

## The Internal Control System by the Board of Directors

1. Directors' and Employees' Compliance with Laws and Articles of Incorporation
  - ① Directors and employees comply with "Chugai Business Conduct Guideline."
  - ② Chugai Pharmaceutical Co., Ltd. ("the Company") sets Corporate Social Responsibility Department, which is in charge of the Company's compliance with laws and other relevant rules.
  - ③ Audit Department performs internal audits in accordance with "Internal Audit Charter" and reports the results to the Executive Committee and to the Board of Corporate Auditors.
  - ④ The Company shall establish and implement the internal control system for ensuring the reliability of financial reporting, and also conduct its assessment appropriately.
  
2. Preservation of Information Relating to Directors' Operation
  - ① Documents and other information that relate to directors' performance of its duties shall be properly preserved in accordance with "Document Management Rules", "Management Rules for Confidential Corporate Information" and other internal rules.
  - ② The Board of Corporate Auditors and each individual corporate auditor at its request shall be given a timely access to the documents in the above.
  
3. Risk Management of Possible Losses
  - ① 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 Regulations" and other internal rules.
  
4. Directors' Effective Operation
  - ① The Board of Directors supervises operation of each individual director in order for its effective operation.
  - ② 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.

- ③ Directors and employees of the Company comply with "Regulations of Decision-making" so that the Company can operate its business more promptly and effectively.

#### 5. Proper Operation of the Company and its Subsidiaries.

- ① Each subsidiary sets each administration section in accordance with "Management Rules for Subsidiary Companies" in order for proper operation of each subsidiary.
- ② Audit Department examines the subsidiaries in accordance with "Internal Audit Charter" and find out whether the subsidiaries operate their business properly and effectively complying with laws, their articles and other relevant rules.

#### 6. Elimination of Any Connection with Antisocial Forces

- ① The Company shall establish and maintain the corporate system that eliminates any connection with antisocial forces and groups in accordance with "Chugai Business Conduct Guideline."

#### 7. Employees to Support Corporate Auditors

- ① The Company sets Corporate Auditors Support sect., which supports the Board of Corporate Auditors and each individual corporate auditor.

#### 8. Independence of the Employees in the Previous Section

- ① Corporate Auditors Support sect. reports directly to the Board of Corporate Auditors. The Company shall have a prior approval from the Board of Corporate statutory Auditors, when the Company does something that may cause a material effect to an employee of Corporate Auditors Support sect., such as new designation, transfer, evaluation and disciplinary action.

9. Report to the Corporate Auditors

- ① Each director makes a report to the Board of Corporate Auditors in accordance with “Regulations of the Board of Corporate Auditors” set by the Board of Corporate Auditors.

10. Effective Operation of the Board of Corporate Auditors

- ① Representative Directors have meetings regularly with the Board of Corporate Auditors to exchange opinions and deepen mutual understandings with regard to issues relating to audit which need to be improved by the Company, circumstances under which statutory auditors perform audits, and other important issues relating to audits.
- ② Directors and employees of the Company and its subsidiaries cooperate with corporate auditors, when corporate auditors perform audits of the companies in accordance with “Corporate Auditors Standard” set by corporate auditors.

\* Changes due to organizational changes organizational changes are effective on April 1,2011.