CHUGAI
Roche Group

[Translation: Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the Annual General Meeting of Shareholders for the business term ended December 31, 2015 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 105th ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2015

Date and Time 10:00 a.m. on March 24, 2016 (Thursday)

Place Royal Park Hotel - 3F Royal Hall
1-1, Nihonbashi-Kakigara-cho 2-chome, Chuo-ku, Tokyo

Matters for Resolution

First Proposal : Appropriation of Surplus
Second Proposal : Partial Amendments to the Articles of Incorporation
Third Proposal : Election of Eight (8) Directors
Fourth Proposal : Election of Two (2) Audit & Supervisory Board Members
Fifth Proposal : Election of One (1) Substitute Audit & Supervisory Board Member

Innovation all for the patients

CHUGAI PHARMACEUTICAL CO., LTD.

Securities Code: 4519

Table of Contents

- Notice of Convocation of the Annual General Meeting of Shareholders for the Business Term Ended December 31, 2015 ---- 2
- Reference Document for the General Meeting of Shareholders ---- 4
  - **First Proposal :** Appropriation of Surplus
  - **Second Proposal :** Partial Amendments to the Articles of Incorporation
  - **Third Proposal :** Election of Eight (8) Directors
  - **Fourth Proposal :** Election of Two (2) Audit & Supervisory Board Members
  - **Fifth Proposal :** Election of One (1) Substitute Audit & Supervisory Board Member
- Business Report ---- 20
- Consolidated Financial Statements ---- 51
- Non-Consolidated Financial Statements ---- 53
- Audit Report ---- 55
- Reference ---- 58
  - Corporate Social Responsibility (CSR) of Chugai
  - Chugai's Human Resource Management
  - Communication with Shareholders and Investors

Mission Statement

The Chugai Group upholds its mission statement—which consists of its mission, its core values and its envisioned future—in order to be a business that meets a diverse array of stakeholder expectations as it realizes its corporate responsibility to society. It is on the basis of this mission statement that the Chugai Group conducts its business operations.

Mission

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

Core values

- The primary focus of all our activities is patients and consumers.
- In all our activities we are committed to the highest ethical and moral standards.
- We value employees who develop profound expertise and broad perspectives and pursue innovation and challenges without fear of failure.
- Wherever we operate around the world we seek to understand and respect people and cultures and to behave as good corporate citizens.
- We promote an open and active corporate culture that respects individuality, ability and teamwork.
- We care about the global environment.
- We aim to achieve a fair return for our shareholders and to disclose information appropriately and in a timely manner.

Envisioned Future

As a most important member of the Roche group, we aim to become a top Japanese pharmaceutical company by providing a continuous flow of innovative new medicines domestically and internationally.

To the shareholders

Chugai Pharmaceutical'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.

Oncology, renal diseases, and bone and joint diseases are positioned as Chugai's strategic areas. We are undertaking measures to create original and innovative drugs, both in Japan and overseas, particularly to address unmet medical needs, where the level of pharmaceutical contribution and satisfaction concerning patient treatment remains low. This is accomplished by effectively leveraging the resources of the Roche Group, while we pursue cutting-edge biopharmaceutical, antibody, and molecular targeted research technologies—areas that constitute Chugai's greatest strengths—as well as chemical synthesis technology.

Through these measures, we aim to become a top pharmaceutical company with global-level capabilities. We have a responsibility and a mission to succeed as a pharmaceutical industry leader. Our goal as a leader is to provide outstanding corporate value by meeting the expectations of our stakeholders—including patients and their families as well as healthcare professionals—as we work to acquire the trust of society. We will continue to meet challenges in order to fulfill our mission, with all our activities firmly based on a strong ethical foundation as a company engaged in businesses related to the lives of human beings. We ask for the further support of our shareholders in our endeavors.

February 2016

Representative Director
Chairman & CEO

(Securities Code: 4519)

February 24, 2016

To the Shareholders:

NOTICE OF CONVOCATION OF THE 105th ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE BUSINESS TERM ENDED DECEMBER 31, 2015

Dear Shareholders:

You are cordially invited to attend the 105th Annual General Meeting of Shareholders of Chugai Pharmaceutical Co., Ltd. (the "Company") for the Business Term ended December 31, 2015. 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 23, 2016 (Wednesday).

Yours very truly,

Osamu Nagayama
Chairman & CEO
CHUGAI PHARMACEUTICAL CO., LTD.
1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo

PARTICULARS

1. Date and Time : 10:00 a.m. on March 24, 2016 (Thursday)

2. Place : Royal Park Hotel - 3F Royal Hall
1-1, Nihonbashi-Kakigara-cho 2-chome, Chuo-ku, Tokyo
(Please refer to the map attached at the end of this document (translation omitted).)

3. Purpose :

Matters for Reporting : The Business Report for the Business Term (January 1, 2015 to December 31, 2015), Non-Consolidated Financial Statements for the Business Term, Consolidated Financial Statements for the Business Term, and the Report on the Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and Audit & Supervisory Board

Matters for Resolution :

First Proposal : Appropriation of Surplus

Second Proposal : Partial Amendments to the Articles of Incorporation

Third Proposal : Election of Eight (8) Directors

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

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

– End –

Handling of voting rights exercised for 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 voting right exercised last shall be treated as the valid vote.

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.
  ·Consolidated Statement of Changes in Equity ·Notes to the Consolidated Financial Statements ·Non-Consolidated Statement of Changes in Shareholders' Equity ·Notes to the Non-Consolidated Financial Statements
  Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor consist of documents contained in this Notice of Convocation and the above-mentioned items 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 PHARMACEUTICAL CO., LTD. website:
  http://www.chugai-pharm.co.jp/hc/ir

First Proposal : Appropriation of Surplus

The Company aims to pay out stable dividends to shareholders with a target payout ratio at a rate equal to 50% of the average of the Core EPS(*), taking into account the Company's strategic demand for funds for investment and performance forecasts. In addition, internal reserves will be used to make investments for further growth in existing strategic fields as well as pursuing future business opportunities to further enhance corporate value.

The result of the fiscal year under review, which is the final year of the medium-term business plan "ACCEL 15", Core EPS increased by 11.5 % compared to the forecast announced at the start of the period. At the same time, in comparison to the quantitative guidance of "ACCEL 15" — "achieving average annual growth in Core EPS (at the average constant exchange rate for 2012) at a mid-to-high single-digit range", the group achieved a result of 18.3%, far above the goal.

Reflecting the extraordinary result, the Company would like to declare appropriation of surplus for the fiscal year under review as described below:

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

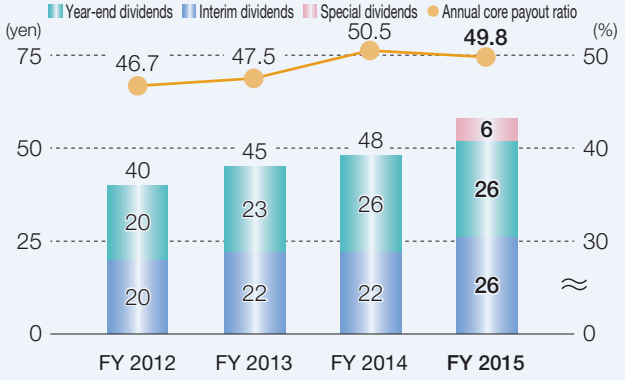
Matters concerning Year-End Dividends

(1) Type of dividend assets:
Cash

(2) Matters concerning the allotment of dividend assets to the shareholders and the amount thereof:
JPY32 per share of common stock of the Company
(Ordinary dividend of JPY26 per share)
(Special dividend of JPY6 per share)
Total: JPY17,473,412,672
Total dividend for the business term 2015 is JPY58 per share, as an interim dividend of JPY26 per share has been paid.

(3) Date when dividends of surplus become effective:
March 25, 2016

Reference **Dividends and Dividend payout ratio**



Adoption of International Financial Reporting Standards (IFRS) and Core Results

The Company has adopted the dividend payout ratio using net income under Japanese accounting standards as an indicator to calculate dividends up to the fiscal year 2012. From the fiscal year 2013, however, the Company changed to using net income attributable to Chugai shareholders under Core results, which reflects adjusted IFRS results. As core results are IFRS results that exclude factors including extraordinary matters, it serves as a stable indicator less susceptible to temporary factors. Therefore, adoption of this practice is expected to contribute to provision of a stable return to shareholders.

Second Proposal : Partial Amendments to the Articles of Incorporation

The Company would like to make partial amendments to the Company's existing Articles of Incorporation as follows:

1. Reasons for the Proposal

(1) In line with the enforcement of the Japanese "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014), under which companies may enter into limited liability agreements with non-executive directors and audit & supervisory board members who are not outside corporate auditors necessary amendments shall be made to the provisions relating to the limited liability agreements with Outside Directors and the limited liability agreements with Outside Audit & Supervisory Board Members (Articles 25 and 33 of the current Articles of Incorporation), in order to ensure that Directors and Audit & Supervisory Board Members can adequately fulfill the role expected of them.
The Company has obtained the consent of each Audit & Supervisory Board Member for the proposed amendment to Article 25 of the current Articles of Incorporation.

(2) In conjunction with the revision to the Companies Act, the paragraph number of the provisions of the Companies Act with respect to the election of substitute officers has been changed. In accordance with this change, necessary amendment shall be made to the relevant article (Article 28 of the current Articles of Incorporation).

2. Contents of the Amendments

Details of the proposed amendments are as follows:

(Underlined parts are amended.)

Current Articles	Proposed Amendments
Chapter 4 Directors and Board of Directors	Chapter 4 Directors and Board of Directors
(Agreement with Outside Director to Limit Liability) Article 25 The Company and Outside Directors may, if a case falls under requirements specified by laws and ordinances regarding the liability of Director under Article 423, Paragraph 1 of the Companies Act, enter into an agreement which limits the liability of such Outside Directors; provided that the limit of such liability shall be the amount equal to the minimum liability limit regulated by laws and ordinances.	(Agreement with Director to Limit Liability) Article 25 The Company and Directors (excluding Executive Directors, etc.) may, if a case falls under requirements specified by laws and ordinances regarding the liability of Director under Article 423, Paragraph 1 of the Companies Act, enter into an agreement which limits the liability of such Directors (excluding Executive Directors, etc.); provided that the limit of such liability shall be the amount of equal to the minimum liability limit regulated by laws and ordinances.
Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board	Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board
(Substitute Audit & Supervisory Board Member) Article 28 The effective term of the resolution for election of a Substitute Audit & Supervisory Board Member under Article 329, Paragraph 2 of the Companies Act shall expire at the beginning of an annual general meeting of shareholders relating to the last fiscal year ending within four (4) years from his/her election. 2. (Provision omitted)	(Substitute Audit & Supervisory Board Member) Article 28 The effective term of the resolution for election of a Substitute Audit & Supervisory Board Member under Article 329, Paragraph 3 of the Companies Act shall expire at the beginning of an annual general meeting of shareholders relating to the last fiscal year ending within four (4) years from his/her election. 2. (Unchanged)
(Agreement with Outside Audit & Supervisory Board Members to Limit Liability) Article 33 The Company and Outside Audit & Supervisory Board Member may, if a case falls under requirements specified by laws and ordinances regarding the liability of Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act, enter into an agreement which limits the liability of such Outside Audit & Supervisory Board Member; provided that the limit of such liability shall be the amount equal to the minimum liability limit regulated by laws and ordinances.	(Agreement with Audit & Supervisory Board Members to Limit Liability) Article 33 The Company and Audit & Supervisory Board Member may, if a case falls under requirements specified by laws and ordinances regarding the liability of Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act, enter into an agreement which limits the liability of such Audit & Supervisory Board Member; provided that the limit of such liability shall be the amount equal to the minimum liability limit regulated by laws and ordinances.

Third Proposal : Election of Eight (8) Directors

Out of all the ten (10) Directors, the term of office of eight (8) Directors, Osamu Nagayama, Motoo Ueno, Tatsuro Kosaka, Yoshio Itaya, Yutaka Tanaka, Yasuo Ikeda, Franz B. Humer and Sophie Kornowski-Bonnet will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that eight (8) Directors 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 are as follows:

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

	No.	Name	Position, Responsibility, and Important Concurrent Positions Held
Executive Directors	1	Reappointment Osamu Nagayama	Representative Director, Chairman CEO Chairman (Outside Director) of SONY CORPORATION
	2	Reappointment Motoo Ueno	Representative Director, Deputy Chairman Corporate Social Responsibility, Audit
	3	Reappointment Tatsuro Kosaka	Representative Director, President COO
	4	Reappointment Yoshio Itaya	Director, Executive Vice President CFO, General Manager of Finance Supervisory Div. and in charge of IT Supervisory Div.
	5	Reappointment Yutaka Tanaka	Director, Executive Vice President In charge of Project & Lifecycle Management, Quality & Regulatory Compliance, Research, Translational Clinical Research, Clinical Development, Drug Safety and Medical Affairs
Non-Executive Directors	6	Reappointment Yasuo Ikeda Outside Independent	Outside Director Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation Chairman of Japanese Medical Specialty Board
	–*1	Masayuki Oku Outside Independent	Outside Director Chairman of Sumitomo Mitsui Financial Group, Inc. Outside Director of Kao Corporation Outside Director of KOMATSU LTD. Outside Director of Panasonic Corporation Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. Non-Executive Director of Bank of East Asia (China)
	7	Reappointment Franz B. Humer Outside	Outside Director Non-Executive Chairman of Diageo Plc (U.K.)
	–*1	Daniel O'Day	Outside Director *2 COO of Roche Pharmaceuticals Division, Member of the Corporate Executive Committee and Member of the Genentech (USA) Board of Directors
	8	Reappointment Sophie Kornowski-Bonnet	Outside Director *3 Head of Roche Partnering and Member of Roche's Enlarged Corporate Executive Committee

Reappointment Candidate for reappointment as Director Outside Outside Director or candidate for Outside Director
Independent Independent officer for notification to the Tokyo Stock Exchange Inc.

*1 The term of office of Directors of the Company is two (2) years. Mr. Masayuki Oku and Mr. Daniel O'Day were elected and assumed office as Directors at the 104th Annual General Meeting of Shareholders held in March 2015.

*2 Mr. Daniel O'Day currently serves as Outside Director, and will become Non-Executive Director since he will no longer fulfill the requirements for Outside Director at the closing of this Annual General Meeting of Shareholders due to the revision to the Companies Act.

*3 Dr. Sophie Kornowski-Bonnet currently serves as Outside Director, and will become Non-Executive Director after she is elected, since she will no longer fulfill the requirements for Outside Director at the closing of this Annual General Meeting of Shareholders due to the revision to the Companies Act.

No 1

Reappointment

Osamu Nagayama

(April 21, 1947)

Shares of the Company Owned	255,803 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	31 years
Attended 8 out of 8 meetings of the Board of Directors	100%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Nov. 1978	Entered into the Company
Feb. 1985	Deputy General Manager of Development and Planning Div.
Mar. 1985	Director
Mar. 1987	Director, Senior Vice President
Mar. 1989	Representative Director, Deputy President
Sep. 1992	Representative Director, President
Jun. 2010	Outside Director of SONY CORPORATION (to present)
Mar. 2012	Representative Director, Chairman (to present)

● **Responsibilities at the Company** CEO

● **Important concurrent positions** Chairman (Outside Director) of SONY CORPORATION

● Reasons for nominating the candidate for Director

・Mr. Osamu Nagayama assumed office as Director of the Company in 1985. He has served as Representative Director, President from 1992 to 2012, and serves as Representative Director, Chairman and CEO 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.

● Special notes relating to the candidate for Director

・He serves as the Chairman of the Tokyo Biochemical Research Foundation, President of the Japan Bioindustry Association, and the Chairman of the Chugai Academy for Advanced Oncology, and the Company makes contributions, etc. to each of these organizations.

No 2

Reappointment

Motoo Ueno
(August 11, 1957)

Shares of the Company Owned	755,130 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	15 years and 9 months
Attended 8 out of 8 meetings of the Board of Directors	100%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

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

● **Responsibilities at the Company** Corporate Social Responsibility, Audit

● Reasons for nominating the candidate for Director

· 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.

● Special notes relating to the candidate for Director

· The Company has no special interests with him.

No 3

Reappointment

Tatsuro Kosaka

(January 18, 1953)

Shares of the Company Owned	15,199 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	6 years
Attended 8 out of 8 meetings of the Board of Directors	100%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

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

Responsibilities at the Company COO

Reasons for nominating the candidate for Director

· Mr. Tatsuro Kosaka has served as Senior Vice President from 2004 and as Director, Executive Vice President from 2010, after having worked mainly in Business Strategy Planning Department and Corporate Planning Department. He serves as Representative Director, President and COO 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.

Special notes relating to the candidate for Director

· The Company has no special interests with him.

No 4

Reappointment

Yoshio Itaya
(March 15, 1954)

Shares of the Company Owned	14,215 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	4 years
Attended 8 out of 8 meetings of the Board of Directors	100%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Apr. 1977	Entered into the Sumitomo Bank, Ltd. ("SB")
Oct. 1994	General Manager of Fukui Branch of SB
Oct. 1999	General Manager Planning Dept. of Americas Div. of SB
Apr. 2001	General Manager of Planning Dept. of Americas Div. of Sumitomo Mitsui Banking Corporation
Jun. 2003	Entered into the Company Senior Specialist of Finance & Accounting Dept.
Mar. 2006	Vice President, General Manager of Finance & Accounting Dept.
Jan. 2007	Vice President, General Manager of Corporate Planning Dept.
Mar. 2010	Senior Vice President, General Manager of Finance Supervisory Div. and Finance & Accounting Dept.
Jan. 2011	Senior Vice President, CFO, General Manager of Finance Supervisory Div. and Finance & Accounting Dept.
Mar. 2012	Director, Executive Vice President (to present)

● **Responsibilities at the Company** CFO, General Manager of Finance Supervisory Div., in charge of IT Supervisory Div.

● Reasons for nominating the candidate for Director

· Mr. Yoshio Itaya has served as Senior Vice President, CFO from 2011, after having worked mainly in the Finance & Accounting Department. He serves as Director, Executive Vice President and CFO 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.

● Special notes relating to the candidate for Director

· The Company has no special interests with him.

No 5

Reappointment

Yutaka Tanaka

(June 4, 1953)

Shares of the Company Owned	22,442 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	2 years
Attended 8 out of 8 meetings of the Board of Directors	100%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Mar. 1984	Entered into Nippon Roche K.K. (“NR”)
Oct. 2001	General Manager of Product Research Division of the Laboratory of NR
Oct. 2002	General Manager of Product Research Dept. of the Company
Jul. 2005	General Manager of Renal Disease Area Dept.
Mar. 2007	Vice President, General Manager of Clinical Research & Development Div.
Mar. 2009	Senior Vice President, General Manager of Clinical Research & Development Div.
Oct. 2009	Senior Vice President, Head of Portfolio Management Unit
Jan. 2011	Senior Vice President, Head of Lifecycle Management & Marketing Unit
Apr. 2012	Senior Vice President, Head of Project & Lifecycle Management Unit
Mar. 2014	Director, Executive Vice President (to present)

Responsibilities at the Company In charge of Project & Lifecycle Management, Quality & Regulatory Compliance, Research, Translational Clinical Research, Clinical Development, Drug Safety and Medical Affairs

Reasons for nominating the candidate for Director

· Dr. Yutaka Tanaka has served as Senior Vice President from 2009, after having worked mainly in the Research & Development Department. He serves as Director, Executive Vice President from 2014. 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.

Special notes relating to the candidate for Director

· The Company has no special interests with him.

No 6

Reappointment
Outside
Independent

Yasuo Ikeda
(January 18, 1944)

Shares of the Company Owned	0 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	6 years
Attended 8 out of 8 meetings of the Board of Directors	100%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Sep. 1979	Director of Keio University Hospital Blood Center
Apr. 1991	Professor of Internal Medicine, School of Medicine, Keio University
Oct. 2001	Director of Center for Integrated Medical Research of Keio University
Oct. 2005	Dean of School of Medicine, Keio University
Apr. 2009	Professor Emeritus of Keio University (to present)
Apr. 2009	Professor of Department of Life Science and Medical Bioscience, Graduate School of Advanced Science and Engineering, Waseda University
Mar. 2010	Outside Director of the Company (to present)
May 2013	Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation (to present)
Apr. 2014	Specially Appointed Professor of Waseda University (to present)

Important concurrent positions Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation
Chairman of Japanese Medical Specialty Board

Other major positions Councilor of the Tokyo Biochemical Research Foundation
Director of Senshin Medical Research Foundation
Director of Foundation for Promotion of Medical Training
Director of The Naito Foundation
President, the Japanese Society on Thrombosis and Hemostasis
Chairman of International Society of Internal Medicine

Reasons for nominating the candidate for Outside Director

· Dr. Yasuo Ikeda has no experience in corporate management. From the fact that he has provided appropriate advice to and supervises the Company concerning management based on his extensive knowledge and experience as a physician and professor, the Company is of the judgment that he will be able to continue to execute his duties as Outside Director appropriately in the future as well.

Special notes relating to the candidate for Outside Director

· He satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company has registered him as an independent officer to the Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 19.

· The Company has no special interests with him.

No. 7

Reappointment

Outside

Franz B. Humer

(July 1, 1946)

Shares of the Company Owned	0 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	2 years
Attended 4 out of 8 meetings of the Board of Directors	50%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Sep. 1971	Entered into ICME Zurich
Nov. 1973	Entered into Schering Plough Corporation
Sep. 1981	Entered into Glaxo Holdings plc
May 1995	Member of the Board of Directors, Head of the Pharmaceuticals Division of F. Hoffmann-La Roche Ltd ("FHLR")
Oct. 1996	COO of FHLR
Jan. 1998	CEO of Roche Holding Ltd. ("RH")
Mar. 2001	Chairman of the Board of Directors and CEO of RH
Oct. 2002	Outside Director of the Company
Mar. 2008	Chairman of the Board of Directors of RH
Jul. 2008	Non-Executive Chairman of Diageo Plc (U.K.) (to present)
Mar. 2009	Retired as Outside Director of the Company
Mar. 2014	Outside Director of the Company (to present)
Jan. 2015	Director of BIAL-Portela & Ca, S.A. (Portugal) (to present)

Important concurrent positions Non-Executive Chairman of Diageo Plc (U.K.)

Reasons for nominating the candidate for Outside Director

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

Special notes relating to the candidate for Outside Director

- He has previously served as Outside Director of the Company from October 2002 to March 2009.
- He has served as Chairman of the Board of Directors of Roche Holding Ltd. (Head Office: Switzerland), which is the Company's parent company, until March 2014.
- The Company has no special interests with him.

No 8

Reappointment

Sophie Kornowski-Bonnet

(May 29, 1963)

Shares of the Company Owned	0 shares
Number of years served as Director (as at the closing of this Annual General Meeting of Shareholders)	4 years
Attended 7 out of 8 meetings of the Board of Directors	87.5%

Summary of Career, Position, Responsibility, and Important Concurrent Positions Held

Oct. 1985	Scientific Manager of Abbott Diagnostic Division (France)
Jul. 1989	Marketing Research Analyst of Abbott Pharmaceutical Products (APP) (USA)
Aug. 1990	Neuroscience Sales Representative of APP (USA)
Aug. 1991	Director of Strategic Marketing, Diagnostic Imaging, Sanofi Winthrop (USA)
Sep. 1994	Director of Neuroscience Business Unit, Sanofi Winthrop (France)
Jun. 1996	Director of Marketing Research and Strategic Planning, Merck Sharp & Dohme (Paris, France)
Apr. 1997	Managing Director of Merck Sharp & Dohme (Israel)
Oct. 2000	Vice-President of Arthritis and Analgesia Franchise, Merck & Co. Inc. (USA)
Jun. 2002	Director of Rheumatology Division, Merck Sharp & Dohme (France) ("MSDPF")
Feb. 2006	Director of Cardiovascular Division, MSDPF
Mar. 2007	General Manager of Roche Pharma (France)
Feb. 2012	Head of Roche Partnering and Member of Roche's Enlarged Corporate Executive Committee (to present)
Mar. 2012	Outside Director of the Company (to present)

● **Important concurrent positions** Head of Roche Partnering and Member of Roche's Enlarged Corporate Executive Committee

● Reasons for nominating the candidate for Director

· Dr. Sophie Kornowski-Bonnet has provided advice to and supervises the Company concerning management as a member of the executive committee of the Roche Group from a global perspective. Therefore, the Company is of the judgment that she will be able to continue to execute her duties as Non-Executive Director appropriately in the future as well.

● Special notes relating to the candidate for Director

· The relationship between the Company and the Roche Group, where she serves as a member of the executive committee, is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries" of the Business Report.

(Notes) 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 Outside Director ("Director (excluding Executive Director, etc.)," if the Second Proposal "Partial Amendments to the Articles of Incorporation" of this Annual General Meeting of Shareholders is approved), as provided in Article 423, Paragraph 1 of the Companies Act, and the limit of liability in the Agreement shall be equal to the minimum liability limit stipulated by laws and ordinances. The Company has entered into the Agreement with Dr. Yasuo Ikeda, Dr. Franz B. Humer and Dr. Sophie Kornowski-Bonnet, and plans to sustain such Agreement with Dr. Yasuo Ikeda and Dr. Franz B. Humer if they are elected as Directors. In addition, if Dr. Sophie Kornowski-Bonnet is elected as a Director, the Company plans to sustain such Agreement with her on the condition that the Second Proposal "Partial Amendments to the Articles of Incorporation" is approved.

2. Others
The number of "Shares of the Company Owned" by each candidate shown in the table above includes shares of stock in officer's shareholding association of the Company.

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

Out of all the four (4) Audit & Supervisory Board Members, the term of office of two (2) Audit & Supervisory Board Members, Hisashi Hara and Michio Ishizuka will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that two (2) Audit & Supervisory Board Members be elected.

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

The candidates for Audit & Supervisory Board Members are as follows:

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

#	Name	Position and Important Concurrent Positions
–*	Kunitoshi Watanabe	Audit & Supervisory Board Member (Full-time)
–*	Shunji Yokoyama	Audit & Supervisory Board Member (Full-time)
1	Reappointment Hisashi Hara Outside	Audit & Supervisory Board Member (Outside) General Representative of the Asia-Pacific region, The Law Office of Nagashima Ohno & Tsunematsu
2	New appointment Takaaki Nimura Outside Independent	Representative of Nimura Certified Public Accountant Office Outside Director and Chairman of Audit Committee of SONY CORPORATION

Reappointment Candidate for reappointment as Audit & Supervisory Board Member
New appointment Candidate for new appointment as Audit & Supervisory Board Member
Outside Candidate for Outside Audit & Supervisory Board Member
Independent Independent officer for notification to the stock exchange

* The term of office of Audit & Supervisory Board Members of the Company is four (4) years. Mr. Kunitoshi Watanabe and Mr. Shunji Yokoyama were elected and assumed office as Audit & Supervisory Board Members at the 102nd Annual General Meeting of Shareholders held in March 2013 and the 104th Annual General Meeting of Shareholders held in March 2015, respectively.

No 1

Reappointment

Outside

Hisashi Hara

(July 3, 1947)

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
Attended 8 out of 8 meetings of the Board of Directors	100%
Attended 10 out of 10 meetings of the Audit & Supervisory Board	100%

Summary of Career, Position, and Important Concurrent Positions Held

Apr. 1975	Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)
Apr. 1975	Entered into Nagashima & Ohno (currently, Nagashima, Ohno & Tsunematsu)
Jul. 1983	Partner of Nagashima & Ohno
Apr. 1991	Managing Partner of Nagashima & Ohno
Jan. 2006	Chairman of Nagashima, Ohno & Tsunematsu
Apr. 2006	Administrative Council Member of the University of Tokyo
Mar. 2008	Outside Corporate Auditor, JPMorgan Securities Japan Co., Ltd.
Mar. 2012	Outside Audit & Supervisory Board Member of the Company (to present)
Jan. 2013	General Representative of the Asia-Pacific region, The Law Office of Nagashima Ohno & Tsunematsu (to present)

Important concurrent positions General Representative of the Asia-Pacific region, The Law Office of Nagashima Ohno & Tsunematsu

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

・Mr. Hisashi Hara has no experience in corporate management in the past. From the fact that he appropriately carries out audits as Outside Audit & Supervisory Board Member based on his extensive 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 continue to execute his duties as Outside Audit & Supervisory Board Member appropriately in the future as well.

Special notes relating to the candidate for Outside Audit & Supervisory Board Member

・The Company has no special interests with him. 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.

No 2

New appointment
Outside
Independent

Takaaki Nimura
(October 25, 1949)

Shares of the Company Owned	0 shares

Summary of Career, Position, and Important Concurrent Positions Held

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
Sept. 2010	Established Nimura Certified Public Accountant Office
Jun. 2012	Director of Sony Corporation (to present)

● **Important concurrent positions** Representative of Nimura Certified Public Accountant Office
Outside Director and Chairman of Audit Committee of Sony Corporation

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

· Mr. Takaaki Nimura has no experience in corporate management in the past. The Company is of the judgment that he will be able to perform audits as Outside Audit & Supervisory Board Member appropriately, based on his extensive knowledge and experience as an expert in corporate accounting (certified public accountant).

● Special notes relating to the candidate for Audit & Supervisory Board Member

· He satisfies the requirements for an independent officer stipulated by the Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Company plans to designate him as an independent officer provided by the Tokyo Stock Exchange, Inc., and to register him as such to the Tokyo Stock Exchange, Inc. The Independence Standards established by the Company are stated in page 19.

· The Company has no special interests with him.

(Note) 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 Outside Audit & Supervisory Board Member ("Audit & Supervisory Board Member," if the Second Proposal "Partial Amendments to the Articles of Incorporation" of this Annual General Meeting of Shareholders is approved), as provided in Article 423, Paragraph 1 of the 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. Hisashi Hara, and plans to sustain such Agreement with him if he is elected as Audit & Supervisory Board Member. In addition, if Mr. Takaaki Nimura is elected as Audit & Supervisory Board Member, the Company plans to enter into the same Agreement with him.

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

The Company has elected Dr. Yasunori Fujii as a Substitute Audit & Supervisory Board Member at the 101st Annual General Meeting of Shareholders held on March 28, 2012. The valid period of provisional election of Substitute Audit & Supervisory Board Member Yasunori Fujii will expire at the start of this Annual General Meeting of Shareholders. Accordingly, to prepare for cases in which the number of Outside Audit & Supervisory Board Members falls short of such number as is required by laws and regulations, it is proposed to elect one (1) Substitute Audit & Supervisory Board Member.
The election of a Substitute Audit & Supervisory Board Member may be cancelled by resolution of the Board of Directors upon approval of the Audit & Supervisory Board, as long as the Substitute Audit & Supervisory Board Member has not assumed office.
This proposal has obtained the consent of the Audit & Supervisory Board.
The candidate for Substitute Audit & Supervisory Board Member is as follows:

Outside

Yasunori Fujii
(July 10, 1941)

Shares of the Company Owned	0 shares

Summary of Career, Position, and Important Concurrent Positions Held	
Apr. 1964	Entered into The Long-Term Credit Bank of Japan, Limited
Jun. 1991	General Manager of London Branch of The Long-Term Credit Bank of Japan, Limited
Jun. 1993	Managing Director of Kumagai Gumi Co., Ltd.
Apr. 1995	Senior Managing Director of Kumagai Gumi Co., Ltd.
Apr. 2002	Special Assigned Professor of Shizuoka Sangyo University
Mar. 2004	Outside Audit & Supervisory Board Member of the Company
Mar. 2012	Retired from Outside Audit & Supervisory Board Member of the Company

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

- The Company is of the judgment that Dr. Yasunori Fujii as Substitute Audit & Supervisory Board Member, will be able to execute his duties appropriately based on his extensive knowledge and experience in the fields of management and accounting as well as the fact that he has been engaged in audit operations over the years as Outside Audit & Supervisory Board Member of the Company.

● Special notes relating to the candidate for Substitute Outside Audit & Supervisory Board Member

- He has previously served as Outside Audit & Supervisory Board Member of the Company from March 2004 to March 2012.
- He satisfies the requirements for independent officers stipulated by the Tokyo Stock Exchange, Inc. and Independence Standards established by the Company. The Independence Standards established by the Company are stated in page 19.
- The Company has no special interests with him.

(Note) 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 Outside Audit & Supervisory Board Member ("Audit & Supervisory Board Member," if the Second Proposal "Partial Amendments to the Articles of Incorporation" of this Annual General Meeting of Shareholders is approved), as provided in Article 423, Paragraph 1 of the 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. Yasunori Fujii, if he is elected as Audit & Supervisory Board Member.

<Reference> Independence Standards

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

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

Note 1: "Executive" means an executive director, executive officer, corporate officer, or other such employee or the like.
Note 2: "Major business partner" means a business partner whose transactions with the Chugai Group in any business year within the past five years total 2% or more of the consolidated sales of that business partner or the Chugai Group.
Note 3: "Major lender" means a lender from whom the Chugai Group's borrowings at the end of the business year exceed 2% of the Chugai Group's consolidated total assets at the end of that business year.
Note 4: "Large amount of money or other such assets" means, in any business year within the past five years, money or other such assets in excess of the greater of (a) ten million yen annually or (b) 2% of the total annual income of the person receiving the money or other such assets.
Note 5: "Major shareholder" means a shareholder directly or indirectly holding 10% or more of total voting rights in any business year within the past five years.
Note 6: "Contributions or aid exceeding a certain amount" means, in any business year within the past five years, contributions or aid exceeding the greater of (a) ten 13 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.

End

1 Overview of Consolidated Business Activities

(1) Developments and Results of Business Activities

a) Overview of Business Activities

During the fiscal year under review, the pharmaceutical industry continued to find itself in a harsh environment amid a host of challenges, including the placing of greater importance on policies to reduce medical expenditures and economic evaluation of pharmaceuticals by each country in conjunction with growing budget deficits, deterioration in R&D productivity, reinforcement of regulatory controls over safety and quality, and change in marketing activities.

Meanwhile, the Chugai Group (the "Group"), determined "to greatly accelerate its efforts toward realizing its model of becoming a top Japanese pharmaceutical company," launched the Mid-Term Business Plan "ACCEL 15" in January 2013. This Plan leverages the strengths nurtured in the course of the former plan "Sunrise 2012," and aims to further accelerate the pace at which the Group offers innovative value to patients and medical care professionals, keeping pace with the ever-changing business environment, and build a management infrastructure and raise the awareness of its employees at a pace never before seen.

Under such circumstances, during the fiscal year under review, the final year of "ACCEL 15," the Group was able to achieve a wide range of concrete results, including realization of launch of new products, market penetration of major products, new expansion in overseas businesses, as well as advancement in proprietary and innovative research themes, and progress in the research of next-generation antibody pharmaceuticals.

Financial results for the fiscal year under review amounted to revenues of JPY498.8 billion, operating profit of JPY90.7 billion and net income of JPY64.9 billion (all results are on a Core basis).

Reference **Transition to International Financial Reporting Standards (IFRS)**

Up to the fiscal year 2012, the Company had reported consolidated accounts based on the Japanese accounting standards (JGAAP), whereas from the first quarter of the fiscal year 2013 onward, the Company has transitioned to report business results based on IFRS.

Major differences between JGAAP and IFRS

	JGAAP	IFRS
▶ Differences in the depreciation method of property, plant and equipment	Declining-balance method	Straight-line method
▶ Differences in accounting treatment of upfront and milestone payments pertaining to products under development in-licensed from third parties	Research and development expenditures	Intangible assets
▶ Differences in accounting treatment of upfront receipts pertaining to products under development and products out-licensed to third parties	Other operating income	Deferred income

b) Revenues

(Unit: JPY billion)

Item	Actual performance for the fiscal year under review	Actual performance for the previous fiscal year	Year-on-year difference for the same period (%)
Product sales	**468.4**	**436.9**	**up 7.2%**
Excluding Tamiflu	460.2	423.8	up 8.6%
Japan	378.0	349.5	up 8.2%
Oncology field	215.7	188.9	up 14.2%
Bone and joint diseases field	79.4	69.6	up 14.1%
Renal diseases field	45.4	44.7	up 1.6%
Transplant, immunology and infectious diseases field	15.9	20.8	down 23.6%
Other fields	21.7	25.6	down 15.2%
Overseas	82.2	74.3	up 10.6%
Tamiflu	8.2	13.0	down 36.9%
Royalties and other operating income	**30.4**	**24.2**	**up 25.6%**
Revenues	**498.8**	**461.1**	**up 8.2%**

The consolidated revenues for the fiscal year under review increased 8.2% year on year to JPY498.8 billion.

Domestic sales (excluding Tamiflu)

Domestic sales excluding the anti-influenza agent Tamiflu were JPY378.0 billion (an increase of 8.2% year on year).

Oncology products sales were JPY215.7 billion (an increase of 14.2% year on year). This increase was due to the steady expansion in sales of major oncology drugs such as Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) and Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent). In addition, there was a contribution by two new products launched in 2014, which are Kadcyla (an anti-HER2 antibody – tubulin polymerization inhibitor conjugate, anti-cancer agent) and Alecensa (an ALK inhibitor, anti-cancer agent). Sales of Zelboraf (a BRAF inhibitor, anti-cancer agent) newly launched in February 2015 were JPY0.5 billion.

Bone and joint diseases products sales were JPY79.4 billion (an increase of 14.1% year on year), as a result of the strong sales of major products such as an activated vitamin D3 agent Edirol, a top brand in the oral therapeutic agent for osteoporosis, Actemra, a humanized anti-human IL-6 receptor monoclonal antibody, and Bonviva, a bisphosphonate antiresorptive agent.

Renal diseases product sales amounted to JPY45.4 billion (an increase of 1.6% year on year). This increase

was due to steady sales of Mircera (a long-acting erythropoiesis stimulating agent), despite a decline in sales of Epogin (a recombinant human erythropoietin agent) resulting from the effects of the NHI drug price revisions in April 2014.

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were JPY15.9 billion (a decrease of 23.6% year on year) due to a substantial decline in sales of Pegasys (a peginterferon-α-2a agent), as a result of the new triple combination therapy for chronic hepatitis C having run its course and a newly launched third party product.

Tamiflu

As regards Tamiflu, sales for ordinary use amounted to JPY8.2 billion (a decrease of 36.4% year on year), while sales to government stockpiles etc. was less than JPY0.1 billion.

Overseas sales

Overseas sales were JPY82.2 billion (an increase of 10.6% year on year), due mainly to the depreciation of the yen and an increase of Actemra exports to Roche in volume.

c) Financial Results

Consolidated financial highlights (IFRS results)

Revenues for the fiscal year under review were JPY498.8 billion (an increase of 8.2% year on year), operating profit for the fiscal year under review was JPY86.8 billion (an increase of 14.4% year on year), and net income for the fiscal year under review was JPY62.4 billion (an increase of 19.8% year on year). These results include non-Core items, such as amortization of intangible assets of JPY1.6 billion, impairment of intangible assets of JPY1.9 billion, expenses for environmental measures of JPY0.5 billion, and other items, which are excluded from the Core results managed by the Company.

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	498.8	461.1	up 8.2%
Gross profit	260.0	244.2	up 6.5%
Operating profit	90.7	77.3	up 17.3%
Net income	64.9	53.0	up 22.5%

Revenues for the fiscal year under review were JPY498.8 billion (an increase of 8.2% year on year), due to the growth in sales and increase in royalties and other operating income.

Of the revenues, sales excluding Tamiflu were JPY460.2 billion (an increase of 8.6% year on year), due to the steady growth of new products and major products. Royalties and other operating income

amounted to JPY30.4 billion (an increase of 25.6% year on year), due to the year-on-year increase in milestone income. Gross profit amounted to JPY260.0 billion (an increase of 6.5% year on year).

Expenditures were JPY169.3 billion (an increase of 1.5% year on year). Marketing and distribution expenses were JPY74.7 billion (an increase of 4.2% year on year), due to increase in expenditures associated with marketing activities and revision to the cost classification of donations, while research and development expenditures were JPY81.9 billion (an increase of 1.6% year on year), due mainly to increased research and development activities in line with the progress in development projects as well as the depreciation of the yen. General and administration expenses were JPY12.8 billion (a decrease of 12.3% year on year), due to temporary cost increase (expenditures related to removing buildings, etc.) in 2014.

As a consequence, Core operating profit was JPY90.7 billion (an increase of 17.3% year on year). Meanwhile, Core net income was JPY64.9 billion (an increase of 22.5% year on year), due to the reduction of the tax rate for fiscal year 2015, as a result of factors including the changes in the taxation system.

d) R&D Activities

In Japan and overseas, the Group is actively engaged in prescription pharmaceutical R&D activities and is working to develop innovative products with global applications, focusing on the oncology field. 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) which conducts 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 R&D Taiwan Ltd. (Taiwan) are engaged in clinical development and submission of applications in their respective countries. PharmaLogicals Research Pte. Ltd. (Singapore) and jointly controlled business C&C Research Laboratories (South Korea) are engaged in pharmaceutical research and development.

Reference **Adoption of Core Results**

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

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

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

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

Clinical development activities in Japan

(i) Oncology

- We launched Zelboraf for the indication of unresectable melanoma with BRAF mutation in February, 2015.
- We started Phase III multinational studies for the engineered anti-PDL1 monoclonal antibody RG7446 for the expected indication of bladder cancer in January, renal cell carcinoma in June, adjuvant treatment for muscle invasive bladder cancer in November, and adjuvant treatment for NSCLC in December, all in 2015.
- We started a Phase II study in January and filed an application for approval for Avastin for the expected indication of cervical cancer in September, 2015. We also started a Phase III multinational study (expected indication: renal cell carcinoma) in June, 2015.
- We started a Phase I study (expected indication: solid tumors) for the AKT inhibitor RG7440 in June, 2015.
- We filed an application for Alecensa in July and obtained approval in December in the US for the indication of anaplastic lymphoma kinase (ALK) positive, metastatic non-small cell lung cancer (NSCLC) who have progressed on or those intolerant to crizotinib in 2015. Application was filed in Europe for the same indication in September, 2015.
- We obtained approval for the antimetabolite, 5-FU derivative, RG340 (product name: Xeloda) for the indication of adjuvant treatment for gastric cancer in November, 2015.
- We decided to discontinue development of the PI3K inhibitor, RG7321 in consideration of Roche's decision to remove the project from the pipeline. A Phase I study had been in progress for solid tumors.
- We decided to discontinue development of Kadcyla for gastric cancer in consideration of the fact that the primary endpoint was not achieved in the multinational Phase III study (the GATSBY study).

(ii) Bone and Joint Diseases

- We filed an application for the expected indication of osteoporosis for Bonviva (oral) in February, 2015.
- We started a Phase III study (expected indication: osteoporosis) for Edirol in China in August, 2015.

(iii) Renal diseases

- We started a Phase I study (expected indication: hyperphosphatemia) for EOS789 in September, 2015.

(iv) Autoimmune Diseases

- We started a multinational Phase III study (expected indication: systemic sclerosis) for Actemra (product name in Europe: RoACTEMRA) in November, 2015.

(v) Central Nervous System

- We decided to discontinue development of the mGluR5 antagonist RG7090 in consideration of results from a global Phase II study for major depression.
- We decided to discontinue development of the MAO-B inhibitor RG1577 in consideration of results from overseas studies conducted by Roche for Alzheimer's disease.

(vi) Others

- We started a Phase I study (expected indication: hypoparathyroidism) for the PTH1 receptor agonist PCO371 in June, 2015.
- We started a Phase II study (expected indication: pruritus in dialysis patients) for the anti-IL31 humanized receptor antibody CIM 331 in September, 2015.
- We started a multinational Phase III study (expected indication: hemophioia A) for the anti-FIXa/FX bispecific antibody ACE910/RG6013 in November, 2015.

Reference Status of clinical development (as of December 31, 2014)

Development code / Generic name / Product name / Dosage form	Expected indication	Developed	Stage (Time): Phase I	Phase II	Phase III	Filing	Approval	Launch
Oncology field								
RG7204 vemurafenib / zelboraf / Oral	Malignant melanoma	Japan						(February)
RG340 capecitabine / Xeloda / Oral	Gastric cancer (adjuvant) (additional indication)	Japan					(November)	
AF802 / RG7853 alectinib / Alecensa / Oral	Non-small cell lung cancer (NSCLC) [post-crizotinib]	U.S.A.					(December)	
		Europe				(September)		
	Non-small cell lung cancer [1st line]	Over-seas						
RG435 bevacizumab / Avastin / Injection	Cervical cancer (additional indication)	Japan				(September)		
	Renal cell carcinoma (additional indication)	*						
RG1273 pertuzumab / Perjeta / Injection	Breast cancer (adjuvant) (additional indication)	*						
	Gastric cancer (additional indication)	*						
RG3502 trastuzumab emtansine / Kadcyla / Injection	Breast cancer (adjuvant) (additional indication)	*						
GA101 / RG7159 obinutuzumab / Product name undetermined / Injection	Indolent non-Hodgkin's lymphoma (NHL)	*						
	Aggressive NHL	*						
RG7446 atezolizumab / Product name undetermined / Injection	NSCLC	*						
	NSCLC (adjuvant)							
	Bladder cancer	*						
	Muscle Invasive bladder Cancer (adjuvant)							
	Renal cell carcinoma	*						
GC33 / RG7686 Generic name undetermined / Product name undetermined / Injection	Hepatocellular carcinoma	*						
CKI27 / RG7304 Generic name undetermined / Product name undetermined / Oral	Solid tumors	Japan						
		Over-seas						
RG7596 polatuzumab vedotin / Product name undetermined / Injection	NHL	Japan						
RG7604 taselisib / Product name undetermined / Oral	Solid tumors	Japan						
RG7440 ipatasertib / Product name undetermined / Oral	Solid tumors	Japan						
Bone and Joint Diseases field								
RG484 ibandronic acid / Bonviva / Oral	Osteoporosis	Japan				(February)		
ED-71 eldecalcitol / Edirol / Oral	Osteoporosis	China						

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

* : Multinational study : Change in status in January 2015 and thereafter

Development code Generic name / Product name / Dosage form	Expected indication	Location	Stage (Time) Phase I / Phase II / Phase III / Filing / Approval / Launch
Renal Diseases field			
EOS789 Generic name undetermined / Product name undetermined / Oral	Hyperphosphatemia	Japan	
Autoimmune Diseases field			
MRA / RG1569 tocilizumab / Actemra / Injection	Large-vessel vasculitis (additional indication)	Japan	
	Giant cell arteritis (additional indication)	Over-seas	
	Systemic sclerosis (additional indication)	*	
SA237 Generic name undetermined / Product name undetermined / Injection	Neuromyelitis optica	*	
Central Nervous System field			
RG1450 gantenerumab / Product name undetermined / Injection	Alzheimer's disease	*	
RG1662 basmisanil / Product name undetermined / Oral	Improvement of intellectual ability in individuals with Down syndrome	Japan	
Respiratory Diseases field			
RG3637 lebrikizumab / Product name undetermined / Injection	Asthma	*	
	Idiopathic pulmonary fibrosis	*	
Other fields			
ACE910 / RG6013 emicizumab / Product name undetermined /Injection	Hemophilia A	*	
CIM331 nemolizumab / Product name undetermined /Injection	Atopic dermatitis	*	
	Pruritus in dialysis	Japan	
URC102 Generic name undetermined / Product name undetermined / Oral	Gout	Over-seas	
PCO371 Generic name undetermined / Product name undetermined / Oral	Hypoparathyroidism	Over-seas	

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.

1 Basic research

Identify target molecules on which the drug could act, design several new compounds with structures suitable for the target molecules, and evaluate the potential to become a drug.

⇒

2 Nonclinical (preclinical) trial

Evaluate drug efficacy and toxicity of new compounds that have the potential to become a drug, as well as pharmacokinetics (absorption, distribution, metabolism, and excretion) to select drug candidate compounds for clinical development.

⇒

3 Clinical trial

- **Phase I clinical trial**: Evaluate safety and pharmacokinetics on a small number of healthy volunteers with consent (or patients for certain fields and diseases).
- **Phase II clinical trial**: Confirm effective and safe dosage and administration of the drug on a small number of patients with consent.
- **Phase III clinical trial**: Evaluate drug efficacy and safety on a large number of patients with consent by comparing with existing drugs, etc.

⇒

4 Filing for regulatory approval ⇒ **5 Review** ⇒ **6 Approval** ⇒ **Launch**

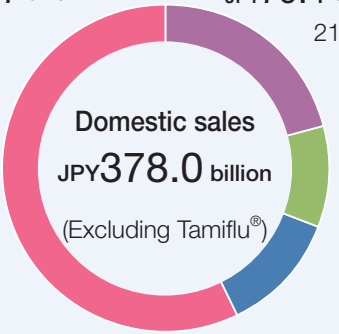
Reference Main Products by Therapeutic Field

Avastin®	Anti-cancer agent
Herceptin®	Anti-cancer agent
Rituxan®	Anti-cancer agent
Tarceva®	Anti-cancer agent
Xeloda®	Anti-cancer agent
Perjeta®	Anti-cancer agent
Kadcyla®	Anti-cancer agent
Alecensa®	Anti-cancer agent
Neutrogin®	Agent for neutropenia associated with chemotherapy
Zelboraf®	Anti-cancer agent

Avastin®

Actemra®	Rheumatoid arthritis agent
Edirol®	Osteoporosis agent
Suvenyl®	Agent for joint function improvement
Bonviva®	Osteoporosis agent
Alfarol®	Agent that improves calcium and bone metabolism

Actemra®



Oncology field

JPY215.7 billion

57.1%

Bone and joint diseases field

JPY79.4 billion

21.0%

Renal diseases field

JPY45.4 billion

12.0%

Other fields

JPY37.6 billion

9.9%

Mircera®

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

(including transplant, immunology and infectious diseases field)

Sigmart®

CellCept®	Immunosuppressant
Pegasys®	Peginterferon-α-2a agent
Copegus®	Anti-viral agent
Sigmart®	Anti-anginal agent
Tamiflu®	Anti-influenza agent

(2) 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 JPY28.7 billion. Such expenditures mainly consisted of investments in the high-mix low-volume production of antibody API for initial commercial products at the Ukima Plant and high-mix low-volume production of pre-filled syringe form products (installment of tray filler) at the Utsunomiya Plant as well as yield improvement of Actemra SC drug substance and ensuring steady supply by dual sourcing production in Japan and the U.S. (renovation of bio-agents manufacturing wing UT1).

(3) Financing

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

(4) Assignment of Business, etc.

In the fiscal year under review, the Group conducted none of such undertakings as assignment 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.

(5) Future Tasks

a) Basic Management Principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Group 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 Japanese pharmaceutical company which provides a continuous flow of innovative new medicines domestically and internationally" as its fundamental management objective.

As the Group works to achieve these goals, it will carry out its business activities in line with its core values of "putting patients and customers first" and "committing to the highest ethical and moral standards as befits a corporate group involved in the healthcare industry." Under these basic management principles, the Group is making continuous efforts to pursue innovation in line with the philosophy "Innovation all for the patients." In addition, by progressively increasing business efficiency, the Group is aiming to meet the expectations of patients, medical care professionals, shareholders, and other stakeholders and realize its objective of becoming a top pharmaceutical company.

b) Results under the Medium-Term Business Plan "ACCEL 15"

Having formulated its Medium-Term Business Plan "ACCEL 15," which covers the period from fiscal year 2013 to fiscal year 2015, the Group moved ahead with reform measures related to the following four issues in order to expeditiously realize its objective of becoming a top pharmaceutical company.

(i) Increasing marketing productivity

Under ACCEL 15, the Group delivered highly specialized information making use of Avastin, Actemra, and numerous other new drugs developed in-house or licensed-in from Roche, and has achieved sales growth significantly above the market average. As a result, the Group's domestic MR productivity (sales per MR) has improved 22% compared to 2012, reaching the top level in the industry.

(ii) Accelerating global development

Alecensa, which is expected to succeed Actemra as a major global product, was licensed to Roche, and, by the end of 2015, had been authorized and launched in the United States, and submission of application had been completed in Europe. The Group has also made steady progress in development aimed at future advances, including the initiation of the Phase III clinical trial for ACE910, a strong potential driver of future growth.

(iii) Continuously generating innovative projects

During ACCEL 15, the Group further strengthened its development pipeline with the start of clinical trials for three new products developed in-house, in addition to moving ahead with the licensing-in of innovative projects such as RG7446 (atezolizumab) from Roche.

In addition, the Group is making good use of Singapore-based Chugai Pharmabody Research Pte. Ltd., established in 2012, where approximately 20 research projects based on innovative antibody engineering technologies are progressing steadily.

(iv) Further strengthening the management foundation

Pursuant to the basic agreement on the strategic alliance concluded between the Group and Roche, Chugai and Roche have agreed to the terms and conditions under which they may mutually license-in and license-out their products. In August 2014, the business arrangement regarding the terms and conditions for licensing-out of Chugai products was amended. As a result, the Group has created a system that enhances its functions by concentrating resources on early global development, while utilizing Roche's development and marketing capabilities to maximize product potential in overseas markets. At the same time, the Group has prepared the foundation for carrying out development that is world-class in quality and speed, through measures such as strengthening the investigational drug supply system.

The Group pressed ahead with substantial reinforcement of its base in each functional area including drug discovery, medical affairs, and safety information, while simultaneously pursuing prioritization and greater efficiency in company-wide allocation of resources with a view to further improvement in productivity.

As a result of these efforts, the Group has seen extremely favorable results. From 2012 to 2015, the final year of ACCEL 15, the Core EPS CAGR (at the average constant exchange rate for 2012) was 18%, far above the mid-to-high single-digit range initially forecast.

c) Medium-to-Long-Term Business Strategy and Tasks

Amid increasing needs for pharmaceuticals due to an increase in the world population and progressive demographic graying in each country, how to realize sustainable medical care with limited resources has become a common issue in the world. While the dramatic progress of life sciences and ICT has expanded opportunities to generate innovation for solving medical issues, competition among companies to speedily realize innovation has intensified more than ever. In addition, amid mounting pressure to curb drug costs against the backdrop of financial difficulties in each country, extremely harsh measures to suppress prices are expected to be adopted especially in the Japanese market.

Through its previous Medium-Term Business Plan "ACCEL 15," the Group has achieved top-class growth in Japan and top share of the domestic oncology market based on numerous innovative new medicines. As for the R&D activities, the Group has also achieved a number of results such as building a strong development pipeline by means of leading-edge in-house drug discovery capabilities, such as antibody engineering technologies, and a wealth of development compounds from Roche. In late-stage development, there are many new leading drug candidates such as ACE910 (expected indication: hemophilia A) discovered in-house and immuno-checkpoint inhibitor RG7446 atezolizumab for which development is in progress for several cancer types. These drugs, as the growth driver, have enabled the Group to make a rapid progress. On the other hand, during the next several years until the new growth driver products make a contribution in earnest, the pace of sales growth is expected to slow down more than before due to substantial drug price reductions for existing major products.

Amid such a mixture of opportunities and threats, the Group formulated its new Medium-Term Business Plan "IBI 18," which covers the period from fiscal year 2016 through fiscal year 2018, and commenced new initiatives to aim to transform into a company that continues making progress globally through demonstration of its competitive strengths by

leveraging its strategic alliance with Roche. The name of the new Medium-Term Business Plan "IBI 18" reflects our commitment to thoroughly pursue innovation captured in the slogan "Innovation Beyond Imagination" toward 2018, the final year of the plan.

The Group will focus on issues in the following fields in line with "IBI 18," based on the two priority themes of "acquisition and implementation of competitiveness at a global top level" and "selection and concentration strategy for acceleration of growth."

(i) Drug discovery

The Group has moved ahead with the generation of innovative drugs in both biopharmaceuticals and low-molecular-weight drugs. Efforts in the biopharmaceutical field have been successful, leading to the world's most-advanced results with respect to the establishment of antibody engineering technologies such as recycling antibody and sweeping antibody technologies. Regarding low-molecular-weight drugs as well, the Group has successfully supplemented its own accumulated technologies with Roche's compound library to achieve a dramatic reinforcement of its drug discovery base.

The Group's drug discovery capabilities have been highly rated worldwide, with three drugs developed by Chugai being designated as Breakthrough Therapy by the U.S. Food and Drug Administration (FDA).

Under "IBI 18," the Group will make priority investment in the world's leading-edge antibody engineering technologies to further accelerate the generation of innovative R&D projects. In addition, the Group will define technology relating to middle molecules as the candidate for next-generation core technology following low-molecular-weight drugs and antibody engineering, and aim at the establishment of technologies through concentrated investment and early generation of R&D projects. Furthermore, through cooperation with academic institutions and collaboration with Roche in the molecular information field, the Group will work to strengthen its research foundation with emphasis on oncology and immunology.

Going forward, the Group will leverage these innovative drug discovery technologies and drug discovery research systems to seek to continuously generate first-in-class and best-in-class pharmaceutical products.

(ii) Development

The Group holds a development pipeline well-stocked with items generated by its own research units as well as items obtained from Roche. The Group has concentrated its own global development resources in the early development stage by utilizing the unique business model resulting from the strategic alliance with Roche, and moved ahead with efficient activities linked to global clinical development trials in domestic development, leading to achievement of a high level of R&D productivity.

Under "IBI 18," the Group will give top priority to allocating resources to development and promotion of medical plans for ACE910 and RG7446 (atezolizumab), which are expected to play a key role in dramatic growth in the future with a view to obtaining early approval and building evidence. In addition, regarding global development projects comprising numerous products developed in-house, the Group will press ahead with early development with global top-class quality and speed under the promotion system for Translational Clinical Research (TCR) centered on three regions, namely Japan, the United States and Europe.

In order to promptly push ahead with global late-stage development of Chugai's drug discovery and development projects and market penetration in cooperation with Roche, where the Group licenses out products, or a third party, it is extremely vital to prove that Chugai's projects are attractive and show great potential both medically and economically by the completion phase of early development. To this end, the Group will also make efforts to strengthen the systems for generating and accumulating evidence through collaboration under a strategy for which the functions are integrated from the drug discovery stage.

(iii) Drug manufacturing

The Group has advanced manufacturing technologies such as biopharmaceuticals and stably supplies highly reliable pharmaceuticals. Going forward, the promotion of global simultaneous

development of multiple products and accelerated market launches of many Chugai's creation and R&D projects and the further enhancement of cost competitiveness are critical challenges.

Under "IBI 18," the Group will move ahead with setting up a flexible system for facilities and staff that supplies investigational new drugs in a timely manner for promptly carrying out global simultaneous development of multiple products. At the same time, the Group will work to further strengthen manufacturing technologies for R&D projects with a high degree of difficulty in formulation such as middle molecule drugs.

In addition, in order to realize high-value-added, low-cost manufacturing, the Group will promptly set up a production system that takes an integrated approach to the processes from late-stage development to early-stage production, and enhance quality control, quality assurance and regulatory functions that accurately respond to the trends of major global markets.

(iv) Marketing, medical affairs and safety

Amid the major challenge of providing sustainable medical care, the medical care provision environment has started to change significantly for the realization of optimal patient-centered medical care.

By effectively making the most of Avastin, Actemra, and numerous other promising new products developed in-house or licensed-in from Roche, the Group has been building solid presences in the markets it entered for drugs in the oncology, renal disease, bone and joint disease, rheumatoid disease fields as well as other fields.

Going forward, it will be a critical challenge to further strengthen the system for providing solutions to meet the sophisticated and diversified needs of patients, medical care professionals, and other stakeholders while utilizing such foundation.

Under "IBI 18," the Group will move ahead with providing sophisticated information and resolving medical issues through the separation and collaboration of functions centered on marketing, medical affairs and safety by conducting activities focused on growth driver products such as Actemra, ACE910 and RG7446 (atezolizumab) in Japan and overseas. By doing so, the Group will aim to contribute to the realization of optimal medical care and accelerate its growth.

At the same time, the Group will work to establish a system for building and executing strategies by cross-functional teams for each area in order to push ahead with the provision of solutions according to the various characteristics of each country and region.

(v) Companywide initiatives

In dealing with the challenges mentioned so far, human resources that can drive innovation while responding to a rapidly changing environment would be extremely important.

Under "IBI 18," the Group will focus on human resources as the most important theme for strengthening the foundation throughout the Company and move ahead with selecting positions for focusing reinforcement in order to accelerate innovation, while obtaining, nurturing and assigning the right person in the right job.

In addition, the Group will continue to work on ensuring thorough compliance based on the highest ethical and moral standards as befits a corporate group involved in the healthcare industry and pursuing improvement of productivity.

By means of these initiatives, the Group will seek to increase the value it provides to shareholders and all other stakeholders as it proceeds towards its objective of becoming a top pharmaceutical company.

During the period from 2015 through 2018, the final year of the Medium-Term Business Plan, the Group forecasts that it will achieve Core EPS CAGR (at the average constant exchange rate for 2015) at a low single-digit rate (up to 3% range).

(6) Asset and Income Status, etc.

a) Asset and Income Status

IFRS

Item	FY 2012	FY 2013	FY 2014	FY 2015
Revenues (JPY billion)	386.6	423.7	461.1	**498.8**
Operating profit (JPY billion)	74.7	78.7	75.9	**86.8**
Net income attributable to Chugai shareholders (JPY billion)	46.1	50.9	51.0	**61.1**
Total assets (JPY billion)	645.3	697.2	739.5	**787.4**
Total equity (JPY billion)	529.2	573.2	597.8	**627.3**
Basic earnings per share (JPY)	84.62	93.47	93.53	**112.00**
Equity per share attributable to Chugai shareholders (JPY)	970.08	1,049.47	1,092.90	**1,146.17**

JGAAP

Item	FY 2012	FY 2013	FY 2014	FY 2015
Revenues (JPY billion)	391.2	–	–	**–**
Operating income (JPY billion)	76.4	–	–	**–**
Net income (JPY billion)	48.2	–	–	**–**
Total assets (JPY billion)	587.7	–	–	**–**
Net assets (JPY billion)	490.1	–	–	**–**
Net income per share (JPY)	88.58	–	–	**–**
Net assets per share (JPY)	896.02	–	–	**–**

(Note) The consolidated financial statements, starting from the fiscal year 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of Ordinance of Company Accounting. In addition, the results for the fiscal year 2012 have also been prepared in accordance with IFRS for reference purposes.

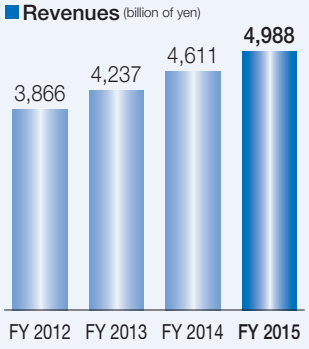
b) Core Results Status

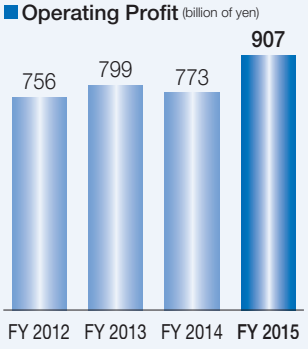
Item	FY 2012	FY 2013	FY 2014	FY 2015
Gross profit (JPY billion)	219.3	237.6	244.2	**260.0**
Operating profit (JPY billion)	75.6	79.9	77.3	**90.7**
Net income (JPY billion)	47.4	52.6	53.0	**64.9**
Net income attributable to Chugai shareholders (JPY billion)	46.6	51.6	51.9	**63.7**
Core EPS (JPY)	85.64	94.69	95.04	**116.42**
Research and development (JPY billion)	66.6	74.1	80.6	**81.9**

(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.

Reference **Key Performance Indicators (Core Results)**





c) Other Significant Performance Indicators

IFRS

Item	FY 2012	FY 2013	FY 2014	FY 2015
Ratio of equity attributable to Chugai shareholders (%)	81.8	82.0	80.6	**79.5**
Ratio of net income to equity attributable to Chugai shareholders (%)	9.0	9.3	8.7	**10.0**
Price-earnings ratio (times)	19.51	24.88	31.69	**37.86**
Dividends per share (JPY)	40.00	45.00	48.00	**58.00**
Core dividend payout ratio (%)	46.7	47.5	50.5	**49.8**

JGAAP

Item	FY 2012	FY 2013	FY 2014	FY 2015
Shareholders' equity to total assets (%)	83.0	–	–	**–**
Return on equity (%)	10.2	–	–	**–**
Price-earnings ratio (times)	18.64	–	–	**–**
Cash dividends per share (JPY)	40.00	–	–	**–**
Payout ratio (%)	45.2	–	–	**–**

(Notes) 1. The consolidated financial statements, starting from the fiscal year 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of Ordinance of Company Accounting. In addition, the results for the fiscal year 2012 have also been prepared in accordance with IFRS for reference purposes.

2. The amount of dividends per share for fiscal year 2015 is conditional on the approval of the First Proposal (Appropriation of Surplus) proposed at the 105th Annual General Meeting of Shareholders for the Business Term ended December 31, 2015, and the dividend payout ratio has been calculated based on this amount.

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

(7) Main Businesses (as of December 31, 2015)

The main businesses of the Chugai Group include the research, development, manufacturing, sale, importation and exportation of the pharmaceuticals.

(8) Principal Sales Offices, Plants and Research Laboratories (as of December 31, 2015)

[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. Sapporo Branch
4. Sendai Branch
5. Tokyo Branch 1
6. Tokyo Branch 2 (Saitama Pref.)
7. Yokohama Branch
8. Nagoya Branch
9. Kyoto Branch
10. Osaka Branch
11. Hiroshima Branch
12. Takamatsu Branch
13. Fukuoka Branch

<Research & Development>

14. Fuji-Gotemba Research Laboratories (Shizuoka Pref.)
15. Kamakura Research Laboratories (Kanagawa Pref.)
16. Ukima Research Laboratories (Tokyo)

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

17. Utsunomiya Plant (Tochigi Pref.)
18. Ukima Plant (Tokyo)
19. Fujieda Plant (Shizuoka Pref.)

[Overseas]

<Sales subsidiaries/Research & Development>

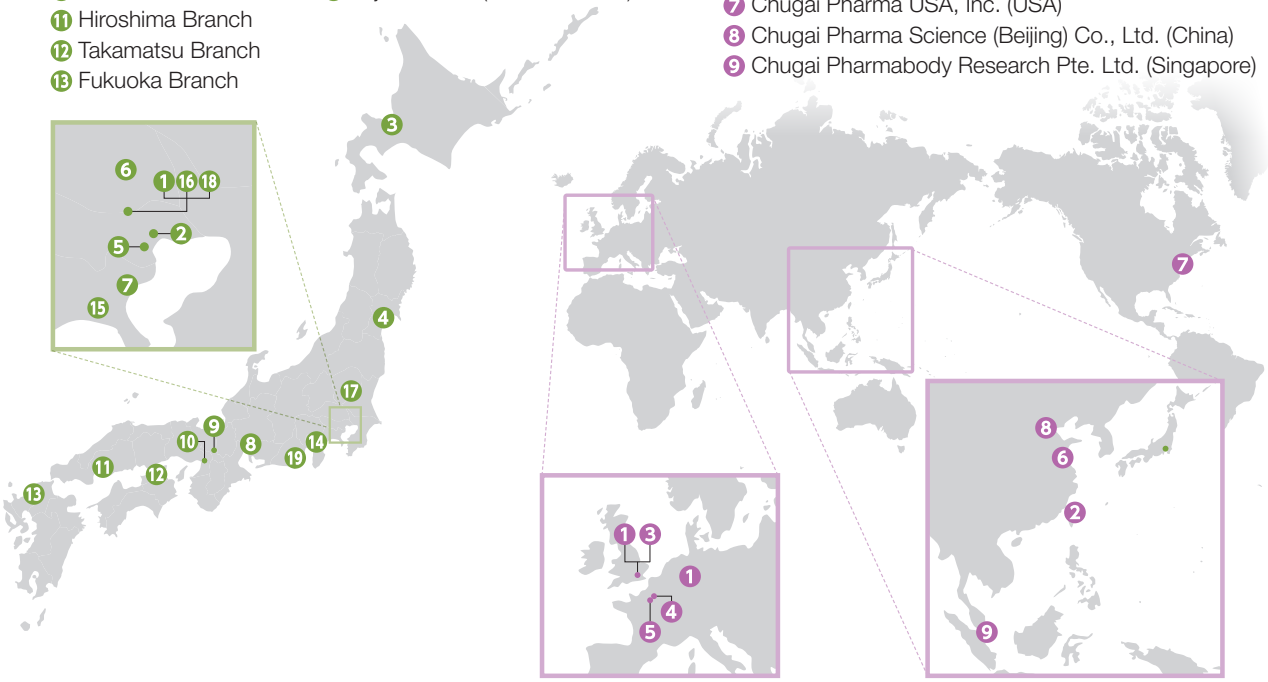
1. Chugai Pharma Europe Ltd. (UK, Germany)
2. Chugai Pharma Taiwan Ltd. (Taiwan)

<Sales subsidiaries>

3. Chugai Pharma U.K. Ltd. (UK)
4. Chugai Pharma France S.A.S. (France)
5. Chugai sanofi-aventis S.N.C. (France)
6. Chugai Pharma China Co., Ltd. (China)

<Research & Development>

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



(9) Employees (as of December 31, 2015)

Number of employees	Increase/decrease since end of previous fiscal year
7,169 persons	146 persons (Increase)

(Note) The number of employees above represents the number of persons in employment. The number of persons in employment excludes individuals seconded from the Chugai Group to outside the Group, but includes individuals seconded to the Chugai 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 61.39% 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 10 Directors of the Company, 2 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 of pharmaceuticals

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

During the fiscal year under review, the former Chugai Pharma Marketing Ltd. changed its company name to Chugai Pharma Europe Ltd. after the business of the former Chugai Pharma Europe Ltd. was transferred to the former Chugai Pharma Marketing Ltd. In addition, the former Chugai Pharma Europe Ltd. changed its company name to Chugai Pharma Development Ltd.

(11) Other Important Matters of the Group

There is no applicable information.

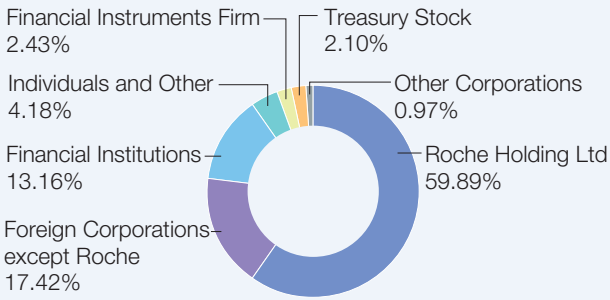
2 Company's Shares (as of December 31, 2015)

(1) Total Number of Authorized Shares 799,805,050 shares

(2) Total Number of the Issued Shares 559,685,889 shares
(Includes 13,641,743 shares of treasury stock)

(3) Number of Shareholders 25,249 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	61.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,857	3.63
Japan Trustee Services Bank, Ltd. (Trust Account)	17,244	3.15
JP MORGAN CHASE BANK 385147	8,495	1.55
JP MORGAN CHASE BANK 380055	6,374	1.16
Goldman Sachs and Company Regular Account	3,660	0.67
STATE STREET BANK WEST CLIENT - TREATY 505234	3,644	0.66
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	3,594	0.65
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,282	0.60
THE BANK OF NEW YORK MELLON SA/NV 10	3,232	0.59

(Notes) 1. The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 13,641 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

There is no applicable information.

3 Company's Stock Acquisition Rights, etc.

(1) Stock Acquisition Rights Held by Corporate Officers (as of December 31, 2015)

a) Common Stock Option

In order to increase the Company Group's corporate value by enhancing the Directors' motivation and morale leading to the growth of the business results of the Company, and by securing superior human resources, the Company issues stock acquisition rights as common stock options.

Name (Issuance date)	Number of rights issued	Type and number of shares issued	Amount payable upon exercise per stock acquisition right	Period for exercise	Stock acquisition rights held by Corporate Officers	
					Directors	Audit & Supervisory Board Members
Fourth issue of stock acquisition rights (April 3, 2006)	679 units	67,900 shares of the Company's common stock	JPY224,500	From April 3, 2006 to March 23, 2016	151 units (two persons)	–
Fifth issue of stock acquisition rights (April 9, 2007)	1,534 units	153,400 shares of the Company's common stock	JPY303,900	From April 9, 2007 to March 23, 2017	203 units (four persons)	50 units (two persons)
Sixth issue of stock acquisition rights (April 9, 2009)	1,007 units	100,700 shares of the Company's common stock	JPY169,600	From April 9, 2009 to March 25, 2019	217 units (two persons)	40 units (one person)
Seventh issue of stock acquisition rights (May 11, 2010)	1,162 units	116,200 shares of the Company's common stock	JPY188,100	From May 11, 2010 to April 23, 2020	324 units (three persons)	80 units (two persons)
Eighth issue of stock acquisition rights (June 14, 2011)	1,171 units	117,100 shares of the Company's common stock	JPY139,700	From June 14, 2011 to May 27, 2021	391 units (two persons)	–
Ninth issue of stock acquisition rights (May 10, 2012)	2,214 units	221,400 shares of the Company's common stock	JPY152,800	From May 10, 2012 to April 24, 2022	1,104 units (four persons)	40 units (one person)
Tenth issue of stock acquisition rights (May 13, 2013)	2,017 units	201,700 shares of the Company's common stock	JPY250,000	From May 13, 2013 to April 25, 2023	574 units (four persons)	50 units (one person)
Eleventh issue of stock acquisition rights (May 12, 2014)	3,100 units	310,000 shares of the Company's common stock	JPY267,400	From May 12, 2014 to April 24, 2024	1,450 units (five persons)	50 units (one person)
Twelfth issue of stock acquisition rights (May 11, 2015)	2,814 units	281,400 shares of the Company's common stock	JPY400,700	From May 11, 2015 to April 22, 2025	1,064 units (five persons)	–

(Notes) 1. The number of shares per stock acquisition right shall be 100 shares.
2. Notwithstanding the aforementioned exercise periods, the Stock Acquisition Right Granting Agreement concluded with each holder of stock acquisition rights offered as a common stock option stipulates that the stock acquisition rights are not exercisable for approximately two years from their respective issuance resolution dates.
3. These stock acquisition rights are not allotted to Outside Directors and Audit & Supervisory Board Members (Outside). "Stock acquisition rights held by Corporate Officers" indicated above include stock acquisition rights allotted prior to their appointment as Director or Audit & Supervisory Board Member.

b) Stock Option as Stock-Based Compensation

Stock acquisition rights are issued in the form of stock options as stock-based compensation to the Company's Directors for the purpose of further clarifying the link between the compensation to the Company's Directors and the Company's business performance/value of its shares, and making the Company's Directors share not only the benefits of higher share prices but also the risks of lower share prices with shareholders.

Name (Issuance date)	Number of rights issued	Type and number of shares issued	Amount payable upon exercise per stock acquisition right	Period for exercise	Stock acquisition rights held by Directors
2009 issue of stock acquisition rights (May 11, 2009)	519 units	51,900 shares of the Company's common stock	JPY100	From May 11, 2009 to April 24, 2039	519 units (two persons)
2010 issue of stock acquisition rights (May 11, 2010)	579 units	57,900 shares of the Company's common stock	JPY100	From May 11, 2010 to April 23, 2040	579 units (three persons)
2011 issue of stock acquisition rights (June 14, 2011)	672 units	67,200 shares of the Company's common stock	JPY100	From June 14, 2011 to May 27, 2041	672 units (three persons)
2012 issue of stock acquisition rights (May 10, 2012)	723 units	72,300 shares of the Company's common stock	JPY100	From May 10, 2012 to April 24, 2042	723 units (four persons)
2013 issue of stock acquisition rights (May 13, 2013)	457 units	45,700 shares of the Company's common stock	JPY100	From May 13, 2013 to April 25, 2043	457 units (four persons)
2014 issue of stock acquisition rights (May 12, 2014)	461 units	46,100 shares of the Company's common stock	JPY100	From May 12, 2014 to April 24, 2044	461 units (five persons)
2015 issue of stock acquisition rights (May 11, 2015)	313 units	31,300 shares of the Company's common stock	JPY100	From May 11, 2015 to April 22, 2045	313 units (five persons)

(Notes) 1. The number of shares per stock acquisition right shall be 100 shares.
2. The Stock Acquisition Right Granting Agreement concluded with each holder of stock acquisition rights offered as a stock option as stock-based compensation stipulates that the stock acquisition rights are exercisable only within ten days counting from the day immediately following the day he/she loses the position of Director in the Company.
3. These stock acquisition rights are not allotted to Outside Directors and Audit & Supervisory Board Members (Outside).

(2) Overview of Stock Acquisition Rights Issued to Company's Employees and Others during the Fiscal Year under Review, etc.

Common stock option

Name (Issuance date)	Number of rights issued	Type and number of shares issued	Amount payable upon exercise per stock acquisition right	Period for exercise	Stock acquisition rights held
Twelfth issue of stock acquisition rights (May 11, 2015)	2,814 units	281,400 shares of the Company's common stock	JPY400,700	From May 11, 2015 to April 22, 2025	Employees of Company 1,730 units (104 persons)
					Employees of Company's subsidiaries 20 units (two persons)

(Notes) 1. The number of shares per stock acquisition right shall be 100 shares.
2. Notwithstanding the aforementioned exercise period, the Stock Acquisition Right Granting Agreement concluded with each holder of stock acquisition rights offered as a common stock option stipulates that the stock acquisition rights are not exercisable for approximately two years from the issuance resolution date.

(3) Other Important Matters on Stock Acquisition Rights, etc.

There is no applicable information.

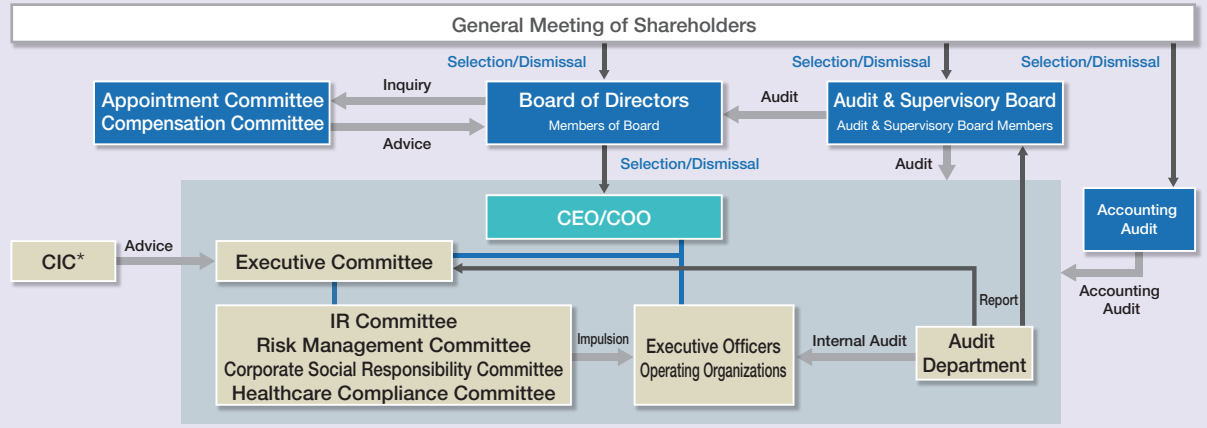
4 Company's Officers

(1) 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 "as a most important member of the Roche Group, becoming a top Japanese pharmaceutical company which provides a continuous flow of innovative new medicines domestically and internationally" 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.

Reference Chugai's Corporate Governance System



* 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.

(2) Directors and Audit & Supervisory Board Members (as of December 31, 2015)

Position	Name	Responsibilities and other important concurrent positions
Representative Director, Chairman	Osamu Nagayama	CEO Chairman (Outside Director) of SONY CORPORATION
Representative Director, Deputy Chairman	Motoo Ueno	Corporate Social Responsibility, Audit
Representative Director, President	Tatsuro Kosaka	COO
Director, Executive Vice President	Yoshio Itaya	CFO, General Manager of Finance Supervisory Div. and in charge of IT Supervisory Div.
Director, Executive Vice President	Yutaka Tanaka	In charge of Project & Lifecycle Management, Quality & Regulatory Compliance, Research, Translational Clinical Research, Clinical Development, Drug Safety and Medical Affairs
Director (Outside)	Yasuo Ikeda	Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation Chairman of Japanese Medical Specialty Board
Director (Outside)	Masayuki Oku	Chairman of Sumitomo Mitsui Financial Group, Inc. Outside Director of Kao Corporation Outside Director of KOMATSU LTD. Outside Director of Panasonic Corporation Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. Non-Executive Director of Bank of East Asia (China)
Director (Outside)	Franz B. Humer	Non-Executive Chairman of Diageo Plc (UK)
Director (Outside)	Daniel O'Day	COO of Roche Pharmaceuticals Division, Member of the Corporate Executive Committee and Member of the Genentech (USA) Board of Directors
Director (Outside)	Sophie Kornowski-Bonnet	Head of Roche Partnering and Member of Roche's Enlarged Corporate Executive Committee
Audit & Supervisory Board Member (Full-time)	Kunitoshi Watanabe	
Audit & Supervisory Board Member (Full-time)	Shunji Yokoyama	
Audit & Supervisory Board Member (Outside)	Hisashi Hara	General Representative of the Asia-Pacific region, The Law Office of Nagashima Ohno & Tsunematsu
Audit & Supervisory Board Member (Outside)	Michio Ishizuka	Michio Ishizuka Certified Public Accountant office

(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	Mitsuo Ohashi (retirement due to expiration of term in office on March 26, 2015)
Audit & Supervisory Board Member	Kotaro Miwa (retirement due to expiration of term in office on March 26, 2015)

<Newly appointed>

Director	Masayuki Oku (assumed office on March 26, 2015)
Audit & Supervisory Board Member	Shunji Yokoyama (assumed office on March 26, 2015)

2. Audit & Supervisory Board Member Michio Ishizuka is a Certified Public Accountant and has considerable expertise in finance and accounting.
3. The Company designated Directors Yasuo Ikeda and Masayuki Oku and Audit & Supervisory Board Member Michio Ishizuka as independent officers as stipulated under the Tokyo Stock Exchange guideline, and registered them as such at the exchange.

(3) Outside Corporate Officers

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

- The relationship between the Company and the Roche Group (including Genentech (USA)), where Directors Daniel O'Day and Sophie Kornowski-Bonnet concurrently serve, is as stated in "1. Overview of Consolidated Business Activities (10) Parent Company and Principal Subsidiaries" above.
- The Company is engaged in regular banking transactions such as depositing of funds with Sumitomo Mitsui Banking Corporation, a member company of the Sumitomo Mitsui Financial Group, where Director Masayuki Oku concurrently serves.
- 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	8 out of 8 meetings (100%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a physician and professor.
Outside Directors	Masayuki Oku	6 out of 6 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 Directors	Franz B. Humer	4 out of 8 meetings (50.0%)	—	Made suggestions and advice, etc. on the Company's management as necessary based on his extensive knowledge, experience, etc. as a corporate manager of a global pharmaceutical company, etc.
Outside Directors	Daniel O'Day	7 out of 8 meetings (87.5%)	—	Made suggestions and advice, etc. on the Company's management as necessary from a global perspective as a member of management of the Roche Group.
Outside Directors	Sophie Kornowski-Bonnet	7 out of 8 meetings (87.5%)	—	Made suggestions and advice, etc. on the Company's management as necessary from a global perspective as a member of management of the Roche Group.
Outside Audit & Supervisory Board Members	Hisashi Hara	8 out of 8 meetings (100%)	10 out of 10 meetings (100%)	Made comments, etc. on the Company's management as necessary based on his extensive experience, knowledge, etc. as an expert in corporate legal affairs (attorney-at-law).
Outside Audit & Supervisory Board Members	Michio Ishizuka	8 out of 8 meetings (100%)	10 out of 10 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).

(Note) The number of meetings attended by Director Masayuki Oku stated above refers to the number of meetings he attended after his assumption of office on March 26, 2015.

c) Content Overview of Limited Liability Agreement

With all Outside Directors and all Outside 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.

(4) Matters Concerning the 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.

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 Directors from Chugai consists of bonuses payable based on performance for each fiscal year and stock option granted as a long-term incentive linked to mid-and long-term performance (common stock option and stock option as stock-based compensation), in addition to regular remuneration as fixed remuneration. Remuneration for Outside Directors and Audit & Supervisory Board Members consists solely of regular remuneration as fixed remuneration.

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.

The retirement benefits system for Directors has been abolished by the resolution passed at the 98th Annual General Meeting of Shareholders held in March 2009, and the retirement benefits system for Outside Directors and Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) has been abolished by the resolution passed in the 95th Annual General Meeting of Shareholders held in March 2006.

Position	Total Remuneration, etc. (JPY million)	Total Amount by Type of Remuneration, etc. (JPY million)				Number of Eligible Officers
		Regular Remuneration	Bonuses	Common Stock Option	Stock Option as Stock-based Compensation	
Directors (Excluding Outside Directors)	772	302	238	117	115	6
Outside Directors	53	53	—	—	—	4
Total	825	593		117	115	10
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	63	63	—	—	—	3
Outside Audit & Supervisory Board Members	22	22	—	—	—	2
Total	85	85		—	—	5

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

2. The amount of remuneration, etc. (regular remuneration and bonuses) paid to all Directors was no more than JPY750 million per year as per the resolution passed in the 96th Annual General Meeting of Shareholders for the year ended December 31, 2006 held in March 2007.

Apart from this, the maximum amounts of compensation paid to Directors in the form of stock acquisition rights allocated as stock option are JPY125 million per year for common stock option and JPY150 million per year for stock option as stock-based compensation as per the resolution passed at the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008 held in March 2009.

3. The amount of remuneration for all Audit & Supervisory Board Members was no more than JPY100 million per year as per the resolution passed at the 95th Annual General Meeting of Shareholders for the year ended December 31, 2005 held in March 2006.

4. 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.
5. The amounts and the number of eligible officers of common stock option and stock option as stock-based compensation shown in the table above are the amounts that were posted as expenses for the fiscal year under review and the number of corporate officers eligible for the issue of said stock options.
6. In addition to the amounts of total remuneration, etc. shown in the table above, the following amount was paid as retirement benefits corresponding to the period from the time the officer assumed office to the abolishment of the retirement benefits system.
   One retired Outside Director JPY2 million
   A resolution was passed at the 98th Annual General Meeting of Shareholders for the year ended December 31, 2008 held in March 2009, to abolish the retirement benefits system for Directors with executive power, 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.
   Also, a resolution was passed at the 95th Annual General Meeting of Shareholders for the year ended December 2005 held in March 2006, to abolish the retirement benefits system for Directors and Audit & Supervisory Board Members with no executive power, and to pay retirement benefits corresponding to their residual term up to the abolishment of the system to each concerned Director and Audit & Supervisory Board Member remaining in office after the closing of the 95th Annual General Meeting of Shareholders for the year ended December 31, 2005, at the respective time of their retirement.
7. In the fiscal year under review, the amount of remuneration, etc., received by Outside Director Daniel O'Day as an officer from the parent company of the Company or subsidiaries of the said parent company totaled JPY1,161 million (converted into yen at the average exchange rate in the fiscal year under review).
8. In addition to the amounts of bonuses paid in the fiscal year under review shown in the table above, JPY6 million was paid as bonuses for the previous fiscal year to five Directors (excluding Outside Directors), in addition to JPY220 million in provision for reserve for bonuses to directors reported in the Business Report of the previous fiscal year.

(5) Other Important Matters Concerning Company's Officers

There is no applicable information.

5 Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of Fees, etc. Paid to Accounting Auditor in the Fiscal Year under Review

a) Amount of Fees, etc. as Accounting Auditor in the Fiscal Year under Review: JPY117 million

b) Total Amount of Cash and Other Proprietary Benefits Payable by the Company and its Subsidiaries: JPY132 million

(Notes)1. Based on the "Practical Guidelines for Coordination with Accounting Auditors" released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has verified and examined the contents of audit plans created by the Accounting Auditor, execution of duties of accounting audit, and calculation basis for fee estimates. As a result, the Audit & Supervisory Board agreed to the fees, etc. paid to the Accounting Auditor based on Article 399, Paragraph 1 of the Companies Act.
2. The amount of auditing fees is neither distinguished nor effectively distinguishable under the auditing agreement concluded between the Company and the Accounting Auditor with respect to audits under the Companies Act, audits under the Financial Instruments and Exchange Act and audits of financial statements reported by the Company as a consolidated subsidiary to the parent company. Therefore, the amount in a) represents the sum of the fees for such audits.
3. Among the Company's principal subsidiaries, Chugai Pharma Europe Ltd. is subject to audits (limited to those under the provisions of the Companies Act or the Financial Instruments and Exchange Law (including equivalent foreign laws and ordinances)) of financial statements (including equivalent documents) of a Certified Public Accountant or an auditing corporation other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).

(3) Policy for Determining Dismissal or Non-reappointment of Accounting Auditor

The Audit & Supervisory Board shall propose to the general meeting of shareholders, as the objective of such meeting, dismissing or not reappointing the Accounting Auditor, in cases where it is deemed difficult to have audits conducted properly if circumstances that undermine the Accounting Auditor's aptitude and independence have arisen.

Also, if any of the provisions of the subparagraphs of Article 340, Paragraph 1 of the Companies Act are deemed to apply to the Accounting Auditor, the Audit & Supervisory Board shall dismiss the Accounting Auditor with the unanimous consent of all the Audit & Supervisory Board Members.

6 Framework to Ensure Operational Adequacy

(1) Overview of Contents of Resolutions on Framework to Ensure Operational Adequacy

The Group is pursuing transparent, fair and highly ethical corporate activities aimed at realizing the mission "to dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world." Moreover, in accordance with the provisions of the Companies Act, the Board of Directors has passed resolutions on basic policies concerning internal controls as follows, and we have built a robust framework to ensure the operational adequacy of the Group.

Based on the amendments to the Companies Act, etc., partial amendments have been made at the Board of Directors held on April 22, 2015.

a) System for ensuring compliance of business operations executed by directors and employees with laws and articles of incorporation

- Directors and employees comply with "Chugai Business Conduct Guidelines (Chugai BCG)."
- The Company sets Corporate Social Responsibility Department, which is in charge of the Company's compliance with laws and other relevant rules.
- Audit Department performs internal audits in accordance with "Internal Audit Charter" and reports the results to the Executive Committee and to the Audit & Supervisory Board.
- The Company shall establish and implement the internal control system for ensuring the reliability of financial reporting, and also conduct its assessment appropriately.

b) System for preserving and managing information relating to business operations performed by directors

- Documents and other information that relate to directors' performance of its duties shall be properly preserved in accordance with "Document Management Rules" and other internal rules.
- The Audit & Supervisory Board and each individual Audit & Supervisory Board Member at its request shall be given a timely access to the documents in the above.

c) Regulations and systems regarding management of risks that may cause losses

- The Company makes efforts to reduce risks that may affect business of the Company. Also, the Company resolves troubles promptly and properly, when troubles come out. In doing these, directors and employees of the Company comply with "Risk Management Rules" and other internal rules.

d) System for ensuring efficient functioning of directors

- The Board of Directors supervises operation of each individual director in order for its effective operation.
- The Company keeps the number of directors within proper range, and retains outside directors, so that the Board of Directors can perform more effectively its function, including supervision of each individual director, and can make decisions more promptly. Also, the Company adopts the executive officer system where each officer has specific roles and responsibilities for the Company's operation, in order for its effective operation.
- Directors and employees of the Company comply with "Regulations for Decision-Making" so that the Company can operate its business more promptly and effectively.

e) System for ensuring appropriate business operations of the corporate group comprised of the Company, its parent company and subsidiaries

- Each affiliated company sets each administration section in accordance with "Administration Rules for Affiliated Companies" in order to properly operate the Group, such as establishing the system to report matters on each affiliated company's business operations, regulations and systems regarding the management of risks that may cause losses, a system for ensuring efficient business operations and ensuring compliance with laws and regulations and the articles of incorporation.
- Audit Department examines the affiliated companies in accordance with "Internal Audit Charter" and finds out whether the affiliated companies operate their business properly and effectively complying with laws and regulations, their articles of incorporation and other relevant rules.

f) System for elimination of antisocial forces

- The Company shall establish and maintain the corporate system that eliminates any connection with antisocial forces and groups in accordance with "Chugai Business Conduct Guidelines (Chugai BCG)."

g) System concerning employees who are requested by Audit & Supervisory Board Members to provide support

- The Company sets Office of Audit & Supervisory Board Members, which supports the Audit & Supervisory Board and each individual Audit & Supervisory Board Member.

h) Assurance of the Independence of Employees in the Previous Section from Directors and Effectiveness of the Instructions of Audit & Supervisory Board Members

- Office of Audit & Supervisory Board Members reports directly to the Audit & Supervisory Board and has full-time employees to ensure independence from directors and the effectiveness of instructions of Audit & Supervisory Board Members.
- The Company shall obtain a prior approval from the Audit & Supervisory Board for important matters relating to employees of Office of Audit & Supervisory Board Members, such as transfer, evaluation, disciplinary action and employment.

i) System available to the Company's directors, employees, and each subsidiary's directors, Audit & Supervisory Board Members and employees for reporting to Audit & Supervisory Board Members; and other systems for reporting to Audit & Supervisory Board Members

- Each director of the Company, and each director and Audit & Supervisory Board Member of each subsidiary reports regularly to the Audit & Supervisory Board in accordance with "Regulations of Audit & Supervisory Board" and "Audit & Supervisory Board Members' Auditing Standards" set by the Audit & Supervisory Board.
- Required measures shall be taken in order for the person who has made the report under this section not to be treated unfavorably due to said reporting.

j) System for ensuring effective auditing by Audit & Supervisory Board Members

- Representative directors hold meetings regularly with the Audit & Supervisory Board to exchange opinions and deepen mutual understandings with regard to issues relating to audit which are required to be improved by the Company, circumstances under which Audit & Supervisory Board Members perform audits, and other important issues relating to audits.
- Directors and employees of the Group cooperate with Audit & Supervisory Board Members, when Audit & Supervisory Board Members perform audits of the Group in accordance with "Audit & Supervisory Board Members' Auditing Standards" set by Audit & Supervisory Board Members.
- Costs or indemnification arising from business operations performed by the Audit & Supervisory Board Members are promptly processed upon the request of the Audit & Supervisory Board Members.

(2) Overview of Status of Operation of the Framework to Ensure Operational Adequacy

Status of major operations for the fiscal year under review is as follows.

[Matters concerning governance]

- The Company has established "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy" in order to carry out its social responsibility to patients, consumers, and all other stakeholders, such as medical practitioners, business partners, the public, employees, and shareholders, and achieve sustainable growth and increased corporate value by ensuring the appropriateness of its corporate governance.
- As for the affiliated companies in and outside of Japan, in accordance with the "Administration Rules for the Affiliated Companies," business operations were monitored regularly in order to appropriately manage the affiliated companies in and outside of Japan. Through quarterly reporting meeting, we periodically ascertain the state of business operation reported by these affiliated companies as well as their risk management and compliance efforts.
- As for the internal audit conducted by the Audit Department, we conducted an audit according to an annual audit plan approved by the Executive Committee and have provided a relevant report to it and the Audit & Supervisory Board. This audit did not point out any material inadequacy on the part of the Company.

[Matters concerning business operations performed by directors]

- Documents pertaining to business operations performed by directors were appropriately managed in accordance with the "Document Management Rules" and related rules and guidelines. We partially revised the "Chugai Pharmaceutical Co., Ltd. Regulations of the Board of Directors" pursuant to the Revised Companies Act and the "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy" formulated.
- For the purpose of strengthening the function of the Board of Directors and expediting the decision-

making process, the number of directors was adjusted to an appropriate number and external directors were added. (10 directors including 5 external directors, as of December 2015) In addition, an executive officer system was adopted.

- To supervise the effective operations of directors, conditions of business operations were quarterly reported by representative directors and other directors to the Board of Directors, in accordance with Article 363 of the Company Law. (January, April, July and October).
- The Board of Directors held 8 meetings and the Executive Committee held 34 meetings (including 3 extraordinary meetings).

[Matters concerning compliance]

- The Corporate Social Responsibility Committee has been established under the Executive Committee for the promotion of "Chugai Business Conduct Guidelines (Chugai BCG)". The Committee held two meetings (June and December) to discuss the CSR activity policy and action plan and to report the results of CSR activities. Audit & Supervisory Board Members (Full-time) attended the meeting as observers to share information.
- In order to increase the penetration of corporate ethics and compliance in workplaces, reports were provided to BCG Promotion Assistants established in each workplace regarding the results of the CSR activities, the activity policy and action plan and other matters, and explanations were made to those assistants regarding the important points in taking countermeasures against compliance risks to promote, through such assistants, the understanding and penetration of corporate ethics and compliance with the managers and members of those organizations.
- In order to understand the company-wide compliance conditions, a compliance monitoring survey was conducted twice (June and December), and the results were reported to the Corporate Social Responsibility Committee.
- The operating conditions of the "BCG Hotline" as a consultation and contact point were regularly reported to the Corporate Social Responsibility Committee (June and December) and Audit & Supervisory Board Members (Full-time) (January, April, July and October).
- As for the internal audit conducted by the Audit Department, we conducted an audit according to an annual audit plan approved by the Executive Committee and have provided a relevant report to it and the Audit & Supervisory Board. This audit did not point out any material inadequacy on the part of the Company.

[Matters concerning risk management]

- Based on the "Regulations for Risk Management", the Risk Management Committee has been set as a subsidiary organization of the Executive Committee.
- The Risk Management Committee held two regular meetings (July and December), in which the progress and conditions of response actions taken for main risk issues in each half-year term were confirmed and reported to the Executive Committee. In addition, efforts were made to prevent risks from occurring. The understanding of the progress of departmental risk issues for the current fiscal year was deepened, based on the hearings held with the risk management committee of each department. Audit & Supervisory Board Members (Full-time) attended the meeting as observers to share information.

[Matters concerning Audit & Supervisory Board Members]

- The directors and the managers of main organizations, each director and Audit & Supervisory Board Member of each subsidiary reported business execution conditions to the Audit & Supervisory Board Members (Full-time) as deemed necessary.
- As members of the Executive Committee and also members of the informal executive meeting, Audit & Supervisory Board Members (Full-time) closely supervised their operations.
- Office of Audit & Supervisory Board Members, which was established as a supplementary organization to provide support to the Audit & Supervisory Board and Audit & Supervisory Board Members' function, has been providing support to ensure smooth operation of auditing activities.

(Note) 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 balance sheet (IFRS*) (As of December 31, 2015)

(Unit: JPY million)

Item	FY 2015	FY 2014 (Reference)
Assets		
Non-current assets:		
Property, plant and equipment	153,545	140,245
Intangible assets	13,511	11,286
Financial non-current assets	13,715	10,755
Deferred tax assets	26,025	25,673
Defined benefit plan assets	—	1,946
Other non-current assets	12,832	10,728
Total non-current assets	**219,628**	**200,635**
Current assets:		
Inventories	161,135	139,571
Accounts receivable	158,668	159,773
Current income tax assets	49	114
Marketable securities	134,419	116,030
Cash and cash equivalents	101,707	114,037
Other current assets	11,796	9,379
Total current assets	**567,773**	**538,904**
Total assets	**787,401**	**739,538**
Liabilities		
Non-current liabilities:		
Long-term debt	(604)	(185)
Deferred tax liabilities	(10,028)	(10,722)
Defined benefit plan liabilities	(2,358)	(2,616)
Long-term provisions	(1,974)	(2,110)
Other non-current liabilities	(12,108)	(11,799)
Total non-current liabilities	**(27,071)**	**(27,432)**
Current liabilities:		
Short-term debt	(131)	(29)
Current income tax liabilities	(13,133)	(16,619)
Short-term provisions	(180)	(987)
Accounts payable	(78,353)	(62,694)
Other current liabilities	(41,260)	(34,021)
Total current liabilities	**(133,058)**	**(114,350)**
Total liabilities	**(160,130)**	**(141,782)**
Total net assets	**627,271**	**597,756**
Equity:		
Capital and reserves attributable to Chugai shareholders	625,857	596,099
Equity attributable to non-controlling interests	1,414	1,657
Total equity	**627,271**	**597,756**

* International Financial Reporting Standards

Consolidated income statement (IFRS) (January 1, 2015 to December 31, 2015)

(Unit: JPY million)

Item	FY 2015	FY 2014 (Reference)
Revenues	498,839	461,109
Sales	468,427	436,883
Royalties and other operating income	30,413	24,226
Cost of sales	(240,238)	(218,076)
Gross profit	258,601	243,033
Marketing and distribution	(74,811)	(71,742)
Research and development	(83,799)	(80,800)
General and administration	(13,207)	(14,632)
Operating profit	86,784	75,859
Financing costs	(67)	(11)
Other financial income (expense)	559	315
Profit before taxes	87,276	76,164
Income taxes	(24,923)	(24,087)
Net income	62,353	52,077
Attributable to:		
Chugai shareholders	61,125	50,980
Non-controlling interests	1,228	1,097

Non-consolidated balance sheet (JGAAP*) (As of December 31, 2015)

(Unit: JPY million)

Item	FY 2015	FY 2014 (Reference)
Assets		
Total current assets:	531,973	496,139
Cash and deposits	76,333	91,439
Accounts receivable-trade	146,409	149,307
Marketable securities	120,996	98,996
Merchandise and finished goods	68,058	69,634
Raw materials and supplies	36,072	21,009
Prepaid expenses	3,793	3,262
Deferred tax assets	24,195	21,703
Short-term loans receivable from subsidiaries and affiliates	42	–
Accounts receivable-other	48,326	36,359
Other	7,749	4,429
Total non-current assets:	138,016	138,205
Total property, plant and equipment:	44,205	47,838
Buildings (net)	25,734	26,697
Structures (net)	899	879
Machinery and equipment (net)	2,337	3,641
Vehicles (net)	7	19
Tool, furniture and fixtures (net)	5,582	5,854
Land	9,147	9,147
Leases assets (net)	5	4
Construction in progress	494	1,597
Total intangible assets:	1,811	891
Software	601	249
Other	1,210	642
Total investments and other assets:	92,001	89,476
Investment securities	12,839	9,856
Stocks of subsidiaries and affiliates	56,071	55,789
Investments in capital of subsidiaries and affiliates	1,075	1,075
Long-term loans receivable from employees	1	2
Long-term loans receivable from subsidiaries and affiliates	1,100	1,100
Long-term prepaid expenses	6,440	5,219
Deferred tax assets	8,579	12,186
Lease and guarantee deposits	3,996	4,008
Long-term accounts receivable-other	11	12
Other	2,031	379
Allowance for doubtful accounts	(142)	(148)
Total assets	**669,989**	**634,344**

Item	FY 2015	FY 2014 (Reference)
Liabilities		
Total current liabilities:	119,998	113,488
Accounts payable-trade	45,339	42,267
Lease obligations	4	3
Accounts payable-other	243	890
Accrued expenses	38,452	38,786
Income taxes payable	13,052	16,531
Accrued consumption taxes	3,179	1,555
Deposits received	1,657	1,042
Provision for bonuses to employees	5,612	4,811
Provision for bonuses to directors	238	220
Provision for sales rebates	2,129	2,509
Provision for environmental matters	77	127
Provision for decommissioning and removal	104	244
Accrued payables – facilities	3,094	4,396
Other	6,818	106
Total non-current liabilities:	2,940	6,149
Lease obligations	2	1
Provision for employees' retirement benefits	601	3,677
Provision for directors' retirement benefits	598	599
Provision for decommissioning and removal	204	516
Asset retirement obligations	1,327	1,306
Other	209	49
Total liabilities	**122,938**	**119,637**
Net assets		
Total shareholders' equity:	541,363	509,205
Capital stock	72,967	72,967
Total capital surplus	92,815	92,815
Legal capital surplus	92,815	92,815
Total retained earnings	407,515	376,793
Legal retained earnings	6,480	6,480
Other retained earnings	401,035	370,313
Reserve for advanced depreciation of non-current assets	724	703
General reserve	149,220	149,220
Retained earnings carried forward	251,091	220,390
Own equity instruments, at cost	(31,935)	(33,370)
Total valuation and translation adjustments:	4,158	4,047
Net unrealized gain on available-for-sale securities	5,787	3,936
Deferred gains or losses on hedges	(1,630)	111
Stock acquisition rights	1,530	1,455
Total net assets	**547,051**	**514,707**
Total liabilities and net assets	**669,989**	**634,344**

* Generally Accepted Accounting Principles in Japan

Non-consolidated income statement (JGAAP) (January 1, 2015 to December 31, 2015) (Unit: JPY million)

Item	FY 2015	FY 2014 (Reference)
Revenues	489,760	451,775
Cost of sales	240,390	214,484
Gross profit	249,370	237,291
Total selling, general and administrative expenses	176,520	165,381
Operating income	72,850	71,910
Non-operating income:	7,770	4,413
Interest and dividend income	3,316	1,357
Other	4,454	3,056
Non-operating expenses:	962	1,189
Interest expenses	7	7
Other	955	1,182
Ordinary income	79,658	75,134
Extraordinary gain:	39	307
Gain on sales of non-current assets	37	307
Gain on sales of investment securities	2	—
Extraordinary loss:	254	28
Loss on sales of non-current assets	—	11
Impairment loss	11	18
Loss on revaluation of investment securities	64	0
Provisions for environmental matters	178	—
Income before income taxes	79,443	75,413
Income taxes - current	23,311	27,289
Income taxes - deferred	(76)	(2,931)
Net income	56,207	51,056

Copy of the Accounting Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

Independent Auditors' Report

January 22, 2016

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

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

Hiroshi Shiina (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Shigeo Kobayashi (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, 2015 to December 31, 2015.

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

January 22, 2016

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

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

Hiroshi Shiina (seal)
Designated and Engagement Partner
with Limited Liability
Certified Public Accountant

Shigeo Kobayashi (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, 2015 to December 31, 2015, 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, 2015 to December 31, 2015:

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 27, 2016

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

Audit & Supervisory Board Member (Full-time)
Kunitoshi Watanabe

Audit & Supervisory Board Member (Full-time)
Shunji Yokoyama

Audit & Supervisory Board Member
Hisashi Hara

Audit & Supervisory Board Member
Michio Ishizuka

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

Chugai will help to establish public trust in the Company as well as contribute to the sustainable development of society by working to create innovative drugs that address unmet medical needs.

Our View of CSR

To realize its mission, Chugai has established a Mission Statement that includes seven Core Values to be shared individually and across the Company in order to ensure sound business activities as we work toward our Envisioned Future. The Core Values also form the basis of the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior for management decision-making and for employees. The Chugai BCG are reflected in the activities of each business unit and serve as a foundation to support the execution of our mid-term business plan, IBI 18. We believe that corporate activities consistent with our Mission Statement and the Chugai BCG are the essence of our CSR.

TOPICS ❶

"Chugai Pharmaceutical Bio Laboratory Class" held in Sendai

In October 2015, employee volunteers from our Sendai Branch cooperated with NPO Life Bio Plaza 21 to hold the "Chugai Pharmaceutical Biology Laboratory Class" for 25 elementary school students from grades three to six, at the Tohoku University, Qatar Science Campus* Hall. In this wonderful environment that resembles an omnidirectional movie theater, the students observed the cells of onions through a microscope, and studied the properties of glowing protein and other matters.

* "Tohoku University, Qatar Science Campus" is a project in which the Graduate School and School of Engineering, Tohoku University holds events related to manufacturing (monozukuri) and science experiments, aimed at elementary, junior high, and high school students of Miyagi Prefecture.

TOPICS ❷

Participation of Team Chugai in Relay For Life Japan

In 2015, Chugai continued to sponsor "Relay For Life Japan" (organized by the Japan Cancer Society, etc.), a charity activity aimed at supporting cancer patients and their families, and encouraging the entire community to confront and overcome cancer. By using 3D Adventure Experience, Chugai hopes to have visitors learn the importance of breast cancer screening, and link it to early detection and treatment. Some booklets for patients were handed out to take home with so that they can study about breast cancer in depth at home.

TOPICS 3

90th anniversary commemorative projects aim at contributing to the development of local communities and medical and pharmaceutical sciences

In commemorating its 90th anniversary and as its appreciation for the support and assistance received thus far, Chugai donated compact-type service cars, in addition to wagon-type welfare vehicles providing transportation as part of home welfare services which Chugai has been donating each year, as social contribution activities aimed at further development of local communities and medical and pharmaceutical sciences.

In addition, Chugai increased the amount of grants to the Tokyo Biochemical Research Foundation, aimed at the further enhancement of the Foundation's research grant projects covering studies carried out in Japan and the Asian region in the medical and pharmaceutical areas.

Donation of welfare vehicles providing transportation as part of home welfare services

Chugai has continued this donation since it was started as a part of its 60th anniversary commemorative project in 1985, giving out vehicles that are used as a means of transport by elderly persons and physically disabled individuals who receive long-term nursing care at home. This year, to commemorate its 90th anniversary of its foundation, Chugai donated 30 compact-type service cars that have a high demand for use as a second car from the caregivers. Donation recipients were selected from among the welfare organizations in six prefectures in the Tohoku region, focusing on areas affected by the Great East Japan Earthquake. Chugai hopes that this donation will lead to enhancing users' convenience.

Donation to the Tokyo Biomedical Research Foundation

To support basic and applied researches on drug therapy and new drugs as well as to encourage original pharmaceutical research, the Tokyo Biochemical Research Foundation engages in awarding grants for studies that are judged to contribute to fulfilling these goals. The targets of subsidies have been expanded to include not only domestic researchers but also young researchers in the Asian region who are invited to Japanese universities and academic research institutes, etc., to engage in joint research. This year, to further enhance the Foundation's research grant projects covering the studies carried out in Japan and the Asian region in the medical and pharmaceutical areas, Chugai increased the amount of donations. Chugai hopes that this donation will lead to accelerating the creation of innovative drugs from Japan.

Promotion of Diversity Management that Allows a Rich Variety of Human Resources to Play Active Roles

By promoting diversity in terms of nationality, age, and gender, we will pursue human resource management that leads to the realization of a top pharmaceutical company.

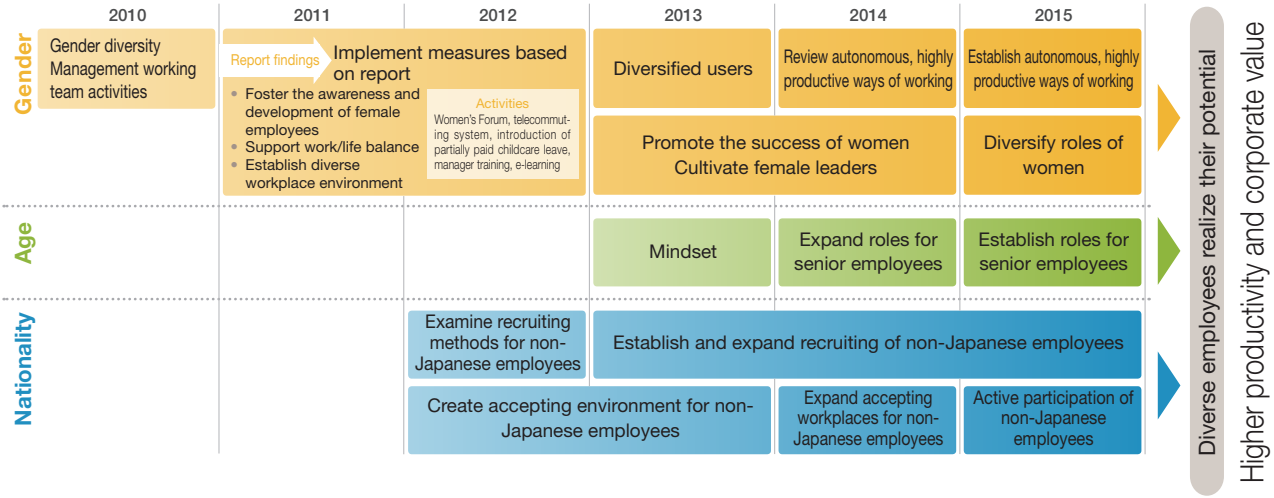
Chugai Diversity Promotion Forum

Chugai has given priority to the promotion of diversity management to enable a rich variety of human resources to work enthusiastically and create new values. We began addressing this issue with the launch of a management working team in 2010 to promote gender diversity. Since establishing the Diversity Office in 2012, we have been carrying out initiatives on themes surrounding gender, nationality, and age. In addition to providing e-learning and distributing educational guidebooks to all employees, we have offered training to all of our managers on the management of diversifying groups of subordinates and teams. Since 2013, we have held the Chugai Diversity Promotion Forum, where top management and members in charge of promoting diversity in each division gather to discuss and share their progress.

To promote active participation of women in the workplace, we have improved the working environment by increasing the flexibility of our employment systems to support employees in balancing work with childbirth, childcare, and nursing care. We have also promoted career awareness initiatives by holding a Women's Forum, providing opportunities to exchange opinions with a female Director, and introducing training to nurture female leaders (Female Leaders' Program) from 2014. Through these initiatives, we aim to develop female leaders while providing support for their life events. In the 2014 "Commendation of Companies Promoting Gender Equality and Work-Family Balance," sponsored by the Ministry of Health, Labour and Welfare, Chugai was awarded both the Minister's Prize for Excellence (Companies promoting gender equality) and the Tokyo Labor Bureau Chief's Prize for Excellence (Family-friendly companies). As of October 2015, the percentage of female employees in management positions stands at 10.7%, and the number of female managers (management positions with subordinates) has increased to 62, which is double the number in 2010, which was used as an index. Moving forward, we will continue our initiatives to promote the success of women.

We are also promoting the active participation of senior employees, through awareness-raising initiatives such as career training, system development, and the provision of opportunities to exhibit their roles toward continued employment up to the age of 65. As for promoting diversity in nationality, we are accelerating the recruitment of non-Japanese employees, which has resulted in an increase in the number of them in Japan. In addition, we are striving to create an environment in which non-Japanese employees can work together with other employees, through measures including distribution of information in bilingual formats and holding of gatherings.

Given the growing opportunities to work globally, working hours and locations have become more flexible. Telecommuting is used not only by employees who are involved in childcare and nursing care, but also by those who frequently engage in teleconferencing with their overseas counterparts. In 2015, we expanded the range of employees eligible for telecommuting to include those who have difficulty commuting due to injuries or medical treatment, and for use with the aim of improving productivity. We are working to create an inclusive corporate culture and promote further diversity, so that our diverse group of employees can demonstrate their maximum potential.



TOPICS

Selected as a "Nadeshiko Brand" for Being a Company that is Exceptional in Promoting the Success of Women in the Workplace

In March 2015, Chugai was selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a Nadeshiko Brand, a designation offered to companies with an exceptional record of promoting active participation of women in the workplace. Since fiscal year 2012, Nadeshiko Brand companies have been chosen by industry category, from among the firms listed on the First Section of the Tokyo Stock Exchange that are proactive in promoting the active participation of women in the workplace, including those which have an environment in place that supports career paths for women. In the selection process, companies are rated and scored for "conducting career support for women" and "supporting women in balancing work and family." From among those companies ranked high in each industry category, those that have also met the stipulated financial criteria (ROE) are eligible for selection.

While working to increase the understanding of diversity and improve the working environment, we have established an indicator of doubling our number of female managers during the five-year period from 2010, and have also introduced a talent management system to assess our employees based on objective criteria, and to carry out assignment and development with the aim of discovering and optimizing the talents of our diverse group of employees in the workplace. As for supporting women in balancing work and family, we have striven to promote proper work hours. Even though the quality and quantity of business operations may continue to increase, we promote work-life synergy* and endeavor to reduce overtime work by enhancing productivity.

* In 2013, the labor and management of Chugai summarized its approach to achieving work/life balance under the concept of pursuing "work-life synergy," and we have been working to promote the understanding and dissemination of this concept among all of our employees.

Performance data related to diversity

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

Chugai has given priority to the promotion of diversity management to enable a rich variety of human resources to work enthusiastically and create new values, and conducts various activities related to diversity.

	2013	2014	2015
Percentage of female employees	25.00%	25.39%	26.23%
Average age	Male: 43 years and 1 month old Female: 37 years and 3 months old	Male: 43 years and 7 months old Female: 37 years and 9 months old	Male: 43 years and 10 months old Female: 38 years and 2 months old
Average years of service	Male: 17 years and 9 months Female: 11 years and 11 months	Male: 18 years and 1 month Female: 12 years and 4 months	Male: 18 years and 3 months Female: 12 years and 5 months
Percentage of female managers	9.2%	9.7%	10.7%
Number of female officers	1	1	1
Employees who took childcare leave	Male: 7 Female: 118	Male: 7 Female: 126	Male: 34 Female: 157
Employees who used flextime system with shortened core time	Male: 19 Female: 8	Male: 34 Female: 19	Male: 60 Female: 31
Number of employees registered to work under telecommuting system	Male: 69 Female: 99	Male: 102 Female: 151	Male: 187 Female: 225

Communication with Shareholders and Investors

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)

chugai investors Search

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

IR activities

Coinciding with financial results announcements, Chugai holds information meetings and conference calls for investors, analysts and the media. These meetings provide opportunities to explain the state of the Company’s business directly to shareholders and investors. In addition, the President held for the second time since last year discussions with institutional investors and securities analysts in September 2015. This was aimed at deepening mutual understanding by providing an opportunity for direct discussion between the President and market participants in small groups. We will continue to expand these face-to-face investor relations activities featuring senior management to properly convey Chugai’s corporate value to the market.

In May 2015, we conducted a factory tour for individual shareholders, a new initiative started in 2013 to increase shareholder communication. The tour of the Utsunomiya Plant, where our flagship product Actemra is produced, gave shareholders a first-hand view of the manufacturing process for the biopharmaceuticals that are one of Chugai’s strengths.

Senior management also holds overseas roadshows and in 2015 visited institutional investors in Europe, the United States and Asia. Moreover, in addition to participating in domestic and overseas conferences hosted by securities companies, Chugai is enhancing its outreach

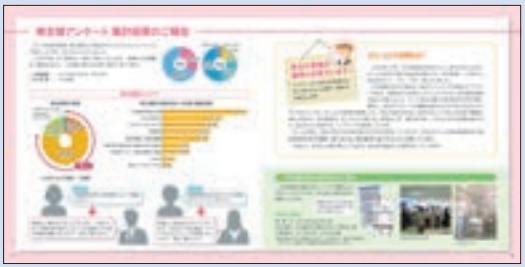
to individual investors by holding briefing session for them at branches of securities companies throughout Japan.

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.

Shareholder survey

A report of the results of the shareholder survey that was included with the interim shareholder newsletter ("Kabunushi-tsushin") for fiscal year 2015 will be included in the shareholder newsletter for fiscal year 2015 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.



Contents for individual shareholders and investors

Story for a Better Understanding of Chugai Pharmaceutical

"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)

chugai investors Search

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

Factory tour for shareholders

The fourth factory tour for shareholders is scheduled to be held at the Utsunomiya Plant of Chugai Pharma Manufacturing Co., Ltd. on Wednesday, June 1, 2016. Information on this tour will be provided in the shareholder newsletter for fiscal year 2015 that will be delivered in late March. We look forward to everyone's application.

*Participation will be based on a drawing.