[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the 110th Annual General Meeting of Shareholders for the business term ended December 31, 2020 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 110th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2020

Date and Time

10:00 a.m. on March 23, 2021 (Tuesday)

Venue

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

Matters for Resolution

First Proposal	Appropriation of Surplus
Second Proposal	Election of Five (5) Directors
Third Proposal	Election of One (1) Audit & Supervisory Board Member

Internet Broadcast of the Annual General Meeting of Shareholders

The meeting will be broadcast on the Internet.

For details, see page 5

Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

Securities Code: 4519

To the shareholders

We express our sincere condolences to those who have lost their lives to COVID-19, and wish a speedy recovery for those who have been afflicted with the disease. We pray for health and safety of all of our shareholders and for the prompt end of this pandemic.

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

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

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

Representative Director
Chairman & CEO

Notice of Convocation of the 110th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2020

Table of Contents

Mission Statement

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

Mission

Chugai's mission is to dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world.

Core Values

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

Envisioned Future

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

Chugai's Basic Policy

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

Chugai growth & development = Creation of value shared by Chugai and Society = Social growth & development

Realize advanced & sustainable patient-centric healthcare

Increased corporate value — Resolution of social issues

Focus on innovation

Creation of innovative drugs and services

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

Chugai business model adopted

Material issues selected by Chugai: Sustainable Healthcare | Human Rights | Supply Chain Management | Human Resources | Social Contribution | Global Environment | Governance | Ethics & Compliance

Securities Code: 4519
February 24, 2021

To the shareholders:

NOTICE OF CONVOCATION OF THE 110th ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2020

Chugai Pharmaceutical Co., Ltd. (the "Company") is pleased to announce that its 110th Annual General Meeting of Shareholders for the Business Term ended December 31, 2020 will be held as described below.
Instead of attending the meeting, you can exercise your voting rights in writing or via electromagnetic method (the Internet, etc.). Please review the following reference documents concerning the General Meeting of Shareholders, and exercise your voting rights no later than 5:30 p.m. on March 22, 2021 (Monday).

Tatsuro Kosaka
Representative Director
Chairman & CEO
CHUGAI PHARMACEUTICAL CO., LTD.

1 Date and Time

10:00 a.m. on March 23, 2021 (Tuesday)

2 Venue

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

3 Purpose

Matters for Report

The Business Report for the Business Term (January 1, 2020 to December 31, 2020), Non-Consolidated Financial Statements for the Business Term, Consolidated Financial Statements for the Business Term, and the Report on the Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and Audit & Supervisory Board

Matters for Resolution

First Proposal	**Appropriation of Surplus**
Second Proposal	**Election of Five (5) Directors**
Third Proposal	**Election of One (1) Audit & Supervisory Board Member**

– End –

Disclosure via the Internet — **CHUGAI website: https://www.chugai-pharm.co.jp/english/ir/**

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

  The Business Report audited by the Audit & Supervisory Board Members as well as the Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor consist of the documents contained in this Notice of Convocation and the items mentioned above that are posted on the Company's website.
- In cases where items in the Reference Document for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements are amended, the Company will announce the updated documents on the Company's website.

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.

Internet Delivery of the Annual General Meeting of Shareholders

[Only available in Japanese]
The Annual General Meeting of Shareholders will be delivery on the Internet for shareholders not attending the meeting in person, as follows. 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.

1. Date and Time of Delivery

March 23, 2021 (Tuesday) from 10:00 a.m. until the end of the meeting

* The related website will open at around 9:30am, 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 for various reasons.

2. How to View the Meeting

URL for viewing on the day **https://www.virtual-sr.jp/users/chugai-pharm/login.aspx**

Please have your **"shareholder number,"** which is required for the shareholder authentication screen (login screen), ready in advance when accessing the website (**please write down your number and keep it for future use before posting your voting form**).

1 Shareholder ID

The **"shareholder number"** shown on the voting form or dividend-related documents

2 Password

"Japanese Postcode number" of the address registered in the shareholders' register (as of the end of December)

Please note that the viewing of the Internet delivery of the meeting is limited to shareholders, and that viewing by proxy is not permitted.
In addition, you can test the viewing environment in advance at the URL above. We hope you will find it useful.

Notes on Viewing of the Internet Delivery

- ☑ Viewing of the Internet broadcast 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 viewing. Please exercise your voting rights by paying attention to the deadline for exercising your voting rights and using the postal voting form, the Internet voting separately announced, or voting on the day of the meeting by a proxy conferred the right of representation by power of attorney or otherwise.**
- ☑ Please note that video and audio may be affected by your computer environment (model, performance, or others) and internet connection (network conditions, connection speed, or others).
- ☑ Each shareholder is responsible for all communication charges and other costs associated with the viewing of the meeting.

Reference Document for General Meeting of Shareholders

Proposals and Matters for Reference

First Proposal: Appropriation of Surplus

Regarding income distribution, Chugai (the "Company") endeavors to continuously provide a stable allocation of profit to all shareholders, taking into account the changes in strategic funding needs and earnings prospects, and aims for a consolidated dividend payout ratio of 45% on average in comparison with Core EPS(*). In addition, internal reserves will be used to increase corporate value through investments to attain further growth in existing strategic domains and to identify future business.
In the fiscal year ended December 31, 2020, the Company achieved the highest results in the past and increased Core EPS by 30.9% 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

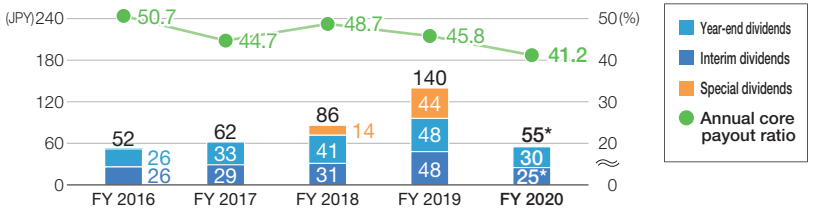
(1) Type of dividend assets:
Cash

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

JPY30 per share of common stock of the Company
Total: JPY49,316,132,430
Interim dividends will be **JPY75** (prior to the stock split), year-end dividends will be **JPY30** (after the stock split), total dividends calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year will be **JPY55** per share, and the Core dividend payout ratio is 41.2% (an average of 44.9% for the past five years).

(3) Date when dividends of surplus become effective:
March 24, 2021

Reference | Dividends and Dividend payout ratio



* Dividends for fiscal year 2020 are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year.

Second Proposal: Election of Five (5) Directors

Out of all the nine (9) Directors, the term of office of five (5) Directors, Masayuki Oku, Yoichiro Ichimaru, Christoph Franz, William N. Anderson and James H. Sabry will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that five (5) candidates, Masayuki Oku, Yoichiro Ichimaru, Christoph Franz, William N. Anderson and James H. Sabry be elected.
The election of candidates for Directors is deliberated at the Appointment Committee, a voluntary advisory board, and determined at the Board of Directors.
The candidates for Directors and the composition of the Board of Directors after the election (planned) are as follows:

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

	No.	Name	Current Position and Responsibility	Attendance at the meetings of the Board of Directors	Important Concurrent Positions
Executive Directors	—*	Tatsuro Kosaka	Representative Director, Chairman & CEO	100% (9 out of 9)	Outside Director of ASAHI GROUP HOLDINGS, LTD.
	—*	Motoo Ueno	Representative Director, Deputy Chairman, Sustainability Department, Audit Department	100% (9 out of 9)	
	—*	Osamu Okuda	Representative Director, President & COO**	100% (7 out of 7)	
Non-Executive Directors	1	Masayuki Oku Reappointment Outside Independent	Outside Director	100% (9 out of 9)	Outside Director of Rengo Co., Ltd. Outside Director of The Royal Hotel, Ltd. Non-Executive Director of The Bank of East Asia
	2	Yoichiro Ichimaru Reappointment Outside Independent	Outside Director	100% (9 out of 9)	Outside Director of Seino Holdings Co., Ltd.
	—*	Mariko Y Momoi Outside Independent	Outside Director	100% (7 out of 7)	Chief Medical Officer of Ryoumou Seishi Ryogoen, Kiryu Ryoiku Futabakai Social Welfare Corporation Professor Emeritus of Jichi Medical University Visiting Professor of School of Medicine, Shinshu University Regent of Tokyo Medical University (part-time)
	3	Christoph Franz Reappointment	Director	100% (9 out of 9)	Chairman of the Board of Directors of Roche Holding Ltd. Deputy Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland) Member of the Board of Directors of Stadler Rail (Switzerland)
	4	William N. Anderson Reappointment	Director	100% (9 out of 9)	CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee
	5	James H. Sabry Reappointment	Director	100% (9 out of 9)	Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee

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

* The term of office of Directors of the Company is two (2) years. Tatsuro Kosaka, Motoo Ueno, Osamu Okuda and Mariko Y Momoi were elected and assumed office as Directors at the 109th Annual General Meeting of Shareholders held in March 2020.

** Director Osamu Okuda is scheduled to assume office as Representative Director, President & CEO on March 23, 2021.

1 Masayuki Oku

Reappointment | Outside | Independent

Date of birth: December 2, 1944 (76 years old)

Shares of the Company owned: 1,000 shares

Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders): 6 years

Attendance at the meetings of the Board of Directors: 100% (9 out of 9)

●Summary of career and positions at the Company

Apr. 1968	Entered into the Sumitomo Bank, Ltd. (“SB”)
Jun. 1994	Director of SB
Nov. 1998	Managing Director of SB
Jun. 1999	Managing Director and Managing Executive Officer of SB
Jan. 2001	Senior Managing Director and Senior Managing Executive Officer of SB
Apr. 2001	Senior Managing Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation (“SMBC”)
Dec. 2002	Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (“SMFG”)
Jun. 2003	Deputy President of SMBC
Jun. 2005	Chairman of SMFG
Jun. 2005	President and Chief Executive Officer of SMBC
Mar. 2015	Director of the Company (to present)
Apr. 2017	Director of SMFG
Jun. 2017	Honorary Advisor of SMFG (to present)

●Important concurrent positions

Outside Director of Rengo Co., Ltd.
Outside Director of The Royal Hotel, Ltd.
Non-Executive Director of The Bank of East Asia

●Reasons for nominating the candidate for Outside Director

・Mr. Masayuki Oku provides advice to and supervises the Company concerning management based on his extensive knowledge and experience, etc. as a corporate manager. Therefore, the Company is of the judgment that he will be able to continue to execute his duties as Outside Director appropriately in the future as well.

●Other special notes

・He satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered him as an independent officer to the Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 15.
・The Company has no special interests with him.

2

Yoichiro Ichimaru

Reappointment | Outside | Independent

Date of birth: October 10, 1948 (72 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% (9 out of 9)

●Summary of career and positions at the Company

Jul. 1971	Entered into Toyota Motor Sales Co., Ltd.
Jun. 2001	Member of the Board of Directors of TOYOTA MOTOR CORPORATION ("TMC")
Jun. 2003	Managing Executive Officer of TMC
Jun. 2005	Senior Managing Director of TMC
Jun. 2009	Representative Director, Executive Vice President of TMC
Jun. 2009	Corporate Auditor of Aioi Insurance Co., Ltd.
Oct. 2010	Corporate Auditor of Aioi Nissay Dowa Insurance Co., Ltd.
Jun. 2011	Senior Corporate Auditor of TMC
Jun. 2015	Executive Advisor of TMC
Jun. 2015	Representative Director, Chairman of Aioi Nissay Dowa Insurance Co., Ltd.
Mar. 2017	Director of the Company (to present)
Jun. 2017	Senior Advisor of Aioi Nissay Dowa Insurance Co., Ltd. (to present)
Jun. 2019	Outside Director of Seino Holdings Co., Ltd. (to present)

●Important concurrent positions

Outside Director of Seino Holdings Co., Ltd.

●Reasons for nominating the candidate for Outside Director

· Mr. Yoichiro Ichimaru provides advice to and supervises the Company concerning management based on his extensive knowledge and experience, etc. as a corporate manager. Therefore, the Company is of the judgment that he will be able to continue to execute his duties as Outside Director appropriately in the future as well.

●Other special notes

· He satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered him as an independent officer to the Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 15.

· The Company has no special interests with him.

3

Reappointment

Christoph Franz

Date of birth: May 2, 1960 (60 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% (9 out of 9)

Summary of career and positions at the Company

Jan. 1990	Entered into 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. (to present)
Mar. 2017	Director of the Company (to present)

Important concurrent positions

Chairman of the Board of Directors of Roche Holding Ltd.
Deputy Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland)
Member of the Board of Directors of Stadler Rail (Switzerland)

Reasons for nominating the candidate for Director

· Dr. Christoph Franz provides advice to and supervises the Company concerning management 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.

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 on page 44.

4

William N. Anderson

Reappointment

Date of birth: August 23, 1966 (54 years old)

Shares of the Company owned: 0 shares

Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders): 2 years

Attendance at the meetings of the Board of Directors: 100% (9 out of 9)

Summary of career and positions at the Company

Jul. 1997	Entered into Biogen Idec
Jul. 1999	Managing Director, United Kingdom and Ireland of Biogen Idec
Jul. 2001	Vice President of Finance, Business Planning of Biogen Idec
Jul. 2004	Vice President and General Manager of Neurology Business Unit of Biogen Idec
Mar. 2006	Senior Vice President of Immunology & Ophthalmology Business Unit of Genentech
Apr. 2010	Senior Vice President of BioOncology Business Unit of Genentech
Feb. 2013	Head of Global Product Strategy, Chief Marketing Officer of Roche
Jan. 2017	CEO of Genentech
Jan. 2019	CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee (to present)
Mar. 2019	Director of the Company (to present)

Important concurrent positions

CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee

Reasons for nominating the candidate for Director

· Mr. William N. Anderson provides advice and supervises the Company concerning mangement 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.

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 on page 44.

5

Reappointment

James H. Sabry

Date of birth: December 19, 1958 (62 years old)

Shares of the Company owned: 0 shares

Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders): 2 years

Attendance at the meetings of the Board of Directors: 100% (9 out of 9)

●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

●Reasons for nominating the candidate for Director

・Dr. James H. Sabry provides advice and supervises the Company concerning mangement 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.

●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 on page 44.

Notes related to Second Proposal

1. Conclusion of a limited liability agreement
   The Company has provided in its Articles of Incorporation that it may enter into a limited liability agreement (the “Agreement”) with a Director (“Director (excluding Executive Director, etc.),” as provided in Article 423, Paragraph 1 of the Japanese Companies Act, and the limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and regulations. The Company has entered into the Agreement with Mr. Masayuki Oku, Mr. Yoichiro Ichimaru, Dr. Christoph Franz, Mr. William N. Anderson and Dr. James H. Sabry and plans to sustain such Agreement with them if they are elected as Directors.
2. 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 the following conditions, and plans to renew such agreement in July 2021. Each of the candidates who are being proposed for reelection as Directors under this proposal are already covered by this insurance agreement, and will continue to be covered after their reelection.
   [Overview of the insurance]
   1) The ratio of premiums to be actually borne by the insured individuals
      The premiums, including the portion for riders, will be borne by the Company. There are no actual premiums to be borne by the insured individuals.
   2) Overview of the insurance accidents covered
      The insurance, including riders, covers damage that may be incurred by the insured directors and officers as a result of assuming responsibilities relating to the execution of duties or receiving claims relating to the pursuit of such responsibilities. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed.
3. The ages of the candidates are as of this Annual General Meeting of Shareholders.

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

Out of all the five (5) Audit & Supervisory Board Members, the term of office of one (1) Audit & Supervisory Board Member, Mamoru Togashi will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that one (1) candidate, Yoshiaki Ohashi 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	Current Position	Attendance at the meetings of the Board of Directors	Attendance at the meetings of the Audit & Supervisory Board	Important Concurrent Positions
—*	Atsushi Sato	Full-time Audit & Supervisory Board Member	100% (9 out of 9)	100% (11 out of 11)	
	Yoshiaki Ohashi New appointment	Senior Vice President	—	—	
—*	Takaaki Nimura Outside Independent	Outside Audit & Supervisory Board Member	100% (9 out of 9)	100% (11 out of 11)	Representative of Nimura Certified Public Accountant Office
—*	Yuko Maeda Outside Independent	Outside Audit & Supervisory Board Member	100% (9 out of 9)	100% (11 out of 11)	Director of CellBank Corp. Outside Director of KOSÉ Corporation Auditor (part-time) of Japan Agency for Marine-Earth Science and Technology Executive Vice President (part-time) of Kyushu University
—*	Kenichi Masuda Outside Independent	Outside Audit & Supervisory Board Member	100% (7 out of 7)	100% (9 out of 9)	Partner of Anderson Mōri & Tomotsune Outside Director of Bridgestone Corporation Outside Corporate Auditor of LIFENET INSURANCE COMPANY Outside Audit & Supervisory Board Member of Mercuria Investment Co., Ltd. Visiting professor of School of Law, The University of Tokyo

New appointment Candidate for new appointment as Audit & Supervisory Board Member
Outside Outside Audit & Supervisory Board Member Independent Independent officer who has been registered with Tokyo Stock Exchange, Inc.

* The term of office of Audit & Supervisory Board Members of the Company is four (4) years. Atsushi Sato and Yuko Maeda were elected and assumed office as Audit & Supervisory Board Members at the 108th Annual General Meeting of Shareholders held in March 2019, and Takaaki Nimura and Kenichi Masuda were elected and assumed office as Audit & Supervisory Board Members at the 109th Annual General Meeting of Shareholders held in March 2020, respectively.

New appointment

Yoshiaki Ohashi

Date of birth: January 8, 1960 (61 years old)

Shares of the Company owned: 22,940 shares

●Summary of career and positions at the Company

Apr. 1988	Joined the Company
Oct. 2004	Department Manager, Quality & Regulatory Compliance Dept. of the Company
Jul. 2009	Department Manager, Drug Safety Coordination Dept. of the Company
Jan. 2013	Head of Drug Safety Div. and Department Manager, Drug Safety Coordination Dept. of the Company
Jan. 2015	Vice President, Head of Drug Safety Div. of the Company
Mar. 2015	Vice President, Head of Quality & Regulatory Compliance Unit and Head of Drug Safety Div. of the Company
Apr. 2018	Senior Vice President, Head of Quality & Regulatory Compliance Unit and Head of Drug Safety Div. of the Company
Jan. 2021	Senior Vice President of the Company (to present)

●Reasons for nominating the candidate for Audit & Supervisory Board Member

・ Dr. Yoshiaki Ohashi is familiar with pharmaceutical jurisprudence both in Japan and overseas, as well as operations to ensure the safety and reliability of pharmaceuticals, from his work experience. He also has extensive experience in organizational management as the Head of Divisions and Units, and as a member of decision-making bodies such as the Executive Committee where he committed as Vice President. As he has abundant knowledge and experience with the Company to conduct appropriate audits regarding management decision making and status of the business execution, the Company is of the judgment that he will be able to perform his roles and duties as Audit & Supervisory Board Member appropriately.

●Other special notes

・ The Company has no special interests with him.

Notes related to Third Proposal

1. Conclusion of a limited liability agreement
   The Company has provided in its Articles of Incorporation that it may enter into a limited liability agreement (the "Agreement") with 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 plans to enter into the Agreement with Dr. Yoshiaki Ohashi, if he is elected as Audit & Supervisory Board Member.
2. 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 the following conditions, and plans to renew such agreement in July 2021. The candidate who is being proposed for election as Audit & Supervisory Board Member under this proposal will also be covered by this insurance after he is elected.
   [Overview of the insurance]
   1) The ratio of premiums to be actually borne by the insured individuals
      The premiums, including the portion for riders, will be borne by the Company. There are no actual premiums to be borne by the insured individuals.
   2) Overview of the insurance accidents covered
      The insurance, including riders, covers damage that may be incurred by the insured directors and officers as a result of assuming responsibilities relating to the execution of duties or receiving claims relating to the pursuit of such responsibilities. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed.
3. 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.
4. The age of the candidate is as of this Annual General Meeting of Shareholders.

Fundamental Views Relating to Corporate Governance

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

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

Corporate Governance System

Organizational structure

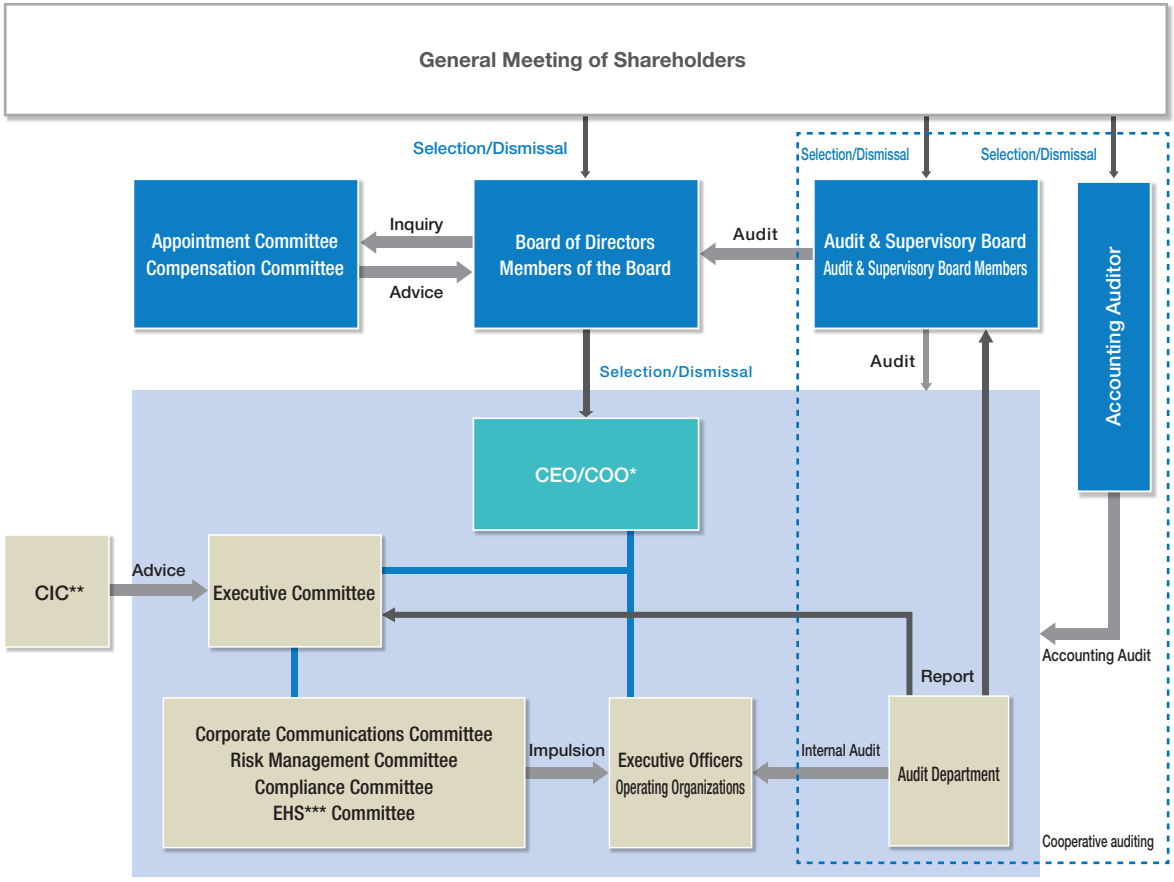
Chugai adopted "Company with an Audit & Supervisory Board" as its corporate organizational structure under the Companies Act in order to ensure effective oversight of directors from an independent and objective standpoint.

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

Chugai's Corporate Governance System (as of January 1, 2021)



*In business execution, the Chief Executive Officer (CEO) is responsible for the decision-making on company-wide management strategies, while the Chief Operating Officer (COO) is responsible for the decision-making on business execution.

**Chugai International Council (CIC)

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

***EHS

Environment, Health and Safety

Board of Directors

The Board of Directors consists of persons with diverse knowledge, experience and skills, and it must be ensured that the Board as a whole has the necessary expertise and skills and is of appropriate diversity 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 at least three independent outside directors.

Appointment of directors

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

The Board of Directors selects outside 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 Chugai and carry out the supervisory function.

Audit & Supervisory Board

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

Appointment of Audit & Supervisory Board Members

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

Appointment Committee

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

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

experience as such representative directors, and outside committee members from directors, excluding executive directors, and / or persons with past experience as such directors, excluding executive directors.

Compensation Committee

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

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

Coordination between outside directors and Audit & Supervisory Board Members

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

Cooperative auditing

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

Evaluation of effectiveness of Chugai Board of Directors

The Board of Directors is subject to the analysis and evaluation of its activities by an external third-party in each financial year, in addition to its self-evaluation, 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 2020 a self-evaluation questionnaire on the directors and Audit & Supervisory Board Members who were on the Board as of the end of fiscal year 2019. 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 2019.

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

The Board received the outside experts' reports with respect the results of the self-evaluation questionnaire and the third-party analysis and evaluation results at the Board meeting, at which items for possible consideration to ensure and improve the effectiveness of the Board were deliberated.

With respect to the items for possible consideration to ensure and improve the effectiveness of the Board as provided by the outside experts, the respective measures as hereunder described were carefully examined.

With regard to the Board's supervision of transactions with the Company's parent company (the "Parent"), since it is important for deepening understanding by outside directors, including that of basic transaction agreements with the Parent, the Company will take measures to further provide information through meetings held for Outside Directors Liaison Committee, among other such opportunities.

With regard to the supervision of group companies and enhancement of group internal control by the Company, in light of enhancing the corporate governance system of both domestic and overseas subsidiaries and the internal control system as a group, the Board will supervise the group by continuously receiving timely reports through the enhanced monitoring system implemented by amending the system to manage overseas subsidiaries in 2019, in addition to regular reports on the internal control system and risk management.

Based on the evaluation results as described above, the Board will endeavor to further improve its effectiveness.

Independence Standards

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

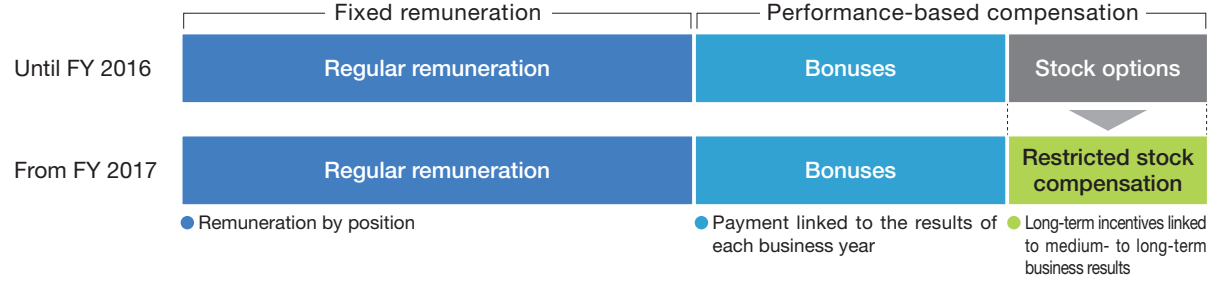
(1) a person who is currently or has been in the past ten years an executive (see note 1) of Chugai or any of its subsidiaries (collectively, the "Chugai Group");
(2) a person who is currently or has been in the past five years an executive of the parent company or any sister company of Chugai;
(3) a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

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

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

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

Structure of remuneration for Executive Directors

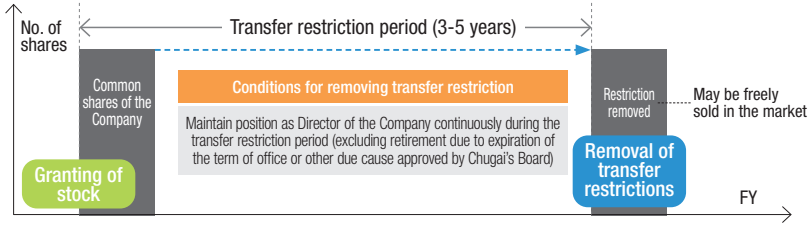


The Company's Restricted Stock Compensation System

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

Tenure-based restricted stock compensation

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



Performance-based restricted stock compensation

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

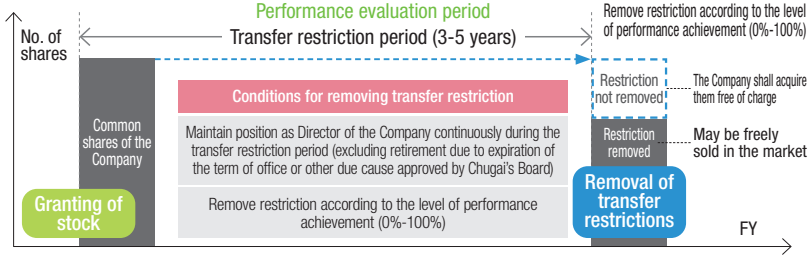
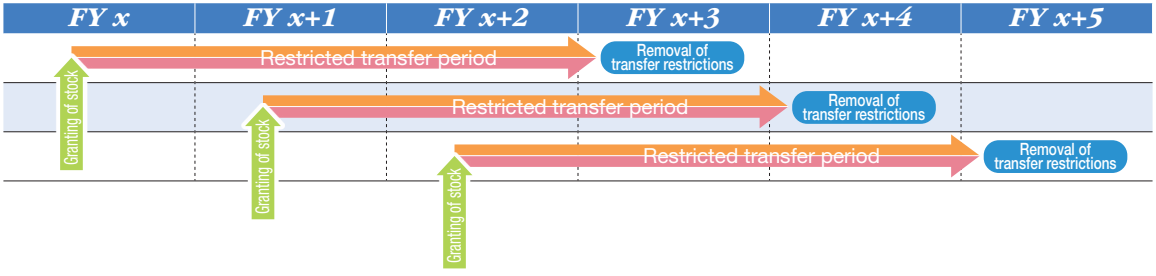


Image of granting remuneration over multiple years (in the case of a 3-year transfer restriction period)



End of Reference Document

Business Report (January 1, 2020 to December 31, 2020)

1 Overview of Consolidated Business Activities

(1) Asset and Income Status, etc.

a) Asset and Income Status

Item	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues (JPY billion)	491.8	534.2	579.8	686.2	786.9
Operating profit (JPY billion)	76.9	98.9	124.3	210.6	301.2
Net income (JPY billion)	54.4	73.5	93.1	157.6	214.7
Net income attributable to Chugai shareholders (JPY billion)	53.6	72.7	92.5	157.6	214.7
Total assets (JPY billion)	806.3	852.5	919.5	1,058.9	1,235.5
Total equity (JPY billion)	646.5	692.9	756.5	854.0	980.0
Basic earnings per share (JPY)	98.12	133.04	169.08	95.95	130.66
Equity per share attributable to Chugai shareholders (JPY)	1,181.67	1,265.46	1,381.26	519.91	596.16

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

b) Core Results Status

Item	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Gross profit (JPY billion)	245.0	281.3	317.9	421.1	514.7
Operating profit (JPY billion)	80.6	103.2	130.3	224.9	307.9
Net income (JPY billion)	56.8	76.7	97.3	167.6	219.4
Net income attributable to Chugai shareholders (JPY billion)	56.1	75.9	96.7	167.6	219.4
Core EPS (JPY)	102.50	138.68	176.42	305.80	133.39
Research and development (JPY billion)	82.6	88.9	94.2	102.1	113.5

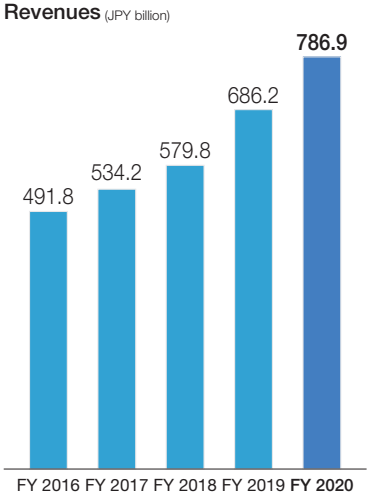
(Notes) 1. Starting from the fiscal year 2013, the Company adopts Core results, which are the results after deducting gains or losses related to non-Core events of the Company from IFRS results, as indicators to manage recurring profits generated from the pharmaceutical business, the Company’s core business. Core results are used by the Company as an internal performance indicator, for explaining the status of recurring profits both internally and externally, and as the basis for payment-by-results such as a return to shareholders.
2. Core EPS is diluted earnings per share attributable to Chugai shareholders after deduction of non-Core profit or loss items determined by the Company.

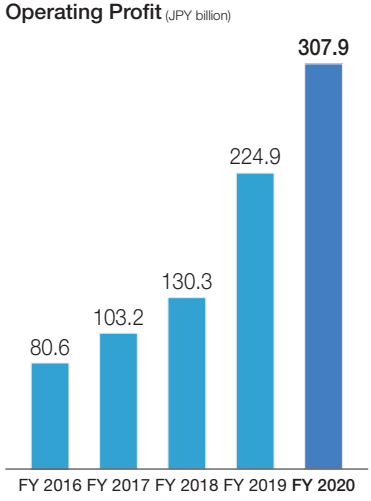
c) Other Significant Performance Indicators

Item	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Ratio of equity attributable to Chugai shareholders (%)	80.1	81.2	82.2	80.6	79.3
Ratio of net income to equity attributable to Chugai shareholders (ROE) (%)	8.4	10.9	12.8	19.6	23.4
Price-earnings ratio (times)	34.19	43.37	37.73	35.02	42.12
Dividends per share (JPY)	52.00	62.00	86.00	140.00	-
Core dividend payout ratio (%)	50.7	44.7	48.7	45.8	41.2
Total shareholders return (TSR) (%)	80.4	138.8	155.2	245.8	401.3

(Notes) 1. Effective July 1, 2020, the Company has implemented a three-for-one stock split of its common stock. Dividends per share for the fiscal year 2020 is not stated because the amount cannot be simply combined due to the implementation of the stock split. On the condition that the First Proposal (Appropriation of Surplus) proposed at the 110th Annual General Meeting of Shareholders for the Business Term ended December 31, 2020 is approved as proposed, dividends per share for the fiscal year 2020 is JPY165.00 when calculated based on the assumption of no stock split, and JPY55.00 when calculated with the stock split taken into account.
2. Dividend payout ratio for the fiscal year 2020 is calculated based on the amount of dividends per share with the stock split taken into account (JPY55.00) described above.
3. "Core dividend payout ratio" stated above represents dividend per share against Core EPS.

Reference | Key Performance Indicators (Core Results)





(2) Developments and Results of Business Activities

a) Overview of Business Activities

During the fiscal year under review, the global outbreak of COVID-19 from the beginning of the year had a significant socioeconomic impact, and an uncertain outlook persisted due to the continuing spread of the infection, which still shows no signs of containment. Furthermore, the pharmaceutical industry continued to find itself in a harsh environment amid a host of challenges, under the policies to reduce medical expenditures by each country in conjunction with growing budget deficits, and the increasingly extensive prescription of generic drugs, and escalated pressure by the Japanese government to curb drug costs, as seen by the decision to broaden the scope of interim-year drug price revisions. In addition, given changes in the environment, such as the expansion of opportunities to generate innovation and intensified competition associated with the dramatic progress of life science technology and ICT, the Company believes that the trend toward Value Based Healthcare in which only drugs and solutions that truly offer high value are pursued, will accelerate in an unprecedented manner, going forward.

The Chugai Group (the "Group") has declared its commitment in "becoming a top innovator in the healthcare industry that realizes sophisticated and sustainable patient-centered medical care" by leveraging the unique business model based on its strategic alliance with Roche and its unique strength in science and technology. To achieve this objective, the Group worked on the medium-term business plan "IBI 21," which commenced in January 2019. The Group has set out "five strategies" under "IBI 21," based on the priority agenda of "create global growth drivers and maximize their value" and "strengthen human resources and infrastructure that support the business," in order to aim for sustained corporate growth through innovation.

During the fiscal year under review, which is the second year of "IBI 21," although the in-house developed product, Hemlibra (a coagulation factor VIII substitute) and the in-licensed product from Roche, Tecentriq (an anti-PDL 1 humanized monoclonal antibody, anticancer agent) showed substantial growth, the results did not reach the levels of the challenging plan, partly due to a restriction on information provision activities resulting from the impact of COVID-19. Various results emerged in the global market, including COVID-19-driven demand for Actemra (a humanized anti-human IL-6 receptor monoclonal antibody), and the approval and commencement of sales of Enspryng (a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody) in the United States and other countries, in addition to the significant growth of Hemlibra. In continuously generating next-generation growth opportunities, the Company started a Phase I clinical trial for the Switch antibody, STA551, and Maruho Co., Ltd., its licensee, filed a domestic application for the anti-IL-31 receptor A humanized monoclonal antibody, Nemolizumab. In addition, the creation of systems for accelerating development advanced steadily, including progress toward the start of Phase I clinical trials in the APOLLO middle molecule project, as well as the new production building for synthetic drugs (FJ2), which will produce middle molecule drugs, and is currently under construction at the Fujieda Plant of Chugai Pharma Manufacturing Co., Ltd., with operations scheduled to start in May 2022. Regarding the sophistication of Personalized Healthcare (PHC) and building a platform for the utilization of digital technology, the Company filed an application for approval for "FoundationOne LiquidCDx," a liquid biopsy test that uses blood samples, as well as approval for expanded use as a companion diagnostic to diagnose new genetic mutations. Moreover, Chugai was selected as one of the Digital Transformation (DX) Stocks 2020, as the only company to be designated so among pharmaceutical companies, in addition to the formulation and announcement of "Chugai Digital Vision 2030."

Financial results for the fiscal year under review amounted to revenues of JPY786.9 billion, operating profit of JPY307.9 billion and net income of JPY219.4 billion (all results are on a Core basis).

Reference | **Adoption of Core Results**

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

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

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

b) Revenues

(Unit: JPY billion)

Item	Actual performance for the fiscal year under review	Actual performance for the previous fiscal year	Year-on-year difference for the same period (%)
Product sales	**633.3**	**588.9**	**up 7.5%**
Japan	409.1	437.6	down 6.5%
Oncology field	229.5	240.5	down 4.6%
Bone and joint diseases field	92.4	108.4	down 14.8%
Renal diseases field	28.6	34.6	down 17.3%
Other fields	58.7	54.1	up 8.5%
Overseas	224.2	151.3	up 48.2%
Royalties and other operating income	**153.6**	**97.3**	**up 57.9%**
Revenues	**786.9**	**686.2**	**up 14.7%**

Domestic sales

Domestic sales were JPY409.1 billion (a decrease of 6.5% year on year) mainly due to a decrease in sales of mainstay products in the Oncology, Bone and joint diseases, and Renal diseases areas affected by the NHI drug price revisions of April and the market penetration of generic drugs.

Oncology products sales were JPY229.5 billion (a decrease of 4.6% year on year). This decrease was mainly due to the sales decline of Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) and Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) affected by NHI drug price revisions and the market penetration of generic drugs, despite the market penetration of a new product Tecentriq and the steady sales of mainstay products, Alecensa (an ALK inhibitor, anti-cancer agent) and Perjeta (a HER2 dimerization inhibitory humanized monoclonal antibody, anti-cancer agent).

Bone and joint diseases products sales were JPY92.4 billion (a decrease of 14.8% year on year). This was mainly due to a decrease in sales of Actemra affected by NHI drug price revisions, as well as a significant decline in sales of Edirol (an osteoporosis agent) due to the launch of generic drugs.

Renal diseases products sales amounted to JPY28.6 billion (a decrease of 17.3% year on year). This was mainly due to a decrease in sales of Mircera (a long-acting erythropoiesis stimulating agent) as a result of intensifying price competition associated with the launch of generic drugs, in addition to NHI drug price revisions.

Others products sales were JPY58.7 billion (an increase of 8.5% year on year) due to the market penetration of a new product Hemlibra, “FoundationOne CDx Cancer Genomic Profile” (genomic mutation analysis program), and Enspryng, which was launched in August, despite a significant drop in regular seasonal sales of Tamiflu (an anti-influenza agent) compared to the previous fiscal year.

Meanwhile, compared to the full year forecast announced on January 30, domestic sales decreased by 0.6% to JPY409.1 billion, due to the better-than-expected sales of the mainstay products including Avastin and Perjeta, despite the impact of the COVID-19 pandemic on the introduction of new products and those with new additional indications, such as Hemlibra and Tecentriq.

Overseas sales

Overseas sales amounted to JPY224.2 billion (an increase of 48.2% year on year) due to an increase in export of Actemra to Roche, including those for clinical trials for COVID-19 pneumonia, the commencement of export of Hemlibra to Roche at a regular shipment price, and the commencement of export of Enspryng to Roche.

Meanwhile, compared to the full year forecast announced on January 30, overseas sales increased by 33.1% to JPY224.2 billion, due to the significantly better-than-expected exports to Roche, including the substantial increase in export of Actemra to Roche.

c) Financial Results

Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were JPY786.9 billion (an increase of 14.7% year on year), operating profit for the fiscal year under review was JPY301.2 billion (an increase of 43.0% year on year), and net income for the fiscal year under review was JPY214.7 billion (an increase of 36.2% year on year). These results include non-Core items, such as amortization of intangible assets of JPY1.3 billion, impairment loss of intangible assets of JPY0.6 billion, restructuring expenses of JPY4.7 billion, and expenses for environmental measures of JPY0.1 billion, which are excluded from the Core results that Chugai adopts to manage recurring business activities.

Consolidated financial highlights (Core results)

(Unit: JPY billion)

Item	Actual performance for the fiscal year under review	Actual performance for the previous fiscal year	Year-on-year difference for the same period (%)
Revenues	786.9	686.2	up 14.7%
Gross profit	514.7	421.1	up 22.2%
Operating profit	307.9	224.9	up 36.9%
Net income	219.4	167.6	up 30.9%

Enspryng®

Revenues for the fiscal year under review were JPY786.9 billion (an increase of 14.7% year on year), due to increases both in overseas sales and royalties and other operating income, even as domestic sales declined.

Of revenues, sales were JPY633.3 billion (an increase of 7.5% year on year), due to a significant increase in overseas sales, such as the increase in export of Actemra to Roche, including those for clinical trials for COVID-19 pneumonia, the commencement of export of Hemlibra to Roche at a regular shipment price, and the commencement of export of Enspryng to Roche, although domestic sales declined mainly as a result of the NHI drug price revisions of April. Royalties and other operating income amounted to JPY153.6 billion (an increase of 57.9% year on year), due to a large increase in royalties for Hemlibra and its profit-sharing income as well as an increase in other operating income resulting from one-time income. Furthermore, cost to sales ratio was 43.0%, a 2.0 percentage point improvement year on year, mainly due to an increase in the share of our own products, such as Hemlibra, in the product mix, etc. As a result, gross profit amounted to JPY514.7 billion (an increase of 22.2% year on year).

Operating expenses were JPY206.7 billion (an increase of 5.4% year on year). Marketing and distribution expenses were JPY71.5 billion (a decrease of 2.7% year on year), due to refraining from domestic business activities caused by the spread of COVID-19. Research and development expenses amounted to JPY113.5 billion (an increase of 11.2% year on year) due to an increase in expenses associated with the progress of projects, etc. General and administration expenses amounted to JPY21.7 billion (an increase of 5.3% year on year) primarily due to increases in the enterprise tax (pro forma standard taxation) and various expenses. As a result, Core

operating profit was JPY307.9 billion (an increase of 36.9% year on year) and Core net income was JPY219.4 billion (an increase of 30.9% year on year).

Meanwhile, compared to the full year forecast announced on January 30, revenues increased by 6.3% to JPY786.9 billion, exceeding the initial forecast, primarily as a result of an increase in exports to Roche, including the export of Actemra. Additionally, operating expenses decreased by 3.0% compared to the forecast to JPY206.7 billion, due to the decrease in marketing and distribution and other expenses, as a result of refraining from domestic business activities caused by the spread of COVID-19. As a result, Core operating profit was JPY307.9 billion (an increase of 12.0% compared to the forecast).

Initiatives for COVID-19 and impact on performance

Our response to COVID-19 throughout the year has been mainly focused on preventing infection of employees and related business personnel, reducing the burden on and supporting medical institutions and patients in an emergency, and maintaining a stable product supply system. So far, there has been no impact on the product supply both in Japan and overseas. We will keep a close eye on any changes in the situation and continue our efforts.

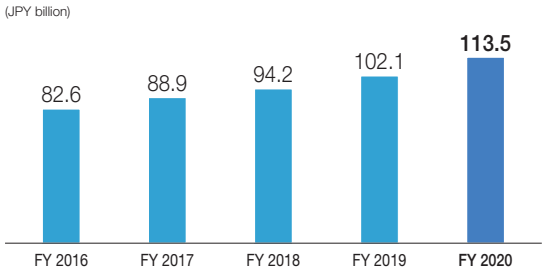
Regarding the impact of COVID-19 on performance during the fiscal year under review, there were no major negative impacts on revenues and profits at each stage. However, the pandemic has affected the progress of certain business activities. First, in terms of domestic sales, the introduction of new products and those with new additional indications, such as Tecentriq and Hemlibra, was affected. Although the market penetration is steadily progressing, the market penetration speed was slower than expected, due to various reasons such as the restrain from sales activities, a decrease in the number of hospitalizations and outpatients, and postponement of switching to new drugs in an uncertain living environment. In terms of overseas sales, export of Actemra to Roche increased, including those for clinical trials for COVID-19 pneumonia. Additionally, while export of Hemlibra to Roche rose steadily, royalties were affected due to the overseas market penetration of Hemlibra taking longer than Chugai initially expected. Some expenses were curbed mainly due to the restrain from domestic sales activities. Regarding regulatory affairs such as filing applications for approval and response to review, the timing of filing or approval was not significantly affected. In projects under development, while there were some delays in schedules of the start timing and progress of clinical trials due to restrictions on visits by medical facilities and refraining from patient visits, no major impacts were observed. Regarding drug discovery research activities, we changed the schedule for some projects, but there was no delay in high-priority projects. For projects such as capital investment, construction of the Chugai Life Science Park Yokohama, which is currently under construction, was partially suspended during the declaration of a state of emergency. However, the impact on the overall construction period is limited.

As described above, while COVID-19 affected the progress of certain business activities, negative impacts on business performance were limited. Although uncertain business environment will continue, we will continue to focus mainly on preventing infections of employees and related business personnel, reducing the burden on and supporting medical institutions and patients, and maintaining a stable product supply system.

d) R&D Activities

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

Reference | **R&D Expenses**



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

(i) Oncology

- We obtained approval for the anti-HER2 antibody-tubulin polymerization inhibitor conjugate Kadcyla for the additional indication of adjuvant therapy in patients with HER2-positive early breast cancer in August.
- We obtained approval for the ROS1/TRK inhibitor Rozlytrek for the additional indication of ROS1 fusion-positive, unresectable, advanced or metastatic non-small cell lung cancer (NSCLC) in February.
- We filed Tecentriq for the treatment of unresectable, advanced or metastatic hepatocellular carcinoma (HCC) in February and obtained approval in September. We started global Phase III study in combination with cabozantinib for the treatment of renal cell carcinoma and global Phase III study in combination with RG6058 for stage III NSCLC in July and August, respectively. We also started global Phase I study in combination with RG6058 or RG1569 for the treatment of pancreatic adenocarcinoma in October. We decided to discontinue the development of muscle invasive urothelial carcinoma (adjuvant) and renal cell carcinoma considering the results of global Phase III studies IMvigor010 and IMmotion151, respectively.
- We filed Avastin for the treatment of unresectable, advanced or metastatic HCC in February and obtained approval in September. We started domestic Phase III study for the treatment of small cell lung cancer, in combination with RG7446, in January. We decided to discontinue the development of renal cell carcinoma considering the results of global Phase III study (IMmotion151).
- We filed anti-CD79b antibody-drug conjugate RG7596 for the treatment of relapsed or refractory diffuse large B-cell lymphoma in June.
- We started global Phase III studies for the anti-TIGIT human monoclonal antibody RG6058 in combination with RG7446 for the treatment of small cell lung cancer, NSCLC, stage III NSCLC and esophageal cancer in February, March, August and September, respectively.
- We started Phase II study for the oncolytic type 5 adenovirus OBP-301 for the treatment of esophageal cancer in March.
- We started Phase I study for AMY109 for the treatment of solid tumors in March.

- We started Phase I study for the anti-CD137 agonistic Switch antibody STA551 for the treatment of solid tumors in March.
- We started Phase I study for the anti-CD20/CD3 bispecific antibody RG6026 for the treatment of hematologic tumors in March.
- We started Phase I study for SERD (Selective Estrogen Receptor Downregulator) RG6171 for the treatment of breast cancer in April and started global Phase III study in October.
- We started Phase I study for SPYK04 for the treatment of solid tumors in September.
- We started global Phase I study for the anti-HER2/CD3 bispecific antibody RG6194 for the treatment of solid tumors in November.
- We concluded a global licensing agreement with Verastem Oncology for Raf and MEK dual inhibitor CKI27 to grant them an exclusive worldwide license to manufacture, develop and commercialize CKI27 in January.

(ii) Bone and Joint

- We obtained approval in China for Edirol for the indication of osteoporosis in December.

(iii) Neurology

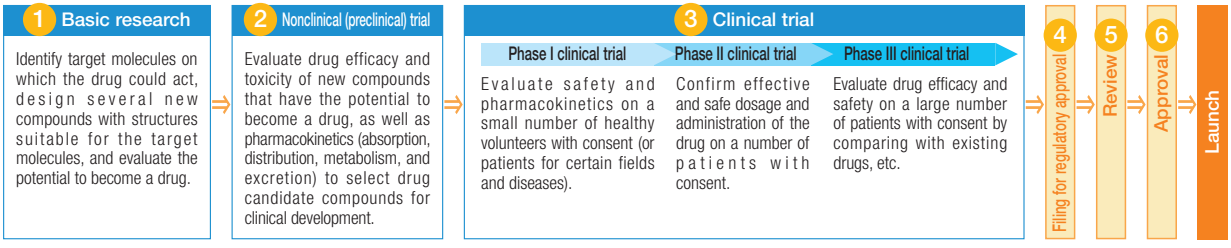
- We obtained approval for Enspryng for the prevention of relapses of neuromyelitis optica spectrum disorder (including neuromyelitis optica) in Japan in June and launched in August. We also obtained approval for the indication of neuromyelitis optica spectrum disorder in the US in August.
- We filed SMN2 splicing modifier RG7916 for the treatment of spinal muscular atrophy in October.
- We started global Phase II study for the partial TAAR1 agonist RG7906 for the treatment of schizophrenia in February.
- We decided to discontinue the development of the anti-myostatin adnectin RG6206 for Duchenne muscular dystrophy in consideration of the results of global Phase II/III study (SPITFIRE).
- We decided to discontinue the development of the vasopressin 1a receptor antagonist RG7314 for autism spectrum disorder in consideration of the results of multiple overseas studies conducted by Roche.

(iv) Other diseases

- We started global Phase III study for the anti-C5 recycling antibody SKY59/RG6107 for the treatment of paroxysmal nocturnal hemoglobinuria in September.
- We started domestic Phase III study for Actemra for the treatment of COVID-19 pneumonia in May.
- We started domestic Phase III study for Hemlibra for the treatment of acquired hemophilia A in June.

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, 2020)

Development code	Generic name / Product name (Scheduled) / Dosage form	Expected indication	Stage (Time)
			Phase I / Phase II / Phase III / Filing / Approval / Launch
Oncology			
RG6268	entrectinib Rozlytrek / Oral	Non-small cell lung cancer (NSCLC) (additional indication)	(Japan)
RG7446	atezolizumab Tecentriq / Injection	Hepatocellular carcinoma (additional indication)	(Japan)
		NSCLC (adjuvant) (additional indication)	
		NSCLC (neoadjuvant) (additional indication)	
		NSCLC (stage III) (additional indication)	(in combination with RG6058)
		Urothelial carcinoma (additional indication)	
		Renal cell carcinoma (adjuvant) (additional indication)	
		Renal cell carcinoma [second line] (additional indication)	(in combination with cabozantinib)
		Early breast cancer (additional indication)	
		Ovarian cancer (additional indication)	
		Hepatocellular carcinoma (adjuvant) (additional indication)	
		Head and neck carcinoma (maintenance therapy) (additional indication)	
		Esophageal cancer (additional indication)	(in combination with RG6058)
		Pancreatic adenocarcinoma (additional indication)	Morpheus platform (in combination with RG1569)
		Pancreatic adenocarcinoma (additional indication)	Morpheus platform (in combination with RG6058)
RG3502	trastuzumab emtansine Kadcyla / Injection	Breast cancer (adjuvant) (additional indication)	
RG435	bevacizumab Avastin / Injection	Hepatocellular carcinoma (additional indication)	(in combination with RG7446)
		Hepatocellular carcinoma (adjuvant) (additional indication)	(in combination with RG7446)
		Small cell lung cancer (additional indication)	(Japan) (in combination with RG7446)
RG7596	polatuzumab vedotin Product name undetermined / Injection	Relapsed or refractory diffuse large B-cell lymphoma (DLBCL)	
		DLBCL	
RG7440	ipatasertib Product name undetermined / Oral	Breast cancer	
		Prostate cancer	
RG6264	trastuzumab / pertuzumab Herceptin / Perjeta / Injection	Breast cancer (Fixed-dose combination, subcutaneous injection)	
AF802 / RG7853	alectinib Alecensa / Oral	NSCLC (adjuvant) (additional indication)	
RG6058	tiragolumab Product name undetermined / Injection	Small cell lung cancer	(in combination with RG7446)
		NSCLC	(in combination with RG7446)
		NSCLC (stage III)	(in combination with RG7446)
		Esophageal cancer	(in combination with RG7446)
RG6171	Generic name undetermined Product name undetermined / Oral	Breast cancer	
OBP-301	Generic name undetermined Product name undetermined / Injection	Esophageal cancer	
GC33	codrituzumab Product name undetermined / Injection	Hepatocellular carcinoma	
ERY974	Generic name undetermined Product name undetermined / Injection	Solid tumors	
RG7421	cobimetinib Product name undetermined / Oral	Solid tumors	
RG7802	cibisatamab Product name undetermined / Injection	Solid tumors	
RG7828	mosunetuzumab Product name undetermined / Injection	Hematologic tumors	
RG6026	glofitamab Product name undetermined / Injection	Hematologic tumors	
AMY109	Generic name undetermined Product name undetermined / Injection	Solid tumors	

Development code	Generic name / Product name (Scheduled) / Dosage form	Expected indication	Stage (Time)
Oncology			
STA551	Generic name undetermined Product name undetermined / Injection	Solid tumors	Phase I
SPYK04	Generic name undetermined Product name undetermined / Oral	Solid tumors	Phase I
RG6194	Generic name undetermined Product name undetermined / Injection	Solid tumors	Phase I
RG7461	Generic name undetermined Product name undetermined / Injection	Solid tumors	Phase I
Bone and Joint Diseases field			
ED-71	eldecalcitol Edirol / Oral	Osteoporosis	(China)
NRD101	purified sodium hyaluronate Suvenyl / Injection	Knee osteoarthritis / Shoulder periarthritis	(China)
Renal Diseases field			
EOS789	Generic name undetermined Product name undetermined / Oral	Hyperphosphatemia	Phase I
Autoimmune Diseases field			
RG7880	Generic name undetermined Product name undetermined / Injection	Inflammatory bowel disease	Phase I
RG7845	fenebrutinib Product name undetermined / Oral	Rheumatoid arthritis	Phase I
Neurology field			
SA237 / RG6168	satralizumab Enspryng / Injection	Neuro myelitis optica spectrum disorder (NMOSD)	(Japan) (US) (Europe)
RG7916	risdiplam Product name undetermined / Oral	Spinal muscular atrophy (SMA)	Filing
RG1450	gantenerumab Product name undetermined / Injection	Alzheimer's disease	Phase III
RG6042	tominersen Product name undetermined / Injection	Huntington's disease	Phase III
RG7906	ralmitaront Product name undetermined / Oral	Schizophrenia	Phase II
RG7935	prasinezumab Product name undetermined / Injection	Parkinson's disease	Phase I
GYM329 / RG6237	Generic name undetermined Product name undetermined / Injection	Neuromuscular disease	Phase I
RG6100	semorinemab Product name undetermined / Injection	Alzheimer's disease	Phase I
Other fields			
MRA / RG1569	tocilizumab Actemra / Injection	COVID-19 pneumonia (additional indication)	(Japan)*
RG7716	faricimab Product name undetermined / Injection	Diabetic macular edema	Phase III
		Neovascular age related macular degeneration (nAMD)	Phase III
ACE910/ RG6013	emicizumab Hemlibra / Injection	Acquired hemophilia A	(Japan)
SKY59/ RG6107	crovalimab Product name undetermined / Injection	Paroxysmal nocturnal hemoglobinuria (PNH)	Phase III
NXT007	Generic name undetermined Product name undetermined / Injection	Hemophilia A	(Ⅰ/Ⅱ)
PCO371	Generic name undetermined Product name undetermined / Oral	Hypoparathyroidism	Phase I
AMY109	Generic name undetermined Product name undetermined / Injection	Endometriosis	Phase I

In principle, completion of first dose is regarded as the start of clinical studies in each phase. : Change in status in January 2020 and thereafter

* Roche is conducting multiple global Phase III studies overseas for Actemra for the treatment of COVID-19 pneumonia.

Oncology field

Avastin®	Anti-cancer agent
Tecentriq®	Anti-cancer agent
Perjeta®	Anti-cancer agent
Alecensa®	Anti-cancer agent
Herceptin®	Anti-cancer agent
Kadcyla®	Anti-cancer agent
Rituxan®	Anti-cancer agent
Gazyva®	Anti-cancer agent
Xeloda®	Anti-cancer agent
Rozlytrek®	Anti-cancer agent

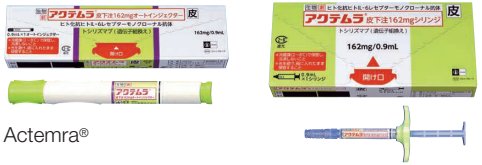
Alecensa®

Renal diseases field

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

Bone and joint diseases field

Actemra®	Rheumatoid arthritis agent
Edirol®	Osteoporosis agent
Bonviva®	Osteoporosis agent



Actemra®

Other fields

Hemlibra®	Coagulation factor VIII substitute
CellCept®	Immunosuppressant
Enspryng®	PH-dependent binding humanized anti-IL-6 receptor monoclonal antibody
Tamiflu®	Anti-influenza agent

Hemlibra®

(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 JPY75.2 billion. Such expenditures mainly consisted of investments for the construction of Chugai Life Science Park Yokohama, and investments for the production of small and middle molecule drugs in Fujieda Plant (construction of new production building for synthetic drugs).

(4) Financing

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

(5) Transfer of Business, etc.

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

(6) Future Tasks

a) Basic management principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Group's basic management principles is to develop hand in hand with society under its mission of "dedicating 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" and its goal of "becoming a top innovator in the healthcare industry that realizes sophisticated and sustainable patient-centered medical care."

As the Group works to achieve these goals, it will carry out its business activities in line with its core values of "patient-centered," "frontier spirit" and "sincerity."

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

Furthermore, the Group will proactively work on environmental, social, governance and other issues in order to ensure that its business activities influence society in the best way possible. 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 when formulating business plans. Meanwhile, the Group also works to conduct flexible and agile business operations, in order to achieve stable profit growth over the short- to medium-term. In addition, whenever making investment decisions such as individual development projects, the Group carries out an evaluation of investment value based on capital costs, and makes decisions with emphasis on profitability and efficiency.

Under such policy, the Group has formulated and implemented medium-term plans such as "IBI 18" and "IBI 21." However, due to a drastic change in the Company's revenue structure, innovative products developed in-house have gained importance in terms of revenue, in recent years. As the sources of revenue have expanded to markets around the world, revenue is now affected more than ever by overseas market trends.

As for the external environment, the competitive environment is changing significantly, as seen by the digitization of the healthcare industry, the evolution of drug discovery technologies, issues regarding sources of medical financing, and active cross-border business combinations and alliances. Against the backdrop of such a rapidly changing business

environment, the Company has reached the conclusion that it would be difficult to set medium- to long-term quantitative targets and announce them externally. Accordingly, the Group will no longer disclose quantitative targets for the medium-term plan, from fiscal year 2021. Meanwhile, the Group will continue to disclose the status of progress of its business activities, by explaining business strategies and the outlook for R&D pipelines, and indicate the path for achieving these objectives. The Group plans to continue disclosing annual earnings forecasts and providing explanation on the management status at briefing sessions and other meetings, in order to report the progress of the business strategies set forth by the Company in a timely manner.

c) Management environment and issues to be addressed

Amid increasing expectations and needs for pharmaceuticals due to an increase in the world population and progressive demographic graying in each country, the realization of sustainable medical care has become a common issue in the world. Due to the global COVID-19 pandemic that broke out in 2020, the role and importance of medical care in society are being keenly recognized, and expectations for the medical industry also continue to rise. In addition, more and more stringent policies to curb medical expenditures, including drug costs, are being implemented amid the strain on medical budgets in each country. As such, in order to realize advanced and sustainable medical care with limited resources, the trend toward VBHC (Value Based Healthcare) is gaining momentum, in which only solutions that offer true value are pursued.

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

Under these circumstances, the pursuit of “innovation” is the most important challenge in order to fulfill the Group’s mission of providing innovative drugs. 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. Furthermore, in order to realize optimal medical care for each and every patient, the challenge 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. Amid an increasingly severe business environment for pharmaceutical companies due to increased financial pressure on a worldwide scale, there is even greater need of transformation to a structure that enables concentrated investment of limited resources on innovation.

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

Going forward, the Group will steadily maximize value for growth drivers such as Alecensa, Hemlibra and Enspryng, which was launched in 2020, in the global market, while generating the next innovative new drugs ahead of competitors through swift development and demonstrating high patient value, in an aim for sustainable profit growth. In addition, amid a rising need for diagnosis, prevention and treatment of COVID-19, the Group will continue to strive for the development of medicines that utilize its proprietary drug discovery technologies.

In addition to these challenges in the pharmaceutical industry, there are growing threats to the sustainability of the social system, including recent changes in the global environment and widening economic disparity. In order to

sustainably develop business activities, the Company recognizes that it, too, must seriously face up to such social issues, and further evolve its initiatives with respect to business activities.

d) Medium-term business plan "IBI 21"

The Group has worked on initiatives under its medium-term business plan "IBI 21," which covers the three-year period from 2019 to 2021.

In quantitative terms, the Group had set its target for average annual growth in its Core EPS, at around 30% for the three years of the plan (assuming constant exchange rates, no stock split during the period). Due to the substantial growth of in-house products such as Hemlibra and Actemra in the global market, and the expansion of new products such as Hemlibra and Tecentriq in the domestic market, the average annual growth in its Core EPS reached 49.5% in the two years up to 2020, thus progressing at a level higher than expected.

In qualitative terms as well, five new projects were added to the portfolio of drug discovery and development during the two years, and four in-house developed products, including the STA551 next-generation antibody, advanced to the clinical phase. In addition, a Phase III clinical trial for crovalimab (SKY59) was started, which is expected to be a new growth driver. Furthermore, the development of middle molecule drugs, which the Group aims to establish as a next-generation core technology, also advanced steadily in preparation for the start of clinical studies during fiscal year 2021.

In the global market, the in-house developed products Hemlibra, Actemra and Alecensa showed considerable growth, while the new in-house developed product, Enspryng obtained approval in Japan, the United States, and other countries around the world. In the domestic market, the new product Tecentriq obtained approval for additional indications for multiple types of cancer, resulting in market penetration. In 2019, the Company launched "FoundationOne CDx Cancer Genomic Profile," a system for comprehensive genomic profiling for cancer using next-generation sequencers, and its application is solidly underway at designated cancer genome hospitals.

Regarding the strengthening of its management infrastructure, the Group initiated the operation of a new personnel system, which focuses on the further advancement of talent management as well as a roles and performance-based approach, in April 2020, as the Group made a fresh start toward promoting the active participation and nurturing of the human resources who drive innovation. In addition, the Group formulated "Chugai Digital Vision 2030," which aims to realize business transformation through digital transformation, in order to leverage digital technology to vigorously promote the optimization of value chains, and the further advancement and optimization of new drug creation capabilities. Furthermore, the Group has strengthened its sustainability platform, including ESGs. In 2020, the Company was selected for the first time as a constituent of the "Dow Jones Sustainability Index World," which is the world's leading ESG index, and has come to be regarded as a highly sustainable company under global standards.

As such, under "IBI 21," which concludes in fiscal year 2021, the Group realized revenue expansion and profit growth at a level significantly higher than initially expected, thereby achieving the profit target for three years in only two years, in quantitative terms. In qualitative terms as well, the Group realized results that exceeded the targets and established a significant foundation for further growth through the generation of innovation. In view of these circumstances, the Group has decided to conclude "IBI 21" one year ahead of schedule, and to launch initiatives under a new strategy with the aim of further accelerating growth.

e) New growth strategy for 2030 "TOP I 2030"

The Group has formulated "TOP I 2030," a new growth strategy for 2030, with a view toward realizing the Envisioned Future set out in its Mission Statement, while concluding "IBI 21" one year ahead of schedule.

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

By making use of its unique science and technology, the Company 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.

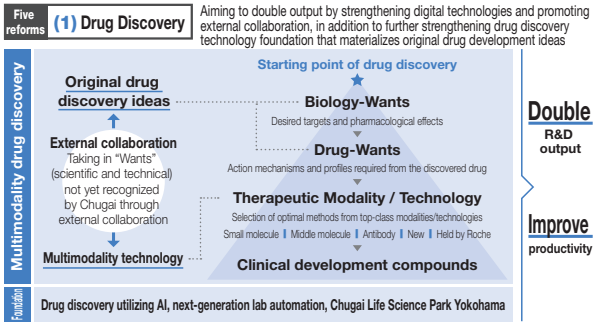
The Group will also work on creating an advanced business model that takes into account changes in the environment and technological evolution. In particular, the Group aims to dramatically improve productivity throughout its value chain, and to expand patient value and product value, through processes that are centered on the digitalization and fundamental restructuring of the value creation model.

The "end goals" for 2030 are as presented below:

1. "Offers hope to patients around 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 always create new treatments"
2. "Attracts human resources and players around the world"
   A company that attracts passionate human resources from all over the world, and gives players involved in healthcare around the world the belief that "collaborating with Chugai will give birth to something new"
3. "A global role model"
   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

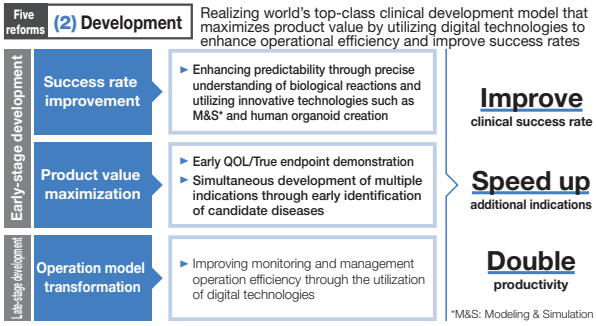
In "TOP I 2030," the Group has set forth "five reforms" in line with its value chain, as specific initiatives to realize the twin pillars of the strategy. These reforms comprise "drug discovery reform," "development reform," "pharmaceutical reform," "Value Delivery reform" and "growth foundation reform."

(i) Drug discovery reform



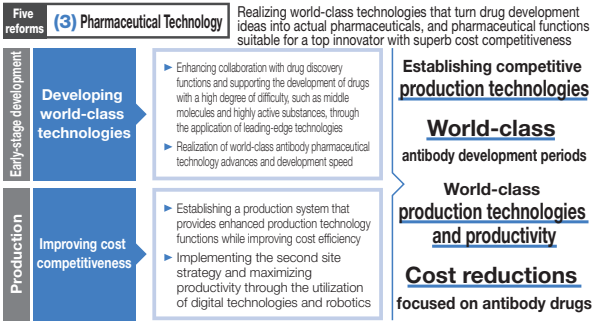
In "TOP I 2030," the Group will aim to further strengthen its drug discovery technology foundation, in order to materialize original drug discovery ideas based on its accumulated strengths in drug discovery, including protein engineering technology. In addition, the Group will concentrate resources on 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 middle molecule drugs, which are expected to constitute the mainstay for driving 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 reform



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 dosage 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, with a view toward enhancing operational efficiency of late-stage clinical development.

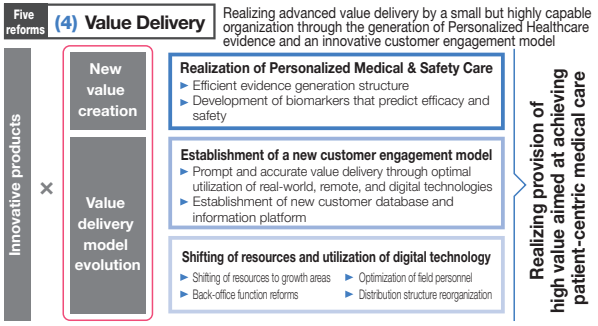
(iii) Pharmaceutical reform



While the Group aims to substantially expand its R&D output, the pursuit of world-class pharmaceutical technologies that steadily commercialize innovative drug discovery will also represent an important challenge. The Group will further strengthen the collaboration between the drug discovery/development and pharmaceutical functions, in order to advance the development of pharmaceutical technologies for drugs with a high degree of difficulty, such as middle 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.

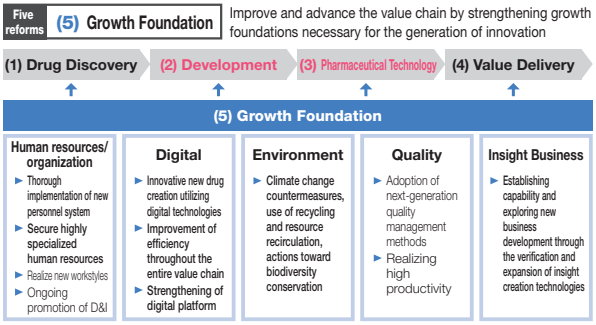
(iv) Value Delivery reform



The customer contact points of pharmaceutical companies are also changing 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 build 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 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) Growth foundation reform



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

“Human resources/organization”: Through operation of the new personnel system, which commenced in 2020, the Group will strive to achieve further advances in talent management, thoroughly assign the right personnel to the right positions, and enhance the corporate culture to encourage personnel to boldly take on challenges. The Group will also focus on the acquisition, nurturing and provision of a sufficient number of highly specialized human resources, who will be the key in implementing business strategies, such as those in the fields of digital technology and science, including data scientists.

“Digital”: The Group will work to promote the digitalization of each value chain, while building a digital platform for both software and hardware. The Group will aim to establish a global-level IT platform, by integrating various in-house data and building an analysis platform in collaboration with the Roche Group.

“ESG”: Following “IBI 21,” the Group will work on key issues (materiality) identified in light of its mission and the impact of its business on the economy, society and the environment. The Group will also continue to advance Group-wide responses to ESG issues, which were highly evaluated through the selection of the Company as a constituent of the “Dow Jones Sustainability Index World (DJSI-World).”

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

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

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

Sustainability at Chugai

The creation of a foundation for supporting innovation while contributing to corporate growth and sustainable societal development has been carried over, from the medium-term business plan “IBI 21” to the new growth strategy “TOP I 2030.”
Below is a report on just some of the efforts carried out in fiscal year 2020.

Strengthening Sustainable Platforms

Chugai has specified six priority areas in light of its mission and the impact of its business on the economy, society, and the environment.

Supply Chain Management

Formulation of a Comprehensive Supplier Evaluation System that Includes Human Rights and Environmental Aspects

Chugai has created a comprehensive supplier evaluation system that includes evaluation items regarding the natural environment, labor environment, human rights, and more, with the aim of working together with business partners to solve societal issues, in addition to establishing appropriate and sound business relationships in order to maintain quality and stabilize supply.

Specifically, Chugai has formulated behavioral criteria that we request of suppliers and developed an evaluation system for the status of measures related to those behavioral criteria. We have begun performing evaluations, focusing on the manufacturing subcontractors that we consider important suppliers. Going forward, we are also coordinating with the Pharmaceutical Supply Chain Initiative (PSCI), a non-profit organization we joined in 2018, to identify latent social issues with the potential to affect the pharmaceutical industry and create sustainable supply chain management on an ongoing basis.

Access to Healthcare

Participation in a World Federation of Hemophilia’s Humanitarian Aid Program

Together with Roche, Chugai is participating in a humanitarian aid program by the World Federation of Hemophilia (WFH). This program aims to provide people with bleeding disorders in developing countries with greater access to treatment.

In April 2020, in support of the World Hemophilia Day promoted by WFH and as part of our disease awareness activities, we created a dance video aimed at making exercise a fun habit for children, in conjunction with sharing information through radio programs, websites, and social networks.

Global Environment

Support of the TCFD Recommendations, and Implementation and Disclosure of Scenario Analysis

In February 2020, Chugai expressed its support for the statement by the Japan Climate Initiative (JCI) urging strengthened measures to address climate change, and the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD).

Based on the framework of the TCFD Recommendations, we carried out qualitative evaluation of risks and opportunities, and conducted risk scenario analyses. Although we did not identify significant climate-related risks that would require long-term, large-scale business transformation or investment, we will continue to proactively work to resolve environmental issues through ongoing analysis and evaluation.

Social Contribution

Special-sponsored a Breakdance Event for People with Disabilities

Chugai continuously supports para-sports with a goal of achieving an inclusive society in which everyone can make the most of one's own capability and play an active role.

In November 2020, the "ART FUNK BREAKIN" breakdance event for people with disabilities was held at Nagai Sports Center for Persons with Disabilities in Osaka City, with support from Chugai as a special sponsor. The event, hosted by the Japan Adapted Breakin Association and the Agency for Cultural Affairs, was the first breakdance tournament in Japan in which only people with disabilities participated. 20 participants, from children to adults, participated in heated dance battles.

Strengthening Human Capital and Conducting Drastic Structural Reform

In parallel with strengthening our sustainable platform, we are also promoting human resource development and the reformation of our organization and processes, fostering a corporate culture that produces innovation.

Introducing a New Personnel System and Becoming an Organization that Takes on New Challenges

In April 2020, we introduced a new personnel system. In this new system, the job grade and salary are determined based on the job value of a position to promote assigning the right person to the right position. Personnel are assigned management positions regardless of age to enable early promotion of young employees. Rules for appointment/dismissal of positions are stipulated in order to enhance the metabolism of the organization.

Moreover, position profiles are disclosed to employees, which define the duties, performance responsibilities, and human resource requirements for each position, as well as the criteria and processes for appointment/dismissal. This clarification will promote the autonomous career development of each and every employee, and will lead to our transition to an organization that takes on new challenges.

The SDGs That Chugai Is Helping Achieve

The Sustainable Development Goals (SDGs) adopted at the UN Summit held in September 2015 are 17 broad-ranging goals for creating economically, socially, and environmentally sustainable, diverse, and inclusive societies by 2030. Of these 17 SDGs, the Chugai Group has identified SDG 3, which is directly tied to the Group's mission, as its highest priority goal, four SDGs (8, 9, 12, and 17) as essential to achieving this priority goal, and six SDGs (5, 6, 10, 13, 15, and 16) as the foundation of the Group's business activities. Together, it has defined these eleven development goals as key initiative areas. We will continue to proactively carry out focused measures based on the SDGs.

Our highest priority SDG (3) directly tied to the Group's mission, four SDGs (8, 9, 12, and 17) essential to achieving this priority goal, and six SDGs (5, 6, 10, 13, 15, and 16) as the foundation of our business activities

Communication with Shareholders, Investors, and Stakeholders

In its disclosure of information to shareholders and investors, Chugai has a policy of engaging in timely, appropriate, and fair disclosure activities in compliance with laws and regulations with the aim of being fairly evaluated by the capital market. As part of our efforts to ensure transparency, we provide information simultaneously in Japanese and English as a general rule, and we have created an environment that provides easy access to disclosure information. With regard to holding events, in 2020, we flexibly used face-to-face, online, and joint approaches as appropriate depending on the conditions of COVID-19 infections, event sizes, and event purposes. Through this, we strived to maintain our opportunities for dialogue with shareholders and investors. Our CEO Meeting, an important opportunity for direct dialogue with top management, was conducted face to face by breaking the Meeting up into multiple sessions, each with a small number of investors and analysts, while thoroughly implementing infection spread countermeasures. On the other hand, larger events were held online via conference calls and Zoom meetings, such as quarterly financial statement explanation presentations and events including the ESG Meeting, the Product Meeting, and the Digital Strategy Meeting. Furthermore, we held online company explanation meetings to ensure that there were always opportunities for dialogue with individual shareholders and investors. In providing information, we believe that it is important to take a clear and proactive approach in order to earn the support and trust of a broad range of stakeholders.

We also actively engage in communication activities (media relations) with the media by issuing press releases, cooperating in interviews and coverage activities, providing briefings, and holding meetings with executives. At the same time, we use diverse tools such as our website to communicate with the community and the general public. At the same time, we use diverse tools such as our website to communicate with the community and the general public. We make special efforts to share information regarding our contribution to healthcare through our business activities as well as our broad-ranging efforts in areas such as the environment, human rights, social contributions, and human resource development.

Investor Relations

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

Sharing initiatives of Chugai through corporate advertising

We have launched corporate advertising that convey our efforts aimed at advancing personalized healthcare.

In the current corporate advertisement, actress Erika Toda plays a patient who conveys a request from her standpoint: “Personalize My Healthcare, Please.” Against a background of spiral staircases with a motif of genes, the advertisement expresses the hope and future that will be created with the advancement of personalized healthcare.

Through our corporate branding activities, we aim to foster a better understanding of our company and establish the trust of our stakeholders by continuously communicating our determination and the dedication of our employees to meet unmet medical needs, such as by advancing personalized healthcare through innovation.

“Personalize My Healthcare, Please” special website (Only available in Japanese)

https://www.chugai-pharm.co.jp/brand/

(7) Main Businesses (as of December 31, 2020)

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, 2020)

[Domestic]

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

<Sales branches>
❸ Hokkaido and Tohoku RMO (Miyagi Pref.)
❹ Kanto-Kita and Koshinetsu RMO (Saitama Pref.)
❺ Kanto-Minami RMO (Tokyo)
❻ Tokai and Hokuriku RMO (Aichi Pref.)
❼ Kansai RMO (Osaka)
❽ Chugoku and Shikoku RMO (Hiroshima Pref.)
❾ Kyushu RMO (Fukuoka Pref.)

<Research & Development>
❿ Fuji-Gotemba Research Laboratories (Shizuoka Pref.)
⓫ Kamakura Research Laboratories (Kanagawa Pref.)
⓬ Ukima Research Laboratories (Tokyo)

<Production> * Bases of Chugai Pharma Manufacturing Co., Ltd.
⓭ Utsunomiya Plant (Tochigi Pref.)
⓮ Ukima Plant (Tokyo)
⓯ Fujieda Plant (Shizuoka Pref.)

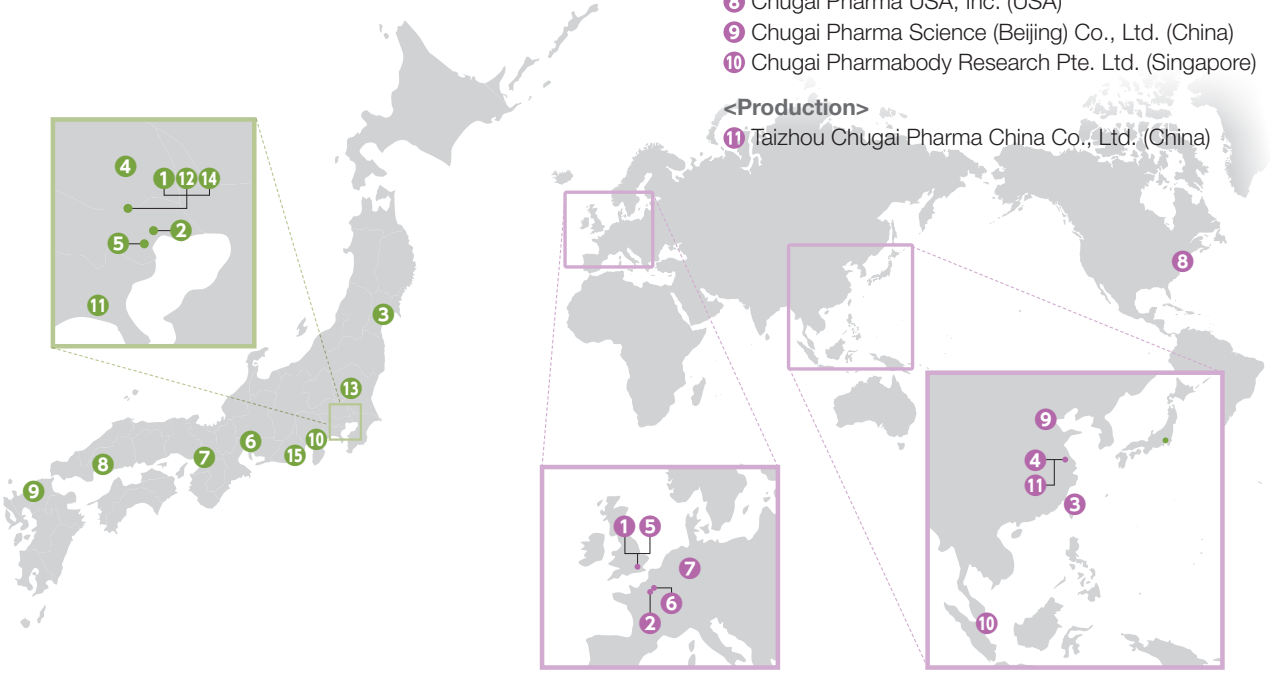
[Overseas]

<Sales, Research & Development>
❶ Chugai Pharma Europe Ltd. (UK)
❷ Chugai Pharma Europe Logistics S.A.S. (France)
❸ Chugai Pharma Taiwan Ltd. (Taiwan)

<Sales>
❹ Chugai Pharma China Co., Ltd. (China)
❺ Chugai Pharma U.K. Ltd. (UK)
❻ Chugai Pharma France S.A.S. (France)
❼ Chugai Pharma Germany Gmbh (Germany)

<Research & Development>
❽ Chugai Pharma USA, Inc. (USA)
❾ Chugai Pharma Science (Beijing) Co., Ltd. (China)
❿ Chugai Pharmabody Research Pte. Ltd. (Singapore)

<Production>
⓫ Taizhou Chugai Pharma China Co., Ltd. (China)



(9) Employees (as of December 31, 2020)

Number of employees	Increase/decrease since end of previous fiscal year
7,555 persons	161 persons (Increase)

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

(10) Parent Company and Principal Subsidiaries

a) Parent Company

The Company's parent company is Roche Holding Ltd. (Head Office: Switzerland), which holds 1,005,670,935 shares of the Company (shareholding percentage against total number of issued shares: 59.89%, or 61.17% when calculated based on the total number of issued shares excluding the number of treasury stock), based on a strategic alliance agreement between the two companies. However, the Company and Roche have agreed to cooperate in maintaining the listing of the Company's common stock on the First Section of the Tokyo Stock Exchange.

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

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

b) Transactions with Parent Company, etc.

The Company belongs to a corporate group (Roche Group) centering on Roche Holding Ltd., which is the Company's parent company.

Under the Japan Umbrella Rights Agreement signed 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) signed in May 2002 was revised and the Amended and Restated Rest of the World Umbrella Rights Agreement (excluding Japan, South Korea and Taiwan) was signed 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 signed with the approval of the Board of Directors.

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

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

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

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

c) Principal Subsidiaries

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

There are 18 consolidated subsidiaries including the aforementioned two principal subsidiaries.

(11) Other Important Matters of the Group

There is no applicable information.

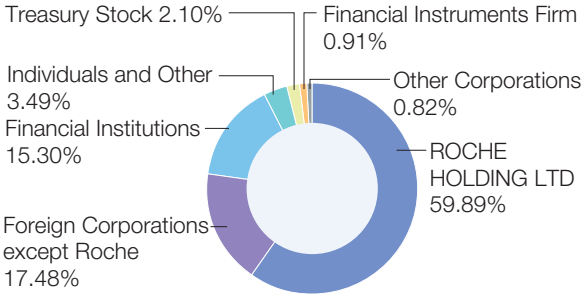
2 Company's Shares (as of December 31, 2020)

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

(2) Total Number of the Issued Shares 1,679,057,667 shares
(Includes 35,186,586 shares of treasury stock)

(3) Number of Shareholders 34,921 shareholders

Reference | **Ownership Profile**



(4) Major Shareholders (Top Ten)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding percentage (%)
ROCHE HOLDING LTD.	1,005,670	61.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	105,907	6.44
JP MORGAN CHASE BANK 385632	60,658	3.68
Custody Bank of Japan, Ltd. (Trust Account)	48,548	2.95
Custody Bank of Japan, Ltd. (Trust Account 7)	18,546	1.12
SSBTC CLIENT OMNIBUS ACCOUNT	14,518	0.88
STATE STREET BANK WEST CLIENT - TREATY 505234	14,460	0.87
STATE STREET BANK AND TRUST COMPANY 505001	12,283	0.74
Custody Bank of Japan, Ltd. (Trust Account 5)	9,930	0.60
Custody Bank of Japan, Ltd. (Security Investment Trust Account)	9,849	0.59

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 35,186 thousand shares of treasury stock.
2. Shareholding percentage indicated above was calculated based on the total number of the issued shares excluding the number of treasury stock.
3. Names of the shareholders indicated above are based on the General Shareholder Notifications of the Japan Securities Depository Center, Incorporated.

(5) Other Important Matters Concerning Shares

The Company implemented a three-for-one stock split of its common stock on July 1, 2020.

3 Company's Stock Acquisition Rights, etc.

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

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

4 Company's Officers

(1) Directors and Audit & Supervisory Board Members (as of December 31, 2020)

	Name	Position and Responsibility in the Company	Important Concurrent Positions
Executive Directors	Tatsuro Kosaka	Representative Director, Chairman & CEO	Outside Director of ASAHI GROUP HOLDINGS, LTD.
	Motoo Ueno	Representative Director, Deputy Chairman, Sustainability Department, Audit Department	
	Osamu Okuda	Representative Director, President & COO	
Non-Executive Directors	Masayuki Oku	Outside Director	Outside Director of Rengo Co., Ltd. Outside Director of The Royal Hotel, Ltd. Non-Executive Director of The Bank of East Asia
	Yoichiro Ichimaru	Outside Director	Outside Director of Seino Holdings Co., Ltd.
	Mariko Y Momoi	Outside Director	Chief Medical Officer of Ryoumou Seishi Ryogoen, Kiryu Ryoiku Futabakai Social Welfare Corporation Professor Emeritus of Jichi Medical University Visiting Professor of School of Medicine, Shinshu University Regent of Tokyo Medical University (part-time)
	Christoph Franz	Director	Chairman of the Board of Directors of Roche Holding Ltd. Deputy Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland) Member of the Board of Directors of Stadler Rail (Switzerland)
	William N. Anderson	Director	CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee
	James H. Sabry	Director	Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee
Audit & Supervisory Board Members	Mamoru Togashi	Full-time Audit & Supervisory Board Member	
	Atsushi Sato	Full-time Audit & Supervisory Board Member	
	Takaaki Nimura	Outside Audit & Supervisory Board Member	Representative of Nimura Certified Public Accountant Office
	Yuko Maeda	Outside Audit & Supervisory Board Member	Director of CellBank Corp. Outside Director of KOSÉ Corporation Auditor (part-time) of Japan Agency for Marine-Earth Science and Technology Executive Vice President (part-time) of Kyushu University
	Kenichi Masuda	Outside Audit & Supervisory Board Member	Partner of Anderson Mōri & Tomotsune Outside Director of Bridgestone Corporation Outside Corporate Auditor of LIFENET INSURANCE COMPANY Outside Audit & Supervisory Board Member of Mercuria Investment Co., Ltd. Visiting professor of School of Law, The University of Tokyo

(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 Osamu Nagayama (retirement due to expiration of term in office on March 30, 2020)
Director Yasuo Ikeda (retirement due to expiration of term in office on March 30, 2020)
Audit & Supervisory Board Member Hisashi Hara (retirement due to expiration of term in office on March 30, 2020)
<Newly appointed>
Director Osamu Okuda (assumed office on March 30, 2020)
Director Mariko Y Momoi (assumed office on March 30, 2020)
Audit & Supervisory Board Member Kenichi Masuda (assumed office on March 30, 2020)

2. Directors Christoph Franz, William N. Anderson and James H. Sabry are members of the executive committee of the Roche Group and are Non-Executive Directors of the Company. The relationship between the Company and the Roche Group is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries."
3. Audit & Supervisory Board Member Takaaki Nimura is a Certified Public Accountant and has considerable expertise in finance and accounting.
4. The Company designated Directors Masayuki Oku, Yoichiro Ichimaru and Mariko Y Momoi and Audit & Supervisory Board Members Takaaki Nimura, Yuko Maeda and Kenichi Masuda as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.
5. 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 (limited liability agreement). The limit of the liability for compensation of damages under such agreement is the minimum liability limit stipulated by laws and regulations.
6. The Company established the Appointment Committee and the Compensation Committee as advisory boards to the Board of Directors, so as to secure managerial transparency.

Committee Name	Role	Member Structure
Appointment Committee	The Appointment Committee deliberates on the selection of director candidates, succession plan for executive directors, including the CEO, and dismissal of directors.	Chairman: Masayuki Oku Members: Tatsuro Kosaka, Yoichiro Ichimaru, William N. Anderson
Compensation Committee	The Compensation Committee deliberates on remuneration policy and the remuneration of individual directors.	Chairman: William N. Anderson Members: Masayuki Oku, Christoph Franz

(2) 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		Comments at Meetings of Board of Directors and Audit & Supervisory Board
		Board of Directors	Audit & Supervisory Board	
Outside Directors	Masayuki Oku	9 out of 9 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a corporate manager.
	Yoichiro Ichimaru	9 out of 9 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a corporate manager.
	Mariko Y Momoi	7 out of 7 meetings (100%)	—	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 knowledge, experience, etc. as a physician and university professor.
Outside Audit & Supervisory Board Members	Takaaki Nimura	9 out of 9 meetings (100%)	11 out of 11 meetings (100%)	Made comments, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as an expert in corporate accounting (certified public accountant).
	Yuko Maeda	9 out of 9 meetings (100%)	11 out of 11 meetings (100%)	Made comments, etc. on the Company's management as necessary based on her extensive experience, knowledge, etc., including management experiences and audit experiences as an auditor of independent administrative corporation, along with her extensive experiences and knowledge on the application of intellectual properties of companies and academia and on collaboration between industry and academia, etc.
	Kenichi Masuda	7 out of 7 meetings (100%)	9 out of 9 meetings (100%)	Made comments, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as an expert in corporate legal affairs (attorney at law).

(Note) The number of meetings attended by Director Mariko Y Momoi and Audit & Supervisory Board Member Kenichi Masuda stated above refers to the number of the Board of Directors meetings and the Audit & Supervisory Board meetings they attended after their assumption of office on March 30, 2020.

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

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.

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)	475	217	120	55	84	4
Outside Directors	41	41	—	—	—	4
Total	516	378		138		8
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	63	63	—	—	—	2
Outside Audit & Supervisory Board Members	36	36	—	—	—	4
Total	99	99		—		6

(Notes) 1. The table above includes two Directors and one Audit & Supervisory Board Member who retired during the fiscal year under review.
2. The amounts of bonuses shown in the table above are the amount of provision for reserve for bonuses to directors for the fiscal year under review.
3. The amounts of "restricted stock compensation (tenure-based and performance-based)" shown in the table above are the amounts that were posted as expenses for the fiscal year under review as each respective restricted stock compensation.
4. Apart from the JPY120 million in provision for reserve for bonuses to directors noted in the Business Report for the previous fiscal year as bonuses for directors for the previous fiscal year, JPY16 million was paid to three Directors (excluding Non-Executive Directors including Outside Directors) during the current fiscal year.
5. Apart from the total remuneration stated above, directors' retirement benefits for the period from the assumption of office to the abolishment of the retirement benefits system of each director were paid as follows.
One retired director (internal) JPY 498,000,000

<Standard of Remuneration>

The Company aims to materialize a market competitive remuneration standard that enables to secure superior human resources and give appropriate motivation. The remuneration standard for Executive Directors is determined in reference to the remuneration benchmark of a group of companies comprising large corporations and pharmaceutical companies in Japan. Specifically, it is decided by the Board of Directors every year after the deliberations of the Compensation Committee, based on the results, etc., of the survey conducted by an external specialized agency.

<Structure of Remuneration>

In order to further clarify the link between remuneration and 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. Remuneration for Non-Executive Directors including Outside Directors and Audit & Supervisory Board Members consists solely of regular remuneration as fixed remuneration.

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 for other Executive Directors is determined based on the aforementioned proportion for the CEO, in consideration of their responsibilities, etc.

<Criteria for Performance-Based Remuneration and the Method to Determine Its Amount>

(i) Bonuses

Bonuses paid as a short-term incentive is determined by multiplying the base amount set according to individual positions, by the evaluation coefficient based on the level of the target achievement of company-wide performance and individual performance in the previous fiscal year.

(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, by the closing price of the Company's shares on the day before the date of resolution on the allotment at 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 based on the comparison results of total shareholder returns between domestic pharmaceutical companies and the Company.

<Overview of the Process to Determine Officers' Remuneration, etc.>
Remuneration for Directors and Audit & Supervisory Board Members is determined within the total amount resolved at the general meeting of shareholders. Remuneration for Directors is determined by the resolution of the Board of Directors, while remuneration for Audit & Supervisory Board Members is determined with the consultation of Audit & Supervisory Members. With respect to remuneration for individual Directors, transparency and objectivity of the decision-making process is secured by deliberating at the Compensation Committee consisting of at least three outside committee members, including one or more independent Outside Director appointed by the Board of Directors.

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

	Type of Remuneration	Limit of Remuneration	Date of Resolution at the General Meeting of Shareholders	Number of Officers at the Time of Resolution
Directors	Regular remuneration	No more than JPY750 million per year	The 96th Annual General Meeting of Shareholders held on March 23, 2007	13 Directors (including three Outside Directors)
	Bonuses			
	Restricted stock compensation	No more than JPY345 million per year	The 106th Annual General Meeting of Shareholders held on March 23, 2017	10 Directors (including six Non-Executive Directors with three Outside Directors)
Audit & Supervisory Board Members	Regular remuneration	No more than JPY120 million per year	The 109th Annual General Meeting of Shareholders held on March 30, 2020	Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members)

(Notes) 1. A resolution was passed at the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008 held on March 25, 2009, to abolish the retirement benefits system for Executive Directors, and to pay retirement benefits corresponding to their residual term up to the abolishment of the system to each concerned Director remaining in office after the closing of the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008, at the respective time of their retirement.
2. The retirement benefits system for Non-Executive Directors and Audit & Supervisory Board Members has been abolished by the resolution passed at the 95th Annual General Meeting of Shareholders for the year ended December 31, 2005 held on March 23, 2006.

(4) Other Important Matters Concerning Company's Officers
There is no applicable information.

5 Accounting Auditor

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

6 Framework to Ensure Operational Adequacy

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

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

Consolidated Financial Statements

Consolidated balance sheet (IFRS*) (As of December 31, 2020)

(Millions of yen)

Item	FY2020	FY2019(Reference)
Assets		
Non-current assets:		
Property, plant and equipment	289,218	255,559
Right-of-use assets	8,272	9,749
Intangible assets	23,880	23,540
Financial non-current assets	2,841	2,958
Deferred tax assets	47,934	42,680
Defined benefit plan assets	492	—
Other non-current assets	27,954	24,750
Total non-current assets	**400,592**	**359,235**
Current assets:		
Inventories	183,893	168,122
Accounts receivable	253,342	181,641
Current income tax assets	12	0
Marketable securities	166,287	129,117
Cash and cash equivalents	212,333	203,941
Other current assets	19,039	16,858
Total current assets	**834,906**	**699,680**
Total assets	**1,235,498**	**1,058,915**

Item	FY2020	FY2019(Reference)
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(9,166)	(9,304)
Defined benefit plan liabilities	(2,282)	(7,094)
Long-term provisions	(2,142)	(2,348)
Other non-current liabilities	(5,835)	(6,914)
Total non-current liabilities	**(19,425)**	**(25,662)**
Current liabilities:		
Current income tax liabilities	(63,171)	(41,047)
Short-term provisions	(358)	(4)
Accounts payable	(100,396)	(77,635)
Other current liabilities	(72,146)	(60,582)
Total current liabilities	**(236,070)**	**(179,268)**
Total liabilities	**(255,495)**	**(204,930)**
Total net assets	**980,003**	**853,985**
Equity:		
Capital and reserves attributable to Chugai shareholders	980,003	853,985
Total equity	**980,003**	**853,985**
Total liabilities and equity	**1,235,498**	**1,058,915**

*International Financial Reporting Standards

Consolidated income statement (IFRS) (January 1, 2020 to December 31, 2020)

(Millions of yen)

Item	FY2020	FY2019(Reference)
Revenues	786,946	686,184
Sales	633,314	588,896
Royalties and other operating income	153,631	97,288
Cost of sales	(273,465)	(266,071)
Gross profit	513,481	420,113
Marketing and distribution	(72,585)	(77,183)
Research and development	(117,850)	(107,942)
General and administration	(21,816)	(24,391)
Operating profit	301,230	210,597
Financing costs	(62)	(125)
Other financial income (expense)	(1,477)	545
Other expense	(1,504)	(3,124)
Profit before taxes	298,188	207,893
Income taxes	(83,455)	(50,333)
Net income	214,733	157,560
Attributable to:		
Chugai shareholders	214,733	157,560

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

Non-Consolidated Financial Statements

Non-consolidated balance sheet (JGAAP*) (As of December 31, 2020)

(Millions of yen)

Item	FY2020	FY2019(Reference)
Assets		
Total current assets:	801,070	657,625
Cash and deposits	163,664	160,573
Accounts receivable-trade	246,331	173,520
Marketable securities	164,988	127,991
Merchandise and finished goods	73,702	78,142
Raw materials and supplies	26,095	18,337
Prepaid expenses	6,490	4,090
Short-term loans receivable from subsidiaries and affiliates	37,900	13,300
Accounts receivable-other	71,854	70,852
Other	10,046	10,819
Total non-current assets:	317,389	262,065
Total property, plant and equipment:	157,957	114,687
Buildings (net)	18,404	19,725
Structures (net)	492	634
Machinery and equipment (net)	1,197	1,345
Vehicles (net)	4	9
Tool, furniture and fixtures (net)	6,981	5,359
Land	52,173	52,173
Construction in progress	78,705	35,442
Total intangible assets:	7,109	7,561
Software	4,549	4,378
Other	2,560	3,183
Total investments and other assets:	152,323	139,817
Investment securities	3,050	2,986
Stocks of subsidiaries and affiliates	54,998	55,048
Investments in capital of subsidiaries and affiliates	3,309	3,309
Long-term loans receivable from subsidiaries and affiliates	1,100	1,100
Long-term prepaid expenses	20,501	18,160
Deferred tax assets	61,133	53,757
Lease and guarantee deposits	4,198	4,307
Other	4,052	1,297
Allowance for doubtful accounts	(18)	(147)
Total assets	1,118,459	919,690

Item	FY2020	FY2019(Reference)
Liabilities		
Total current liabilities:	245,878	161,410
Accounts payable-trade	83,946	46,564
Accounts payable-other	326	755
Accrued expenses	42,597	41,885
Income taxes payable	65,257	42,052
Accrued consumption taxes	275	3,508
Deposits received	2,216	2,182
Provision for bonuses to employees	11,270	9,593
Provision for bonuses to directors	120	120
Provision for sales rebates	1,630	2,234
Provision for environmental matters	53	—
Provision for loss on guarantees	262	—
Asset retirement obligations	17	—
Accrued payables - facilities	23,884	5,297
Other	14,026	7,221
Total non-current liabilities:	2,450	2,074
Provision for employees' retirement benefits	821	—
Provision for directors' retirement benefits	100	598
Asset retirement obligations	1,475	1,423
Other	54	53
Total liabilities	248,328	163,484
Net assets		
Total shareholders' equity:	873,924	756,205
Capital stock	73,202	73,202
Total capital surplus	94,995	94,603
Legal capital surplus	93,050	93,050
Other capital surplus	1,945	1,552
Total retained earnings	733,234	616,906
Legal retained earnings	6,480	6,480
Other retained earnings	726,754	610,426
Reserve for advanced depreciation of non-current assets	662	678
General reserve	149,220	149,220
Retained earnings carried forward	576,872	460,528
Own equity instruments, at cost	(27,507)	(28,506)
Total valuation and translation adjustments:	(4,416)	(1,223)
Net unrealised gain on available-for-sale securities	(83)	38
Deferred gains or losses on hedges	(4,332)	(1,260)
Stock acquisition rights	622	1,224
Total net assets	870,131	756,206
Total liabilities and net assets	1,118,459	919,690

* Generally Accepted Accounting Principles in Japan

Non-consolidated income statement (JGAAP) (January 1, 2020 to December 31, 2020) (Millions of yen)

Item	FY2020	FY2019(Reference)
Revenues	779,194	678,591
Cost of sales	268,868	263,464
Gross profit	510,326	415,127
Total selling, general and administrative expenses	222,217	211,205
Operating income	288,109	203,921
Non-operating income:	5,109	5,455
Interest and dividend income	1,233	1,236
Other	3,876	4,219
Non-operating expenses:	2,395	1,081
Interest expenses	3	3
Other	2,392	1,078
Ordinary income	290,823	208,296
Extraordinary gain:	6	5,918
Gain on sales of non-current assets	3	25
Gain on sales of investment securities	3	5,892
Extraordinary loss:	2,364	10,866
Loss on sales of non-current assets	1	12
Loss on revaluation of stocks of subsidiaries and affiliates	50	—
Impairment loss	275	—
Loss on sales of investment securities	10	21
Loss on revaluation of investment securities	—	3
Adjustment from transfer pricing taxation	1,504	3,124
Loss on litigation	—	2,570
Restructuring expenses	262	23
Early retirement program-expenses	—	5,114
Provision for loss on guarantees	262	—
Income before income taxes	288,465	203,347
Income taxes - current	86,644	53,184
Income taxes - deferred	(5,974)	(5,421)
Net income	207,795	155,584

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

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

Audit Report

Copy of the Accounting Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

Independent Auditor's Report

January 29, 2021

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

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

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

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

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Chugai Pharmaceutical Co., Ltd. (the "Company") for the fiscal year from January 1, 2020 through December 31, 2020.

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

Basis for the Opinion

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

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

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

disclosure items required under International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance of Company Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards.

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

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

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

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

Interest

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

Copy of the Accounting Auditors' Report

(TRANSLATION)

Independent Auditor's Report

January 29, 2021

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

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

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

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

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated income statement, the non-consolidated statement of changes in shareholders' equity and the notes to the non-consolidated financial statements and the supplementary schedules (collectively, the "non-consolidated financial statements, etc.") of Chugai Pharmaceutical Co., Ltd. (the "Company") for the fiscal year from January 1, 2020 through December 31, 2020.

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

Basis for the Opinion

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

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

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

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

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

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

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

an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

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

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

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

Interest

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

Copy of the Audit Report by the Audit & Supervisory Board

(TRANSLATION)

Audit Report

We, the Audit & Supervisory Board, hereby present this Audit Report compiled after deliberating 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, 2020 to December 31, 2020:

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 opinion on: (a) the nature of the Board of Directors' resolutions set forth in the business report to develop (i) a system to ensure that the Directors' duties are executed in compliance with laws, regulations and the Articles of Incorporation of the Company, and (ii) other systems required for ensuring the appropriateness of business operations of a corporate group, comprising its subsidiaries and other companies, as provided in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act; and (b) the status of construction and operation of systems (internal control systems) developed based on such resolutions.

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

4) The Audit & Supervisory Board monitored and verified as to whether the Accounting Auditor conducted audits in an appropriate manner while maintaining an independent positioning, received reports from the Accounting Auditor on the execution status of its duties, and if necessary, demanded an explanation from the Accounting Auditor. We also received a notice from the Accounting Auditor that systems for ensuring the appropriate execution of duties by the accounting auditor set forth in each item of Article 131 of the Corporate Calculation Regulations have been developed in accordance with the Standards on Quality Control for Audits (Business Accounting Council), etc., and if necessary, demanded an explanation from the Accounting Auditor.

Based on the aforementioned methods, we reviewed the business report, its supplementary schedules and non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements) together with the supplementary schedules for the same year as well as the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results

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

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

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

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

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

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules
The methods and results of audits conducted by the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements
The methods and results of audits conducted by the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

February 3, 2021

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

Audit & Supervisory Board Member (Full-time)
Mamoru Togashi
Audit & Supervisory Board Member (Full-time)
Atsushi Sato
Audit & Supervisory Board Member
Takaaki Nimura
Audit & Supervisory Board Member
Yuko Maeda
Audit & Supervisory Board Member
Kenichi Masuda

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

End