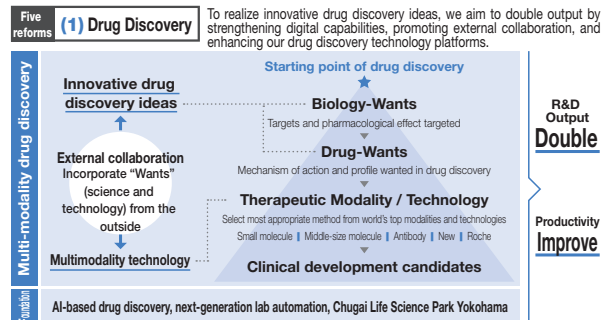
The twin pillars of “TOP I 2030” consist of “Global First-Class Drug Discovery” and “Futuristic Business Model.”

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

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

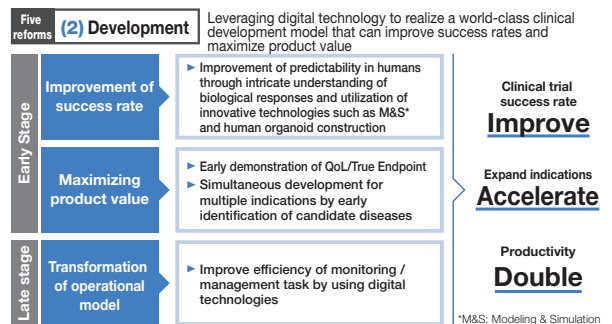
As specific initiatives, the Group has set forth “five reforms” in line with its value chain to realize the twin pillars of the strategy. These reforms comprise “Drug Discovery,” “Development,” “Pharmaceutical Technology,” “Value Delivery” and “Foundation for Growth.”

## (i) Drug Discovery



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

## (ii) Development



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

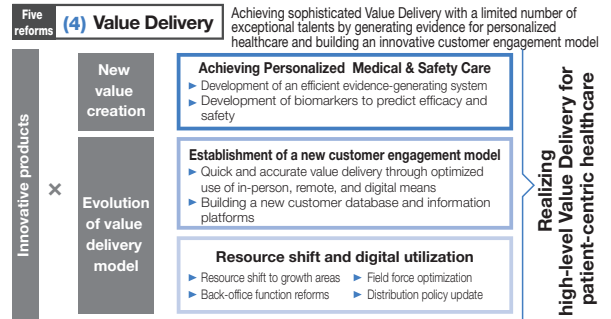
**(iii) Pharmaceutical Technology**



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

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

**(iv) Value Delivery**

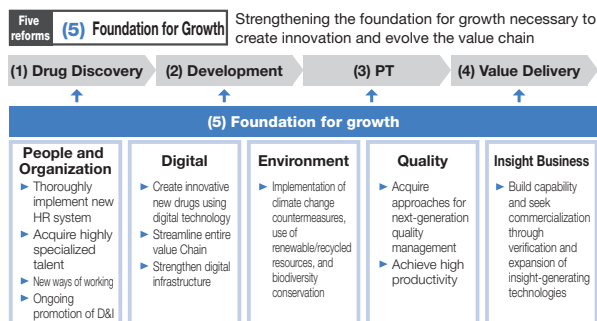


The customer contact points of pharmaceutical companies have also changed significantly owing to the development of digital tools and the impact of the spread of COVID-19. By also taking such changes into account, the Group will aim to establish an innovative customer engagement model, in order to deliver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

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

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

## (v) Foundation for Growth



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

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

“Digital”: Under “CHUGAI DIGITAL VISION 2030,” the Group will focus on innovative drug discovery by applying digital technologies, while promoting DX in each part of the value chain to improve efficiency. To this end, the Group will build a digital platform for both software and hardware, while establishing a global-level IT infrastructure by integrating various in-house data and building an analysis platform in collaboration with the Roche Group.

“Environment”: The Group will contribute to the realization of a sustainable global environment by setting Mid-Term Environmental Goals 2030 for the three issues identified as material: climate change countermeasures, use of renewable/recycled resources, and protection of biodiversity, and implementing advanced initiatives to achieve them. For climate change countermeasures in particular, the Group will work on long-term programs aimed at achieving the goal of zero CO<sub>2</sub> emissions by 2050.

“Quality”: In addition to measures implemented thus far to ensure product quality, the Group is also working to advance quality management across all business processes and in our responses to pharmaceutical affairs. Furthermore, the Group will also step up the development and implementation of quality management methods that balance both quality and efficiency suited to changing business processes, including responding to regulatory affairs matters that address challenges brought about by new modalities and diverse technological evolution, enhancing digital compliance, and developing a quality assurance system in anticipation of expanded collaboration with external parties.

“Insight Business”: Working in partnership with other Roche Group companies, the Group will collect external data, including real-world data (RWD) and data obtained at each stage of drug discovery, development, pharmaceutical technology, and value delivery, and perform advanced analysis to extract and utilize various insights that contribute to in-house drug discovery and development and maximizing the value of pharmaceuticals.

As stated above, there are currently a large number of unmet medical needs worldwide, for which no treatments yet exist or treatment satisfaction is low, and patients around the world are eagerly awaiting the emergence of effective treatments. Moreover, the roles expected of a company including social expectations regarding the earth environment and human rights as well as social demands such as those of governance and compliance are changing and expanding. The Group intends to proactively engage in the creation of shared value with society through the realization of advanced and sustainable patient-centric healthcare.

## (7) Main Businesses (as of December 31, 2023)

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, 2023)

### [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)

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

- ⑫ Utsunomiya Plant (Tochigi Pref.)
- ⑬ Ukima Plant (Tokyo)
- ⑭ Fujieda Plant (Shizuoka Pref.)

\* Regional Management Office (RMO)

### [Overseas]

#### <Sales, Research & Development>

- ① Chugai Pharma Europe Ltd. (UK)
- ② Chugai Pharma Europe Logistics S.A.S. (France)
- ③ Chugai Pharma R&D Taiwan Ltd. (Taiwan)
- ④ Chugai Pharma China Co., Ltd. (China)

#### <Sales>

- ⑤ Chugai Pharma U.K. Ltd. (UK)
- ⑥ Chugai Pharma France S.A.S. (France)
- ⑦ Chugai Pharma Germany GmbH (Germany)

#### <Research & Development>

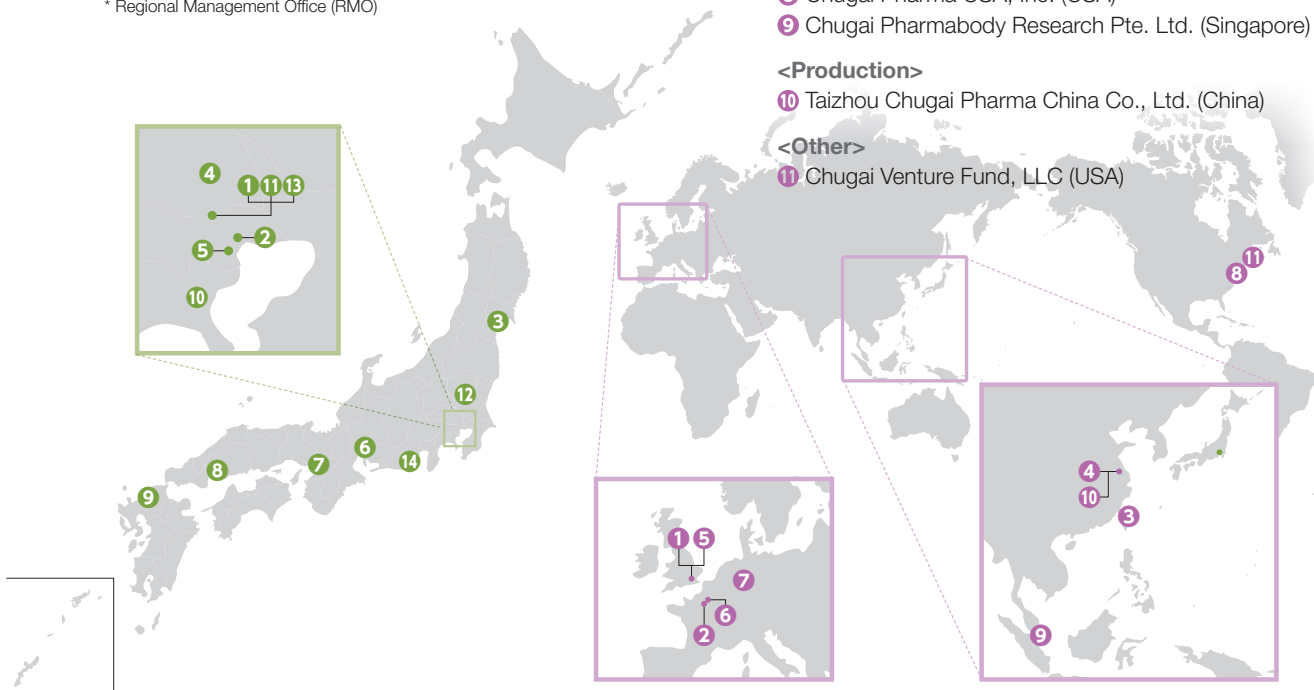
- ⑧ Chugai Pharma USA, Inc. (USA)
- ⑨ Chugai Pharmabody Research Pte. Ltd. (Singapore)

#### <Production>

- ⑩ Taizhou Chugai Pharma China Co., Ltd. (China)

#### <Other>

- ⑪ Chugai Venture Fund, LLC (USA)



## (9) Employees (as of December 31, 2023)

Number of employees	Increase/decrease since end of previous fiscal year
7,604 persons	167 persons (Decrease)

(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 61.12% 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, the aim of this strategic alliance is to establish a new business model that differs from conventional practices in corporate acquisitions and the formation of joint ventures.

Out of the 9 Directors of Chugai, 2 Directors concurrently holds a position at the Roche Group 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 products. Depending on the specific circumstances and the terms of the agreement, this may result in payments on an arm's length basis between Roche and the Company, for any or all of the following matters:

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

In its business dealings with the Roche Group, the Company conducts fair transactions on an arm's length basis, and the Directors of the Company are of the judgment that it will not harm the interests of the Company and minority shareholders. 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 the Roche Group (The Committee was held three times during fiscal year 2023 (in March, June, 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
Chugai Pharma Europe Ltd. (UK)	GBP8,677,808	100%	Marketing & development of pharmaceuticals

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

### (11) Other Important Matters of the Group

There is no applicable information.

## 2 Company's Shares (as of December 31, 2023)

(1) Total Number of Authorized Shares	2,399,415,150 shares
(2) Total Number of the Issued Shares	1,679,057,667 shares
	(Includes 33,743,712 shares of treasury stock)
(3) Number of Shareholders	54,361 shareholders

### (4) Major Shareholders (Top Ten)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding percentage (%)
ROCHE HOLDING LTD.	1,005,670	61.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	145,198	8.82
Custody Bank of Japan, Ltd. (Trust Account)	59,737	3.63
STATE STREET BANK AND TRUST COMPANY 505001	25,232	1.53
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	19,120	1.16
STATE STREET BANK WEST CLIENT - TREATY 505234	14,334	0.87
SMBC Nikko Securities Inc.	11,032	0.67
SSBTC CLIENT OMNIBUS ACCOUNT	10,484	0.63
JP MORGAN CHASE BANK 385781	9,375	0.56
SUMITOMO LIFE INSURANCE COMPANY	9,000	0.54

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 33,743 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, 64,000 shares were granted to three Executive Directors.

### (6) Other Important Matters Concerning Shares

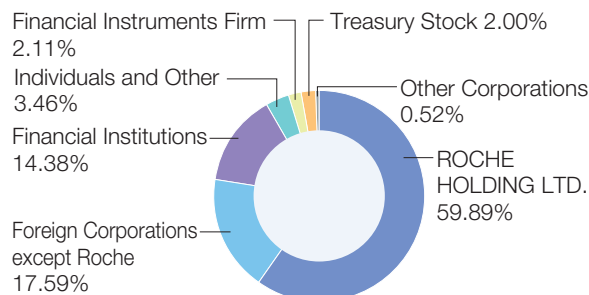
There is no applicable information.

## 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 Article 15 of 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.

### Reference | Ownership Profile







## 4 Company's Officers

### (1) Directors and Audit & Supervisory Board Members (as of December 31, 2023)

	Name	Position and Responsibility in the Company	Important Concurrent Positions
Executive Directors	Osamu Okuda	Representative Director, President & CEO, In charge of Partnering Dept., External Affairs Dept., and Audit Dept.	
	Hisafumi Yamada	Director, Executive Vice President	
	Toshiaki Itagaki	Director, Executive Vice President, CFO	
Non-Executive Directors	Mariko Y Momoi	Outside Director	Professor Emeritus of Jichi Medical University Visiting 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)
	James H. Sabry	Director	Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee
	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	
	Takaaki Nimura	Outside Audit & Supervisory Board Member	Representative of Nimura Certified Public Accountant Office
	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

(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 Masayuki Oku (retirement due to expiration of term in office on March 30, 2023)

Director Yoichiro Ichimaru (retirement due to expiration of term in office on March 30, 2023)

Director William N. Anderson (retirement due to expiration of term in office on March 30, 2023)

Audit & Supervisory Board Member Atsushi Sato (retirement due to expiration of term in office on March 30, 2023)

Audit & Supervisory Board Member Yuko Maeda (retirement due to expiration of term in office on March 30, 2023)

<Newly appointed>

- Director Fumio Tateishi (assumed office on March 30, 2023)
- Director Hideo Teramoto (assumed office on March 30, 2023)
- Director Teresa A. Graham (assumed office on March 30, 2023)
- Audit & Supervisory Board Member Shigehiro Yamada (assumed office on March 30, 2023)
- Audit & Supervisory Board Member Yumiko Waseda (assumed office on March 30, 2023)

2. Directors James H. Sabry and Teresa A. Graham are members of the executive committee of the Roche Group and are Non-Executive Directors of the Company. Director Christoph Franz retired as Chairman of the Board of Directors of Roche Holding Ltd. as of March 14, 2023. The relationship between the Company and the Roche Group is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries."
3. Audit & Supervisory Board Member Takaaki Nimura is a Certified Public Accountant and has considerable expertise in finance and accounting.
4. The Company designated Directors Mariko Y Momoi, Fumio Tateishi and Hideo Teramoto and Audit & Supervisory Board Members Takaaki Nimura, Kenichi Masuda and Yumiko Waseda as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.
5. The Company established the Appointment Committee, 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	10 out of 10 meetings (100%)	—	Attended all meetings of the Board of Directors held during the fiscal year under review, made suggestions and advice, etc. on the Company's management as necessary based on her experience in managing organizations such as universities and hospitals, in addition to her extensive experience, knowledge, etc. as a physician and university professor. 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	7 out of 7 meetings (100%)	—	Attended all meetings of the Board of Directors held after assuming office, 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 after assuming office and served a supervisory function from an objective and neutral standpoint.
	Hideo Teramoto	7 out of 7 meetings (100%)	—	Attended all meetings of the Board of Directors held after assuming office, 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 after assuming office and served a supervisory function from an objective and neutral standpoint.
Outside Audit & Supervisory Board Members	Takaaki Nimura	10 out of 10 meetings (100%)	12 out of 12 meetings (100%)	Attended all meetings of the Board of Directors and the Audit & Supervisory Board held during the fiscal year under review, made comments, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as an expert in corporate accounting (certified public accountant).
	Kenichi Masuda	10 out of 10 meetings (100%)	12 out of 12 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	7 out of 7 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 a corporate legal specialist (attorney-at-law).

(Notes) 1. Directors Fumio Tateishi and Hideo Teramoto, and Audit & Supervisory Board Member Yumiko Waseda were elected and assumed office at the 112th Annual General Meeting of Shareholders held on March 30, 2023.

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)	529	203	151	102	74	4
Outside Directors	62	62	—	—	—	5
Total	591	416		176		9
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	70	70	—	—	—	3
Outside Audit & Supervisory Board Members	45	45	—	—	—	4
Total	115	115		—		7

(Notes) 1. The table above includes two Directors and two Audit & Supervisory Board Members 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 JPY140 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, JPY19 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.

## &lt;Standard of Remuneration&gt;

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.

## &lt;Structure of Remuneration&gt;

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

## &lt;Criteria for Performance-Based Remuneration and the Method to Determine Its Amount&gt;

## (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 75% based on the results that

total shareholders return of the Company for the evaluation period between fiscal year 2021 and fiscal year 2023 is +9% and being ranked No. 5 out of 11 domestic pharmaceutical companies.

The reason for selecting the evaluation criteria and targets/actuals of main evaluation criteria are as shown in the following table.

		Criteria	Reason for selection	Targets at the beginning of fiscal year	Actuals
Bonuses		Core operating profit	Linkage with fiscal year plans, sustainable and reliable increase of financial and social values	JPY415.0 billion	JPY450.7 billion
		Revenues		JPY1,070.0 billion	JPY1,111.4 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 officer	Per officer
		Achievement status of ESG initiatives, etc.		ESG evaluation (evaluation by professional institutions, etc.)	Achieved targets set by the Company
Restricted stock compensation	Tenure-based	—	Sharing value with shareholders, respecting the linkage between officers' remuneration and the Company's mid-and long-term business performance, and sustainably increasing corporate value	—	—
	Performance-based	Total shareholders return (TSR)		—	75% release rate as the Company was ranked No. 5 among 11 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 2023 are as outlined below:

- Individual bonus amount for fiscal year 2022 (paid in March 2023)
- 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 2022
- Individual remuneration amount for fiscal year 2023, 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 JPY120 million per year	The 109th Annual General Meeting of Shareholders held on March 30, 2020	Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members)

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

There is no applicable information.

## 5 Accounting Auditor

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## 6 Framework to Ensure Operational Adequacy

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

# Consolidated Financial Statements

## Consolidated balance sheet (IFRS\*) (As of December 31, 2023)

(Millions of yen)

Item	FY2023	FY2022(Reference)
<b>Assets</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	409,939	375,340
Right-of-use assets	10,762	11,311
Intangible assets	19,860	25,141
Deferred tax assets	64,474	65,244
Defined benefit plan assets	7,481	5,172
Other non-current assets	53,605	51,013
<b>Total non-current assets</b>	<b>566,121</b>	<b>533,221</b>
<b>Current assets:</b>		
Inventories	273,480	292,206
Accounts receivable	318,892	512,538
Current income tax assets	1,456	1,745
Marketable securities	280,308	280,938
Cash and cash equivalents	458,674	222,169
Other current assets	33,616	26,941
<b>Total current assets</b>	<b>1,366,426</b>	<b>1,336,537</b>
<b>Total assets</b>	<b>1,932,547</b>	<b>1,869,758</b>

Item	FY2023	FY2022(Reference)
<b>Liabilities</b>		
<b>Non-current liabilities:</b>		
Deferred tax liabilities	(5,787)	(7,086)
Defined benefit plan liabilities	(3,146)	(3,311)
Long-term provisions	(2,593)	(2,756)
Other non-current liabilities	(7,224)	(8,489)
<b>Total non-current liabilities</b>	<b>(18,750)</b>	<b>(21,641)</b>
<b>Current liabilities:</b>		
Current income tax liabilities	(40,798)	(98,543)
Short-term provisions	(3,442)	(1,980)
Accounts payable	(112,468)	(209,835)
Other current liabilities	(131,510)	(113,372)
<b>Total current liabilities</b>	<b>(288,217)</b>	<b>(423,730)</b>
<b>Total liabilities</b>	<b>(306,967)</b>	<b>(445,372)</b>
<b>Total net assets</b>	<b>1,625,580</b>	<b>1,424,387</b>
<b>Equity:</b>		
Capital and reserves attributable to Chugai shareholders	1,625,580	1,424,387
<b>Total equity</b>	<b>1,625,580</b>	<b>1,424,387</b>
<b>Total liabilities and equity</b>	<b>1,932,547</b>	<b>1,869,758</b>

\*International Financial Reporting Standards




**Consolidated income statement (IFRS)** (January 1, 2023 to December 31, 2023)

(Millions of yen)

Item	FY2023	FY2022(Reference)
<b>Revenues</b>	<b>1,111,367</b>	<b>1,259,726</b>
Sales	974,493	1,039,247
Other revenue	136,874	220,479
Cost of sales	(413,306)	(476,251)
<b>Gross profit</b>	<b>698,061</b>	<b>783,475</b>
Research and development	(174,868)	(149,626)
Selling, general and administration	(112,580)	(100,477)
Other operating income (expense)	28,561	(64)
<b>Operating profit</b>	<b>439,174</b>	<b>533,309</b>
Financing costs	(27)	(61)
Other financial income (expense)	4,674	52
Other expense	—	(2,134)
<b>Profit before taxes</b>	<b>443,821</b>	<b>531,166</b>
Income taxes	(118,349)	(156,737)
<b>Net income</b>	<b>325,472</b>	<b>374,429</b>
Attributable to:		
Chugai shareholders	325,472	374,429

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# Non-Consolidated Financial Statements



## Non-consolidated balance sheet (JGAAP\*) (As of December 31, 2023)

(Millions of yen)

Item	FY2023	FY2022(Reference)
<b>Assets</b>		
Total current assets:	1,329,808	1,310,789
Cash and deposits	412,652	210,806
Accounts receivable-trade	306,422	481,231
Marketable securities	250,115	254,986
Merchandise and finished goods	101,724	104,084
Raw materials and supplies	56,522	100,485
Prepaid expenses	10,342	8,416
Short-term loans receivable from subsidiaries and affiliates	128,600	81,200
Accounts receivable-other	42,351	53,470
Other	21,079	16,112
Allowance for doubtful accounts	(0)	(1)
Total non-current assets:	411,220	415,225
Total property, plant and equipment:	210,214	218,023
Buildings (net)	125,933	126,353
Structures (net)	8,699	9,169
Machinery and equipment (net)	10,010	9,353
Vehicles (net)	15	24
Tool, furniture and fixtures (net)	15,195	14,617
Land	47,023	51,705
Construction in progress	3,338	6,803
Total intangible assets:	805	1,778
Software	715	1,724
Other	90	54
Total investments and other assets:	200,201	195,424
Investment securities	12,950	10,310
Stocks of subsidiaries and affiliates	55,902	54,998
Investments in capital of subsidiaries and affiliates	3,293	3,309
Long-term prepaid expenses	38,777	33,263
Deferred tax assets	81,853	83,388
Lease and guarantee deposits	3,541	3,259
Other	3,903	6,915
Allowance for doubtful accounts	(18)	(18)
Total assets	1,741,027	1,726,014

Item	FY2023	FY2022(Reference)
<b>Liabilities</b>		
Total current liabilities:	258,881	435,321
Accounts payable-trade	63,872	148,665
Accounts payable-other	190	122
Accrued expenses	53,517	52,000
Income taxes payable	42,240	102,362
Accrued consumption taxes	15,328	—
Deposits received	2,002	33,379
Provision for bonuses to employees	18,973	13,174
Provision for bonuses to directors	151	140
Provision for business restructuring	853	717
Asset retirement obligations	—	8
Accrued payables - facilities	7,596	31,840
Other	54,159	52,913
Total non-current liabilities:	3,794	4,238
Provision for employees' retirement benefits	2,495	2,280
Provision for business restructuring	—	717
Provision for environmental matters	—	61
Asset retirement obligations	1,087	1,050
Other	212	131
Total liabilities	262,675	439,559
<b>Net assets</b>		
Total shareholders' equity:	1,494,766	1,300,984
Capital stock	73,202	73,202
Total capital surplus	96,337	95,888
Legal capital surplus	93,050	93,050
Other capital surplus	3,287	2,838
Total retained earnings	1,351,597	1,158,504
Legal retained earnings	6,480	6,480
Other retained earnings	1,345,117	1,152,024
Reserve for advanced depreciation of non-current assets	1	631
General reserve	149,220	149,220
Retained earnings carried forward	1,195,896	1,002,173
Own equity instruments, at cost	(26,369)	(26,610)
Total valuation and translation adjustments:	(16,539)	(14,720)
Net unrealised gain on available-for-sale securities	(1,035)	(1,336)
Deferred gains or losses on hedges	(15,504)	(13,383)
Stock acquisition rights	125	190
Total net assets	1,478,353	1,286,454
Total liabilities and net assets	1,741,027	1,726,014

\* Generally Accepted Accounting Principles in Japan

**Non-consolidated income statement (JGAAP)** (January 1, 2023 to December 31, 2023) (Millions of yen)

Item	FY2023	FY2022(Reference)
Revenues	1,105,883	1,250,682
Cost of sales	406,600	472,843
Gross profit	699,283	777,838
Total selling, general and administrative expenses	278,107	260,242
Operating income	421,176	517,596
Non-operating income:	23,008	8,841
Interest and dividend income	1,940	2,385
Other	21,068	6,456
Non-operating expenses:	2,171	1,428
Interest expenses	213	185
Other	1,958	1,243
Ordinary income	442,014	525,010
Extraordinary gain:	14,125	1,151
Gain on sales of non-current assets	13,990	1,151
Gain on sales of investment securities	101	0
Gain on liquidation of subsidiaries	34	—
Extraordinary loss:	13,176	7,009
Loss on sales of non-current assets	268	0
Impairment loss	—	12
Loss on valuation of investment securities	340	20
Provision for environmental matters	17	61
Adjustment from transfer pricing taxation	—	2,134
Additional payment on employment transfer	63	1,360
Restructuring expenses	2,152	3,420
Expenses associated with the Early Retirement Incentive Program	10,335	—
Income before income taxes	442,962	519,152
Income taxes - current	115,924	160,898
Income taxes - deferred	2,334	(8,473)
Net income	324,704	366,728

Not included in the paper copy to be sent to shareholders who have requested it in accordance with laws and regulations and Article 15 of 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.

### Independent Auditor's Report

January 30, 2024

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, 2023 through December 31, 2023. 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 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any 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

## Independent Auditor's Report

January 30, 2024

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, 2023 through December 31, 2023.

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.

## 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, 2023 to December 31, 2023:

### 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 31, 2024

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  
 Takaaki Nimura  
 Audit & Supervisory Board Member  
 Kenichi Masuda  
 Audit & Supervisory Board Member  
 Yumiko Waseda

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

# Communication with Stakeholders, including Investors and Shareholders

To fulfill its basic management policy of creating shared value, the Company believes that dialogue with shareholders, investors, and other stakeholders is essential. As well as promoting active information disclosure and extensive dialogue, we analyze insights emerging from the dialogue and take care to incorporate them in management decision-making and other processes.

Amid easing COVID-19 restrictions, we strived to secure opportunities for dialogue that meets the needs of shareholders and investors by holding meetings and interviews in person as well as online. In addition to financial results briefings, we held briefings on R&D, DX, new laboratory (Chugai Life Science Park Yokohama) and new products addressing areas of high need, as well as a Sustainability Meeting. We had been conducting an ESG Meeting since 2019, and in 2023 renamed it the Sustainability Meeting to provide a forum for dialogue not only from an ESG perspective, but also to discuss our contribution to the realization of a sustainable society by resolving social issues through our business activities.

“PHARMONY,” which was launched as an activity to incorporate the voices of patients, who are important stakeholders, into drug discovery research, has been redefined as “activities to create shared value by listening to the voices of patients and their families in all value chains and aiming for mutual understanding” from 2023. We will further expand our cooperation with patients.

We actively engaged in communication activities with the media by issuing press releases, cooperating in interviews and coverage activities, providing briefings, and holding meetings with executives. At the same time, we use diverse tools such as our website and make special efforts to share information.

The Company will continue to advance initiatives for creating innovation and addressing social issues, with emphasis on continuous dialogue with a broad range of stakeholders.

## Investor Relations

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



## Notice on the Company's Response to the Introduction of Electronic Provision System for Shareholders Meeting Materials

The revised Companies Act has introduced an electronic provision system for shareholders meeting materials. In principle, you can view the general shareholders meeting materials (Reference Documents for General Meeting of Shareholders, Business Report, etc.) on the website, and the paper copy to be sent to you from the Company does not include the Business Report, etc.

If you would like to receive general shareholders meeting materials including the Business Report, etc. in a paper copy format, you need to complete the procedure for “request for paper copy” by the record date of the shareholders meeting through the securities company where you have an account or Mitsubishi UFJ Trust and Banking. For the procedure, please contact the point of contact shown on the right.

### [Inquiries about the electronic provision system]

Mitsubishi UFJ Trust and Banking Corporation,  
Securities Agency Division

 **0120-232-711**

(Toll-free / Weekdays 9:00 a.m. – 5:00 p.m., excluding Saturdays, Sundays, and Public Holidays)

<https://www.tr.mufg.jp/daikou/shomenkoufu.html>