



CHUGAI

CHUGAI PHARMACEUTICAL



A member of the Roche group

CHUGAI PHARMACEUTICAL CO., LTD.

Open Innovation Meeting

June 13, 2025

Event Summary

[Company Name]	CHUGAI PHARMACEUTICAL CO., LTD.	
[Company ID]	4519-QCODE	
[Event Language]	JPN	
[Event Type]	Analyst Meeting	
[Event Name]	Open Innovation Meeting	
[Fiscal Period]		
[Date]	June 13, 2025	
[Number of Pages]	37	
[Time]	10:00 – 11:31 (Total: 91 minutes, Presentation: 46 minutes, Q&A: 45 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Dr. Tomoyuki Igawa	Vice President, Head of Research Div.
	John Gustofson	Head of Chugai Venture Fund, LLC
	Yumiko Asano	Head of Partnering Dept.
[Analyst Names]*	Seiji Wakao	JPMorgan Securities
	Kazuaki Hashiguchi	Daiwa Securities
	Akinori Ueda	Goldman Sachs
	Fumiyoshi Sakai	UBS Securities
	Shinichiro Muraoka	Morgan Stanley MUFG Securities
	Hiroshi Wada	SMBC Nikko Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Chugai's Open Innovation in Drug Discovery

Chugai R&D Principles



- ✓ "Technology-Driven" drug discovery
- ✓ "Quality-Centric" clinical candidates
- ✓ "Molecule-Centric/Biology-Driven" indication selection
- ✓ "Value Maximization" clinical development

- Chugai R&D has fostered a unique company culture and mindset over a long period of time.
- Chugai R&D principles reflect this culture and mindset.
- We will contentiously follow these principles and achieve higher R&D productivity.

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Igawa: Thank you very much. I am Igawa, the Head of Research Div., at Chugai Pharmaceutical. I'll be talking about Chugai's open innovation in drug discovery.

First of all, before I move into open innovation, with this slide I'd like to talk about Chugai R&D principles, the core thoughts behind R&D activities at Chugai.

We have spent long years to establish the Company's unique culture and mindset, and this has been described in words. With regard to drug discovery, technology-driven drug discovery and quality-centric clinical candidates. So those are the ones that we would embrace going forward continuously on drug discovery.

In open innovation, the R&D principles are also regarded as important. For example, regarding technology-driven drug discovery, which I will explain later, we want to pursue open innovation that is made possible precisely because of the technologies that we have. With our unique technologies, we would like to become a company of choice by partners.

Second, quality-centric clinical candidates. Our policy is to refine the molecules we develop to the greatest extent possible and creating the best candidates before advancing them to clinical development. In other words, by partnering with Chugai, we can refine the targets that our partners have into the highest quality pharmaceutical molecules. We aim to pursue open innovation where Chugai's commitment to this approach makes us the partner of choice.

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Chugai's "Technology-Driven" Drug Discovery



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Now, this is the Chugai's technology-driven drug discovery.

As we have been explaining, first and foremost, we establish proprietary technologies for drug discovery modalities, and then apply them to drug discovery.

And the second important point, is that in the drug discovery where we use proprietary technologies, we will not specify any therapeutic areas. If we can develop solutions to address unmet medical needs and create pharmaceuticals with competitive advantages using the technologies we have established, we will pursue drug discovery across all therapeutic areas without restriction.

The same is also true with open innovation. We will not specify any therapeutic areas in open innovation. As a result, we can come up with innovative pharmaceutical products.

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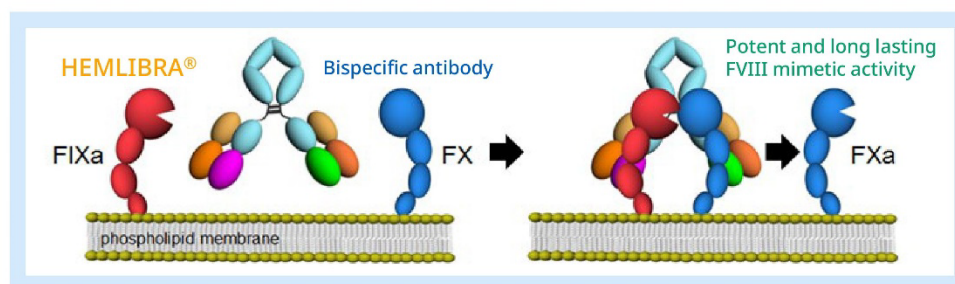
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Chugai Tech-centered Collaboration with Universities

Brand Name	Generic Name	Indication (Major)	Year Launched	2024 Sales*	Collaborator
Hemlibra®	Emicizumab	Hemophilia A	2017	Over 700 billion yen	Nara Medical University
Actemra®	Tocilizumab	Rheumatoid arthritis	2005	Over 400 billion yen	University of Osaka

*Global sales (including Japan)
Source: Roche financial materials
• Calculated at average 2024 rate of 1 CHF = 172 yen



Kitazawa et al, Nature Medicine. 2012
Oldenburg J et al, N Engl J Med. 2017

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Previously, Hemlibra and Actemra, these innovative pharmaceutical products have been developed by Chugai. Actually, these drugs are results of collaboration with universities.

Actemra's target, IL-6, was discovered by the University of Osaka. Hemlibra was established through collaboration with Nara Medical University. The sales of these products are JPY700 billion or more, or JPY400 billion or more, respectively. These are the main products for Chugai.

Chugai Antibody Technology

Bispecific antibody

ART-Ig®, FAST-Ig™

First FDA-approved bispecific IgG

Recycling antibody®

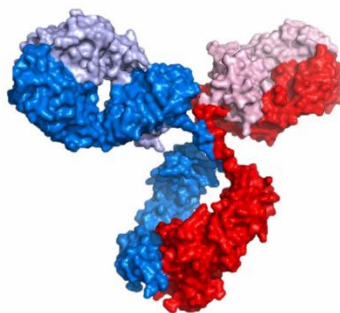
SMART-Ig®

First FDA approved pH dependent binding antibody

Sweeping antibody®

SMART-Fc®, pI-Fc®, etc.

First clinically tested antigen-degrader antibody



Conditional activation

Switch-Ig™, PAC-Ig® VHH

First clinically tested tumor specificity engineered antibody

T cell bispecific antibody

TRAB™, Dual-Ig®

First clinically tested dual signaling T cell bispecific antibody

Other

ART-Fc®, ΔGK®, LINC-Ig®

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Now, in the technology-driven drug discovery, there are mainly two modalities. One is antibody and the other is mid-size molecules.

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Here, you can see disclosed antibody technologies that Chugai has. What we would like to emphasize on this slide is that we have been a pioneer in developing such antibody technologies.

For example, bispecific antibody, technologies that we've developed resulted in the first FDA-approved bispecific IgG and the same goes for recycling antibody. The switch antibody, which I will explain later, represents the first reversible and tumor-selective antibody that has entered clinical trials. This shows that we have come up with the world's first technologies and applied them in the clinical use.

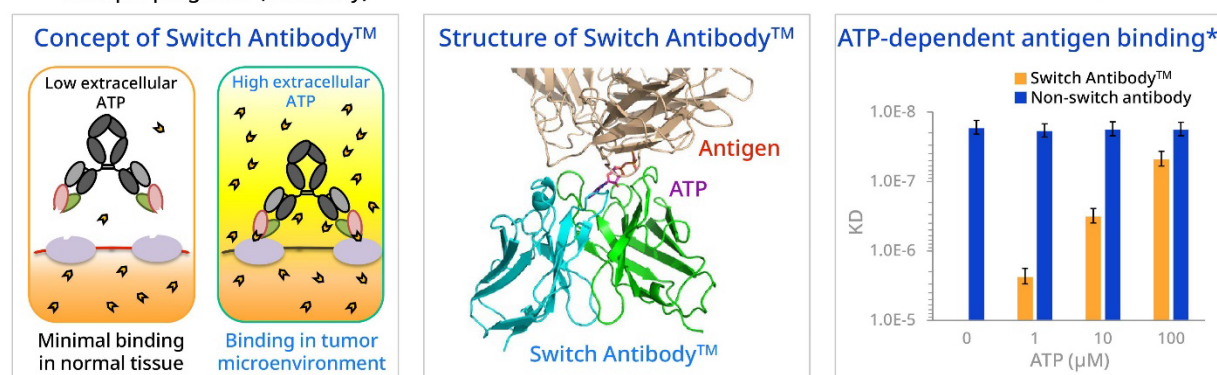
Chugai's Open Innovation in Drug Discovery

ATP Switch Antibody



■ Switch Antibody™ addresses previously undruggable MOA by expanding TW

- ✓ Anti-CD137 agonist Switch Antibody™ (phase 1)
- ✓ Anti-CTLA4 Switch Antibody™ (phase 1)
- ✓ Multiple programs (discovery)



* Evaluation of antibody-antigen binding in the presence of ATP using Surface Plasmon Resonance (SPR) method (in vitro)
Mimoto et al., Cell Rep. 2020, Kamata-Sakurai et al, Cancer Discov. 2021

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One of the examples is ATP switch antibody.

Antibody pharmaceuticals, if they bind with antigens systemically, then there will be side effects, but we have aimed at mitigating that. By selecting tumors, the antibody would bind with the antigen in tumor microenvironment. Here is the concept.

ATP, which is present at high concentrations in tumors, will become a switch. Only when ATP is higher, the antibody would bind with the targets. There are two projects in Phase I now. Among these, the anti-CTLA4 switch antibody is the result of collaboration with Osaka University.

By using switch antibody, we have multiple programs underway in drug discovery, and collaborations with external entities as part of innovation are included.

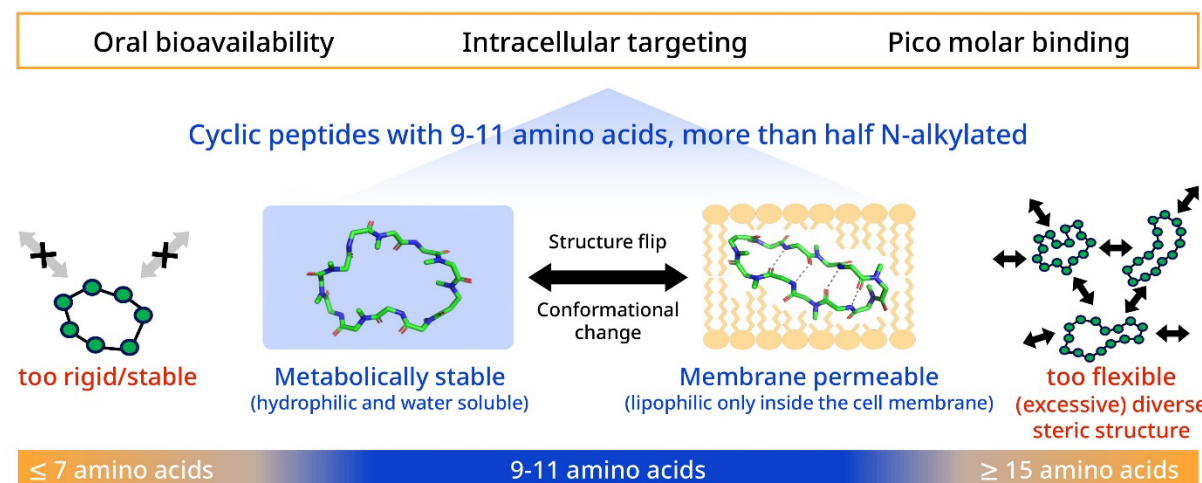
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Chugai Mid-size Molecule Drug Discovery Technology



Ohta et al, JACS, 2023; 145(44): 24035-24051

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Next is about mid-size molecules.

We have spent over 10 years to develop this technology at Chugai. This technology enables drug discovery targeting intracellular targets, which have previously been considered tough targets. Moreover, this technology can achieve this in an orally administrable form.

I'm not going to go into the details of this, but by creating cyclic peptides where more than half of the peptides are N-alkylated, and with a length of around 9 to 11 amino acids, these peptides can go into the cells and they can be administered orally. This technology allows them to bind to targets with high affinity. As such, these tough intracellular targets—which were not druggable in the past—can now be developed into drugs.

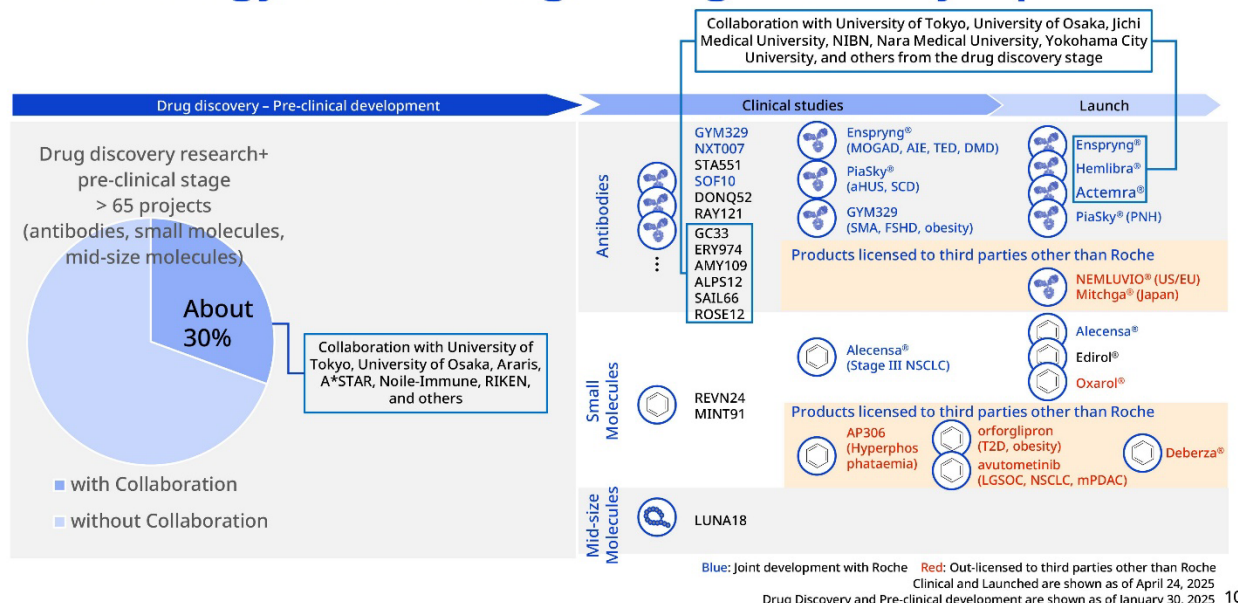
With this technology, we believe that tough targets discovered by academia—difficult targets that cannot be turned into drugs through conventional methods—can now be developed into medicines using the targets identified in academic research.

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Technology-driven Chugai Drug Discovery Pipeline



If you look at this slide, this is about technology-driven Chugai drug discovery pipeline.

As you can see at a glance, a considerable portion of the projects currently in clinical trials have been discovered through collaborations and open innovation.

These are the projects we are collaborating with Tokyo University, Osaka University, Jichi Medical University, NIBN, and Nara Medical University, et cetera.

Also, at the drug discovery stage, we have over 65 drug discovery projects at Chugai; antibodies, small molecules and midsized molecules included. About 30% of these projects have leveraged outside external collaborations.

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The Future of Chugai Open Innovation

Up until now

- Domestic academia
- Domestic companies
- Joint research/collaboration
- Antibody modality centered

From now on

- Domestic and overseas academia
- Domestic and overseas companies
- VC
- Joint research, collaboration, investment
- All modality/platform technology

- ✓ Expand scope of open innovation from domestic-centered to domestic & global
- ✓ Increase presence of Chugai in innovation communities such as Boston
- ✓ Evolve from a global top player into a company others "want to partner with"
- ✓ Pursue new innovation opportunities

Strengthen the foundation for continuous creation of innovative drugs by creating synergies with Chugai drug discovery technologies through the expansion of open innovation

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This is about Chugai's open innovation, up until now and from now on. I would like to discuss how we will elevate the level of our open innovation going forward.

Up until now, our open innovation is indicated on the left. We have focused mainly on domestic academia or domestic companies. We conducted collaborations with those partners domestically, and we worked mainly around antibodies so far.

But going forward, as you can see on the right-hand side, we will expand beyond domestic partners to include overseas academia, companies and venture capitalists. In addition to joint research and collaboration, we will also engage in investment activities, as we will discuss later about Chugai Venture Fund. Furthermore, regarding modalities, while we have focused on antibodies in the past, we now aim to deploy open innovation across all modalities and technologies.

As you can see at the bottom, we have four points here. The second from the top, in the past, we had open innovation advancement domestically so far. But in the Boston community, the presence of Chugai is not sufficient.

We believe it is extremely important to enhance Chugai's presence in innovation communities such as Boston, where significant innovation is taking place. In order to realize that, we have established the venture fund.

Once we succeed in increasing our presence, we aim to become a Chugai Pharmaceutical that top players around the world - innovative academia and startups that are driving innovation globally - will want to partner with and collaborate with. We want to be seen as the partner of choice by these world-class top players.

And in order to make that happen, we will polish our technologies on a continuous basis and make those technologies visible to the external world, ultimately creating effective drugs from these technologies.

Through this approach, we want to pursue new innovation opportunities. Through open innovation, we will produce innovative new medicines on a continuous basis. And of course, we will always continue to focus on internal drug discovery. But in order to make this sustainable, we consider it necessary to work with external partners.

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The Aims of Chugai Open Innovation

- **Open innovation as a means of realizing Chugai's research strategy**
 - By partnering, realize drug discovery that centers around our own research but cannot be realized singlehandedly
- **Open innovation that is researcher-initiated and expands our drug discovery potential**
 - Open innovation from the bottom up rather than the top down



- **Examples of targets of Open Innovation**
 - Targets that can exhibit the advantages of Chugai's own modalities and technologies
 - Third-party technologies that increase the value of Chugai's own modalities and technologies

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This slide shows the aims of Chugai open innovation and the top two are considered to be very important for Chugai.

Number one, open innovation as a means of realizing Chugai's research strategy. We have our own drug discovery, and this is really the center of our activities, but there may be some drug discovery that is not possible on our own, and that's where we partner with external partners.

So let me go into the details of that. It's not open innovation for the sake of open innovation. It's not that we see something interesting externally and then decide to license it in or acquire it. Rather, in order to realize our drug discovery strategy and when that is not possible on our own, then open innovation can act as a means of realizing Chugai's research strategy.

The second point is also relevant to that, is that our drug discovery researchers take the lead in open innovation to expand their own drug discovery possibilities. When pursuing such open innovation, rather than taking a top-down approach, we want to advance open innovation that emerges bottom-up from researchers who want to realize the drug discovery they wish to pursue and accomplish.

At Chugai, most of the projects have been originated from bottom up ideas, where technologies were developed and drugs were created. This bottom-up culture is something that will be applied to the open innovation approach as well.

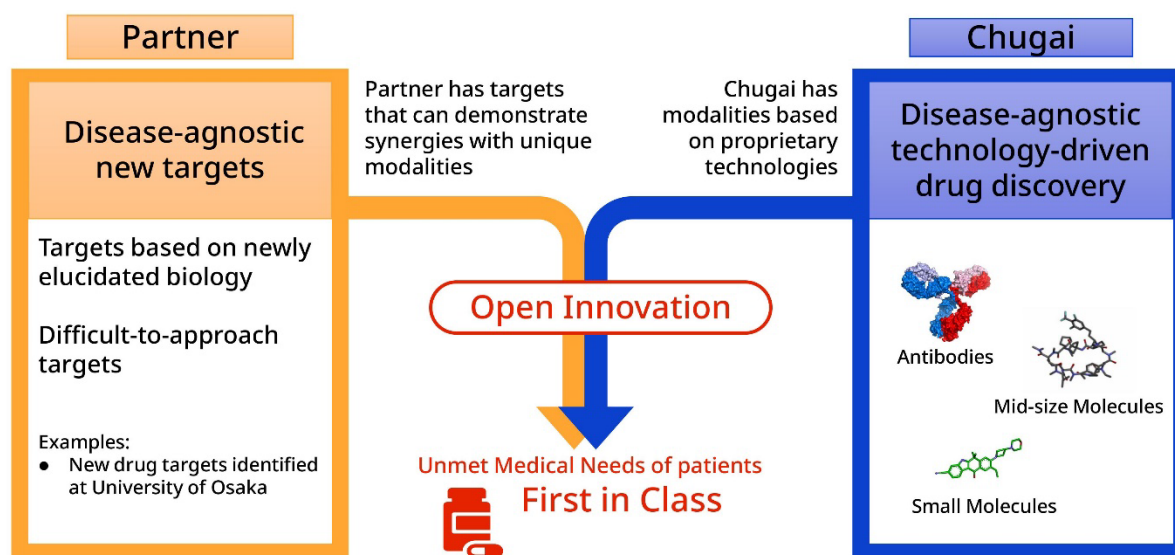
At the bottom, we are showing some examples of targets of open innovation, and I would like to explain these two points with the next slides.

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Win-Win Collaboration: Drug Discovery Targets



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First, as you can see from the title, win-win collaboration is something we aim for, and this is about drug discovery targets. The next slide will be showing technology.

Chugai values disease-agnostic, technology-driven drug discovery. We focus on leveraging our proprietary technologies to develop drugs that would otherwise be difficult to create - for example, targeting challenging approaches like those shown on the left. We seek partners who possess such difficult-to-approach targets. Targets that are not merely challenging to approach, but which represent newly elucidated biology related to diseases.

When targets are difficult to approach, from the partner's perspective, these targets can become druggable by collaborating with Chugai. From Chugai's perspective, we seek partners who possess targets that enable drug discovery that only Chugai can achieve - drug discovery unique to Chugai. This creates a win-win situation for both parties. This is the kind of drug discovery target approach we are considering.

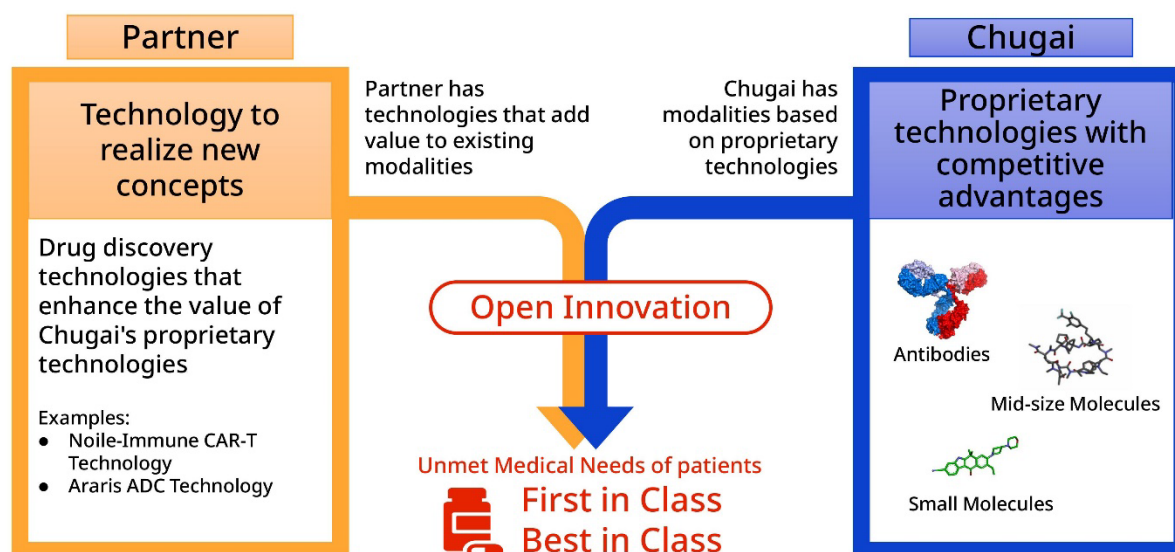
Through this approach, we aim to achieve first-in-class drug discovery.

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Win-Win Collaboration: Drug Discovery Technologies



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The next slide shows drug discovery technologies.

Chugai has proprietary technologies with competitive advantages. By partnering with companies that possess technologies capable of further enhancing our proprietary technologies, we can provide additional value through such collaboration.

From Chugai's perspective, our proprietary technologies value can be enhanced, and from the partners' perspective, likewise, their technologies' value also can be enhanced through the open innovation collaboration. This is the kind of open innovation we want to pursue.

Examples are Noile-Immune's CAR-T technology and Araris' ADC technology. By combining these technologies with Chugai's antibody engineering technologies, we aim to achieve drug discovery that can only be realized through the combination of both companies.

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Expanding Chugai's Open Innovation for the development of future Healthcare



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CHUGAI VENTURE FUND

CHUGAI PHARMABODY RESEARCH



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This is the second from the last. Chugai aims to expand open innovation for the development of future healthcare.

CVF's John is going to give us a presentation later on, but we now have Chugai Venture Fund in Boston. Through the investments, we can gain some learnings and lessons and those will be fed back to our research center so that such knowledge can be used for the drug discovery at Chugai.

Also, we will collaborate with third parties. Of course, third-party collaboration can be done through the research center at Yokohama, but it's not just Yokohama. We have CPR based in Singapore and using these two centers and bases, we will have collaboration with third parties.

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Summary

- Chugai has created multiple blockbusters through external collaborations.
- At the same time, Chugai has enhanced competitiveness with proprietary technologies without excessive dependence on external sources.
- Our open innovation strategy creates synergy with in-house capabilities to strengthen our drug discovery platform.
- We aim to expand international partnerships and integrate novel targets and technologies from global sources to enhance R&D quality and sustainability.

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This is my summary.

Chugai has created multiple blockbusters through external collaborations. At the same time, Chugai has enhanced competitiveness by developing proprietary technologies in-house and strategically applying these technologies to drug discovery, without being excessively dependent on external sources.

Open innovation for Chugai creates synergy with in-house capabilities to strengthen our drug discovery platform. That is our idea of open innovation. That is our idea of open innovation. That way, we'll be able to enhance the value of our own drug discovery platform. That's our strategy.

Going forward, we aim to expand international partnerships and integrate novel targets and technologies from global sources to enhance R&D quality and sustainability.

That's all from me. Thank you very much.

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Establishment and start of operation of CVF

1. Start of operation : January 2024
2. Location : Boston, MA



President
John Gustofson



Principal
Taku Fukuzawa



Associate
Tatsushi Kodama



Associate
Yoshikazu Ando



Office Manager
Stefanie Feldmann

John Gustofson has over 25 years of experience in Corporate Venture Capital and Business Development, previously including Managing Director of AbbVie Ventures and Business Development at AstraZeneca. Served as a Director of numerous venture companies in which he has invested (Disarm Therapeutics, Caraway Therapeutics, Ribometrix, etc.)

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Gustofson*: Good morning. It's my pleasure to speak to you today. My name is John Gustofson, and I am the Head of the Chugai Venture Fund. We started operations in January 2024, so approximately 1.5 years old now. As Igawa-san mentioned, we are located in Boston in Massachusetts in the United States, and I'll talk a little later on in the slide why we chose Boston as a site of our location.

At the bottom, you'll see the pictures of my team. We are four people and all located in Boston, Massachusetts.

CVF's Role in Chugai's Open Innovation Strategy

Vision



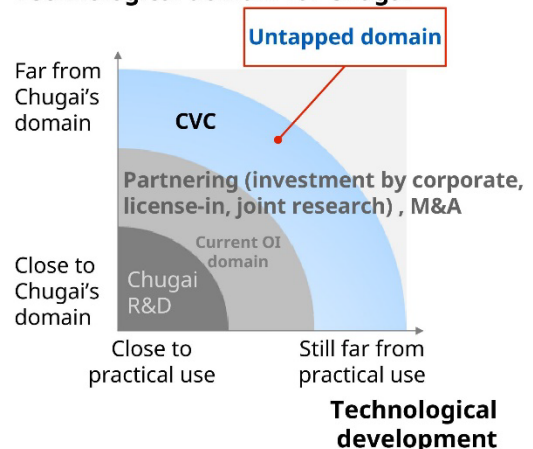
CVF will help improve the quality and continuity of Chugai's R&D by introducing innovation throughout the world

Mission



CVF will discover and review emerging companies focusing on innovation complimentary to Chugai's R&D

Technological domain for Chugai



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The vision of setting up the Chugai Venture Fund was to help improve the quality and the continuity of Chugai's R&D by introducing them to innovation that's happening across the world and particularly outside of

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Japan. Our mission is really to expose the Chugai R&D to the cutting-edge biotech that's going on across the world.

On the right-hand side, you'll see a picture. You have Chugai's R&D, where you see our strength in antibodies and macro cycles and small molecules. Just above that is partnering and collaborations. These are looking for opportunities that can immediately be licensed or collaborated to help Chugai R&D. The Chugai Venture Fund is looking a little farther away. We are looking at new and emerging biotech companies that hopefully, in a few years from now, not immediately, but hopefully in two, three or five years, could potentially help Chugai's R&D.

Chugai Venture Fund: Investment Overview



Chugai Venture Fund (CVF)

Fund Size	\$200 million	Investments	~3 per year \$20M per company
Investment area	primarily in the U.S., Europe, and Japan	Strategy	Early stage (preclinical) investing

Scope

1 Target	Technology platforms
2 Target	New target identification
3 Technology	Technologies that can enhance Chugai's core technologies
4 Digital	Digital and AI technology that can assist drug discovery and translational research

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This is an overview of the Chugai Venture Fund. We are a \$200 million fund. With this, we look to make about three investments per year, and we'll be looking to invest about \$20 million per company over the life of the company.

From a geography, we're looking to invest primarily in the US, Western Europe and, of course, Japan. We are a strategic investor, and we are investing in early-stage biotech companies. The reason for this is I find that once a company is in the clinic, they're really driving an asset forward and the technology of how they got that asset into the clinic is not as prioritized. So for us, for the Chugai Venture Fund, we're really looking at preclinical companies for our initial investment, but then we follow them all the way through, hopefully, to IPO or acquisition.

The scope of what we're looking at are platforms that can cut across multiple indications. We're looking at platforms that could work in both oncology as well as immunology or metabolic diseases or CNS. This aligns with our Chugai's R&D. We're not disease specific, but really looking for opportunities that are driven by the best science. The next is we're really looking to prioritize companies that can identify new targets. This is really important from us from a pharmaceutical point of view is hopefully to find new targets to advance new drugs for- that will be better for patients. We are also looking for technologies that can enhance Chugai's core capabilities. We're looking for investment areas that are complementary to Chugai's R&D. Lastly, we will look at digital and AI technologies as long as it could help assist in R&D efforts.

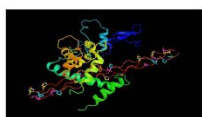
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Investment Technologies



Protein Stabilization
Protein Degradation



RNA & DNA
Biology



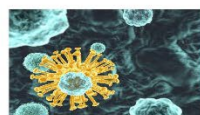
Gene Therapy
Gene Editing



Platform
Technologies



Precise Tissue
Delivery



T-Cell
Biology



Digital
Technology

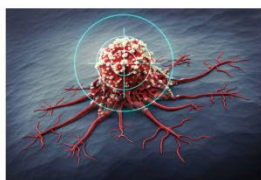


New Target
Identification

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In a little more detail, the areas that we're looking and focusing on are protein stabilization, protein degradation, RNA and DNA biology as well as gene therapy and gene editing. As I mentioned, we are also looking at platform technologies with applications across multiple indications. We're also looking at precise tissue delivery, companies that could help get drugs to the right places to benefit the patient. From a cellular therapy point of view, we're very focused on T-cell biology. And as I mentioned prior, we are looking at digital technologies and new target identification as one of our priorities.

Major Investment Indications



Oncology



Immunology



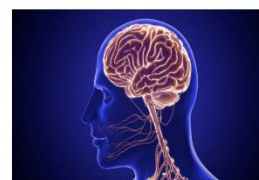
Metabolic Diseases



Ophthalmology



Rare Diseases



CNS

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Well, those are the modalities, the areas and the indications that we're also looking at are fairly comprehensive, but align with our sales and marketing, and that is oncology, immunology, metabolic diseases, ophthalmology, rare diseases as well as CNS.

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How Do We Review an Investment Opportunity

What do we look for in an investment:

1. Management team
2. Novelness of science
3. Scientific hypothesis
4. Data supporting hypothesis
5. On strategy for Chugai R&D
6. Patent protection
7. Commercial Potential

Different than Business Development, Ventures looks at the promise of the technology not solely on data

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When we are looking at an opportunity to invest in, the way that we are approaching this at the Chugai Venture Fund is we are looking at not only the science, but we're also looking at the management team. It's very important to invest in people who have- that know how to not only develop drugs, but also how to develop a company to hopefully go public.

Our very first investment, we invested in a CEO who has a proven track record. He's already brought two companies forward into the public markets. In addition to the management team, we, of course, look at the science. We are really looking for how novel, how new and cutting edge is the science. What is the scientific hypothesis they're testing and what is the data supporting this hypothesis. In addition to that, we're also making sure we are looking at how is this on strategy and complementary to Chugai's R&D. Of course, we also look at patent protection as well as the commercial potential.

One thing, though, in our evaluation that I want the audience to understand is that we are very different than business development. From a partnering business development point of view, they are looking to bring a collaboration that can immediately help Chugai's R&D. The venture fund really is looking further out at the promise of what the company could become. Many times, the data- the company will not have enough data to even evaluate if we could partner with the company. And so the goal of ventures really is to look at really emerging new novel companies and look at what the promise could be, not where they are today based on their data, but where they could become.

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CVF Working with Chugai R&D

Goal: CVF will help expand learnings for Chugai's R&D into new scientific areas by investing external innovation

Benefit for R&D: CVF will help finance early-stage biotech companies. The investment will a) provide money so the biotech can generate more data, b) Chugai will monitor these companies closely to learn about the science and c) if the data looks interesting, Chugai may elect to form a collaboration with the company

Working Together: Chugai R&D and Ventures will work closely together to evaluate and agree on the best investment opportunities

The CVF will invest in companies working on technology/programs that are complimentary to Chugai R&D:

- We will not invest in areas in direct competition with Chugai's internal programs

Success is measured by investing in good companies:

- Chugai eventually partners with the company
- Another Pharma partners with the company
- CVF makes money on the company either by IPO or acquisition

IPO: initial public offering

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So, in order to do this, as I mentioned, our goal really is to help Chugai R&D to embrace open innovation and be exposed to innovation everywhere across the world. My vision of how the best way to do this is we will work together with Chugai R&D. While the venture fund, we look at many different companies, and we are the first filter looking at how novel is the science, how good is the management team. Once we find something that we think is appropriate, we then start to engage with our R&D team to help us evaluate and to look at this company. Through this, hopefully, we can identify the best companies that are truly novel and complementary to Chugai's R&D. And through this- through our investment, we will allow the company to grow, we get to see how the company acts, the company gets to understand Chugai R&D. And then hopefully, if we're successful later on down the road, there may be even a collaboration out of our investment.

One key thing that I do want to mention is we are investing in areas complementary to Chugai's R&D. However, we are not going to invest in any companies that are in direct competition with Chugai's R&D. We're really here to look at complementary companies to Chugai's R&D.

In the end, our success will be measured in several ways. The ultimate and best success for the Chugai Venture Fund is if we identify a company, invest in the company and then later, there will be a collaboration with the company. However, that's not always going to be possible as every biotech company is looking for their best partner, and it may be someone else such as Pfizer or Novartis or Takeda, who may value the program even higher. If another pharma partners with this company, it will also be an indication we invested in good science. And then lastly, of course, if a company is acquired or goes public, that will be another measure of success that we've invested in good science.

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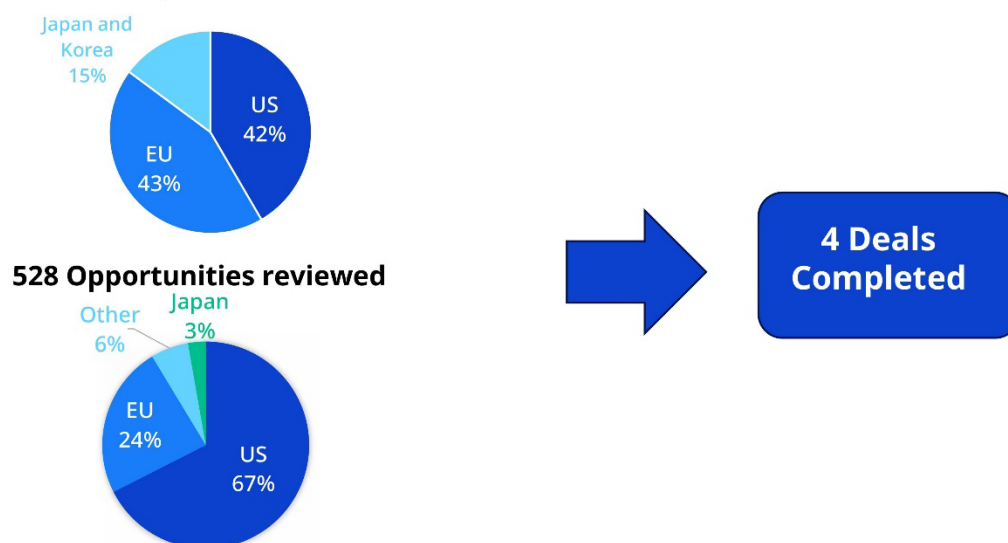
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CVF by the Numbers – Performance Metrics

>100 venture capital firms met worldwide



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Next, I'd like to talk a little bit of what we have accomplished so far. So as a reminder, Chugai Venture Fund has been in existence for about 1.5 years. I'm proud to say within that time, we've talked to over 100 different venture capital companies worldwide. This has been critical to establish our reputation and start to get other venture capital companies to understand Chugai's innovation strategy and really looking at the newest and emerging companies. From this, we have evaluated over 520 different biotech companies for potential investments. And from all this, we have actually made four investments so far.

Portfolio

 Hyku Biosciences is developing small molecule therapeutics with novel mechanisms of action to potentially inactivate proteins that drive disease progression	 Leal Therapeutics is a biotechnology company dedicated to developing precision medicines for patients with high need CNS disorders	UK Based Company Stealth Mode	 Stylus Medicine is harnessing the power of a novel class of enzymes to enable the insertion of any-length genetic sequences into the human genome to develop permanent cures for patients.
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First investment was a company called Leal Therapeutics. We are excited for this company, while its lead program is an ASO for Alzheimer's disease, the underlying technology can link antibodies to antisense

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oligonucleotides, where the antibody could cross the blood-brain barrier. If this company's technology really works and they are able to conjugate and then have it released across the blood-brain barrier, it'd be game-changing in that you won't need intrathecal injection anymore.

The next company we invested in was Hyku Biosciences. They're looking at covalent chemistry looking for new potential targets. The third company we invested in, I can't say too much about. It's a stealth company, but it's based in the UK. They're looking at how a healthy cell transitions to a disease state using spatial genomics.

And then the last and most recent company that we've invested in is Stylus Medicine. This is a gene therapy gene editing company, and it's the first company that we've seen that really addresses all three major issues associated with gene therapy today. They're looking at the safety profile, less toxicity, they're looking at large payload size. But more importantly, they're also looking at very precision insertion.

Today, these are the four companies that we have invested in and all bringing very exciting technology forward.

Chugai Venture Fund: Investment Overview

My Learning's In The First Year of CVF's Existence



External perception:

- Chugai has an excellent scientific reputation however, people do not know why
- People do not fully understand Chugai's impressive accomplishments such as:
 - Chugai's market cap is larger than GSK, Merck KGaA, Takeda & Bayer (global companies while Chugai primarily sells in Japan, Taiwan and Korea) at the end of May in 2025.
 - Chugai's Ph3 in-house products success rate over the last 15 years is better than any other pharma
 - Chugai's impressive market growth over the last 15 years

My internal observation

- Chugai is very humble and does not brag about our accomplishments such as pioneers of antibody development including the first bispecific antibody approved, one of the first Sweeping Antibody® and also Recycling Antibody® in the clinic. Chugai Switch Antibody™ that can turn on/off in the presence of ATP

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I've also been asked, being relatively new in 1.5 years here with Chugai, to share my experiences of what CVF in the first year. It's been very interesting, and I'll say from an external perception, many people are aware of Chugai and that we have an excellent reputation in science. However, most people don't really know why we have that reputation. As I talk to people, I've talked about Chugai's impressive accomplishments. When I looked at this in May, at that time, Chugai's market cap was larger than GSK, Merck KGaA or Takeda. These are internationally recognized companies selling products globally, whereas Chugai really is primarily selling in Japan, Korea and Taiwan. A very impressive accomplishment that the market cap is so high.

In addition, Chugai's record over the last 15 years for Phase III development and the success rate is better than any pharma company I'm aware of. And also, we've had some of the most impressive growth of any pharma company I'm aware of over the last 15 years. These are great accomplishments, but many people don't know why we have a reputation and what's behind that.

My internal observation of Chugai is the Chugai culture is very humble. As an American, we normally typically brag about all of our accomplishments, and that is not the Chugai's way. Chugai is top-tier world-class science

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and let the science speak for itself. Dr. Igawa-san mentioned about the antibodies and our accomplishments in first to clinic and first to market on some of our antibody technologies. And that really is the Chugai way to develop really top-quality products and let the science speak for itself and not to brag like a typical American would about our accomplishments.

Chugai Venture Fund: Investment Overview



Boston/Cambridge – Leading Hub for Biotechnology and Pharmaceutical Innovation

Unparalleled Concentration of Life Science Talent:

- World-class institutions (Harvard, MIT, Tufts, Boston University, Boston College) ensure continuous top-tier talent pipeline
- 8,000+ advanced life sciences graduates annually (2023)
- Highest global concentration of life science professionals: 1 in 17 workers (2024)

Robust Funding Ecosystem:

- MA biopharma companies raised \$18.2B in VC (2023), ~25% of US life science funding
- Leading life science VCs (Third Rock, Atlas, Flagship, MPM, Polaris) raised \$10B+ since 2023
- 18 biotech IPOs in 2023 raised \$3.2B, representing ~1/3 of all US biotech IPOs
- 31% of all US biopharma VC investment flowed to Massachusetts (2023)

Source:

1. Mass Bio 2024 Industry Report: <https://www.massbio.org/industry-reports/industry-snapshot/>
2. Foothold America: www.footholdamerica.com/blog/from-boston-to-san-diego-where-should-your-life-science-company-expand-in-the-us/

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Lastly, I'd like to talk about why the Boston, Massachusetts area was located for the Chugai Venture Fund. You may be aware that Boston has a very good reputation for the biotech ecosystem. It's one of the leading cities in the world for biotech. But I'd like to talk a little bit more about what makes the Boston ecosystem so unique. Boston has an unparalleled concentration of life science talent. We have some of the top universities in the world, including Harvard, MIT, Tufts, Boston University as well as Boston College.

In 2023, over 8,000 people with advanced life science degrees lived in Boston. But in addition to that, we have a very robust funding ecosystem. We are the home of some of the world's leading life science-focused venture capital companies, including Third Rock, Atlas, Flagship, MPM as well as Polaris.

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Boston/Cambridge – Leading Hub for Biotechnology and Pharmaceutical Innovation

Strong Industry Presence:

- 1,200+ biotech companies (2024), including giants Biogen, Moderna and Vertex
- Kendall Square: highest global biotech density, "most innovative square mile on planet"
- 14 of top 20 global biopharma companies maintain significant Boston presence (2023, up from 11 in 2020)
- MA-headquartered companies represent 15.2% of US and 6.4% of global drug pipelines

World-Class Research Infrastructure:

- World-class research hospitals: Massachusetts General Hospital, Brigham and Women's Hospital, and Dana-Farber Cancer Institute
- 1,500+ clinical trials conducted in 2023, highest globally for any metro area
- Broad Institute (MIT/Harvard) published 500+ peer-reviewed genomics papers (2023)
- Record \$4.1B NIH funding in 2023 (+30% from 2021), highest per-capita nationally
- 3.5M sq ft new lab space opened, additional 5M sq ft under construction (early 2024)

Source:

1. Mass Bio 2024 Industry Report: <https://www.massbio.org/industry-reports/industry-snapshot/>
2. Foothold America: www.footholdamerica.com/blog/from-boston-to-san-diego-where-should-your-life-science-company-expand-in-the-us/

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In addition, we have an extremely strong presence from industry. We have anchor biotech companies such as Biogen, Moderna, and Vertex. In addition to that, 14 of the top 20 global pharmaceutical companies have a presence within Boston. In the Kendall Square area, we have the highest density of global biotechs of anywhere in the world. And lastly, it is a world-class research infrastructure. Along with the universities and colleges that we have, we have world-class research hospitals such as Mass General, Brigham and Women, and the Dana-Farber Cancer Institute. In 2023, the Boston ecosystem conducted over 1,500 different clinical trials, which is the highest globally for any metro area globally.

Summary

- Evaluated 528 investment opportunities and completed 4 strategic deals potentially complimentary to Chugai's R&D since our 2024 Boston launch
- CVF is helping to expose Chugai R&D to the latest innovation across the world
- CVF and Chugai R&D work together to evaluate new technologies that could help enhance further drug development in ways not previously considered
- With each investment, Chugai R&D is learning about the newest technologies and how they could benefit patients as well as Chugai R&D
- CVF will help improve the quality and continuity of Chugai's R&D by introducing innovation throughout the world

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In summary, Chugai Venture Fund has been in existence for about 1.5 years now. I'm happy to say that we've evaluated 528 different biotech companies. And of those, we've made four investments already. We're trying

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to help expose Chugai R&D to the latest innovation across the world. We're working together with Chugai R&D to evaluate what we think are the best and most complementary technologies that we could invest in. And with each investment, Chugai R&D is we are learning about the technology and how they can potentially benefit patients going forward.

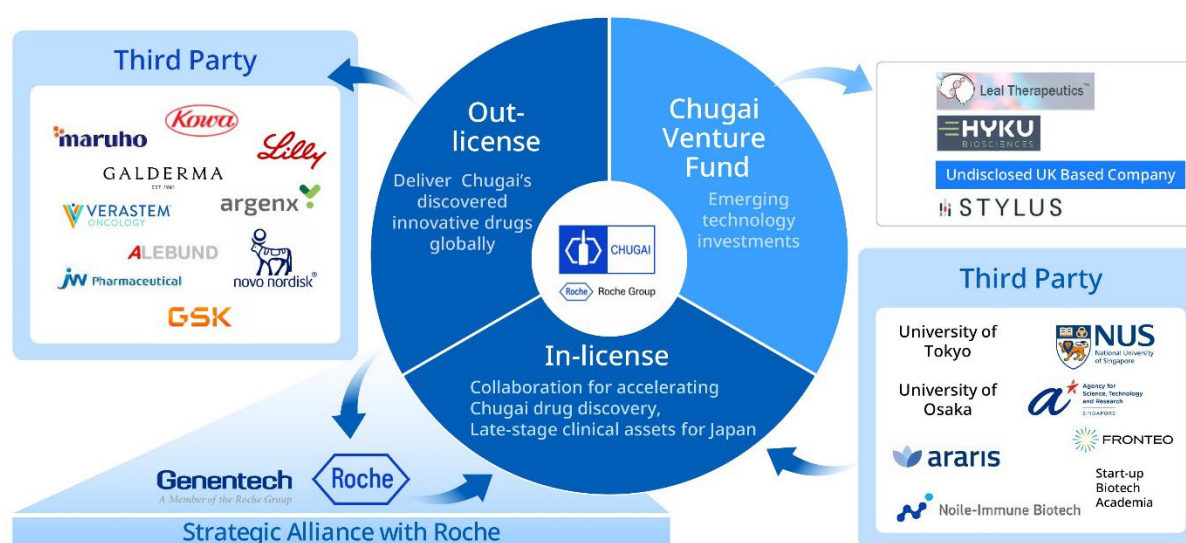
Thank you very much, and that's my presentation for today.

Miyata: Chugai's partnering activities will be presented by Asano. At the outset, we'll pause for a few seconds. So if you have a screen capture, please take advantage of this moment. Now over to you.

Asano: Thank you very much for your time today. I am Yumiko Asano, Head of Partnering Department at Chugai. In this final segment of this open innovation meeting, I would like to introduce Chugai's partnering activities, how we are working on these activities.

Chugai's Partnering Activities

Three sectors of Chugai's Open Innovation Activities



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As you may know, Chugai aims to become a top innovator in the healthcare industry by 2030. To realize that goal, we have positioned open innovation as one of our key drivers. As indicated below (in the slide), since entering into a strategic alliance with Roche in 2002, we have built our business foundation by in-licensing Roche products and out-licensing our in-house products to Roche. And to Chugai, Roche is a very important partner and will continue to be. In addition, we are promoting open innovation along three axes to drive further growth for Chugai.

The first, shown in the lower part of the pie chart, is in-licensing activities to facilitate Chugai drug discovery. As Dr. Igawa, Head of Research Div., mentioned earlier, we aim to promote partnering with academia, start-up companies, and third parties with novel targets, technologies, and solutions that synergize with our technology-driven drug discovery. Through these activities, we aim to expand our drug discovery potential and accelerate development. In addition, as part of our other in-licensing activities, we also consider the domestic introduction of late-stage development products that would create synergies with our development and launched products as within our scope.

The second is out-licensing activities to deliver our in-house products globally. Chugai and Roche have first refusal right to each other's products. However, if Roche decides not to in-license a product for strategic

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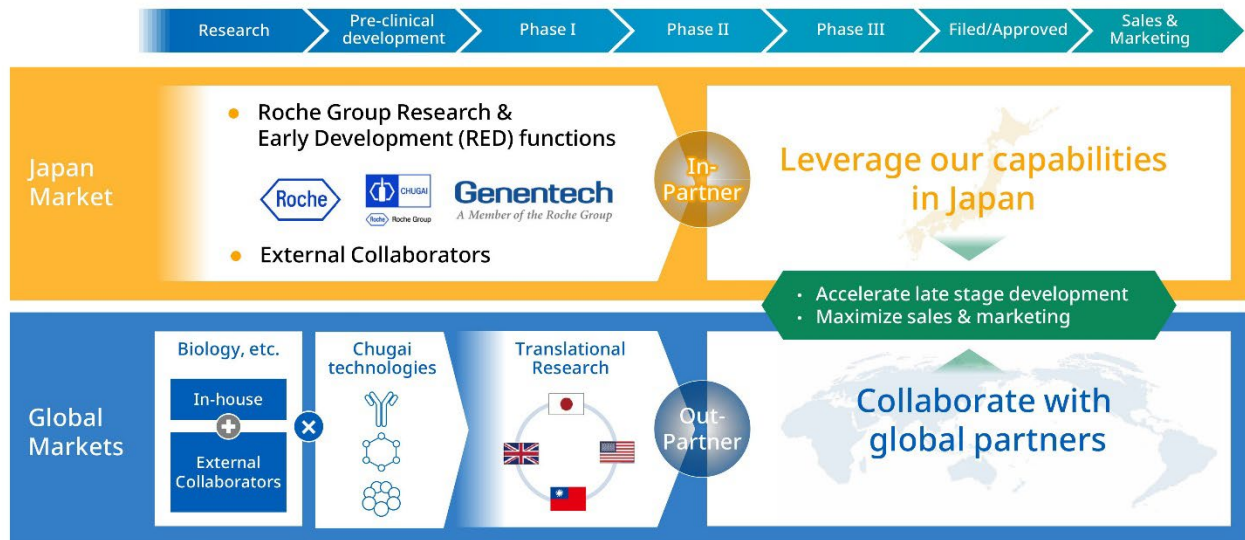
reasons, we consider out-licensing to partners who can maximize the product's value. We have already been collaborating with the partners shown here, and we also out-license our antibody engineering technologies.

The third is investment in new technologies through the Chugai Venture Fund, as John explained. We would like to further accelerate these three open innovation activities.

Chugai's Partnering Activities



Chugai Business Model and Partnering



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Next, I will explain our business model and partnering approach.

First, as you can see on the orange part, which represents the Japanese market: For our domestic business in Japan, we will fully leverage Chugai's development and sales & marketing capability to conduct late-stage development, regulatory filing, and market launch of our in-house products, Roche products, and third-party in-licensed products.

As for blue part for global development of our in-house products: We basically conduct research and early clinical development by ourselves, and at the early Proof of Concept stage, we out-license to global partners including Roche. From late stage development onward, we collaborate with partners to conduct global clinical development, sales & marketing. Thus, by conducting in-house drug discovery and R&D alongside partnering activities throughout the entire development phase, we aim to maximize the value of products that Chugai provides.

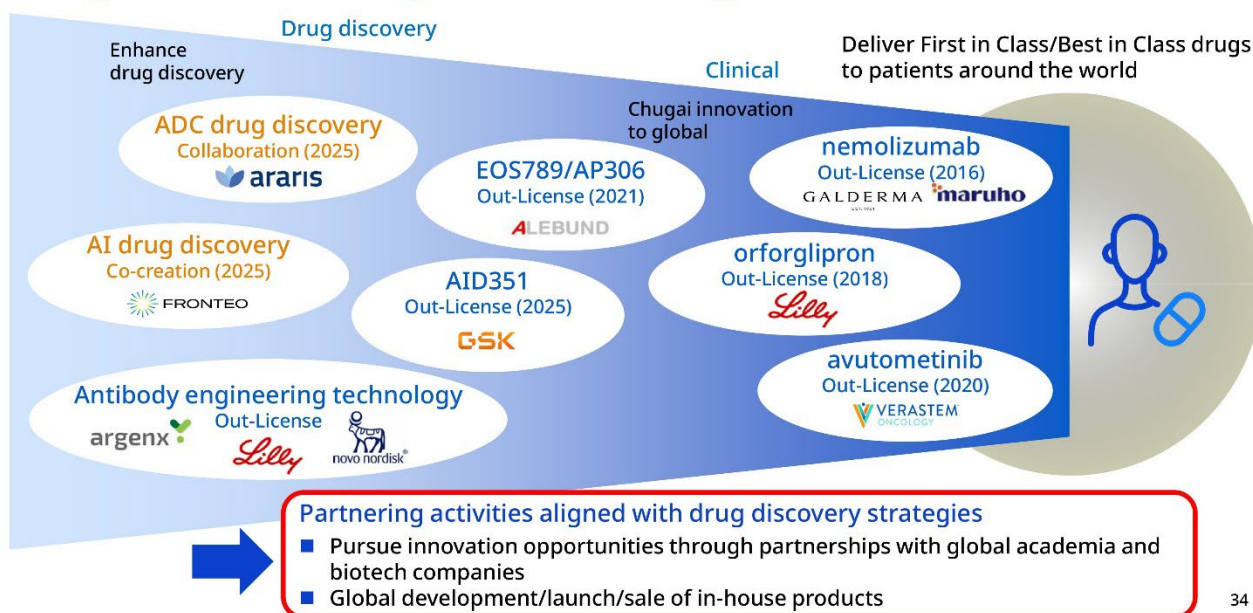
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Key Recent Chugai Partnering Achievements



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Here, I would like to introduce the main achievements and results of our recent partnering activities.

First, this trapezoid-shaped diagram illustrates the process from early-stage drug discovery through clinical development to market launch, ultimately delivering medicines to patients. On the left side, regarding the expansion of drug discovery projects and open innovation in drug discovery, we have initiated collaboration with Araris, which possesses ADC drug discovery technology, this year. We have also started co-creation with FRONTTEO this year, utilizing their natural language analysis AI system for collaborative innovation.

Moving forward, we will continue to pursue innovation opportunities through partnerships with academic institutions and biotech companies worldwide.

On the right side, as examples of out-licensing our in-house products to third parties, as shown here, we have been able to achieve global development and market launch of our in-house products across multiple therapeutic areas through partnerships with third parties other than Roche.

Specifically, we have out-licensed orforglipron, the well-known oral GLP-1 receptor agonist, to Eli Lilly. In the dermatology field, we have out-licensed nemolizumab, an anti-IL-31 receptor A antibody, to Galderma and Maruho. Recently, avutometinib, a RAF/MEK clump that we out-licensed to Verastem, received US FDA approval in May of this year in combination with defactinib for the treatment of recurrent low-grade serous ovarian cancer. In 2021, we out-licensed EOS789/AP306, a hyperphosphatemia treatment, to Alembic.

Additionally, through collaboration between our Singapore research laboratory and Chugai research laboratory, we have developed an antibody drug AID351 for dengue fever, for which we have signed a collaboration agreement with GSK.

Our partnering activities are aligned with our drug discovery strategy, and we pursue comprehensive partnering activities. Through this approach, we aim to deliver first-in-class and best-in-class drugs to patients around the world.

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The Value that Chugai Creates with Partners

- We aim to expand the development pipeline through partnerships that provide synergies with our Chugai drug discovery technologies.
- We will deliver innovative medicines to patients around the world through product collaborations with global partners, including Roche.
- We will in-license late-stage clinical development assets specifically for the Japan market, including addressing the Japan drug loss and drug lag concerns

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Finally, as a summary, I would like to discuss the value that our company creates together with our partners.

The first point is we aim to expand our development pipeline through collaboration with external technologies that have synergy with our proprietary technologies. We believe that collaboration with external partners will enable the development of innovative medicines that would not be possible by Chugai alone.

The second point is to deliver innovative medicines to patients around the world through partnership with Roche and global third party partners. We believe that by leveraging external global network through partnering, we can contribute to many more patients.

The third point is that, in addition to this, we aim to contribute to eliminating drug loss and drug lag through the domestic introduction of late-stage development products. We consider it one of our missions to deliver excellent medicines that have been approved overseas to Japanese patients as quickly as possible, by leveraging our development, sales, and marketing capabilities.

Chugai will continue to work on creating innovative medicines that address unmet medical needs of patients worldwide through open innovation. Going forward, we would like to create value together by actively collaborating with domestic and global partners.

That's conclude my presentation. Thank you very much.

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Question & Answer

Miyata [M]: Thank you for your attention. Now I would like to move to the Q&A session. In order to have as many people as possible ask questions, we have to limit the questions to two per person. And your sound in the questions will be posted together with the presentations on our website. So please also be aware of that. And we'd like to take questions first from the persons in the venue and then take questions from those who are participating in Zoom webinar.

Now if you have any questions and you're in the venue, please raise your hands. Microphone will be brought to you so please identify yourself and your affiliation first before asking questions.

Wakao [M]: Thank you very much. Wakao from JPMorgan. First question is just for clarification. So open innovation and corporate venture fund, through those, you are making investments. So not establishing the fourth modality, but the existing three modalities will be enhanced. Is that a correct understanding? So gene therapy is also included, which is a bit far away from what you have right now. But having said that, there's antibody and small molecule and mid-size molecule with gene therapy. Is that what you're doing?

Igawa [A]: Yes. In addition to the three modalities that we already have, as a fourth one, cell and gene therapy is something that we are already researching in-house. And together with that, as John said, the technology that will complement that is what CVF is investing in. So there's a Stylus company for genes and the technologies that this company has is complementing our new modalities. So that's why we are investing in that company. With this technology established and once we have proof of concept, then we will start collaboration and in-licensing.

Wakao [Q]: Okay. So for gene and cell therapies, in-house, you are working on that. But compared to other companies, you don't have established technologies. So you would like to bring in external technologies to establish gene and cell therapies.

Igawa [A]: Yes. In our gene- genetic therapies, the approaches that are different from our approach, we don't know which one will succeed. And there might be some synergy between these two. So that's why we're investing in those ones. So as for novel modalities, we are making investments of some researchers' resources in-house. And then in complementary to that, CVF is also making investments.

Wakao [Q]: Okay. The second question is about corporate venture capital through which you are making investments. So you take the equity of the companies that you're investing in. By those, what is it that will be made possible, which was not possible before that? There must have been communication with early-stage ventures. So by making- taking investment or equity, what would be made possible? Any pharmaceutical company has venture funds. But I don't think these are leads. You are not the lead investor, so you don't have any much control. So in the process down the road, for example, J&J may take the control. So what is the meaning of having equity?

Gustofson [A]*: Several reasons why for the venture funds and taking equity. When we take equity into the company, we also sit on the Boards of the companies. And in some cases, we were a voting Board member and some reasons- in some instances, we're a Board observer. The other reason for establishing a corporate venture fund is when we invest in these companies, it's we then also will have annual meetings with the companies. We will learn how the company is developing and not only from that company in particular, but we also learn about how the rest of the field and their competitors are developing as well. So, in some ways, the venture capital or the corporate CVCs, we act as intelligence gathering, but also we get to have a closer relationship with the company than we would if we didn't invest in the company. And so it's those reasons

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really it's a strategic investor. We're strategically investing in areas that hopefully, we will gain some knowledge through this investment. And hopefully, the company learns about Chugai, we get to learn about the company. And hopefully, maybe there will be a collaboration later on down the road. Hopefully, does that answer your question?

Wakao [Q]: If that's the case, then so open innovation that you have been doing previously will be a bit different in terms of quality of communication. So your open innovation will be enhanced. Is that a correct understanding?

Igawa [A]: Yes, exactly. So Chugai before establishing CVF had been focusing on technology development on our own. So we had not been so aggressive in terms of getting access to external entities. Even if we are doing that, we are aiming for contact with those centered on antibody technologies, for example, where we have the excellence. But we have not done is aiming for access and information of the areas that we had not been researching. But that is the opportunity that is increasing with this CVF. We haven't seen any tangible results yet, but this has been a good stimulus for researchers.

Wakao [M]: Thank you.

Hashiguchi [Q]: I'm Hashiguchi from Daiwa Securities. So the Boston area is included in the US, I would like to know about changes in the environment in the US. The budget for NIH is being reduced significantly and researchers in the US are leaving the US or are considering to leave the US. And those companies which have seen when they cannot have enough funds, but that can present some opportunities to Chugai. So are you ready to grasp those opportunities out there in the US? Are you seeing some of those opportunities rising? And how this kind of policy is going to affect your business activities going forward in the long run?

Gustofson [A]*: Yes. You are correct. The economy has been very tough the last few years. Not as many companies are able to go public. And this is creating opportunities. There are some very good companies that are having problems raising cash. As far as the public policies go and politics going on, I can't really comment on that. But there are opportunities, and I do believe this presents some good opportunities for collaboration. The companies that we have invested in, some of these are brand-new companies, some of these are existing companies, and we can find some very good deals, good valuations for really high science. And I think that's been the benefit of this- the poor economy for us right now.

Hashiguchi [Q]: Thank you very much. So the second question is quite similar to that, and it's about China. So Western companies pursuing open innovation in Asia or business development in Asia, compared to the past, I think the weight of such activities in Japan has come down and some of those companies are increasing their investment in China. Many of the Western companies are following that trend. And against this backdrop, Chugai, you have a very strong franchise. And do you think this strength is going to be- continuously be your strength going forward? And what are your thoughts in terms of your presence in China going forward?

Asano [A]: Okay. So let me answer that question. So about China, it's not as if we have a particular focus on China. We continuously explore new opportunities and new innovation opportunities globally. That's our stance. So given the current situation, it's not as if we have a particular focus on China. That's not our policy. But we are located in Japan. And actually, as I said earlier, for example Alebund, the company to which we out-licensed our hyperphosphatemia treatment drug is a Chinese company, so we do have such communication networks and connections.

Hashiguchi [Q]: From the drug discovery perspective, are you seeing some opportunities for developing technologies in China? Or what about the threat side? Do you see some threats coming from China in that regard?

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Igawa [A]: Some of the start-up companies in China, they are very speedy and low cost. But at the same time, the antibodies, they may be developing and the quality of those antibodies is really going up. So that's our impression. Therefore, for us, well, I think, yes, they can be very strong competitors to us. Especially in the area of antibodies, I think they are developing platforms for bispecific or trispecific; the antibodies are emerging one after another in China.

So from the drug discovery strategy, as for bispecific technology, that's already like commoditized. So they can be developed by Chinese companies also. So bispecific technologies are already kind of general purpose technologies. Therefore, we're not really singling out Chinese companies, but we would like to shift our focus on something really unique to Chugai in the globe unless otherwise, we can't win in the competition.

So as for mid-size molecules, we are still the leader in the world, we believe. But macro cycle is something that is being applied quite widely in the drug discovery area. And I'm sure that Chinese companies have come into this sphere and will come into this sphere also. So we would like to polish technologies even further for midsized molecules to create something new, something unique. So we really need to come up with next generation and next-generation technology out of the platform we have for midsized molecules. We consider that to be quite important.

Hashiguchi [M]: Thank you.

Kikuchi [Q]: Kikuchi from Nikkei Biotech. Thank you very much for today. The first question, as in Asano-san's presentation, it was mentioned that out-licensing to partners other than Roche that you're seeing some results. Has it been increasing in number? Is there any change more recently?

Asano [A]: Well, in terms of feeling, gut feeling, we haven't seen a rapid increase just recently. But in the past, the partners other than Roche were the partners that we licensed out to. It has not reached the half, but less than half.

And as for Roche, there's a disease strategy that they have. As we pursue disease-agnostic drug discovery, if the strategies don't align, we would like to continue considering seeking better external partners going forward.

Kikuchi [Q]: The second question about the presence in Boston, which I would like to ask about. You said that you need to enhance the presence, but maybe it's difficult to say. What is your view on your current positioning? And in order to enhance the positioning, what is the focus that you are working on to really enhance your presence?

Gustofson [A]*:

Yes. Our presence in Boston is really key. What this has allowed us to do is on a routine basis, we're meeting with venture capital companies as well as the academic hospitals as well as the biotech companies in the local ecosystem. And so this face-to-face interaction has been invaluable and something that we look to increase in the future and moving to New York and to San Francisco to meet these as well. But having a presence in Boston has allowed us really to consolidate face-to-face meetings with all the newest and most innovative biotech companies and venture capital companies that are creating those as well.

Kikuchi [Q]: What I wanted to ask is your relative positioning. There are many other Japanese companies that have presence in Boston with CVCs. So compared to those Japanese pharmaceutical companies, what is your relative presence in positioning in the market?

Gustofson [A]*: That's a very good question. I think it really comes down to building your reputation. And I think what Chugai—I can't speak as much as to the other CVCs—but with Chugai, what we are really trying to

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do is with R&D, build our reputation locally within the Boston community and upgrade the community. One of the ways we do this is Dr. Igawa-san will come over and meet face-to-face with many of the venture capital companies and leading academic people. This is how we're trying to build our reputation.

And I think within- we've been in 1.5 years in existence of having a Boston presence, being able to see as many companies we've have seen and seeing as many venture capital companies as we've seen has been outstanding, and I'm very happy with what we've done so far. And we will continue to do that going forward. And building that reputation, I think, is really key in having that Boston presence. And then having the support of people such as Dr. Igawa-san and Asano-san as well coming over has been really key to helping us build our reputation very quickly.

Kikuchi [M]: Thank you very much.

Igawa [A]: May I make some additional comments. For Chugai, of course, we are making investments. And through those investments, we can get contact with many people. But there are proprietary technologies that we- only we have, and that would seem attractive to venture capital, and they would like to collaborate with us because of that. So by having proprietary technologies, unique technologies compared to other companies, we might be more attractive to VCs and start-up companies. So that may be our unique strength for Chugai.

Kikuchi [M]: Thank you for your additional comments. It's helpful.

Ueda [Q]: I'm Ueda from Goldman Sachs. My first question is about your activities overseas on open innovation. I have a follow-up question. So you are now trying to develop a foundation of open innovation and being a part of the Roche Group, are there any advantages? What are the synergies there in that regard? Because Roche has quite a major presence there. So you can probably tap into your network with Chugai for open innovation as well.

Igawa [A]: Chugai is a part of the Roche Group, and that's known by many and as an advantage of that is that drug discovery out of Chugai always has an exit at Roche. So that's probably the biggest benefit. And oftentimes, this kind of question is asked. Chugai is part of Roche. Do you have freedom? Oftentimes, that is a question, but we keep our independence. So open innovation, we have a free hand. Although Chugai is part of Roche, we can have partnerships independently, but that's not well known by people. So we need to communicate that and foster the understanding of our standing within this Roche Group for the promotion of open innovation further.

Ueda [Q]: Thank you for that. Another question is about Chugai Venture Fund. From the perspective of the companies that are invested in, what are the differences between your Chugai Venture Fund vis-a-vis other corporate venture capitals? I think there are various companies undertaking such initiatives, and some may surpass Chugai in terms of fund size or track record. For example, could you tell us if there are aspects such as being able to receive advice from specialized expertise from your company, Chugai, or opportunities for potential future partnerships with Chugai? If there are any such advantages, could you please share them with us?

Gustofson [A]*: I think the advantages of Chugai is the excellent research that we bring, being quality-centric and being the best-in-class is different than some of the other pharmaceutical companies. In the end, the venture capital community, it's very reputation based. And I think this is, again, part of my- as I discussed, Chugai has an outstanding reputation internationally. It's not always known why we have such a good reputation. But one of my jobs is, as I'm talking to companies, is to let people know what Chugai's accomplishments are, what we've done, what our track record is. And I think I do truly believe Chugai is, if not the best, one of the best pharmaceutical companies in the entire world. And that really has helped allow us to get into some- what I consider some very good deals. And what I will continue to work on is to make sure that biotech companies and venture capital know why Chugai has such a good reputation.

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Ueda [M]: Thank you very much. So that's all from me.

Sakai [Q]: Sakai from UBS. There are two questions. First question, you are disease-agnostic technology-driven drug discovery. So you are not going to change that? Is that true? Because I think that we are in the era where disease-driven activities are prevalent. But you are disease agnostic, and you can take advantage of all three platforms and as a result, orforglipron and nemolizumab would come out. So you are staying on this trajectory. And what is the value that you see in terms of approach, which is disease agnostic? Can you share your thoughts with us?

Igawa [A]: Well, to respond to your question first, there's no plan to change our policy. So we are not limiting the disease areas—the primary reason for that is because if you do limit the disease areas, if there's a wonderful idea coming out of researchers, that would not play out. So Hemlibra, we're not engaged in hemophilia research, but we had thought that this idea would lead to a breakthrough. That's why we stayed on with this development. The drug discovery targets we aim for are difficult targets. That is no doubt true. But in the biotechnology, the most important molecules are what we're aiming for. For example, GM329 for myostatin sweeping antibody, so when we started on this, the neurological neuromuscular disease is what we had in mind.

Of course, obesity was talked about, but neuromuscular was the central disease. Myostatin was the most important pathway for muscles. So we targeted at that. And with our technology, we thought that we could differentiate ourselves. That's why we targeted at this. But now the obesity has come out. But we are focused on key pathway. That's why we also ended up with this another chance of obesity. So we shouldn't change this philosophy. That's- and also for disease areas, for example, CVM is kind of in fashion. But what's in fashion could change and keep changing. So if you limit yourselves to that disease area, once the boom is gone, then what is going to happen? That is the difficulty that we face. We believe that by focusing on technology as our foundation—not simply following trends, but flexibly utilizing our own technologies to develop drug discovery that we are capable of—we will enhance the value of Chugai Pharmaceutical.

Sakai [Q]: Thank you. The second question, the CVF, Chugai Venture Fund, the philosophy behind this. What's unfortunate is that you just bypassed Japan and moved to Boston. Chairman Nagayama talked about biotechnology in Japan, but you may say that the path is different. But the opportunities in Japanese environment, including regenerative medicine, what do you think about those opportunities?

Gustofson [A]*: The science in Japan is on par with anyone across the world. And there's no doubt about that. However, the Japanese ecosystem for biotech is still immature. There's not as many entrepreneurs who have developed drugs, developed companies and been able to take a company public. The funding is not quite as strong. And I think for this reason, it made sense to put CVF in Boston. But I do look back at this. And if you go back to Europe 10 to 15 years ago, it was very similar to Japan. There weren't many entrepreneurs. Most of them were in pharma. And that slowly changed over time, and now the European ecosystem is growing and growing. And I think that Japan now with a focus, the ecosystem will grow. But today, it's- I will say it's very young. And it will take entrepreneurs maybe coming over to the United States or to Europe, develop some companies, then move back to Japan, and you'll start to have a pool of entrepreneurs that can really develop the science. So I think today, it's young, but there's no reason why in 10, 15 or maybe even sooner, the ecosystem will be just as strong as Boston.

Sakai [Q]: What about regenerative medicine? Is there any thought?

Gustofson [A]*: Specific in regenerative medicine, no, no specific thoughts on that. I don't really look at it. It's not a cluster of a type of technology. It's kind of more just the general biotech community has to grow within Japan. So I wouldn't say it's specific to regenerative medicine or to any modality. It really needs to grow across all sectors.

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Muraoka [M]: I'm Muraoka from Morgan Stanley. Thank you. So my first question is, it's a very targeted question. So it's about Araris ADC collaboration. So two months after your announcement of the collaboration, Otsuka and Taiho purchased it. And well, that made me realize that Chugai was looking at that. But then on the other hand, Taiho made a decision to purchase the entire company. So both of you were quite great in that regard because it's a great interesting technology. But listening to your presentation, you're pursuing open innovation and also CVC or CVF. So acquisition of entire company is probably not an option or was not an option. Therefore, you had just a partial partnering. Looking back now, is it your reflection that you lost an opportunity?? Or do you consider such a partial partnering to be sufficient? So what's your policy and the direction? Thank you.

Asano [A]: Thank you very much for your question. So as you have pointed out, Chugai, in the past for a long time, we really didn't pursue the approach of an M&A or acquisition of a whole company. It's not as if we didn't consider that, but we don't have such examples. However M&A or acquisition of an entire company, if that may be the best option, then we would like to take on a challenge of doing that. About Araris, they have ADC platform which has high affinity with our technologies. So licensing, we believe that we could improve our drug discovery. Therefore, we had a licensing agreement. And honestly speaking, when Taiho purchased this company, we were surprised. But our license agreement could be continued without any problem. That's our understanding.

Muraoka [Q]: So I said it was a pity or you lost your opportunity. Is that your reflection? That was my question. So it wasn't that kind of surprise, was it?

Igawa [A]: No, we didn't think it was a pity or we lost an opportunity. Taiho is strong in cancer and Taiho purchased this company because they believed that Araris had a great technology. We licensed in such a technology, which means that it's quite a positive or our decision was not wrong at least.

Muraoka [Q]: Thank you. Another question is about the mid-size molecules partnering or collaboration. So we are looking at page 10 of the material, you have a lot in the pipeline of projects and partnering. And then looking at that in the mid-size molecules, as long as I am aware, there aren't many. LUNA18 is just one thing, which is isolated. Does this mean that you still need to brush up this platform inside your company? At what stage in time will you start to have partnering opportunities for mid-size molecules? Or is that not your priority just yet? Thank you.

Igawa [A]: Thank you very much for your question. So to the left of slide 10, we have drug discovery and preclinical stage projects, and 30% of those projects are collaboration projects. Some of the collaboration projects are actually mid-size molecules. So we have already external collaborations using our mid-size molecule technologies. But as of now, we have more collaborations with antibodies, which have solid platform already. But the mid-size molecule platform is going to be expanded even further with further accuracy and precision. And that way, we will be able to have more collaborations in this mid-size molecule area. Academia doctors, not just in Japan but also in the US, they believe that mid-size molecule technology is very attractive, because there are targets that are identified and attractive but cannot be addressed. And in such a situation, a mid-size molecule platform can be very attractive and can address such targets. So I do believe that there will be more external collaborations using mid-size molecule technology.

Muraoka [Q]: So within one year or two years, I will be able to see such moves. Or it's a longer run?

Igawa [A]: Well, those mid-size molecules projects with external partnerships, some of those may become visible within several years when they are successful. So there are several of them there. However, I think there are overwhelmingly more projects that are in earlier stages or that we are just beginning to start.

Muraoka [M]: Thank you very much.

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Buchner [Q]*: Hi. I'm Dion from Pathology Associates. Thank you for taking my question. First question, maybe for John. I wonder if you can speak about- and I think you correctly identified the importance of reputation in the Boston ecosystem. But how do you build the relationships? Do you work through the intellectual property offices or perhaps the partners' organization or directly with the scientists at MGH or Brigham or BI? Can you speak a little bit about that? And also as to how your relationships with the other venture funds work? That's the first question.

Gustofson [A]*: Yes. The initial way of building the reputation, what I found the most effective is working closely with the other venture capital companies themselves, particularly the companies that are forming biotech companies such as Atlas, Third Rock, Flagship, MPM, Polaris, just to name a few in the Boston system. And so while we do talk to some of the tech transfer offices, I find it is much more effective to go through the existing venture capital companies primarily because if someone such as, let's say, Atlas is investing in a biotech company, I know the due diligence done, and I know what's gone into that versus at the tech transfer office, it's still more of a very early concept and might not have as much traction as much vetting. So our initial foray is really working much closer with the venture capital company. But at the same time, we do go talk to the tech transfer offices as well, but I bias more towards working with the VCs.

Buchner [Q]*: I understand. I think that makes a lot of sense, and you certainly have a very good reputation being with Chugai in Boston. Can I secondly, ask Igawa-san regarding your interest in radiotherapeutics and if that is anything that interests you, maybe given your expertise in macrocyclic peptides? And how do you think about this thing? Thank you very much.

Igawa [A]: Are you talking about radiotherapy?

Buchner [Q]*: Yes, either radiotherapeutics or radio diagnostics. There's obviously quite a bit of emphasis on the field globally from- certainly from very large players. And maybe this has been discussed on a Roche level. So apologies if this has been discussed, but maybe just your views on that, please.

Igawa [A]: Okay. So at this moment, radiotherapy is not what Chugai is working on. So beyond ADC or the peptide drug conjugate, the cargo may be radioactive agents. So that is increasing more recently. So we are seeing some efficacy, good efficacy. That's what we realized. But at this moment, we don't have any plans to make investments in terms of research in that area.

Buchner [M]*: Thank you very much.

Wada [Q]: I am Wada from SMBC. Thank you for taking my questions.

Page 32, I look at slide 32 and have an image that after CVF investment, it would move on to third-party in-licensing. At what timing and what kind of collaboration are you aiming for? Many of the Japanese pharma companies are having in-licensing for research collaboration, but then they have failed to bring them to the clinical stage. I was a researcher in the past. So working in the company research center, their own pipeline is often prioritized and external collaboration research is not prioritized and therefore, eventually, they can be discarded. That's often something that happens. So you have a new modality, mid-size molecules, you are quite unique in that regard. And using that, what kind of approach are you going to have in terms of translation from research to development. So if you license in during development, that's a different phase, so you can work on that and advance that project. But what is your approach there? Thank you.

Igawa [A]: Thank you very much for your question. So when we start a collaboration, it's early stage for most of the cases. For example, for targets identified in academia or startups, we use our proprietary technologies to create drug candidate compounds. We have external seeds and we do drug discovery. That's one approach or we have the entire process internally. So if you compare these two approaches, of course, researchers often prioritize their own ideas. So that's the kind of a tendency. So therefore, within our company, something

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that came from the open innovation or our internal projects, they need to be pursued with the same vigor and activities, unless otherwise, we won't be successful in open innovation, meaning that we have to change the mindset of the researchers so that they will deal with the external projects as if they are their own. So that's very important. So that's why it shouldn't be top down. So if we do top-down open innovation, researchers think that they come from the top, and that's not their own. Instead, it should be that researchers themselves want to pursue a particular type of drug discovery, but they cannot complete it entirely within the company. The resources exist externally. By pursuing such projects, I believe that projects originating from our own internal ideas and projects coming from open innovation will be treated equally within the company. Therefore, I consider it extremely important to advance open innovation in a bottom-up manner.

Wada [Q]: Thank you very much. It's a very reasonable answer. Another question is about human resources cycles. Researchers dispatched to CVF, what would be the cycle of years? How many years in one cycle do you consider?

Gustofson [A]*: I'm not going to set a specific time, but more of a range. I do think that a minimum of three years to really learn the venture process. However, I think also there's a lot of knowledge that can be gained through even longer. And so I would think something between three to seven years and- would be appropriate. And it will depend on the person and the circumstance at the time. But the vision is that the knowledge gained through these people coming to CVF, they will come back over to Chugai headquarters. But I don't want to do a specific time frame because I think each person's individual experiences are different and the amount of learning everyone has is different. So a range, maybe three to seven years.

Wada [M]: Thank you very much. That's all for me.

[END]

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