

[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the 109th Annual General Meeting of Shareholders for the business term ended December 31, 2019 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 109th Annual General Meeting of Shareholders for the Business Term Ended December 31, 2019



Date  
and  
Time

**10:00 a.m. on March 30, 2020 (Monday)**

Place

**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 Four (4) Directors**

**Third Proposal  
Election of Two (2) Audit &  
Supervisory Board Members**

**Fourth Proposal  
Revision of Remuneration for  
Audit & Supervisory Board  
Members**

Innovation all for the patients

**CHUGAI PHARMACEUTICAL CO., LTD.**

Securities Code: 4519



# To the shareholders



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

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

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

Representative Director  
President & CEO

A handwritten signature in black ink, appearing to read 'J. Kosaka', enclosed within a stylized, elongated oval shape.

## Mission Statement

The Chugai Group upholds its mission statement—which consists of its mission, its core values and its envisioned future—in order to meet a diverse array of stakeholder expectations as it realizes its corporate responsibility to society. It is on the basis of the business philosophy “Innovation all for the patients” on which the Chugai Group conducts its business operations.

### Mission

Chugai’s mission is to dedicate ourselves to adding value by creating and delivering innovate products and services for the medical community and human health around the world.

### Core Values

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

### Envisioned Future

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



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### Disclosure via the Internet

- The following items have been posted on the Company's website in accordance with laws and regulations and Article 15 of the Articles of Incorporation of the Company; and the documents of such items are accordingly not contained in this Notice of Convocation.

- Company's Stock Acquisition Rights, etc., Accounting Auditor and Framework to Ensure Operational Adequacy in the Business Report
- Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements in the Consolidated Financial Statements
- Non-Consolidated Statement of Changes in Shareholders' Equity and Notes to the Non-Consolidated Financial Statements in the Non-Consolidated Financial Statements

The Business Report audited by the Audit & Supervisory Board Members as well as the Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor consist of the documents contained in this Notice of Convocation and the items mentioned above that are posted on the Company's website.

- In cases where items in the Reference Document for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements are amended, the Company will announce the updated documents on the Company's website.

CHUGAI  
website:

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



To the shareholders:

## NOTICE OF CONVOCAATION OF THE 109th ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2019

You are cordially invited to attend the 109th Annual General Meeting of Shareholders of Chugai Pharmaceutical Co., Ltd. (the “Company”) for the Business Term ended December 31, 2019. The meeting will be held as described below.

If you are unable to attend 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 27, 2020 (Friday).

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

1	Date and Time	10:00 a.m. on March 30, 2020 (Monday)								
2	Place	Palace Hotel Tokyo - 4F Yamabuki 1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo (As the place of the meeting differs from that of last year, please be sure to refer to the map attached at the end of this document (translation omitted).)								
3	Purpose	<p>Matters for Reporting</p> <p>The Business Report for the Business Term (January 1, 2019 to December 31, 2019), 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 &amp; Supervisory Board</p> <p>Matters for Resolution</p> <table><tr><td>First Proposal</td><td>Appropriation of Surplus</td></tr><tr><td>Second Proposal</td><td>Election of Four (4) Directors</td></tr><tr><td>Third Proposal</td><td>Election of Two (2) Audit &amp; Supervisory Board Members</td></tr><tr><td>Fourth Proposal</td><td>Revision of Remuneration for Audit &amp; Supervisory Board Members</td></tr></table>	First Proposal	Appropriation of Surplus	Second Proposal	Election of Four (4) Directors	Third Proposal	Election of Two (2) Audit & Supervisory Board Members	Fourth Proposal	Revision of Remuneration for Audit & Supervisory Board Members
First Proposal	Appropriation of Surplus									
Second Proposal	Election of Four (4) Directors									
Third Proposal	Election of Two (2) Audit & Supervisory Board Members									
Fourth Proposal	Revision of Remuneration for Audit & Supervisory Board Members									

– End –



### 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.





# Reference Document for General Meeting of Shareholders

## Proposals and Matters for Reference

### First Proposal: Appropriation of Surplus

Regarding income distribution, taking into account the strategic funding needs and earnings prospects, Chugai (the Company) aims for a consolidated dividend payout ratio of 50% on average in comparison with Core EPS to provide a stable allocation of profit to all shareholders. In addition, internal reserves will be used to increase corporate value through investments to attain further growth in existing strategic domains and to identify future business.

In the fiscal year ended December 31, 2019, the Company achieved the highest results in the past and increased Core EPS by 73.3% year-on-year. Reflecting the favorable results and based on our principles of “aiming for a consolidated dividend payout ratio of 50% on average in comparison with Core EPS to provide a stable allocation of profit,” the Company would like to declare appropriation of surplus for the fiscal year under review as described below:

#### Matters concerning Year-End Dividends

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

Cash

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

**JPY92** per share of common stock of the Company (including regular dividend of JPY48 and special dividend of JPY44)  
Total: JPY50,372,165,220

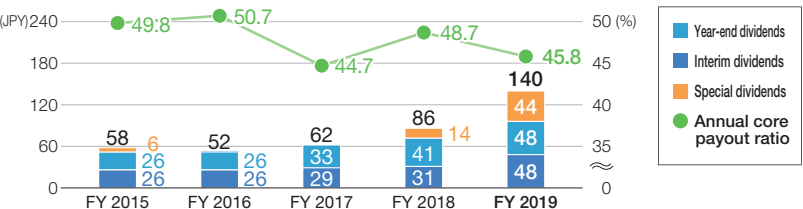
Total dividend for the business term 2019 is **JPY140** per share, as an interim dividend of **JPY48** per share has been paid, and the Core dividend payout ratio is 45.8% (an average of 47.4% for the past five years).

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

March 31, 2020

(\*) 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.

#### Reference | Dividends and Dividend payout ratio





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

Out of all the nine (9) Directors, the term of office of four (4) Directors, Osamu Nagayama, Motoo Ueno, Tatsuro Kosaka and Yasuo Ikeda will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that four (4) candidates, Tatsuro Kosaka, Motoo Ueno, Osamu Okuda and Mariko Y Momoi be elected.

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

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

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

	No.	Name	Current Position and Responsibility	Attendance at the meetings of the Board of Directors	Important Concurrent Positions
Executive Directors	1	Tatsuro Kosaka <span>Reappointment</span>	Representative Director, President & CEO**	100% (9 out of 9)	Outside Director of ASAHI GROUP HOLDINGS, LTD.
	2	Motoo Ueno <span>Reappointment</span>	Representative Director, Deputy Chairman, Sustainability Department, Audit Department	100% (9 out of 9)	
	3	Osamu Okuda <span>New appointment</span>	Executive Vice President, Co-Head of Project & Lifecycle Management Unit **	—	
Non-Executive Directors	— *	Masayuki Oku <span>Outside Independent</span>	Outside Director	100% (9 out of 9)	Outside Director of KOMATSU LTD. Outside Director of Rengo Co., Ltd. Outside Director of The Royal Hotel, Ltd. Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. Non-Executive Director of The Bank of East Asia (China)
	— *	Yoichiro Ichimaru <span>Outside Independent</span>	Outside Director	100% (9 out of 9)	Senior Advisor of Aioi Nissay Dowa Insurance Co., Ltd. Outside Director of Seino Holdings Co., Ltd.
	4	Mariko Y Momoi <span>New appointment Outside Independent</span>	—	—	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	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)
	— *	William N. Anderson	Director	100% (7 out of 7)	CEO of Roche Pharmaceuticals and Member of the Roche Corporate Executive Committee
	— *	James H. Sabry	Director	85.7% (6 out of 7)	Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee

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

Outside Outside Director or candidate for Outside Director Independent Independent officer who has been or will be registered with Tokyo Stock Exchange, Inc.

\* The term of office of Directors of the Company is two (2) years. Masayuki Oku, Yoichiro Ichimaru, Christoph Franz, William N. Anderson and James H. Sabry were elected and assumed office as Directors at the 108th Annual General Meeting of Shareholders held in March 2019.

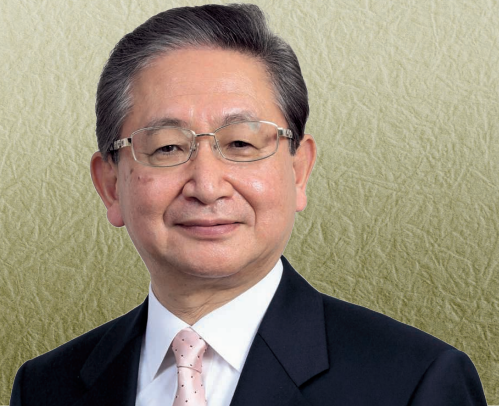
\*\* If this proposal is approved, Director candidates Tatsuro Kosaka and Osamu Okuda will be selected as Representative Director, Chairman & Chief Executive Officer (CEO), and Representative Director, President & Chief Operating Officer (COO), respectively at the Board of Directors meeting to be held after this Annual General Meeting of Shareholders.



1

Reappointment

# Tatsuro Kosaka



**Date of birth:** January 18, 1953 (67 years old)

**Shares of the Company owned:** 46,430 shares

**Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders):** 10 years

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

## ● Summary of career and positions at the Company

Apr. 1976	Joined the Company
Apr. 1995	Deputy President of Chugai Pharma Europe Ltd. (UK)
Jun. 2000	General Manager of Business Strategy Planning Office of the Company
Oct. 2002	Vice President, General Manager of Corporate Planning Dept. of the Company
Oct. 2004	Senior Vice President, General Manager of Corporate Planning Dept. of the Company
Mar. 2005	Senior Vice President, Deputy Managing Director of Sales & Marketing Group of the Company
Jul. 2005	Senior Vice President, Head of Strategic Marketing Unit of the Company
Mar. 2008	Senior Vice President, Head of Lifecycle Management & Marketing Unit of the Company
Mar. 2010	Director, Executive Vice President of the Company
Mar. 2012	Representative Director, President & COO of the Company
Mar. 2016	Outside Director of Asahi Group Holdings, Ltd. (to present)
Mar. 2018	Representative Director, President & CEO of the Company (to present)

## ● Important concurrent positions

Outside Director of Asahi Group Holdings, Ltd.

## ● Responsibilities at the Company

CEO

## ● Reasons for nominating the candidate for Director

- Mr. Tatsuro Kosaka has served as Senior Vice President from 2004, as Director, Executive Vice President from 2010, and as Representative Director, President and COO from 2012, after having worked mainly in Business Strategy Planning Division and Corporate Planning Division. He serves as Representative Director, President and CEO from 2018. He has been engaged in the Company's overall management as well as management and supervision of the Company's global business. 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 Company has no special interests with him.



Reappointment

## A portrait of a middle-aged man with dark hair, wearing glasses, a white shirt, a patterned tie, and a grey suit jacket. He is smiling slightly and looking towards the camera. The background is a textured, light green wall.

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

Apr. 1984	Joined the Company
Oct. 1991	General Manager of London Representative Office of the Company
Mar. 1993	Director of the Company
Nov. 1994	Director, General Manager of Medical Information Div. of the Company
Jan. 1995	Director, General Manager of Clinical Research & Development Div. of the Company
Jun. 1996	Director, Deputy General Manager of Research and Development Div. of the Company
Jun. 1997	Director, Senior Vice President of the Company
Jun. 1998	Senior Vice President of the Company
Jun. 2000	Director, Senior Vice President of the Company
Jun. 2002	Director, Deputy President of the Company
Jun. 2003	Director, Deputy President, Vice President of the Company
Mar. 2004	Representative Director, Deputy President of the Company
Apr. 2006	Representative Director, President, Chugai Pharma Manufacturing Co., Ltd.
Mar. 2012	Representative Director, Deputy Chairman of the Company (to present)

Sustainability Department, Audit Department

· Mr. Motoo Ueno assumed office as Director of the Company in 2000. He has served as Representative Director, Deputy President from 2004, and serves as Representative Director, Deputy Chairman from 2012. He has been engaged in the Company's overall management as well as management and supervision of the Company's global business. 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.

- The Company has no special interests with him.



3

New appointment

## Osamu Okuda

**Date of birth:** April 5, 1963 (56 years old)

**Shares of the Company owned:** 9,883 shares



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

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

### ● Responsibilities at the Company

Executive Vice President, Co-Head of Project & Lifecycle Management Unit

### ● Reasons for nominating the candidate for Director

- Dr. Osamu Okuda has served as Executive Vice President from 2017 after having worked mainly in Development Division, Marketing & Sales Division and Corporate Planning Division. He has been engaged in the Company's overall management as well as management and supervision of the Company's global business. Therefore, the Company is of the judgment that he will be able to continue to execute his duties as Director appropriately.

### ● Other special notes

- The Company has no special interests with him.



New appointment  
Outside  
Independent

A portrait of a woman with short, dark hair, wearing black-rimmed glasses and a dark blue jacket. She is smiling slightly and looking directly at the camera. The background is a textured, olive-green surface.

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

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

Chief Medical Officer of Ryoumou Seishi Ryogoen, Kiryu Ryoiku Futabakai  
Social Welfare Corporation  
Professor Emerita of Jichi Medical University  
Visiting Professor of School of Medicine, Shinshu University  
Regent of Tokyo Medical University (part-time)

Member of Science Council of Japan (Section II)

Dr. Mariko Y Momoi has no experience in corporate management in the past. However, the Company is of the judgement that she will be able to provide appropriate advice and supervision on the management of the Company, based on her experience in managing organizations such as universities and hospitals, in addition to her extensive knowledge and experience as a physician and university professor.

- She satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company plans to designate her as an independent officer provided by Tokyo Stock Exchange, Inc. and to register her as such. The Independence Standards established by the Company are stated in page 19.
- The Company has no special interests with her.

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 plans to enter into the Agreement with Dr. Mariko Y Momoi if she is elected as Director.
2. 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.
3. The ages of the candidates are as of this Annual General Meeting of Shareholders.



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

Out of all the five (5) Audit & Supervisory Board Members, the term of office of two (2) Audit & Supervisory Board Members, Hisashi Hara and Takaaki Nimura will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that two (2) candidates, Takaaki Nimura and Kenichi Masuda 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
— <sup>*</sup>	Mamoru Togashi	Full-time Audit & Supervisory Board Member	100% (9 out of 9)	100% (11 out of 11)	
— <sup>*</sup>	Atsushi Sato	Full-time Audit & Supervisory Board Member	100% (7 out of 7)	100% (9 out of 9)	
1	<div>Reappointment</div> <div>Outside</div> <div>Independent</div> Takaaki Nimura	Outside Audit & Supervisory Board Member	100% (9 out of 9)	100% (11 out of 11)	Representative of Nimura Certified Public Accountant Office
— <sup>*</sup>	<div>Outside</div> <div>Independent</div> Yuko Maeda	Outside Audit & Supervisory Board Member	100% (7 out of 7)	100% (9 out of 9)	Director of CellBank Corp. Auditor (part-time) of Japan Agency for Marine-Earth Science and Technology
2	<div>New appointment</div> <div>Outside</div> <div>Independent</div> Kenichi Masuda	—	—	—	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

Reappointment

 Candidate for reappointment as Audit & Supervisory Board Member

New appointment

 Candidate for new appointment as Audit & Supervisory Board Member

Outside

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

Independent

 Independent officer who has been or will be registered with Tokyo Stock Exchange, Inc.

<sup>\*</sup> The term of office of Audit & Supervisory Board Members of the Company is four (4) years. Mamoru Togashi was elected and assumed office as Audit & Supervisory Board Member at the 106th Annual General Meeting of Shareholders held in March 2017, and 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, respectively.



1

Reappointment  
Outside  
Independent

Takaaki Nimura

**Date of birth:** October 25, 1949 (70 years old)  
**Shares of the Company owned:** 0 shares  
**Number of years served as Audit & Supervisory Board Member (as at the closing of this Annual General Meeting of Shareholders):** 4 years  
**Attendance at the meetings of the Board of Directors:** 100% (9 out of 9)  
**Attendance at the meetings of the Audit & Supervisory Board:** 100% (11 out of 11)



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

- Oct. 1974 Entered into Arthur Young & Co., Tokyo Office
- Oct. 1980 Seconded to Asahi & Co., Osaka Office
- Oct. 1983 Seconded to Arthur Young & Co., Los Angeles Office
- May 1989 Partner of Asahi Shinwa & Co.
- Jul. 1993 Entered into Showa Ota & Co.
- May 1997 Senior partner of Showa Ota & Co.
- Aug. 2008 Executive Board Member of Ernst & Young ShinNihon LLC
- Sep. 2010 Established Nimura Certified Public Accountant Office
- Jun. 2012 Director of Sony Corporation
- Mar. 2016 Outside Auditor & Supervisory Board Member of the Company (to present)

#### ● Important concurrent positions

Representative of Nimura Certified Public Accountant Office

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

- Mr. Takaaki Nimura has no experience in corporate management in the past. However, he appropriately performs audits as Outside Audit & Supervisory Board Member based on his extensive knowledge and experience as an expert in corporate accounting (certified public accountant). Therefore, the Company is of the judgement that he will be able to continue to execute his duties as Outside Audit & Supervisory Board Member appropriately in the future as well.

#### ● Other special notes

- The Company has no special interests with him.



2

New appointment

Outside

Independent

## Kenichi Masuda



**Date of birth:** January 11, 1963 (57 years old)

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

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

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

### ● Important concurrent positions

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

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

- Mr. Kenichi Masuda has no experience in corporate management in the past. However, as he has abundant knowledge and experience as an expert in corporate legal affairs (attorney-at-law), the Company is of the judgment that he will be able to execute his duties as Outside Audit & Supervisory Board Member appropriately.

### ● Other special notes

- He satisfies the requirements for an independent officer stipulated by Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company plans to designate him as an independent officer as provided by Tokyo Stock Exchange, Inc. and to register him as such with Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 19.
- 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 has entered into the Agreement with Mr. Takaaki Nimura, and plans to sustain such Agreement with him if he is elected as Audit & Supervisory Board Member. In addition, if Mr. Kenichi Masuda is elected as Audit & Supervisory Board Member, the Company plans to enter into the Agreement with him.
2. The ages of the candidates are as of this Annual General Meeting of Shareholders.



## Fourth Proposal: Revision of Remuneration of Audit & Supervisory Board Members

Remuneration of the Audit & Supervisory Board Members was approved to be JPY100 million or less at the 95th Annual General Meeting of Shareholders held in March 2006, and this limit has remained in place to date. However, in view of various circumstances such as the strengthening and enhancement of its corporate governance structure, the Company would like to increase this limit of the remuneration of Audit & Supervisory Board Members up to JPY120 million.

The number of Audit & Supervisory Board Members are five (5) (including three (3) Outside Audit & Supervisory Board Members).



## **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.

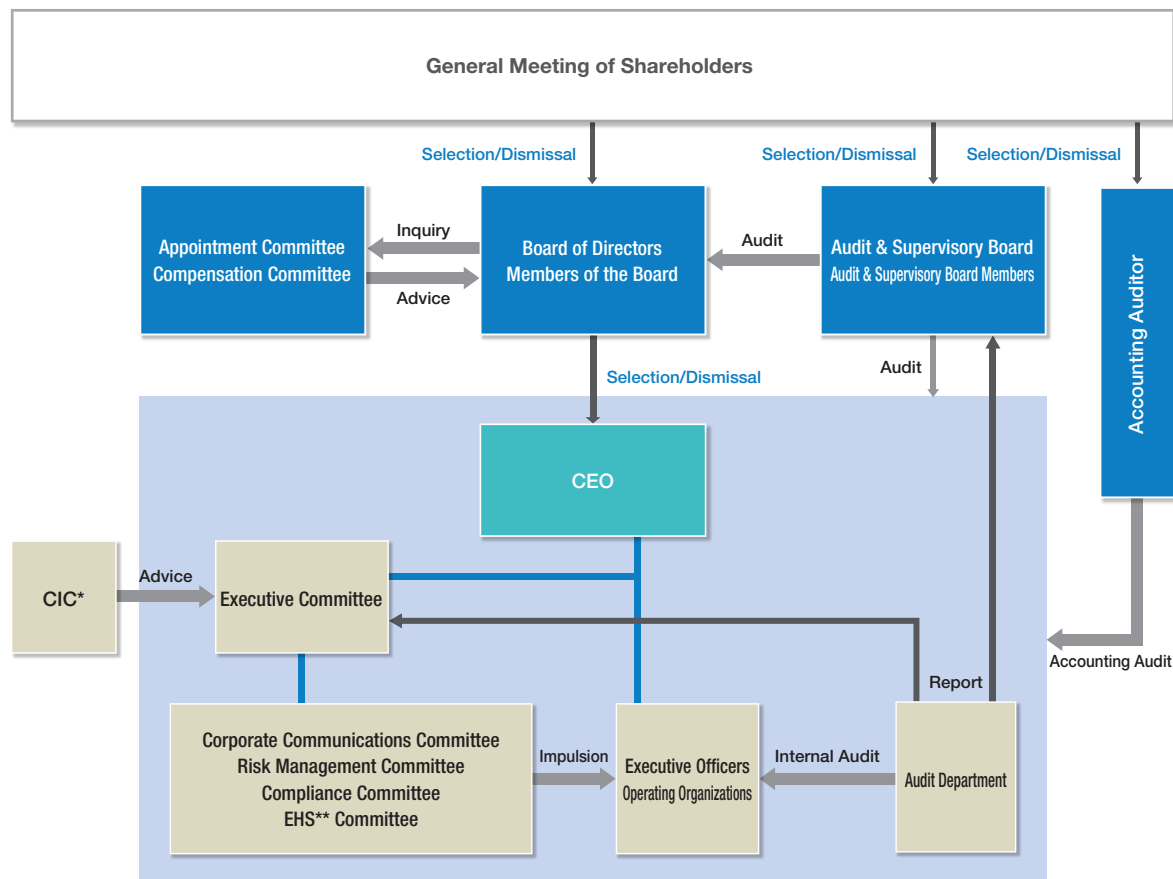
Chugai performs important managerial decision-making and supervises the execution of business through the Board of Directors, and audits the directors’ performance of duties and other matters through the Audit & Supervisory Board and its Members, who are independent of the Board of Directors.

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 February 1, 2020)



### \*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



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## **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.

## **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.

### Evaluation of effectiveness of Chugai Board of Directors

It has been decided that the Board of Directors will be 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 that a summary of the results will be disclosed. The Board of Directors conducted a self-evaluation questionnaire in January 2019, for the current

directors and Audit & Supervisory Board Members who were on the Board during the evaluation period. The Board of Directors discussed the results of the self-evaluation, based on the report by the Secretariats for the Board of Directors. The Secretariats for the Board of Directors prepared the self-evaluation questionnaire, compiled the results and reported these to the Board of Directors, taking into account the advice of outside experts.

With “Yes” being the majority of the answers to all categories in the self-evaluation questionnaire and the ratio of such answers increasing, the Board of Directors confirmed that the effectiveness of the Board of Directors overall is generally secured. With regard to activities carried out in the previous fiscal year (holding of Outside Directors Liaison Committee, prior explanation of proposals, further enhancement of the contents of submission materials, provision of information on regulatory and industry topics, holding of factory tours at offices, and provision of glossary of technical terms), positive evaluation was given, noting that they are beneficial for the effectiveness of the Board of Directors overall. However, for certain categories (ensuring further diversity in the Board of Directors and further provision of information for Outside Directors and Outside Audit & Supervisory Board Members), some answers pointed out room for improvement. The Board of Directors will have adequate discussion based on the evaluation results, and endeavor to further improve its effectiveness.



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## 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.

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

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

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

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

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

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

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

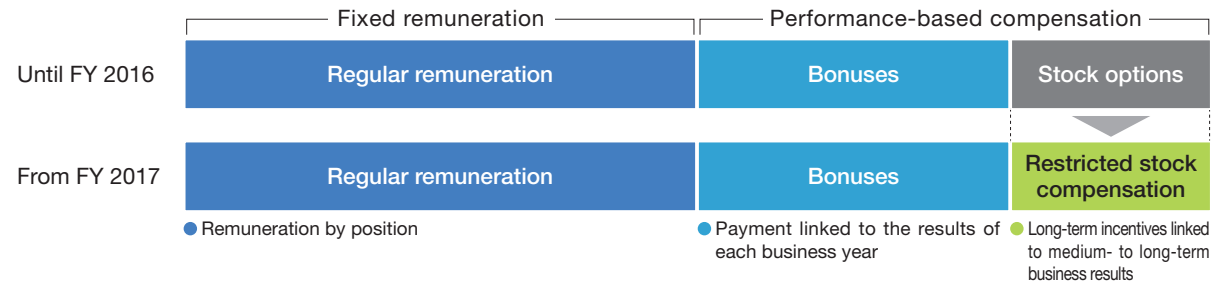
Note 8: "Those in material positions" means directors (excluding outside directors), corporate officers, and executive officers, or any person with authority equivalent to any of these.



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

	Fixed remuneration	Performance-based compensation		
		Bonuses	Long-term incentive (stock compensation)	
	Regular remuneration		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



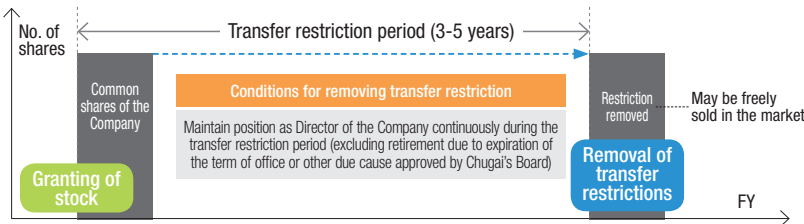


# The Company's Restricted Stock Compensation System

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.

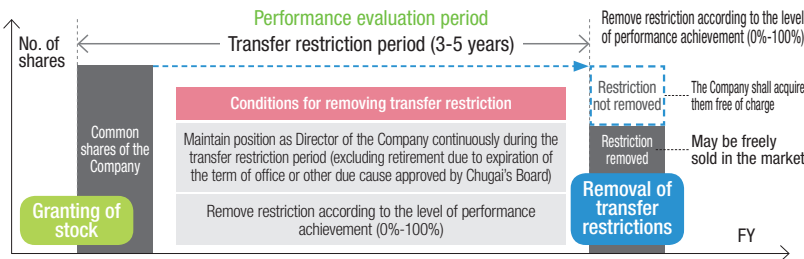
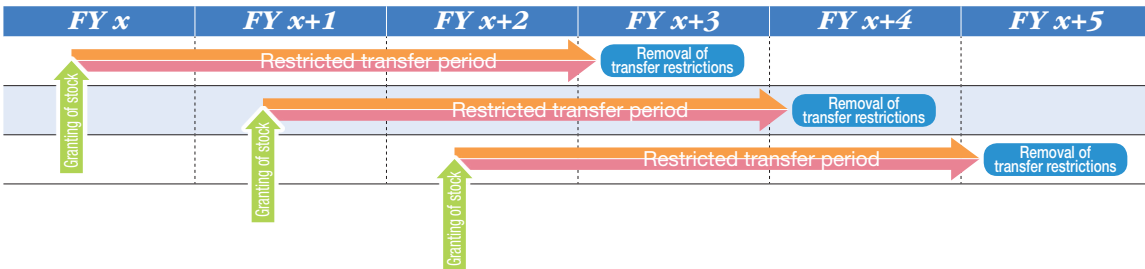


Image of granting remuneration over multiple years (in the case of a 3-year transfer restriction period)



End of Reference Document





# Business Report (January 1, 2019 to December 31, 2019)

## 1 Overview of Consolidated Business Activities

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

#### a) Asset and Income Status

Item	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues (JPY billion)	498.8	491.8	534.2	579.8	686.2
Operating profit (JPY billion)	86.8	76.9	98.9	124.3	210.6
Net income (JPY billion)	62.4	54.4	73.5	93.1	157.6
Net income attributable to Chugai shareholders (JPY billion)	61.1	53.6	72.7	92.5	157.6
Total assets (JPY billion)	787.4	806.3	852.5	919.5	1,058.9
Total equity (JPY billion)	627.3	646.5	692.9	756.5	854.0
Basic earnings per share (JPY)	112.00	98.12	133.04	169.08	287.84
Equity per share attributable to Chugai shareholders (JPY)	1,146.17	1,181.67	1,265.46	1,381.26	1,559.72

#### b) Core Results Status

Item	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Gross profit (JPY billion)	260.0	245.0	281.3	317.9	421.1
Operating profit (JPY billion)	90.7	80.6	103.2	130.3	224.9
Net income (JPY billion)	64.9	56.8	76.7	97.3	167.6
Net income attributable to Chugai shareholders (JPY billion)	63.7	56.1	75.9	96.7	167.6
Core EPS (JPY)	116.42	102.50	138.68	176.42	305.80
Research and development (JPY billion)	81.9	82.6	88.9	94.2	102.1

(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

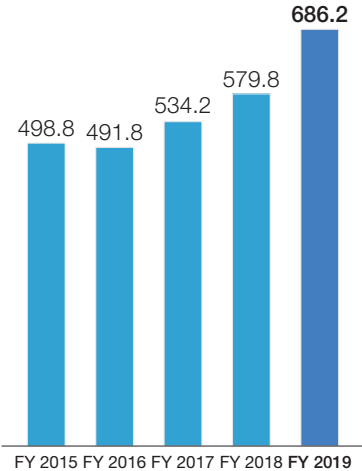
Item	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Ratio of equity attributable to Chugai shareholders (%)	79.5	80.1	81.2	82.2	80.6
Ratio of net income to equity attributable to Chugai shareholders (ROE) (%)	10.0	8.4	10.9	12.8	19.6
Price-earnings ratio (times)	37.86	34.19	43.37	37.73	35.02
Dividends per share (JPY)	58.00	52.00	62.00	86.00	140.00
Core dividend payout ratio (%)	49.8	50.7	44.7	48.7	45.8

(Notes) 1. The amount of dividends per share for the fiscal year 2019 is conditional on the approval of the First Proposal (Appropriation of Surplus) proposed at the 109th Annual General Meeting of Shareholders for the Business Term ended December 31, 2019, and the dividend payout ratio has been calculated based on this amount.

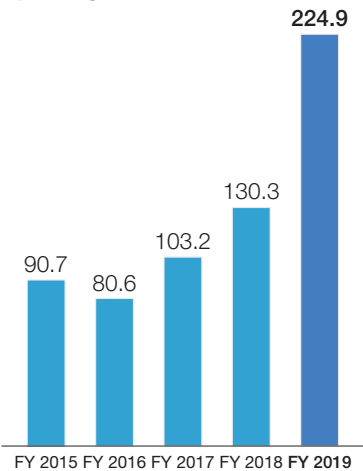
2. "Core dividend payout ratio" stated above represents dividend per share against Core EPS.

Reference | Key Performance Indicators (Core Results)

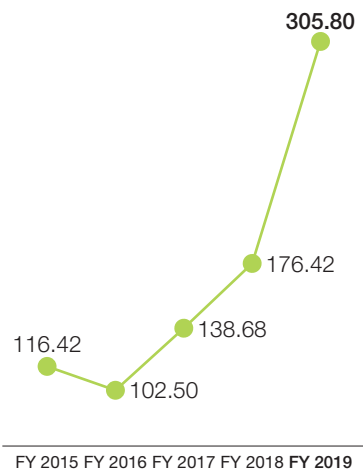
Revenues (JPY billion)



Operating Profit (JPY billion)



Core EPS (JPY)









## 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 (%)
<b>Product sales</b>	<b>588.9</b>	<b>527.8</b>	<b>up 11.6%</b>
Japan	437.6	399.9	up 9.4%
Oncology field	240.5	225.7	up 6.6%
Bone and joint diseases field	108.4	100.5	up 7.9%
Renal diseases field	34.6	36.3	down 4.7%
Other fields	54.1	37.5	up 44.3%
Overseas	151.3	127.9	up 18.3%
<b>Royalties and other operating income</b>	<b>97.3</b>	<b>51.9</b>	<b>up 87.5%</b>
<b>Revenues</b>	<b>686.2</b>	<b>579.8</b>	<b>up 18.4%</b>

### Domestic sales

Domestic sales were JPY437.6 billion (an increase of 9.4% year on year) due to the favorable growth of new products as well as mainstay products in the Oncology area, mainstay products in the bone and joint diseases area and new products in other areas.

Oncology products sales were JPY240.5 billion (an increase of 6.6% year on year). This increase was due to the favorable sales of mainstay products, Perjeta (a HER2 dimerization inhibitory humanized monoclonal antibody, anti-cancer agent) and a new product, Tecentriq (an anti-PDL1 humanized monoclonal antibody, anti-cancer agent), despite a decrease in sales of Rituxan (an anti-CD20 monoclonal antibody, anti-cancer agent), etc. mainly as a result of the launch of generic drugs.

Bone and joint diseases products sales were JPY108.4 billion (an increase of 7.9% year on year). This was due to the steady performance of mainstay products such as Actemra (a

humanized anti-human IL-6 receptor monoclonal antibody) and Eidiol (an oral therapeutic agent for osteoporosis).

Renal diseases products sales amounted to JPY34.6 billion (a decrease of 4.7% year on year). Other products sales were JPY54.1 billion (an increase of 44.3% year on year) due to the favorable market penetration of a new product, Hemlibra, despite the impact of the transfer of long-term listed products in the previous fiscal year.

Meanwhile, compared to the revised forecast announced on October 24, domestic sales increased by 0.1% to JPY437.6 billion.

### Overseas sales

Overseas sales amounted to JPY151.3 billion (an increase of 18.3% year on year) due to increases in exports of Actemra and Alecensa (an ALK inhibitor, anti-cancer agent) to Roche. This represents a 1.5% increase compared to the revised forecast announced on October 24.



## c) Financial Results

### Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were JPY686.2 billion (an increase of 18.4% year on year), operating profit for the fiscal year under review was JPY210.6 billion (an increase of 69.4% year on year), and net income for the fiscal year under review was JPY157.6 billion (an increase of 69.3% year on year). These results include non-Core items, such as amortization of intangible assets of JPY1.2 billion, impairment loss of intangible assets of JPY2.6 billion, special additional allowance and other expenses related to an early retirement incentive program of JPY5.1 billion, restructuring expenses of JPY2.8 billion and gain or loss on litigation of JPY2.6 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	686.2	579.8	up 18.4%
Gross profit	421.1	317.9	up 32.5%
Operating profit	224.9	130.3	up 72.6%
Net income	167.6	97.3	up 72.3%



Alecensa®

Revenues for the fiscal year under review were JPY686.2 billion (an increase of 18.4% year on year), due to increases both in sales and royalties and other operating income.

Of revenues, sales were JPY588.9 billion (an increase of 11.6% year on year), mainly due to increases in exports of Alecensa and Actemra to Roche, along with the favorable sales growth of domestic sales of new products as well as mainstay products in the Oncology area, mainstay products in the bone and joint diseases area and new products in other areas, etc. Royalties and other operating income amounted to JPY97.3 billion (an increase of 87.5% year on year), due to a large increase in royalties for Hemlibra and profit-sharing income. Furthermore, cost to sales ratio was 45.0%, a 4.6 percentage point improvement year on year, due to a change in the product mix, etc. As a result, gross profit amounted to JPY421.1 billion (an increase of 32.5% year on year).

Operating expenses were JPY196.2 billion (an increase of 4.6% year on year). Marketing and distribution expenses were JPY73.5 billion (a decrease of 0.3% year on year). Research and development expenses amounted to JPY102.1 billion (an increase of 8.4% year on year) due to the progress of projects, etc. General and administrative expenses amounted to JPY20.6 billion (an increase of 4.6% year on year) due primarily to an increase in the enterprise tax (pro forma standard taxation). As a result, Core operating profit was JPY224.9 billion (an increase of 72.6% year on year) and Core net income was JPY167.6 billion (an increase of 72.3% year on year).

Meanwhile, compared to the revised forecast announced on October 24, revenues increased by 0.9% to JPY686.2 billion, cost to sales ratio improved by 0.2 percentage points to 45.0% and operating expenses decreased by 0.4% to JPY196.2 billion. As a result, Core operating profit increased by 3.2% to JPY224.9 billion, exceeding the revised forecast primarily due to an increase in export of Alecensa to Roche.

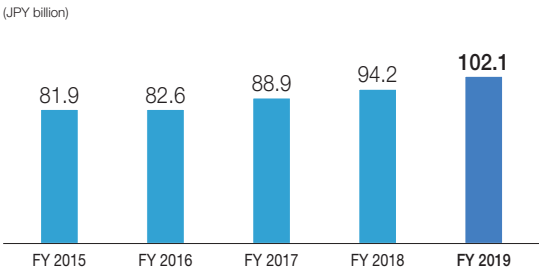


d) R&D Activities

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 (Shizuoka Prefecture) and Kamakura (Kanagawa Prefecture), which are collaborating to develop new pharmaceuticals, and its research facilities in Ukima (Tokyo) are conducting

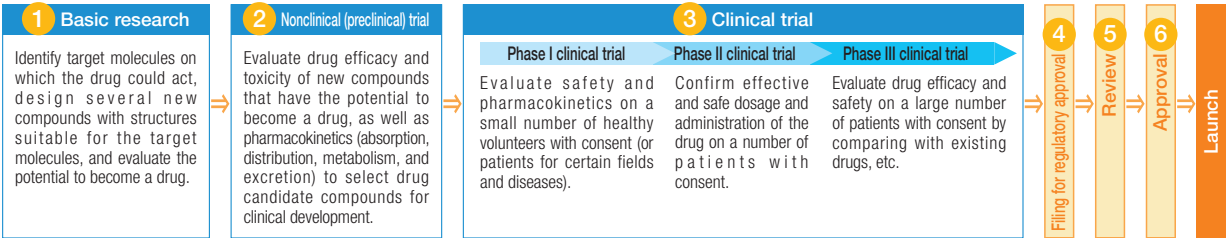
industrialization research. Overseas, Chugai Pharma USA, Inc. (United States); Chugai Pharma Europe Ltd. (United Kingdom); Chugai Pharma Science (Beijing) Co., Ltd. (China); and Chugai Pharma Taiwan Ltd. (Taiwan) are engaged in clinical development and submission of applications in their respective countries. Chugai Pharmabody Research Pte. Ltd. (Singapore) is engaged in pharmaceutical research and development.

Reference | R&D Expenses



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.





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

(i) Oncology

- We obtained approval for the ROS1/TRK inhibitor RG6268 (Product name: Rozlytrek) for the indication of *NTRK* fusion-positive advanced/recurrent solid tumors in June and launched in September, 2019. We filed an application for the expected indication of non-small cell lung cancer (NSCLC) in March, 2019.
- We obtained approval for the engineered anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) for the additional indications of extensive-stage small cell lung cancer in August and PD-L1-positive, hormone receptor-negative and HER2-negative inoperable or metastatic breast cancer in September, 2019, respectively. We started Phase III multinational studies for Tecentriq for the expected indication of NSCLC (neoadjuvant) in May, 2019 and hepatocellular carcinoma (adjuvant) in December, 2019, respectively. We decided to discontinue the development for prostate cancer considering the results of Phase III multinational study (IMbassador250).
- We filed anti-HER2 antibody-tubulin polymerization inhibitor conjugate RG3502 (Product name: Kadcyla) for adjuvant therapy in patients with HER2-positive early breast cancer in August, 2019.
- We started Phase III multinational study for the anti-VEGF (vascular endothelial growth factor) humanized monoclonal antibody RG435 (Product name: Avastin) for the expected indication of hepatocellular carcinoma (adjuvant), in combination with RG7446, in December, 2019.
- We started Phase I study for the anti-FAP humanized antibody-engineered IL-2 variant fusion protein RG7461 for the expected indication of solid tumors in October, 2019.
- We started Phase I study for the anti-TIGIT human monoclonal antibody RG6058 for the expected indication of solid tumors in November, 2019.

(ii) **Autoimmune Diseases**

- We started Phase I study for human IL-22 fusion protein RG7880 for the expected indication of inflammatory bowel disease in July, 2019.
- We decided to discontinue the development of the humanized anti-human IL-6 receptor monoclonal antibody MRA/RG1569 (Product name: Actemra) for systemic sclerosis considering the results of Phase III multinational study (focuSSced).

(iii) **Neurology**

- We filed anti-IL-6 receptor recycling antibody SA237/RG6168 for the expected indication of neuromyelitis optica spectrum disorder in the EU (August, 2019), the US and Japan (November, 2019).
- We started Phase III multinational study for the antisense oligonucleotide targeting *HTT* mRNA RG6042 for the expected indication of Huntington's disease in March, 2019.
- We started Phase I study for RG7906 for the expected indication of psychiatric disorders in January, 2019.
- We started Phase I study for the anti-tau humanized monoclonal antibody RG6100 for the expected indication of Alzheimer's disease in April, 2019.
- We started Phase I study for vasopressin 1a receptor antagonist RG7314 for the expected indication of autism spectrum disorder in May, 2019.
- We decided to discontinue the development of the anti-amyloid-beta humanized monoclonal antibody RG7412 for Alzheimer's disease in consideration of the results of Phase III multinational studies (CREAD1 and CREAD2).

(iv) Other diseases

- We obtained approval of the anti-FIXa/FX bispecific antibody ACE910/RG6013 (Product name: Hemilibra) for routine prophylactic treatment for adults or children with hemophilia A without inhibitors to factor VIII, administered once weekly, every two weeks, or every four weeks, as well as for additional dosing options of every two weeks or every four weeks in adults or children with hemophilia A with factor VIII inhibitors in Europe in March, 2019.
- We started Phase III multinational study for the anti-VEGF/Ang2 bispecific antibody RG7716 for the expected indication of wet age-related macular degeneration in February, 2019.
- We started Phase I/II study for anti-FIXa/FX bispecific antibody NXT007 for the expected indication of hemophilia A in August, 2019.
- We decided to temporarily suspend the development of the anti-IL-31 receptor A humanized monoclonal antibody CIM331 for pruritus in dialysis patients as a result of reviewing the priorities of the development portfolio, and removed it from the pipeline.



**Reference | Status of clinical development (as of December 31, 2019)**

Development code	Generic name	Expected indication	Stage (Time)						
	Product name (Scheduled) / Dosage form		Phase I	Phase II	Phase III	Filing	Approval	Launch	
Oncology									
RG6268	entrectinib Rozlytrek / Oral	Solid tumors [NTRK fusion-positive]							
		Non-small cell lung cancer (NSCLC) (additional indication)							(Japan)
RG7446	atezolizumab Tecentriq / Injection	Small cell lung cancer (additional indication)							
		Breast cancer (additional indication)							(Japan)
		NSCLC (adjuvant) (additional indication)							
		NSCLC (neoadjuvant) (additional indication)							
		Urothelial carcinoma (additional indication)							
		Muscle invasive urothelial carcinoma (adjuvant) (additional indication)							
		Renal cell carcinoma (additional indication)							
		Renal cell carcinoma (adjuvant) (additional indication)							
		Early breast cancer (additional indication)							
		Ovarian cancer (additional indication)							
		Hepatocellular carcinoma (additional indication)							
		Hepatocellular carcinoma (adjuvant) (additional indication)							
		Head and neck carcinoma (adjuvant) (additional indication)							
		RG3502	trastuzumab emtansine Kadcyla / Injection	Breast cancer (adjuvant) (additional indication)					
RG435	bevacizumab Avastin / Injection	Renal cell carcinoma (additional indication)							(in combination with RG7446)
		Hepatocellular carcinoma (additional indication)							(in combination with RG7446)
		Hepatocellular carcinoma (adjuvant) (additional indication)							(in combination with RG7446)
		Small cell lung cancer (additional indication)							(in combination with RG7446)
RG7440	ipatasertib Product name undetermined / Oral	Prostate cancer							
		Breast cancer							
RG7596	polatuzumab vedotin Product name undetermined / Injection	Diffuse large B-cell lymphoma (DLBCL)							
RG6264	trastuzumab / pertuzumab Herceptin / Perjeta / Injection	Breast cancer (Fixed-dose combination, subcutaneous injection)							
AF802 / RG7853	alectinib Alecensa / Oral	NSCLC (adjuvant) (additional indication)							
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							
RG7461	Generic name undetermined Product name undetermined / Injection	Solid tumors							
RG6058	tiragolumab Product name undetermined / Injection	Solid tumors							



Development code	Generic name	Expected indication	Stage (Time)						
	Product name (Scheduled) / Dosage form		Phase I	Phase II	Phase III	Filing	Approval	Launch	
Bone and Joint Diseases field									
ED-71	eldecalcitol Edirol / Oral	Osteoporosis	<div><div></div><div>(China)</div></div>						
NRD101	purified sodium hyaluronate Suvenyl / Injection	Knee osteoarthritis / Shoulder periarthritis	<div><div></div><div>(China)</div></div>						
Renal Diseases field									
EOS789	Generic name undetermined Product name undetermined / Oral	Hyperphosphatemia	<div><div></div></div>						
Autoimmune Diseases field									
RG7845	fenebrutinib Product name undetermined / Oral	Rheumatoid arthritis	<div><div></div></div>						
RG7880	Generic name undetermined Product name undetermined / Injection	Inflammatory bowel disease	<div><div></div></div>						
Neurology field									
SA237 / RG6168	satralizumab Product name undetermined / Injection	Neuro myelitis optica spectrum disorder (NMOSD)	<div><div></div><div>(US)</div></div> <div><div></div><div>(Europe)</div></div> <div><div></div><div>(Japan)</div></div>						
RG1450	gantenerumab Product name undetermined / Injection	Alzheimer's disease	<div><div></div></div>						
RG6042	Generic name undetermined Product name undetermined / Injection	Huntington's disease	<div><div></div></div>						
RG7916	risdiplam Product name undetermined / Oral	Spinal muscular atrophy (SMA)	<div><div></div><div>(II / III)</div></div>						
RG7935	prasinezumab Product name undetermined / Injection	Parkinson's disease	<div><div></div></div>						
GYM329 / RG6237	Generic name undetermined Product name undetermined / Injection	Neuromuscular disease	<div><div></div></div>						
RG7906	Generic name undetermined Product name undetermined / Oral	Psychiatric disorders	<div><div></div></div>						
RG6100	semorinemab Product name undetermined / Injection	Alzheimer's disease	<div><div></div></div>						
RG7314	balovaptan Product name undetermined / Oral	Autism spectrum disorder	<div><div></div></div>						
Other fields									
ACE910/ RG6013	emicizumab Hemlibra / Injection	Hemophilia A (Non-Inhibitor) (additional indication)	<div><div></div><div>(Europe)</div></div>						
RG7716	faricimab Product name undetermined / Injection	Diabetic macular edema	<div><div></div></div>						
		Neovascular age related macular degeneration (nAMD)	<div><div></div></div>						
SKY59/ RG6107	crovalimab Product name undetermined / Injection	Paroxysmal nocturnal hemoglobinuria (PNH)	<div><div></div><div>(I / II)</div></div>						
NXT007	Generic name undetermined Product name undetermined / Injection	Hemophilia A	<div><div></div><div>(I / II)</div></div>						
PCO371	Generic name undetermined Product name undetermined / Oral	Hypoparathyroidism	<div><div></div></div>						
AMY109	Generic name undetermined Product name undetermined / Injection	Endometriosis	<div><div></div></div>						

In principle, completion of first dose is regarded as the start of clinical studies in each phase.  : Change in status in January 2019 and thereafter



## Oncology field

Avastin®	Anti-cancer agent
Perjeta®	Anti-cancer agent
Herceptin®	Anti-cancer agent
Alecensa®	Anti-cancer agent
Tecentriq®	Anti-cancer agent
Rituxan®	Anti-cancer agent
Kadcyla®	Anti-cancer agent
Xeloda®	Anti-cancer agent
Tarceva®	Anti-cancer agent
Gazyva®	Anti-cancer agent
Alaglio®	Photodynamic diagnostic agent
Rozlytrek®	Anti-cancer agent



Avastin®

## Renal diseases field

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

## Bone and joint diseases field

Actemra®	Rheumatoid arthritis agent
Edirol®	Osteoporosis agent
Bonviva®	Osteoporosis agent
Suvenyl®	Agent for joint function improvement



Actemra®

## Other fields

Hemlibra®	Coagulation factor VIII substitute
CellCept®	Immunosuppressant
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 JPY54.0 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. When formulating medium-to-long-term plans, the Group drafts its growth strategy after clarifying the gap between targets and the existing situation, taking into account equity spread. Whenever making investment decisions such as development projects, the Group allocates resources and makes management decisions with emphasis on profitability and capital efficiency, including evaluations based on capital costs. Moreover, as an indicator that directly expresses sustainable increase in corporate value and that can be shared with shareholders and other stakeholders, under its medium-term business plan "IBI 21," which covers the period from the fiscal year 2019 through fiscal year 2021, the Group upholds the average annual growth in its Core EPS for the three-year period.

With regard to the target level of the indicator, in light of the favorable performance of the initial year of "IBI 21" including the strong sales of in-house developed global products, the Group has revised its target of a high single-digit rate average annual growth in its Core EPS (assuming a constant exchange rate), which had been initially aimed at in the medium-term business plan, to "around 30% (assuming constant exchange rates, no stock split)."

#### 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 with limited resources has become a common issue in the world. In addition, while the dramatic progress of life sciences and ICT has significantly changed the



social structure and expanded opportunities to generate innovation for solving medical issues, competition among companies is speeding up beyond existing industries and intensifying more than ever.

As the interplay of these changes is expected to bring about exponential upheavals in society as a whole, the pharmaceutical industry is called on to undergo major transformation as well.

Pursuit of “innovation” is the most important challenge. 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 capabilities, 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.

“Business structural reform” to realize these goals is also a pressing issue. Amid an increasingly severe business environment for pharmaceutical companies due to stronger financial pressure and measures to curb drug costs worldwide, there is even greater need of transformation to a structure that enables concentrated investment of limited resources on innovation. Particularly in Japan, in the wake of a series of stringent system reforms aimed at curbing drug costs, the market is expected to contract increasingly in the future. The challenge is to design a new business structure that fundamentally revises existing processes and cost structures and makes use of digital and other 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 socio-economic issues such as poverty caused by economic disparity. In order to sustainably develop business activities, companies must seriously face up to the underlying social issues, identify the issues related to their respective value chains, and make efforts to resolve them.

In these circumstances, 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 continually 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, SA237 (Satralizumab) and CIM331 (Nemolizumab)) generated by Chugai 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 and Hemlibra in the global market and generate in-house the next growth drivers ahead of competitors through swift development in an aim for sustainable profit growth.

Meanwhile, as society faces major changes in a global scale, Chugai recognizes that its initiatives must further evolve together.

#### **d) Medium-term business plan “IBI 21”**

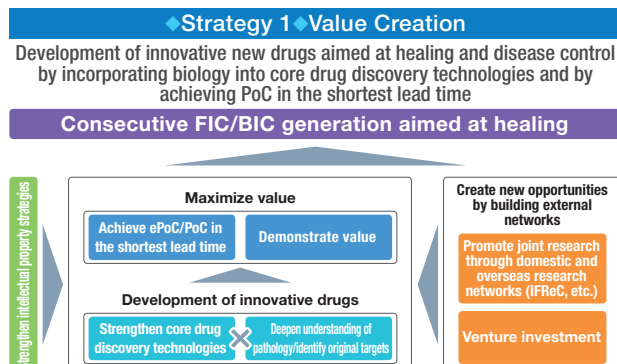
The Group formulated its new medium-term business plan “IBI 21,” which covers the period from fiscal year 2019 through fiscal year 2021. Based on the business foundation built under the previous medium-term business plan “IBI 18” and the strategic alliance with Roche, the Group has entered a new stage of transformation aiming to acquire further competitive advantage as well as achieve sustained profit growth and expanded corporate value.

The Group’s goal with “IBI 21” is to accelerate the development of itself and society through the creation of innovative drugs and services. The Group has set out “five strategies” to achieve that goal, based on the priority agenda of “create global growth drivers and maximize value” and “strengthen human resources and infrastructure that support the business.”

Under “IBI 21,” Chugai aims for sustained corporate growth through innovation by further enhancing its basic approach to innovation which is expressed in “IBI,” “INNOVATION BEYOND IMAGINATION.”



## (i) Value Creation (drug discovery, development, pharmaceutical technology)



The Group has been making priority investment in the world's leading-edge antibody engineering technologies to accelerate the creation of innovative R&D projects. In addition, the Group has selected middle molecules as its next-generation core drug discovery technologies along with small molecule and antibody technologies, and has been striving for the establishment of technologies through concentrated investment and early generation of R&D projects.

Under "IBI 21," the Group will tackle a new dimension of drug discovery to realize innovative drug discovery to cure and control diseases. The Group will incorporate biology (deeper understanding of pathology) into its proprietary drug discovery technologies cultivated thus far, in addition to their ongoing enhancement, to identify original drug discovery targets. Vigorous efforts will be made to achieve PoC and development in the shortest lead time and prove patient value. In-house, the Group will advance development with global top-class quality and speed under its promotion system for translational research centered on three regions, namely Japan, the United States and Europe, as well as cooperate with Roche to achieve continuous generation of innovative new drugs that will be next-generation growth drivers.

In order to achieve the earliest delivery of such innovative new drugs to patients, the Group will enhance its systems for accelerated development and product supply, especially the further evolution of manufacturing technologies for R&D projects with a high degree of difficulty in formulation such as middle molecule drugs. The Group will also continue striving to enhance quality control, quality assurance and regulatory functions to meet global standards.

## (ii) Value Delivery (sales, medical affairs and safety)



By launching numerous promising therapy products developed in-house or in-licensed from Roche, the Group has been building a solid presence in oncology, renal disease, bone and joint disease, rheumatic diseases as well as other fields.

Under "IBI 21," the Group aims to accelerate its growth through furthering its activities to promote the appropriate use of pharmaceuticals, including provision of information and safety management in a patient-centered manner, and the generation of evidence to enhance the value of drugs from the patients' viewpoint. At the same time, the Group will strengthen digital solutions incorporating evolutions in technology, and provide other solutions to meet the advanced and diversified needs of stakeholders, in order to contribute to "advanced and sustainable patient-centered healthcare." The Group will also focus its activities on growth driver products in Japan and overseas.

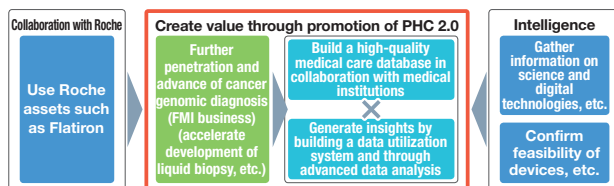


### (iii) Sophistication of personalized healthcare

#### ◆ Strategy 3 ◆ Sophistication of Personalized Healthcare (PHC)

Achieve further advances in PHC and innovation of the R&D processes by promoting “PHC 2.0” using digital technology and data

Achieve further advances in PHC and innovation of the R&D processes



Backed by the dramatic progress of genome medicine and data analysis technology, “Personalized Healthcare (PHC)” has advanced considerably in recent years. In addition, the evolution of digital devices and other developments have enabled a wide range of benefits for patients, including QOL, to be quantified, beyond the conventional qualities of “efficacy and safety.” As a result, it is increasingly vital to provide optimal solutions for patients and verify their value. In that context, as a member of the Roche Group, a world leader in PHC, the Group will work in close cooperation with the government and academic institutions, aiming for a new stage in PHC that provides optimal therapy for each individual. Furthermore, the Group will stay ahead of the competition in striving to strengthen its capabilities to provide and verify a wide range of value to patients and their families. Moreover, the Group will also proactively promote greater efficiency in the search for drug discovery targets and molecules, streamlining of clinical development using real-world data (RWD), and other innovations in the R&D process, through initiatives leveraging digital technologies and data.

In addition, as a leading company in oncology, Chugai believes that it has an important responsibility to contribute to the realization of cancer genome medicine and the development of its supply structure. “FoundationOne CDx Cancer Genomic Profile” was developed under this mission. It is a product that provides comprehensive genomic profiling (CGP) assays for cancer using next-generation sequencers, and contributes to the development and spread of PHC in cancer treatment. In 2018, Chugai

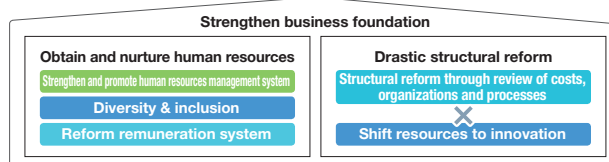
established the “Foundation Medicine Unit” and vigorously promotes the business.

### (iv) Strengthening human capital and conducting drastic structural reform

#### ◆ Strategy 4 ◆ Strengthening Human Capitals and Conducting Drastic Structural Reform

Obtain and nurture high-level, diverse human resources to support innovation, and conduct drastic structural reform

Accelerate generation of innovation by implementing strategies 1-3



In implementing the strategies mentioned so far, obtaining and nurturing diverse human resources that drive the creation of innovation while responding to a rapidly changing environment is important. Under “IBI 21,” the Group will further strengthen its efforts to obtain, nurture and assign sophisticated and diverse human resources with a view to the medium to long term. Specifically, the Group will strengthen its system to implement talent management/position management to assign the right leader to the right position; acquire specialized human resources who will play key roles in carrying out strategies; transform the personnel and compensation system so that it supports a corporate culture with a spirit for challenges; and further promote diversity and inclusion. Through these measures, the Group will strive to foster an organizational culture where innovation is created by the active participation of diverse human resources.

In addition, as financial pressure increasingly undermines the business environment for pharmaceutical companies, transforming cost structures is an important issue for companies to enable the concentration of resources on innovation. In order to concentrate limited resources on innovation, Chugai has taken measures such as carrying out the business transfer of 13 long-term listed products in 2018. Under “IBI 21,” the Group is resolved to fundamentally revise its business processes and cost structure in order to simultaneously achieve flexible investment in innovation and sustained profit growth.







## (7) Main Businesses (as of December 31, 2019)

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, 2019)

### [Domestic]

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

#### <Sales branches>

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

#### <Research & Development>

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

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

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

### [Overseas]

#### <Sales, Research & Development>

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

#### <Sales>

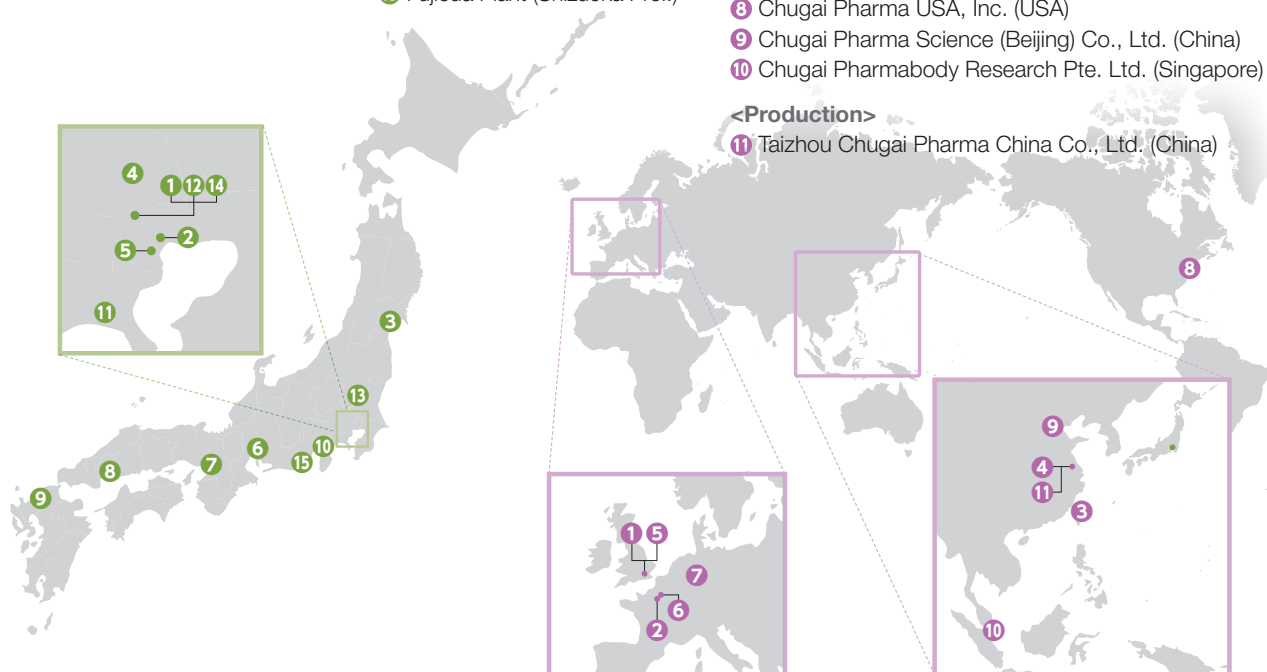
- ④ Chugai Pharma China Co., Ltd. (China)
- ⑤ Chugai Pharma U.K. Ltd. (UK)
- ⑥ Chugai Pharma France S.A.S. (France)
- ⑦ Chugai Pharma Germany GmbH (Germany)

#### <Research & Development>

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

#### <Production>

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





## (9) Employees (as of December 31, 2019)

Number of employees	Increase/decrease since end of previous fiscal year
7,394 persons	38 persons (Decrease)

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

## (10) Parent Company and Principal Subsidiaries

### a) Parent Company

The Company's parent company is Roche Holding Ltd. (Head Office: Switzerland), which holds 335,223,645 shares of the Company (shareholding percentage against total number of issued shares: 59.89%, or 61.22% 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**

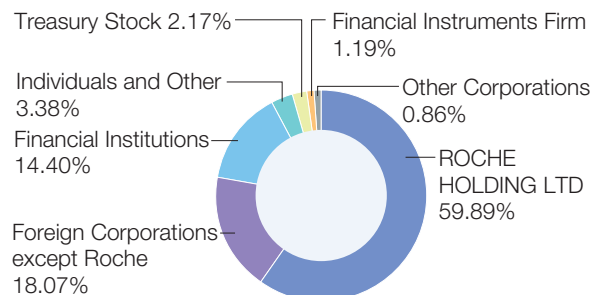
There is no applicable information.



## 2 Company's Shares (as of December 31, 2019)

- (1) Total Number of Authorized Shares 799,805,050 shares
- (2) Total Number of the Issued Shares 559,685,889 shares  
(Includes 12,162,354 shares of treasury stock)
- (3) Number of Shareholders 19,752 shareholders

### Reference | Ownership Profile



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

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding percentage (%)
ROCHE HOLDING LTD.	335,223	61.22
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,258	5.52
JP MORGAN CHASE BANK 380055	16,388	2.99
Japan Trustee Services Bank, Ltd. (Trust Account)	16,075	2.93
STATE STREET BANK AND TRUST COMPANY 505001	10,537	1.92
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,756	0.86
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,230	0.77
STATE STREET BANK WEST CLIENT - TREATY 505234	3,998	0.73
SSBTC CLIENT OMNIBUS ACCOUNT	3,795	0.69
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	3,528	0.64

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 12,162 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 resolved the stock split at the meeting of the Board of Directors held on 21 January, 2020. Fixing June 30, 2020 as a record date, the Company will split its ordinary share owned by shareholders listed or recorded in the shareholder registry three-for-one.

## 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, 2019)

	Name	Position and Responsibility in the Company	Important Concurrent Positions
Executive Directors	Osamu Nagayama	Representative Director & Chairman	
	Motoo Ueno	Representative Director, Deputy Chairman Sustainability Department, Audit Department	
	Tatsuro Kosaka	Representative Director, President & CEO	Outside Director of Asahi Group Holdings, Ltd.
Non-Executive Directors	Yasuo Ikeda	Outside Director	Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation Specially Appointed Professor of Waseda University Professor Emeritus of Keio University
	Masayuki Oku	Outside Director	Outside Director of KOMATSU LTD. Outside Director of Rengo Co., Ltd. Outside Director of The Royal Hotel, Ltd. Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. Non-Executive Director of The Bank of East Asia (China)
	Yoichiro Ichimaru	Outside Director	Senior Advisor of Aioi Nissay Dowa Insurance Co., Ltd. Outside Director of Seino Holdings Co., Ltd.
	Christoph Franz	Director	Chairman of the Board of Directors of Roche Holding Ltd. Vice Chairman of the Board of Directors of Zurich Insurance Group Ltd (Switzerland) Member of the Board of Directors of Stadler Rail Ltd (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	
	Hisashi Hara	Outside Audit & Supervisory Board Member	Advisor of The Law Office of Nagashima Ohno & Tsunematsu Independent Director of the Board of Nippon Paint Holdings Co., Ltd.
	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. Auditor (Part-time) of Japan Agency for Marine-Earth Science and Technology



(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 Daniel O'Day (retirement due to resignation on February 28, 2019)  
 Director Sophie Kornowski-Bonnet (retirement due to resignation on February 28, 2019)  
 Audit & Supervisory Board Member Shunji Yokoyama (retirement due to expiration of term in office on March 28, 2019)  
 <Newly appointed>  
 Director William N. Anderson (assumed office on March 28, 2019)  
 Director James H. Sabry (assumed office on March 28, 2019)  
 Audit & Supervisory Board Member Atsushi Sato (assumed office on March 28, 2019)  
 Audit & Supervisory Board Member Yuko Maeda (assumed office on March 28, 2019)  
 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 Yasuo Ikeda, Masayuki Oku and Yoichiro Ichimaru and Audit & Supervisory Board Members Hisashi Hara, Takaaki Nimura and Yuko Maeda 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.

## (2) Outside Corporate Officers

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

- In regards to the Law Office of Nagashima Ohno & Tsunematsu, where Audit & Supervisory Board Member Hisashi Hara concurrently serves, although the Company receives legal advices as necessary from counsels other than Audit & Supervisory Board Member Hisashi Hara, the amount of transactions between the said law firm and the Company is negligible.
- There is no relationship to be disclosed between the Company and entities where its Outside Corporate Officers hold concurrent positions, other than those indicated above.

### 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	Yasuo Ikeda	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 doctor and professor.
	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.
Outside Audit & Supervisory Board Members	Hisashi Hara	8 out of 9 meetings (88.9%)	10 out of 11 meetings (90.9%)	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).
	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	7 out of 7 meetings (100%)	9 out of 9 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.

(Note) The number of meetings attended by Audit & Supervisory Board Member Yuko Maeda stated above refers to the number of the Board of Directors meetings and the Audit & Supervisory Board meetings she attended after her assumption of office on March 28, 2019.



### (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)	536	254	120	86	76	3
Outside Directors	43	43	—	—	—	3
Total	580	418		162		6
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	63	63	—	—	—	3
Outside Audit & Supervisory Board Members	33	33	—	—	—	3
Total	96	96		—		6

(Notes) 1. The table above includes one Audit & Supervisory Board Member who retired during the fiscal year under review.

2. The amounts of bonuses shown in the table above are the amount of provision for reserve for bonuses to directors for the fiscal year under review.

3. The amounts of "restricted stock compensation (tenure-based and performance-based)" shown in the table above are the amounts that were posted as expenses for the fiscal year under review as each respective restricted stock compensation.

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, JPY3 million was paid to three Directors (excluding Non-Executive Directors including Outside Directors) during the current fiscal year.

#### <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 Director (including six Non-Executive Directors with three Outside Directors)
Audit & Supervisory Board Members	Regular remuneration	No more than JPY100 million per year	The 95th Annual General Meeting of Shareholders held on March 23, 2006	Four Audit & Supervisory Board Members (including two 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

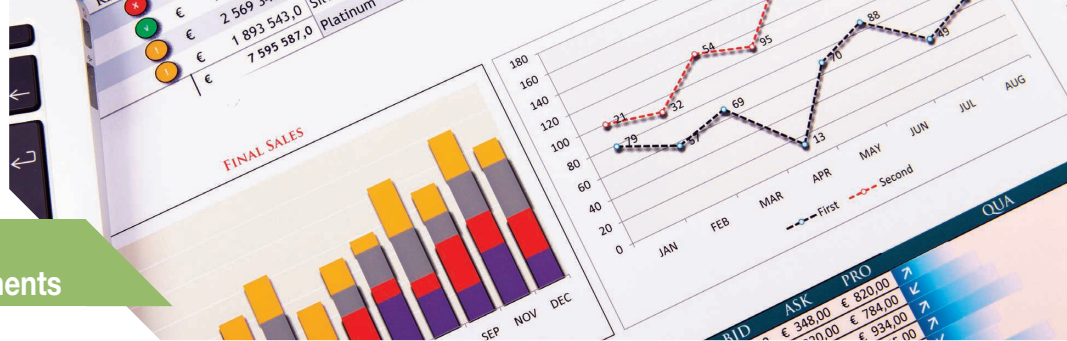
Posted on the Company's website (<https://www.chugai-pharm.co.jp/english/ir>) in accordance with laws and regulations and Article 15 of the Articles of Incorporation of the Company.

## 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, 2019)

(Millions of yen)

Item	FY2019	FY2018(Reference)
<b>Assets</b>		
Non-current assets:		
Property, plant and equipment	255,559	222,388
Right-of-use assets	9,749	—
Intangible assets	23,540	22,699
Financial non-current assets	2,958	9,723
Deferred tax assets	42,680	35,568
Other non-current assets	24,750	29,077
<b>Total non-current assets</b>	<b>359,235</b>	<b>319,455</b>
Current assets:		
Inventories	168,122	159,360
Accounts receivable	181,641	179,556
Current income tax assets	0	3
Marketable securities	129,117	102,533
Cash and cash equivalents	203,941	146,860
Other current assets	16,858	11,781
<b>Total current assets</b>	<b>699,680</b>	<b>600,093</b>
<b>Total assets</b>	<b>1,058,915</b>	<b>919,548</b>

Item	FY2019	FY2018(Reference)
<b>Liabilities</b>		
Non-current liabilities:		
Long-term debt	—	(82)
Deferred tax liabilities	(9,304)	(9,031)
Defined benefit plan liabilities	(7,094)	(14,671)
Long-term provisions	(2,348)	(2,072)
Other non-current liabilities	(6,914)	(1,946)
<b>Total non-current liabilities</b>	<b>(25,662)</b>	<b>(27,802)</b>
Current liabilities:		
Short-term debt	—	(133)
Current income tax liabilities	(41,047)	(19,567)
Short-term provisions	(4)	(1)
Accounts payable	(77,635)	(71,706)
Other current liabilities	(60,582)	(43,810)
<b>Total current liabilities</b>	<b>(179,268)</b>	<b>(135,218)</b>
<b>Total liabilities</b>	<b>(204,930)</b>	<b>(163,019)</b>
<b>Total net assets</b>	<b>853,985</b>	<b>756,529</b>
<b>Equity:</b>		
Capital and reserves attributable to Chugai shareholders	853,985	755,864
Equity attributable to non-controlling interests	—	664
<b>Total equity</b>	<b>853,985</b>	<b>756,529</b>
<b>Total liabilities and equity</b>	<b>1,058,915</b>	<b>919,548</b>

\*International Financial Reporting Standards



# Consolidated income statement (IFRS) (January 1, 2019 to December 31, 2019)

(Millions of yen)

Item	FY2019	FY2018(Reference)
<b>Revenues</b>	<b>686,184</b>	<b>579,787</b>
Sales	588,896	527,844
Royalties and other operating income	97,288	51,943
Cost of sales	(266,071)	(262,847)
<b>Gross profit</b>	<b>420,113</b>	<b>316,940</b>
Marketing and distribution	(77,183)	(73,706)
Research and development	(107,942)	(99,202)
General and administration	(24,391)	(19,710)
<b>Operating profit</b>	<b>210,597</b>	<b>124,323</b>
Financing costs	(125)	(111)
Other financial income (expense)	545	449
Other expense	(3,124)	(3,212)
<b>Profit before taxes</b>	<b>207,893</b>	<b>121,449</b>
Income taxes	(50,333)	(28,370)
<b>Net income</b>	<b>157,560</b>	<b>93,079</b>
Attributable to:		
Chugai shareholders	157,560	92,488
Non-controlling interests	—	591

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 Incorporation 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, 2019)

(Millions of yen)

Item	FY2019	FY2018(Reference)
<b>Assets</b>		
Total current assets:	657,625	562,108
Cash and deposits	160,573	106,404
Accounts receivable-trade	173,520	161,140
Marketable securities	127,991	102,001
Merchandise and finished goods	78,142	75,748
Raw materials and supplies	18,337	19,961
Prepaid expenses	4,090	3,833
Short-term loans receivable from subsidiaries and affiliates	13,300	27,700
Accounts receivable-other	70,852	58,186
Other	10,819	7,137
Total non-current assets:	262,065	235,091
Total property, plant and equipment:	114,687	87,005
Buildings (net)	19,725	23,837
Structures (net)	634	818
Machinery and equipment (net)	1,345	1,124
Vehicles (net)	9	4
Tool, furniture and fixtures (net)	5,359	4,932
Land	52,173	52,187
Leases assets (net)	—	7
Construction in progress	35,442	4,096
Total intangible assets:	7,561	6,295
Software	4,378	3,370
Other	3,183	2,925
Total investments and other assets:	139,817	141,791
Investment securities	2,986	8,607
Stocks of subsidiaries and affiliates	55,048	55,108
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	18,160	22,632
Deferred tax assets	53,757	45,895
Lease and guarantee deposits	4,307	4,946
Other	1,297	337
Allowance for doubtful accounts	(147)	(143)
Total assets	919,690	797,199

Item	FY2019	FY2018(Reference)
<b>Liabilities</b>		
Total current liabilities:	161,410	128,235
Accounts payable-trade	46,564	38,997
Lease obligations	—	6
Accounts payable-other	755	2,818
Accrued expenses	41,885	46,185
Income taxes payable	42,052	20,081
Accrued consumption taxes	3,508	3,689
Deposits received	2,182	1,993
Provision for bonuses to employees	9,593	6,994
Provision for bonuses to directors	120	120
Provision for sales rebates	2,234	2,488
Accrued payables – facilities	5,297	1,984
Other	7,221	2,880
Total non-current liabilities:	2,074	7,434
Lease obligations	—	1
Provision for employees' retirement benefits	—	5,365
Provision for directors' retirement benefits	598	598
Asset retirement obligations	1,423	1,421
Other	53	49
Total liabilities	163,484	135,669
<b>Net assets</b>		
Total shareholders' equity:	756,205	655,740
Capital stock	73,202	73,202
Total capital surplus	94,603	94,033
Legal capital surplus	93,050	93,050
Other capital surplus	1,552	983
Total retained earnings	616,906	517,695
Legal retained earnings	6,480	6,480
Other retained earnings	610,426	511,215
Reserve for advanced depreciation of non-current assets	678	693
General reserve	149,220	149,220
Retained earnings carried forward	460,528	361,302
Own equity instruments, at cost	(28,506)	(29,190)
Total valuation and translation adjustments:	(1,223)	4,352
Net unrealised gain on available-for-sale securities	38	4,296
Deferred gains or losses on hedges	(1,260)	57
Stock acquisition rights	1,224	1,438
Total net assets	756,206	661,530
Total liabilities and net assets	919,690	797,199

\* Generally Accepted Accounting Principles in Japan

\* As the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28-February 16, 2018) has been applied from FY 2019, figures for FY 2018 (reference) have been revised retrospectively.



**Non-consolidated income statement (JGAAP)** (January 1, 2019 to December 31, 2019) (Millions of yen)

Item	FY2019	FY2018(Reference)
Revenues	678,591	571,740
Cost of sales	263,464	264,430
Gross profit	415,127	307,310
Total selling, general and administrative expenses	211,205	197,744
Operating income	203,921	109,566
Non-operating income:	5,455	4,951
Interest and dividend income	1,236	497
Other	4,219	4,453
Non-operating expenses:	1,081	723
Interest expenses	3	3
Other	1,078	720
Ordinary income	208,296	113,794
Extraordinary gain:	5,918	2,164
Gain on sales of non-current assets	25	1
Gain on sales of investment securities	5,892	2,163
Extraordinary loss:	10,866	3,371
Loss on sales of non-current assets	12	—
Loss on sales of investment securities	21	—
Loss on revaluation of investment securities	3	159
Adjustment from transfer pricing taxation	3,124	3,212
Loss on litigation	2,570	—
Restructuring expenses	23	—
Early retirement program-expenses	5,114	—
Income before income taxes	203,347	112,587
Income taxes – current	53,184	31,379
Income taxes – deferred	(5,421)	(5,321)
Net income	155,584	86,529

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 Incorporation 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.



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

### Independent Auditors' Report

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

January 27, 2020

KPMG AZSA LLC  
Akihiro Otani (seal)  
Designated and Engagement Partner  
with Limited Liability  
Certified Public Accountant  
  
Shinji Someha (seal)  
Designated and Engagement Partner  
with Limited Liability  
Certified Public Accountant  
  
Terukazu Nagamine (seal)  
Designated and Engagement Partner  
with Limited Liability  
Certified Public Accountant

Pursuant to Article 444, Paragraph 4, of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, and notes to the consolidated financial statements of Chugai Pharmaceutical Co., Ltd. (the "Company"), for the fiscal year from January 1, 2019 to December 31, 2019.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Company Calculation Rules which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under the 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but in making risk assessments that the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the above consolidated financial statements, prepared with the omission of a part of the disclosures required under the International Financial Reporting Standards in accordance with the provisions of the latter half of Article 120, Paragraph 1 of the Company Calculation Rules, fairly present in every material aspect, the financial position and results of operations of the consolidated group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements.

#### Conflicts of Interest

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



## Copy of the Accounting Auditors' Report

(TRANSLATION)

Independent Auditors' Report

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

January 27, 2020

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

Shinji Someha (seal)  
Designated and Engagement Partner  
with Limited Liability  
Certified Public Accountant

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

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the 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 of Chugai Pharmaceutical Co., Ltd. (the "Company"), the fiscal year from January 1, 2019 to December 31, 2019, together with the supplementary schedules of the Company for the same year.

**Management's Responsibility for the Non-consolidated Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements and supplementary schedules from an independent standpoint based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but in making risk assessments that the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

**Conflicts of Interest**

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



# 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, 2019 to December 31, 2019:

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.

January 29, 2020

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

Hisashi Hara

Audit & Supervisory Board Member

Takaaki Nimura

Audit & Supervisory Board Member

Yuko Maeda

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



[illegible]



Chugai Group will contribute to the realization of a sustainable society by solving social issues through creating innovation and efforts toward the global environment, human rights and others.

## Global Health



### Support for Non-communicable Diseases (NCDs) Diagnosis and Treatment

Non-communicable diseases (NCDs), such as cancer, cardiovascular diseases, and diabetes are looming as challenges in Myanmar which can no longer be ignored. Since 2018, Chugai, in partnership with AMDA-MINDS<sup>\*1</sup>, supports an initiative to detect and treat NCDs in rural villages of Meiktila Township. This initiative support patients through the operation of mobile medical clinics which provide medical check-ups and follow-up treatment and also facilitates in-hospital care for patients in serious condition. The program is designed to strengthen the implementation and management capabilities for conducting NCD measures, and thus, the details of the plans are decided at workshops run by staff from the health authorities and regional hospitals. We believe it will contribute to our mission of improving access to sustainable health care.

\*1: NGO working on social development activities including health and hygiene in developing countries



### Special Sponsorship for the “Chair Ski Class to be Enjoyed by Parents and Children” at the Maiko Snow Resort

Chugai was a special sponsor of the Chugai “Chair Ski Class to be Enjoyed by Parents and Children 2019,” organized by the Japan Chair Ski Association. This event, now in its fourth year since 2016, offers children with disabilities the opportunity to experience and enjoy chair skiing with their families. Employee volunteers arrived the day before the event, received instruction in serving as chair guides from the Japan Chair Ski Association and Neige, a ski school for those with disabilities, and then prepared to welcome the participants.

## Support for Para-Sports

### Deaf Football (Soccer and Futsal) Experience Held at Fujieda Plant

A hands-on deaf football event was held at Fujieda Plant.

Participants wore earplugs to simulate hearing loss and played simple icebreaking games to communicate with various people. And they were divided into four teams to play in a league match. When someone scored a goal, the whole team did a performance decided in advance. Through these matches, participants could

actually feel and experience how national players devise ways to play without sounds.









In “IBI 21,” Chugai is promoting human resource management in order to become the top innovator based on the human resource foundation we have built up so far.

Even in an environment where AI and other technologies are evolving rapidly, it is still human resources that are capable of creating innovation. Based on this idea, we believe that each and every employee keeping in mind the philosophy of “Innovation all for the patients” and realizing the creation of innovative new drugs and providing solutions through dedicated efforts will help us meet the expectations of our stakeholders, including shareholders and patients. As a human resource management measure to achieve this goal, in “IBI 21,” in addition to the promotion of talent management and Diversity & Inclusion introduced in 2012, we are working to introduce a personnel system to ensure a thorough performance-based approach and further promotion of assigning the right person to the right position.

Challenges for Achieving “IBI 21”

(Organizational and Human Resource Capabilities)



Part 1 Promoting Talent Management to Realize Strategies and Accelerate Generation of Innovation

With talent management, we identify the positions of leaders and high-level experts which are important for the realization of the strategy, and top management and division managers are engaged in discussions to acquire and nurture candidates, select human resources from inside and outside the company, and formulate and execute placement plans. In addition, we have built a talent pool (a group of candidates for next-generation leaders) who will be responsible for future management in each division, selected candidates for successors in major positions in Japan and overseas, then discussed a medium-to-long-term human resource development policy for successors and implemented training. With IBI 21, we

will review our training system to acquire, develop, and deploy global top level human resources, and work to speed up the discovery and development of human resources.

Three Goals for Our Talent Management System



Part 2 Introducing a well-defined personnel system based on roles and produced results by assigning the right person to the right position

The personnel system planned for introduction in April 2020 will determine the job grade and salary based on the job value of a position, to promote assigning the right person to the right position. In addition, we plan to assign positions regardless of age to enable early promotion of young employees.

In addition, we will stipulate rules for appointment/dismissal of positions and strictly implement them in order to enhance the metabolism of human resources within the group. Requirements for each position will be organized in the form of position profiles, which define the duties, performance responsibilities and human resource requirements for each position. These position profiles,

as well as the criteria and processes for appointment and dismissal, will be disclosed to employees. This will clarify all positions in the company and the requirements needed to assume those positions, making it easier for employees to autonomously develop their careers and take on higher-level roles. In addition, we will introduce a challenge assignment system that enables early promotion, and expand the scope of internal recruitment to include our management positions.

Compensation is set at competitive levels according to the value of the duties each employee is responsible for. In addition, by setting both the level of achievement (“commitment”) required



For details, visit the Company's website

## Chugai's Sustainability

Search

for the job and the level (“target”) for going beyond it as goals, we will increase satisfaction with the evaluation and promote and support challenges made by employees. By setting

commitments and targets, and setting a rough appearance standard for evaluations, we will realize well-defined evaluations according to the results.

### Part 3 Improving Productivity by Promoting Diversity & Inclusion and Work-Life Synergy

Chugai has positioned Diversity & Inclusion (D&I) as a priority issue for the human resource strategy to become a top pharmaceutical company. We believe that diversity, which allows a variety of human resources to actively work and generate new value, is essential for innovation. Based on this belief, in 2010 we launched a working team led by the president, and in 2012 we established a dedicated organization that has since been conducting initiatives to promote D&I. To promote gender diversity, we are currently conducting annual training for prospective managers and leader candidates for career planning and development measures for women. To further promote the active participation of women, we set a target of a female manager ratio of 16% or more as of the end of 2021, and will continue to focus on career planning and development measures for women. To promote the success of senior employees and non-Japanese employees, we are building awareness of their potential through training and other programs and creating environments including workplace systems to help them play active roles.

We also provide work arrangements and support systems so that all employees can have individual work styles and lifestyles that accommodate a variety of life events including but not

limited to childbirth, child care and nursing care. With respect to “work style reform,” which is currently a focal issue in Japan, studies and initiatives by both labor and management are under way, with the aim of creating workplace environments in which all of our diverse employees can maximize their potential, and promoting innovation through organically integrating various types of intelligence.

We believe that promoting D&I and work-life synergy means creating an organization that supports individual autonomy and personal development while generating innovation, which in turn substantially contributes to the improvement of the productivity of the organization and an increase in corporate value over the medium- to long-term.

We will continue our effort to foster an inclusive organizational culture in which diverse human resources can play active roles and pursue innovation while respecting different values and ideas.



(Non-consolidated basis, as of December 31 of each year)

	2017	2018	2019
Percentage of female employees	26.8%	27.3%	28.6%
Average age	Male: 44 years and 1 month old Female: 38 years and 6 months old	Male: 44 years and 6 months old Female: 39 years and 0 months old	Male: 44 years and 6 months old Female: 39 years and 5 months old
Average years of service	Male: 18 years and 3 months Female: 12 years and 8 months	Male: 18 years and 6 months Female: 12 years and 11 months	Male: 18 years and 5 months Female: 13 years and 3 months
Percentage of female managers	12.6%	13.3%	14.7%
Number of female officers*	1	1	1
Children leave utilization rate	Male: 52.0% Female: 98.8%	Male: 57.7% Female: 100.0%	Male: 83.9% Female: 100.0%
Percentage of employees working under telecommuting system	Male: 13.0% Female: 29.7%	Male: 27.2% Female: 48.1%	Male: 24.6% Female: 50.4%

\* Directors, Audit & Supervisory Board Members



Chugai values dialogue with shareholders and investors, and fulfills its accountability to shareholders and investors through dialogue based on the policy, “In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, Chugai will promote dialogue with shareholders and investors with a constructive purpose through the engagement of its directors and executives in various IR activities and SR activities.” We incorporate their voices in management, and work to improve corporate value of the Company.

## General meeting of shareholders

Unlike many Japanese companies, which have fiscal years ending in March, Chugai's fiscal year ends in December. Therefore, we hold our general meeting of shareholders in March instead of June when such meetings are concentrated. Convocation notices for the general meeting of shareholders are normally sent out more than four weeks prior to the meeting date.

## On-demand video distribution of general meeting of shareholders

On-demand videos are distributed on the Company's website for shareholders who are not able to participate in the general meeting of shareholders. A video of this year's general meeting of shareholders is scheduled to be uploaded in early April. We hope that it would be found useful by shareholders. (Only available in Japanese)



## IR activities

Coinciding with financial results announcements, Chugai holds information meetings and conference calls for investors and analysts, and their contents are disclosed on Chugai's website. As for events for investors and analysts, we held an ESG meeting in June for the first time as an opportunity to explain our views and activities regarding ESG, the annual CEO Meeting in August, and the Information Meeting on Antibody Engineering Technologies in December to introduce our new antibody technologies. We will continue to emphasize dialogue with various stakeholders and carry on our efforts on enhancing face-to-face IR with management to accurately communicate our corporate value to the market. In May, we conducted a factory tour for individual shareholders, a new initiative started in 2013 to increase shareholder communication. In continuation from last year, we held a factory tour at Ukima Plant, giving participants a first-hand view of our state-of-the-art manufacturing facilities for the biopharmaceuticals that are one of Chugai's strengths. Senior management also holds overseas roadshows, and in 2019 visited leading institutional investors in Europe and the United States.

Moreover, in addition to participating in domestic and overseas conferences hosted by securities companies, Chugai is enhancing its outreach to individual investors by holding briefing sessions for them at branches of securities companies throughout Japan as well as through online live format.

The Chugai website is another tool to provide timely and fair disclosure to shareholders and other investors. Information on our website includes news releases, financial results, the status of our development pipeline, presentation materials, annual reports and an IR event calendar. We work to provide comprehensive information to our stakeholders. We focus on convenience for individual shareholders and investors by offering the option of receiving e-mail notices whenever news releases and other updates are posted on the IR section of our website, and other initiatives include posting webcasts of IR events on the website.



We actively carry out branding activities in order to inform a wide range of stakeholders about our company. In 2019, we created a new company advertisement that reflects Chugai's views to promote personalized healthcare and pursue innovation. Our copy is, "It's not cancer. It's one person."

The TV commercial, interviews with the cast, and the commercial's making-of video are available at the special website below. (Only available in Japanese)



“Story for a Better Understanding of Chugai Pharmaceutical” that introduces Chugai Pharmaceutical in a manner that is easy to understand in three steps is available on the Company’s website for individual shareholders and investors. Please visit the site. (Only available in Japanese)



A report of the results of the shareholder survey that was included with the interim shareholder newsletter (“Kabunushitsushin”) for fiscal year 2019 will be included in the shareholder newsletter for fiscal year 2019 that will be delivered in late March. We will utilize valuable opinions from shareholders as we strive to further enhance our IR and SR activities.

