

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of CHUGAI PHARMACEUTICAL CO., LTD. (“Chugai” or the “Company”), which is reported to the Tokyo Stock Exchange. For the convenience of capital market participants, Chugai makes efforts to provide English translations of the information disclosed in Japanese, provided that the Japanese original prevails over its English translation in the case of any discrepancies between the documents. Please also refer to our “Disclosure Policy” on the Chugai corporate website for details.

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An overview of corporate governance at CHUGAI PHARMACEUTICAL CO., LTD. is described below.

## **I Basic Policy Regarding Corporate Governance, and Capital Structure, Corporate Attributes and Other Basic Information**

### **1. Basic Policy**

Under a strategic alliance with Roche, one of the world-leading pharmaceutical company, the Company has established “dedicate oneself to adding value by creating and delivering innovative products and services for the medical community and human health around the world” as its Mission and “become a top innovator for advanced and sustainable patient-centric healthcare, powered by our unique strength in science and technology and the alliance with Roche” as its Envisioned Future. Our basic management policy is to develop together with society.

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

[Reference] Basic Corporate Governance Policy

<https://www.chugai-pharm.co.jp/english/ir/policy/governance/files/eBasicCorporateGovernancePolicy.pdf>

### **[Reasons for Not Implementing the Respective Principles of the Corporate Governance Code]**

#### **[Supplementary Principle 4-10-1 Establishment of independent advisory committees]**

Although the Compensation Committee of Chugai Pharmaceutical is not comprised of a majority of Independent Outside Directors, all four of the Committee members are Non-Executive Directors, including at least two Independent Outside Directors. At least one of the Independent Outside Directors also serves as the Special Committee member. In the deliberation by the Compensation Committee, if the deliberation by the Special Committee, composed solely of Independent Outside Directors and Outside Auditors, as described in “4. Guideline regarding the measures for protecting minority stockholders in transaction, etc. with a controlling stockholder,” is considered appropriate by the member who also serves as the Special Committee member, the Special Committee will deliberate and consider it, and report it to the Board of Directors.

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Therefore, in view of the purpose of the Corporate Governance Code, we believe that deliberations on remuneration are conducted with transparency and objectivity in the current structure.

### [Disclosures in Accordance with the Respective Principles of the Corporate Governance Code]

#### **[Principle 1-4 Policies regarding the holding of listed shares as strategic shareholdings and views on the exercise of voting rights]**

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, Chugai will hold the shares of other companies only where it is judged necessary to do so, as part of its business strategy to maintain and strengthen business relationships, including with respect to the sale of pharmaceuticals and the like and with respect to financial transactions, etc., and will endeavor to reduce these strategic shareholdings to an appropriate level based on factors such as capital efficiency and risk-return considerations. We have sold all 12 strategic shareholding stocks in 2015 and do not hold any brand as of the end of 2023.

The Board of Directors will periodically examine the suitability of each individual strategic shareholding by specifically assessing matters such as whether the shareholding purpose is appropriate, the capital efficiency in relation to the shareholding, and the rationale of the relevant transactions; and the Board will disclose the details of that examination. In accordance with the policy, the Board of Directors will examine whether the shareholding purpose is appropriate, the rationale of the relevant transactions and the suitability of each individual strategic shareholding, etc. at the January Board of Directors meeting every year.

Chugai will exercise its voting rights with respect to shareholdings after comprehensively judging whether doing so will contribute to sustainable growth and the increase of corporate value over the mid- to long-term and contribute to the common interests of the shareholders of the other company, taking into consideration the voting guidelines of external proxy advisory firms, asset managers, and the like.

#### **[Principle 1-7 Related party transactions]**

Chugai will determine the appropriate authorizing organization or individual such as the Board of Directors for all transactions, including related party transactions, according to their importance and nature, and perform the procedures necessary to ensure their appropriateness. In dealings with Roche Group, the Special Committee, composed solely of Independent Outside Directors and Outside Auditors, deliberates and reviews significant transactions and conducts, etc. that may generate a conflict of interests between Roche Group and minority shareholders, and reports to the Board of Directors.

Chugai will protect the interests of minority shareholders by executing any transactions with its parent company, the Roche Group, fairly and with equivalent conditions, including price, to a transaction with a third party.

All transactions between Chugai and its directors must have the prior approval of the Board of Directors in accordance with the Board Regulations in order to prevent conflict of interest. When such a transaction is executed, its material details must be reported to the Board of Directors and disclosed appropriately as required by law and ordinance.

#### **[Supplementary Principle 2-4-1 Policies for ensuring diversity in the promotion of core human resources]**

Chugai discloses its policies at “III 3. Measures to Respect the Position of Stakeholders” section.

#### **[Principle 2-6 Corporate pension funds performing roles as asset owners]**

Chugai has appropriately managed the corporate pension by means such as selecting and assigning personnel with the appropriate qualities, who has finance and accounting background, for managing corporate pension funds. Such relevant staff are provided with opportunities to acquire the necessary knowledge of pension systems and operations, and deepen their expertise through attending trainings and seminars offered by Pension Fund Association or operating agencies.

The Chugai Pharmaceutical Corporate Pension Fund conducts asset management in accordance with basic

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management policy. Asset Management Committee and Fiscal Management Committee have been established to monitor management status, etc.

The fund develops a structure in which conflicts of interest do not arise between pension fund beneficiaries and Chugai through outsourcing the operation of pension reserve to multiple operating agencies and allowing each asset manager to select which companies to invest in and to exercise voting rights at its own discretion.

### [Principle 3-1 Enhancement of information disclosure]

(i) Mission statement, business strategies, and business plans

Chugai has defined its mission statement and made it available on the Chugai website.

<https://www.chugai-pharm.co.jp/english/profile/vision/philosophy.html>

Chugai has formulated TOP I 2030 as its growth strategy from 2021 to 2030 and has made it available on the Chugai website.

<https://www.chugai-pharm.co.jp/english/profile/strategy/index.html>

(ii) Fundamental views and fundamental policies relating to corporate governance

Chugai's fundamental views and fundamental policies relating to corporate governance are as noted in section II. of this report, "Fundamental Views," and in the "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy."

(iii) Policies and procedures for the determination of director and auditor remuneration

The policies and procedures for the determination of director and auditor remuneration are as noted in section II of this report, [Director Remuneration] "Disclosure of remuneration amount or policy for determining the method of calculation."

(iv) Policies and procedures for the designation of director and auditor candidates

<Policies and procedures for the designation of director candidates>

Director candidates are deliberated by the Appointment Committee and determined at a Board of Directors meeting.

For executive director candidates, the Board of Directors selects as director candidates individuals with the knowledge and experience to manage Chugai properly, fairly and efficiently, and sufficient public trust. The Board of Directors selects non-executive director candidates from among the managers of other companies, medical experts and others with academic experience, and similar persons, taking into account experience, knowledge, and expertise, so that the outside directors may appropriately give advice on the management of Chugai and carry out the supervisory function. In addition, at least 3 members, equivalent to more than one-third of Board of Directors are appointed as Independent Outside Directors based on the Independence Standards noted in Attachment 2 of the "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy."

If the Board of Directors determines that it is difficult to achieve sustainable growth and the increase of corporate value over the mid- to long-term (such as if Chugai continually fails to achieve business plans and performance is not expected to improve, or if material misconduct or a material compliance violation occurs), it will consider dismissing the executive directors, including the CEO. The appointment of director candidates and dismissal of directors shall be deliberated by the Nomination Committee and determined by the Board of Directors, and the reason for the appointment and dismissal shall be disclosed.

<Policies and procedures for the designation of Audit & Supervisory Board member candidates>

Candidates for Audit & Supervisory Board members are determined by the Board of Directors with the consent of the Audit & Supervisory Board. Persons with the knowledge and experience to appropriately audit managerial decision-making and the execution of business are selected as candidates for Audit & Supervisory Board members. The candidates for the outside Audit & Supervisory Board Members will be selected from among experts with rich knowledge and experience in accounting, law and similar fields.

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(v) Reasons for selection of director and auditor candidates

The reasons for selection of all director and auditor candidates are noted in the “Notice of the Annual General Meeting of Shareholders.”

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

### [Supplementary Principle 3-1-3 Initiatives on sustainability]

1. Chugai’s view of sustainability is the sustainable development of our company and society, and we believe that it must be actively promoted by the entire company. The CEO, who is the chair of the Board of Directors and the Executive Committee, is responsible for promoting our overall sustainability. Executive responsibility is assumed by all members of the Executive Committee. Individual specialized matters are discussed at the Corporate Management Committee, after which plans and policies are deliberated and approved by the Executive Committee. Starting from February 1, 2024, in response to the accelerated changes and increasing sophistication of societal demands, including those related to information disclosure, Chugai has decided to establish a new Sustainability Committee. This scheme will allow us to discuss sustainability in a more specialized and comprehensive manner. Chugai will continue to proactively promote sustainable development for both our company and society. Initiatives on sustainability are available on the Chugai website.

<https://www.chugai-pharm.co.jp/english/sustainability/index.html>

Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities are disclosed at “3. Measures to Respect the Position of Stakeholders” section.

2. Information on investments in human capital and intellectual properties are available on the Chugai website.

Human capital

<https://www.chugai-pharm.co.jp/english/sustainability/diversity/index.html>

Intellectual property strategy

<https://www.chugai-pharm.co.jp/english/profile/rd/intellectual.html>

3. Chugai discloses information based on the TCFD recommendations. Chugai has expressed its support for the TCFD recommendations since January 2020, stated in the “TOP I 2030” (FY2021-FY2030) growth strategy that it will “conduct global environment measures” in the “Foundation for Growth” that is one of the five reforms to realize the top innovator image, and is strengthening initiatives to address materiality (material issues) identified based on the impact they have on the Chugai Group’s mission, the economy, society and the environment. Furthermore, Chugai has set a goal of “Zero CO<sub>2</sub> emissions for Scope 1+2 \*1 ” by 2050. Details are available on the Chugai website.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/tcfd.html>

\*1 Scope1: Direct emissions from fuel combustion

Scope2: Indirect emissions from the generation of purchased energy

### [Supplementary Principle 4-1-1 Overview of the scope of delegation to management]

Chugai adopts the executive officer system in order to separate managerial decision-making and supervision from the execution of business and work towards swifter executive decision-making. The Board of Directors conducts decision-making for important managerial decisions while delegating to the Executive Committee, which consists of executive directors and executive officers, the decision-making and execution of all business not determined by the Board of Directors itself.

### [Principle 4-9 Independence standards for outside officers]

Taking into consideration the independence criteria set by the Tokyo Stock Exchange, Chugai has formulated independence standards aimed at ensuring effective independence of independent officers (Independent Outside Directors and Independent Outside Auditors), disclosing them in Attachment 2 of the “Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy.”

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### **[Supplementary Principle 4-11-1 Balance of knowledge, experience, and skills of the Board of Directors as a whole, and views on its diversity and size]**

The Board of Directors is to consist of persons with diverse knowledge, experience and skills, and it must be ensured that the Board as a whole has the necessary expertise and skills and is of appropriate diversity, including in terms of gender, international experience, professional background, age and appropriate board size.

Skills matrix which identifies that each of the Board of Directors possesses in an appropriate form according to the business environment and business characteristics is available on the Chugai website.

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

### **[Supplementary Principle 4-11-2 Concurrent appointment of directors and auditors as officers at other listed companies]**

Chugai discloses each year any material concurrent positions held by its directors, auditors, and candidates in the “Notice of the General Meeting of Shareholders.” In addition, if a director or auditor is concurrently appointed as an officer or the like of a company other than Chugai, the “Chapter2-2(5), Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy” stipulates that it must be limited to the extent that said director or auditor remains able to carry out the role and responsibilities of a director or auditor of Chugai.

### **[Supplementary Principle 4-11-3 Summary of the results of the analysis and evaluation of the effectiveness of the Board of Directors overall]**

The Board of Directors implemented an analysis and evaluation of the effectiveness of the Board of Directors for the fiscal year 2022 by external experts, in fiscal year 2023. As a result, Chugai has evaluated that the effectiveness of the Board of Directors is ensured. For the identified issues, we are focusing on addressing them for further improvement of the effectiveness of the Board of Directors. Details are available on the Chugai website.

<https://www.chugai-pharm.co.jp/english/ir/policy/governance/files/eBoardEffectivenessResults.pdf>

### **[Supplementary Principle 4-14-2 Training policy for director and Audit & Supervisory Board Member Training]**

Chugai provides for directors and Audit & Supervisory Board Members, including outside directors and outside Audit & Supervisory Board Members, either (i) opportunities to receive training necessary for the performance of the roles and responsibilities suitable to each director and Audit & Supervisory Board Member (such as acquiring knowledge on Chugai’s general management situation including its business, finances, and organization and full understanding of the roles and responsibilities expected of them at the point of assuming their position, and continual updates of such knowledge and understanding during their tenure), or (ii) provide financial support for expenses associated with such training.

### **[Principle 5-1 Policies on constructive dialogues with shareholders]**

Chugai will nominate the director in charge of IR as the officer to oversee the dialogue with shareholders, and establish a Corporate Communications Committee composed of the general managers of the departments that support dialogue to enhance coordination among IR-related departments.

In order to promote constructive dialogue with shareholders, Chugai will hold investor meetings by directors or executive officers, and the content of the dialogue with shareholders will be reported to the Board of Directors and other organs as necessary.

Chugai will not communicate insider information through its shareholder dialogue; Chugai will manage insider information appropriately in accordance with its disclosure policy, such as by making the period from the next business day after the end of each quarter to the day of the announcement of the financial results of that quarter a “quiet period,” during which Chugai will refrain from making any comments on financial information.

Details of the specific structure and policies for initiatives, actions to be taken in response to requests for individual interviews, etc. are specified in “Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy” and “Disclosure Policy” and made them available on the Chugai website.

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

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### [Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

Chugai Group places emphasis on increasing corporate value by generating innovation, and prioritizes the allocation of management resources to the development of innovative new drugs. The Group works to conduct flexible and agile business operations, in order to achieve stable profit growth over the short- to medium-term, while focusing on Core ROIC as an indicator of investment efficiency over the long term. In addition, whenever evaluating business feasibility such as for individual development projects, the Group carries out an evaluation of investment value based on capital costs, and makes decisions with emphasis on profitability and efficiency. The Company's weighted average cost of capital (WACC) is calculated based on the cost of equity capital, as there is no interest-bearing debt. It was resolved at the Board of Directors meeting that the Company's WACC for 2025 would remain at the same level as the previous year at 7%. The Core ROIC for 2023 was significantly higher at 34.6%, proving the efficiency of Chugai operations.

From the standpoint of higher competitive value, we have designated social investment as an important theme, in addition to strategic investment as described above. ESG initiatives, for example, can be a profit-compressing factor in the short run, but they can help increase the profitability of capital investment and reduce the capital cost in the future. Therefore, it is important to comprehensively manage and promote social investments while ascertaining their relative priority.

In regard to stock prices that indicates the Company's market value, the Company actively engages in dialogue with shareholders and investors, and ensures that its growth potential and non-financial value are properly and adequately assessed by the market by communicating its medium- to long-term growth strategy and enhancing information disclosure. Furthermore, due to the importance of shared value with shareholders and linkage with medium- to long-term business performance, the Company has adopted restricted stock compensation for executive compensation. Since 50% of the restricted stock compensation is performance-linked based on Total Shareholders Return (TSR), the Company's management has appropriately raised their awareness of stock prices.

Details are available on the Chugai website.

Growth Strategy

[https://www.chugai-pharm.co.jp/english/profile/strategy/growth\\_strategy.html](https://www.chugai-pharm.co.jp/english/profile/strategy/growth_strategy.html)

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited) (for the fiscal year 2023) (Target management indicators, page 12)

[https://www.chugai-pharm.co.jp/cont\\_file\\_dl.php?f=FILE\\_1\\_66.pdf&src=\[%0\],\[%1\]&rep=137,66#page=15](https://www.chugai-pharm.co.jp/cont_file_dl.php?f=FILE_1_66.pdf&src=[%0],[%1]&rep=137,66#page=15)

Annual Report 2023 (Message from the CFO, pages 58-61)

[https://www.chugai-pharm.co.jp/english/ir/reports\\_downloads/annual\\_reports/files/eAR2023\\_12\\_spread.pdf?202406#page=31](https://www.chugai-pharm.co.jp/english/ir/reports_downloads/annual_reports/files/eAR2023_12_spread.pdf?202406#page=31)

### [Dialogue with Shareholders, etc.]

The status of dialogue with shareholders and other related matters is described on page 92 of the "Annual Report (Integrated Report) 2023".

[https://www.chugai-pharm.co.jp/english/ir/reports\\_downloads/annual\\_reports/files/eAR2023\\_12\\_spread.pdf?202406#page=48](https://www.chugai-pharm.co.jp/english/ir/reports_downloads/annual_reports/files/eAR2023_12_spread.pdf?202406#page=48)



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2. Capital Structure

Ratio of Shares Held by Foreigners	30% or more
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[Major Shareholders]

Name or Designation	Number of Shares Held (Shares)	Shareholding Ratio (%)
Roche Holding Ltd.	1,005,670,935	61.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	141,991,400	8.62
Custody Bank of Japan, Ltd. (Trust Account)	53,793,400	3.26
STATE STREET BANK AND TRUST COMPANY 505001	20,976,751	1.27
STATE STREET BANK WEST CLIENT-TREATY 505234	14,607,530	0.88
SSBTC CLIENT OMNIBUS ACCOUNT	13,667,706	0.83
STATE STREET BANK AND TRUST COMPANY 505223	10,939,422	0.66
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	10,773,431	0.65
JP MORGAN CHASE BANK 385632	10,169,405	0.61
JP MORGAN CHASE BANK 385781	9,511,663	0.57

Controlling stockholder (excluding parent company)	-
Parent Company	Roche Holding Ltd (Listing: abroad)

Supplementary Explanation

The Company is excluded from the top ten major shareholders listed in the table above, although the Company holds 33,586,860 shares of treasury stock.

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**3. Corporate Attributes**

Stock Exchange Listings and Market Classification	Prime, Tokyo Stock Exchange
Fiscal Year-end	December
Industry	Pharmaceuticals
Number of Employees (Consolidated)	1,000 or more
Net Sales (Consolidated)	¥1 trillion or more
Number of Consolidated Subsidiaries	10 or more and less than 50

**4. Guideline regarding the measures for protecting minority stockholders in transaction, etc. with a controlling stockholder**

Chugai has established a standing Special Committee as an advisory body to the Board of Directors, as a system to protect the interests of minority shareholders. The Special Committee deliberates on the necessity and rationality of transactions, the appropriateness and fairness of transaction conditions, etc., in view of the importance of the transaction content, for significant transactions and conducts etc. that may generate a conflict of interests between the Roche Group and minority shareholders. Matters resolved by the Board of Directors meeting are deliberated on in advance, and matters resolved by the Executive Committee are deliberated on after the fact, and the committee reports and responds to the Board of Directors. The Special Committee consists of three or more members consisting of Independent Outside Directors and Independent Outside Auditors, to ensure its independence and objectivity. The members are appointed by the Board of Directors. The current members are Dr. Fumio Tateishi, an Independent Outside Director, Hideo Teramoto, an Independent Outside Director, Kenichi Masuda, an Independent Outside Auditor. It is chaired by Hideo Teramoto, selected by mutual election of each committee member.

In the three Special Committee meetings held in fiscal year 2023, no cases requiring a review of transactions were recognized. However, one point to be noted in future transactions was pointed out, so it was discussed at the Executive Committee and reported at the Special Committee meeting in February 2024.

The attendance rates for each member and specific deliberation contents and time required as follows:

Hideo Teramoto 3/3 times (100%)

Dr. Fumio Tateishi 3/3 times (100%)

Kenichi Masuda 3/3 times (100%)

Main deliberation items:

- March 2023 (Time required: 10 minutes)

- Mutual election of the chair
- Order of acting chairship

- June 2023 (Time required: 3 hours)

- Report on Roche-related transactions for the first half of 2023

Explanation of the basic contract with Roche and past transaction performance, separate from the agenda

- December 2023 (Time required: 1 hour and 45 minutes)

- Report on Roche-related contract regarding software
- Report on Roche-related transactions for the second half of 2023



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**5. Other Exceptional Circumstances that Might Have a Material Impact on Corporate Governance**

<Ensuring Independence from the Parent Company>

In December 2001, Chugai and Roche Holding Ltd. (hereinafter referred to as "Roche") [Head Office: Switzerland] entered into a basic agreement on a strategic alliance. Roche owns 59.89% of the total issued shares of Chugai and is the parent company. Although Chugai is a consolidated subsidiary of Roche, Roche has agreed in our basic alliance agreement to cooperate in maintaining our listing on the Tokyo Stock Exchange's Prime Market. As an independent listed company, Chugai makes all decisions based on the principle of self-governance, including its medium- to long-term business strategy based on its unique research and development strategy. Out of the eight directors of Chugai, one director is currently on the roles of the Roche Group and one previously was. However, these members do not make up the majority of management, and thus Chugai recognizes that its management independence is ensured. Moreover, from the standpoint of further enhancement of the independence and objectivity of management, Chugai has in place three Independent Outside Directors. The appointment of Independent Outside Directors is deliberated by the Appointment Committee, an advisory body to the Board of Directors in which Independent Outside Directors comprise half of the members, and is determined by a resolution of the Board of Directors.

<Our Position and Relationship within the Parent Company's Corporate Group>

Through the strategic alliance with Roche Group, Chugai has become Roche's only pharmaceutical company in the Japanese market, and has the right of first refusal on the development and marketing in Japan of all development compounds advanced by Roche. Moreover, Roche has the right of first refusal on the development and marketing of all development compounds advanced by Chugai in markets outside Japan, excluding South Korea and Taiwan. In addition, Chugai and the Roche Group have entered into a research collaboration agreement for biopharmaceuticals and small molecule synthetic pharmaceuticals. Chugai does not participate in the Roche Group's cash management system.

The aim of this alliance is to establish a new business model that differs from conventional practices in corporate acquisitions and the formation of joint ventures. While maintaining its management independence, Chugai secures a stable revenue base through the sales in the Japanese market of pharmaceuticals introduced from the Roche Group, and a major benefit of the alliance is that Chugai can sell pharmaceuticals created by its company globally through the Roche Group's network. On the other hand, if the agreed contents in the strategic alliance change, it could significantly impact its performance.

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## II Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision

### 1. Items relating to Organization Structure and Operations, etc.

Form of Organization	Company with Audit & Supervisory Board Members
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#### [Directors]

Number of members of the Board provided for in the Articles of Incorporation	No limitation
Term of members of the Board provided for in the Articles of Incorporation	1 years
Chair of the Board of Directors	President
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Outside Directors designated as independent directors	3

#### Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Dr. Mariko Y Momoi	Academic											
Dr. Fumio Tateishi	Coming from another company											
Hideo Teramoto	Coming from another company											

\* Selection criteria regarding relationship with the Company.

○ is used if the individual in question is applicable to each item, current or recent, while △ is used if he/she was applicable in the past.

● is used if a relative of the individual in question is applicable to each item, current or recent, while ▲ is used if he/she was applicable in the past.

- Person executing business of the listed company or its subsidiary
- Person executing business or non-executive director of the parent of the listed company
- Person executing business of a fellow subsidiary of the listed company
- Person/entity dealing with the listed company as its major business partner or the person executing its business
- Major business partner of the listed company or the person executing its business
- Consultant, accounting expert or legal expert gaining significant amount of money or properties from the listed company, apart from officer remuneration
- Major shareholder of the listed company (if such shareholder is a corporation, the person executing its business)
- Person executing business (himself or herself only) of a business partner of the listed company (applicable to none of d, e or f above)
- Person executing business (himself or herself only) of another company holding cross-directorships/cross-auditorships with the listed company
- Person executing business (himself or herself only) of an entity to which the listed company provides donations
- Others

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Relationship with the Company (2)			
Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election as Outside Director
Dr. Mariko Y Momoi	○	<p>Professor Emerita of Jichi Medical University Visiting Professor of School of Medicine, Shinshu University Regent of Tokyo Medical University (part-time)</p> <p>&lt;No applicable relationship exists&gt;</p>	<p>Dr. Mariko Y Momoi has no experience in corporate management in the past. However, the Company is of the judgement that she will be able to provide appropriate advice and supervision on the management of the Company, based on her experience in managing organizations such as universities and hospitals, in addition to her extensive knowledge, experience, etc as a physician and university professor. The Company designated her as an independent officer based on the Company's judgment that she meets the conditions for independence stipulated by the Tokyo Stock Exchange and Chugai's Independence Standards for an outside officer, and that there is no risk of conflict with the interests of general shareholders.</p>
Dr. Fumio Tateishi	○	<p>Honorary Advisor of Omron Corporation</p> <p>&lt;No applicable relationship exists&gt;</p>	<p>Dr. Fumio Tateishi has long engaged in global corporate management and has a high level of insight into sustainability and ESG, etc. Therefore, the Company is of the judgment that he will be able to provide appropriate advice and supervision concerning the management of the Company. The Company designated him as an independent officer based on the Company's judgment that he meets the conditions for independence stipulated by the Tokyo Stock Exchange and Chugai's Independence Standards for an outside officer, and that there is no risk of conflict with the interests of general shareholders.</p>

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Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election as Outside Director
Hideo Teramoto	○	<p>President of Dai-ichi Life Research Institute, Inc Outside Director of Imperial Hotel, Ltd.</p> <p>&lt;No applicable relationship exists&gt;</p>	<p>Hideo Teramoto has extensive experience and knowledge concerning corporate management and has a high level of insight into finance and accounting, etc. Therefore, the Company is of the judgment that he will be able to provide appropriate advice and supervision concerning the management of the Company. The Company designated him as an independent officer based on the Company's judgment that he meets the conditions for independence stipulated by the Tokyo Stock Exchange and Chugai's Independence Standards for an outside officer, and that there is no risk of conflict with the interests of general shareholders.</p>

Presence or absence of a voluntary committee equivalent to a Nominating Committee or a Remuneration Committee	Yes
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Establishment, membership, and attributes of the committee chair (chairperson) of the voluntary committees

	Name of the Committee	Total Number of Members	Number of Full-time Members	Number of Inside Directors	Number of Outside Directors	Number of Outside Experts	Number of Others	Committee Chair (Chairperson)
Voluntary committee equivalent to a Nominating Committee	Appointment Committee	4	0	1	2	0	1	Outside Director
Voluntary committee equivalent to a Remuneration Committee	Compensation Committee	4	0	0	2	0	2	Others

Supplementary Explanation

[The Appointment Committee]

As an advisory board to the Board of Directors, the Appointment Committee deliberates on the selection of director candidates, succession plan for executive directors, including the CEO, and dismissal of directors. The Appointment Committee consists of one internal committee member and three or more outside committee members, including at least one Independent Outside Director. The Board of Directors

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appoints the internal committee member from representative directors and / or persons with past experience as such representative directors, and outside committee members from directors, and outside committee members from Non-Executive Directors including Independent Outside Directors, and / or persons with past experience as such directors. The current internal committee members are Dr. Osamu Okuda, Representative Director and President; the three outside committee members are Dr. Fumio Tateishi, Independent Outside Director, Dr. Mariko Y Momoi, Independent Outside Director and Teresa A. Graham, Non-Executive Director. Dr. Fumio Tateishi, an Independent Outside Director, selected by mutual election of each committee member, will chair.

The holding status of the Appointment Committee meetings in fiscal year 2023 is as follows.

Number of meetings and attendance:

Number of meetings: 4

Attendance:

Masayuki Oku (Chair): 2/2 meetings (100%)

Dr. Fumio Tateishi (Chair): 2/2 meetings (100%)

Dr. Mariko Y Momoi: 4/4 meetings (100%)

William N. Anderson: 2/2 meetings (100%)

Theresa A Graham: 2/2 meetings (100%)

Dr. Osamu Okuda: 4/4 meetings (100%)

\*As for Masayuki Oku and William N. Anderson, their attendance at the Appointment Committee meetings held prior to their retirement on March 30, 2023 is described above.

\*As for Dr. Fumio Tateishi and Teresa A. Graham, their attendance at the Appointment Committee meetings held after their election on March 30, 2023 is described above.

Specific Matters to be Deliberated

- Proposed Director candidates to be submitted to the General Meeting of Shareholders
- Mutual election of the chair
- Proposed candidates for Directors with titles and candidates for Representative Director
- Proposal for selection of Honorary Advisors
- [Report] 2024 Key Executive Officer Structure
- [Report] candidate for CEO succession

### [The Compensation Committee]

As an advisory board to the Board of Directors, the Compensation Committee deliberates on remuneration policy and the remuneration of individual directors. The Compensation Committee consists of three or more outside committee members, including at least one Independent Outside Director, and the outside committee members are appointed by the Board of Directors from directors, excluding executive directors, and / or persons with past experience as such directors, excluding executive directors. The current four outside committee members are Dr. Fumio Tateishi, Independent Outside Director, Hideo Teramoto, Independent Outside Director, Teresa A. Graham, Non-Executive Director and Dr. Christoph Franz, Non-Executive Director. Teresa A. Graham, Non-Executive Director, selected by mutual election of each committee member, will chair.

“Number of Others” indicates the number of Non-Executive Directors.

The holding status of the Compensation Committee meetings in fiscal year 2023 is as follows.

Number of meetings and attendance:

Number of meetings: 3

Attendance:

William N. Anderson (Chair): 1/1 times (100%)

Theresa A. Graham (Chair): 2/2 times (100%)

Masayuki Oku: 1/1 times (100%)

Yoichiro Ichimaru: 1/1 times (100%)

## CORPORATE GOVERNANCE

Dr. Fumio Tateishi: 2/2 times (100% times)

Hideo Teramoto: 2/2 times (100%)

Dr. Christoph Franz: 3/3 times (100%)

\*As for Masayuki Oku and Yoichiro Ichimaru and William N. Anderson, their attendance at the Compensation Committee meetings held prior to their retirement on March 30, 2023 is described above.

\*As for Dr. Fumio Tateishi, Hideo Teramoto and Teresa A. Graham, their attendance at the Compensation Committee meetings held after their election on March 30, 2023 is described above.

Specific Matters to be Deliberated:

- Individual bonus amount in fiscal year 2022 (paid in March 2023)
- Verification of remuneration levels in fiscal year 2022, percentage of remuneration, and validity of remuneration benchmark companies of our company
- Remuneration levels and percentage of remuneration of Directors by individual in fiscal year 2023
- Mutual election of the chair
- [Report] Rate of cancelation of performance-based restricted stock compensation based on the comparison of total shareholder returns

Members who correspond to "Others" in the committee composition are Non-Executive Directors.

The number of appointments and meetings of the Compensation Committee also includes a resolution in writing.

### [Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Yes
Number of members of the Board provided for in the Articles of Incorporation	No limitation
Number of Audit & Supervisory Board Members	5

### Cooperation between Audit & Supervisory Board Members, Accounting Auditor, and the Internal Audit Organization

Audit & supervisory board members and Accounting Auditor cooperate by regularly sharing information and exchanging opinions over matters including the confirmation of each other's audit plans, sharing of issues on accounting audits and related standards and institutional trend, etc., reports on quarterly audit results, and reports on fiscal year-end audit results.

Audit & Supervisory Board Members receive reports on the audit plans and the audit results from the Audit Department as an internal audit function, and give advice on the targets and items of internal audit, as necessary. In addition, the Audit Department staff serve as Audit & Supervisory members at subsidiaries with whom Audit & Supervisory Board Members of the Company coordinate on quarterly reports, fiscal year-end reports and other matters, in an effort to strengthen governance at Group companies. Audit & supervisory board members, the Audit Department and Accounting Auditor audit by exchanging interactive information regularly and cooperating closely.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members designated as independent directors	3



## CORPORATE GOVERNANCE

## Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kenichi Masuda	Lawyer													
Yumiko Waseda	Lawyer													
Mami Yunoki	Certified public accountant (CPA)													

\* Selection criteria regarding relationship with the Company.

○ is used if the individual in question is applicable to each item, current or recent, while △ is used if he/she was applicable in the past.

● is used if a relative of the individual in question is applicable to each item, current or recent, while ▲ is used if he/she was applicable in the past.

- a. Person executing business of the listed company or its subsidiary
- b. Non-executive director or accounting advisor of the listed company or its subsidiary
- c. Person executing business or non-executive director of the parent of the listed company
- d. Audit & supervisory board members of the parent of the listed company
- e. Person executing business of a fellow subsidiary of the listed company
- f. Person/entity dealing with the listed company as its major business partner or the person executing its business
- g. Major business partner of the listed company or the person executing its business
- h. Consultant, accounting expert or legal expert gaining significant amount of money or properties from the listed company, apart from officer remuneration
- i. Major shareholder of the listed company (if such shareholder is a corporation, the person executing its business)
- j. Person executing business (himself or herself only) of a business partner of the listed company (applicable to none of f, g or h above)
- k. Person executing business (himself or herself only) of another company holding cross-directorships/cross-auditorships with the listed company
- l. Person executing business (himself or herself only) of an entity to which the listed company provides donations
- m. Others

CORPORATE GOVERNANCE

Relationship with the Company (2)			
Name	Independent Officer	Supplementary Explanation Relating to These Items	Reason for Election as Outside Audit & Supervisory Board Member
Kenichi Masuda	○	<p>Partner of Anderson Mōri &amp; Tomotsune Outside Director of Bridgestone Corporation Outside Audit &amp; Supervisory Board Member of Mercuria Holdings Co.,Ltd.</p> <p>The Company has no special conflict of interests with him.</p>	<p>As he has abundant knowledge and experience as an expert in corporate legal affairs (attorney-at-law), in addition to abundant experience as an Outside Audit &amp; Supervisory Board Member, the Company is of the judgment that he will be able to execute his duties as Outside Audit &amp; Supervisory Board Member appropriately.</p> <p>The Company designated him as an independent officer based on the Company's judgment that he meets the conditions for independence stipulated by the Tokyo Stock Exchange and that there is no risk of conflict with the interests of general shareholders.</p>
Yumiko Waseda	○	<p>Partner Attorney-at-Law/Partner Patent Attorney, Tokyo Roppongi Law and Patent Office Outside Audit &amp; Supervisory Board Member of IHI Corporation Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation</p> <p>The Company has no special conflict of interests with her.</p>	<p>As she has abundant knowledge and experience as a lawyer, in addition to abundant experience as an Outside Audit &amp; Supervisory Board Member, the Company is of the judgment that she will be able to execute her duties as Outside Audit &amp; Supervisory Board Member appropriately.</p> <p>The Company designated her as an independent officer based on the Company's judgment that she meets the conditions for independence stipulated by the Tokyo Stock Exchange and that there is no risk of conflict with the interests of general shareholders.</p>

**CORPORATE GOVERNANCE**

Mami Yunoki	○	<p>Representative of Mami Yunoki Certified Public Accountant Office</p> <p>The Company has no special conflict of interests with her.</p>	<p>As she has abundant knowledge and experience as an expert in corporate legal affairs (attorney-at-law), the Company is of the judgment that she will be able to execute her duties as Outside Audit &amp; Supervisory Board Member appropriately.</p> <p>The Company designated her as an independent officer based on the Company's judgment that she meets the conditions for independence stipulated by the Tokyo Stock Exchange and that there is no risk of conflict with the interests of general shareholders.</p>
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**[Independent Officers]**

Number of Independent Officers	6
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**Other Items relating to Independent Directors**

Chugai has established Independence Standards as below with regard to outside officers. All outside officers who meet the qualifications for independent officers have been notified to the Tokyo Stock Exchange as independent officers.

**[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.

**CORPORATE GOVERNANCE**

- 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.

## CORPORATE GOVERNANCE

## [Incentives]

Status of Implementation of Measures to Grant Incentives to Directors	Introduction of performance-related remuneration system; Others
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## Supplementary Explanation relating to These Items

The amount of remuneration supplied to directors is determined within the scope of approval at the general meeting of shareholders, taking into account the management environment and the performance evaluations of corporate and individual performance. Moreover, at the 106th Annual General Meeting of Shareholders held on March 23, 2017, a resolution was passed to introduce shares with restriction on transfer in place of the stock options for executive directors of the Company in order to further promote shared value with shareholders and provide an incentive for directors to strive for continuous improvement of corporate value by further increasing the linkage between their remuneration and the Company's mid-to-long-term performance. The aggregate amount of such compensation shall not exceed ¥345 million on top of the aforementioned fixed regular compensation and bonuses.

## Grantees of Stock Options

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## Supplementary Explanation relating to These Items

## [Directors' Remuneration]

Disclosure Status (on individual Directors)	Partially disclosed
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## Supplementary Explanation relating to These Items

Amount of remuneration etc. for Directors and Audit & Supervisory Board Members of the Company was stated as below in the securities report for fiscal 2023:  
Pursuant to the law, the amount of remuneration etc., is individually disclosed in the securities report for certain directors.

## Directors (Annual Amount)

Headcount of Directors:	9 persons (Outside Directors: 5 persons)
Remuneration, etc.:	¥617 million (Outside Directors: ¥62 million)
Restricted Stock Compensation (Executive Directors only):	
Tenure-based:	¥102 million
Performance-based:	¥74 million

## Audit &amp; Supervisory Board Members (Annual Amount):

Headcount of Auditors:	7 persons (Outside Auditors: 4 persons)
Remuneration, etc.:	¥115 million (Outside Auditors: ¥45 million)

## (Notes)

1. Amounts are rounded to the nearest million yen.
2. The table above includes two Directors and two Auditors who resigned during 2023.
3. The amount of remuneration (regular compensation and bonuses) paid to all directors is no more than ¥750 million per year as per the resolution passed in the 96th Annual General Meeting of Shareholders held in March 2007. Apart from this, the maximum amounts of compensation paid to directors in the form of restricted stock compensation (tenure-based and performance-based) are ¥345 million per year as per the resolution passed in the 106th Annual General Meeting of Shareholders held in March 2017.
4. The amount of remuneration for all Audit & Supervisory Board Members was no more than ¥120 million per year as per the resolution passed in the 109th Annual General Meeting of Shareholders held in March 2020, and was no more than ¥180 million per year as per the resolution passed in the 113th Annual General Meeting of Shareholders held in March 2024.

## CORPORATE GOVERNANCE

5. The amounts of “Restricted Stock Compensation (tenure-based and performance-based)” shown in the table above are the amounts that are posted as expenses for the fiscal year as each respective restricted stock compensation.

Remuneration of directors individually disclosed in the security report

Dr. Osamu Okuda (Representative Director)

Total Consolidated Remuneration, etc.	375 million yen
- Regular compensation	119 million yen
- Bonuses	124 million yen
- Tenure-based Restricted Stock Compensation	73 million yen
- Performance-based Restricted Stock Compensation	59 million yen

(Notes)

1. Amounts are rounded to the nearest million yen.
2. Figures show the total amount of remuneration, etc., for representative directors.
3. Other than the representative directors disclosed above, no director or Audit & Supervisory Board member received total remuneration of ¥100 million or more.

The existence of policies determining the amount of remuneration or method of calculating remuneration for members of the Board and Audit & Supervisory Board Members	Yes
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The disclosure of policies determining the amount of remuneration or method of calculating remuneration for members of the Board and Audit & Supervisory Board Members
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The remuneration of directors and Audit & Supervisory Board members has been designed with the aim of realizing continuing enhancement of Chugai’s corporate value through the securing of talented personnel and appropriate motivation.

### <Standard of Remuneration>

The Company aims to materialize a market competitive remuneration standard that enables to secure superior human resources and give appropriate motivation. The remuneration standard is determined for each fiscal year in reference to the remuneration benchmark of a group of companies comprising large corporations and pharmaceutical companies in Japan, based on the results of a survey conducted by an external specialist organization, after deliberation by the Compensation Committee in consideration of roles and duties, etc. of each Director.

### <Structure of Remuneration>

In order to further clarify the link between remuneration and the Company’s business performance and shareholders’ value and enhance the Directors’ motivation and morale leading to the growth of the business results, remuneration for Executive Directors from Chugai consists of bonuses payable as a short-term incentive based on performance, etc., for each fiscal year and restricted stock compensation as a long-term incentive linked to mid-and long-term performance (tenure-based and performance-based), in addition to regular remuneration as fixed remuneration. The proportion of remuneration for CEO shall be based on a guide of “basic remuneration at 35%, bonuses at 30%, and stock compensation at 35%,” and the proportion of each remuneration for other Executive Directors is determined in consideration of their responsibilities, etc. Remuneration for Non-Executive Directors including Outside Directors and Audit & Supervisory Board Members consists solely of regular remuneration as fixed remuneration.



## CORPORATE GOVERNANCE

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

#### (i) Bonuses

Bonuses paid as a short-term incentive is determined by multiplying the base amount set according to individual positions, by the evaluation coefficient based on comprehensive evaluation consisted of company-wide performance and individual performance in the respective fiscal years based on the announced forecasts.

#### [Indicators and Evaluation Methods]

- Evaluation indicators for company-wide performance targets shall be the degree of achievement of factors including Core operating income, Revenues, R&D performance and Company-wide tasks in the respective fiscal years. Evaluation indicators for individual performance targets shall be comprehensively evaluated based on the achievement status of measures for achieving operational targets for the assigned operations and issues related to ESGs, etc.
- After deliberation by the Compensation Committee, the amount paid is determined by the Board of Directors within a range of 0% to 200% of the standard amount

#### (ii) Restricted Stock Compensation

Restricted stock compensation is a long-term incentive granting tenure-based restricted stock and performance-based restricted stock, which are subject to a three- to five-year transfer restriction period, at a ratio of 50:50. The number of shares to be granted shall be calculated by dividing the base amount set according to individual positions, by the closing price of the Company's shares on the day before the date of resolution on the allotment at the Board of Directors. The transfer restriction on the granted shares shall be lifted at the expiry of the transfer restriction period, subject to the applicable Director continuously remaining in office during the transfer restriction period. Furthermore, as for the performance-based restricted stock compensation, the number of shares applicable to the lifting of transfer restriction shall be determined based on the comparison results of total shareholder returns between domestic pharmaceutical companies and the Company.

#### [Indicators and Evaluation Methods]

##### Tenure-Based:

- Continuous service during the transfer restriction period

##### Performance Based:

- Determination of the number of shares for which transfer restrictions are to be removed is based on the result of a comparison between the total shareholder returns of domestic pharmaceutical companies and total shareholder returns of the Company, in addition to the condition of continuous service
- Evaluation period for total shareholder returns is three fiscal years
- Removal of transfer restrictions is within a range of 0% to 100% of allotted shares

### <Overview of the Process to Determine Officers' Remuneration, etc.>

Individual remuneration is determined within the maximum remuneration amount approved by resolution of the General Meeting of Shareholders. Remuneration of the executive directors are decided by the Board of Directors after deliberation by the Compensation Committee. Remuneration of Non-Executive Directors including outside directors will be decided by the CEO, who has been delegated by the Board of Directors, in accordance with the report of the Compensation Committee. Remuneration of the Audit & Supervisory Board Members will be decided after discussion by the Audit & Supervisory Board Members. The transparency and objectivity of the decision-making process to ensure accountability to stakeholders are ensured by deliberations by the Compensation Committee which considers the results of surveys by external specialized agencies, in order to proceed with deliberations after fully understanding the specialized knowledge of the executive compensation system and changes in the environment surrounding management compensation. The Compensation Committee consists of three or more outside members, including at least one Independent Outside Director, appointed by the Board of Directors.

CORPORATE GOVERNANCE

**[Support System for Outside Directors (Outside Audit & Supervisory Board Members)]**

For outside directors, the staffs in charge are appointed inside the Secretary's office to support the activities of outside directors of the Company. Besides making a necessary reports with respect to material changes in the management environment and prior explanations relevant to respective issues from the Head of Corporate Planning Department, etc., the Company also strives to expand provision of information that contributes to decision-making at the Board of Directors through meetings to acquire and improve knowledge necessary for fulfilling the roles and functions expected of the Company as a director and to promote understanding of business, etc. For Outside Audit & Supervisory Board Members, the Office of Audit & Supervisory Board Members is in charge of supporting audit activities such as conveyance of in-house information, and prior provision of materials for the Board of Audit & Supervisory Board Members. In addition, in order to promote active deliberations at Board of Directors meetings, Chugai creates materials containing necessary and sufficient information about agenda items, distributing them to outside directors and outside Audit & Supervisory Board members well in advance of the meeting date. In addition, Chugai provides additional information upon request by outside directors and outside Audit & Supervisory Board members or creates opportunities for explanations before the meeting.

The initiatives conducted in fiscal year 2023 are as follows:

Month of holding: Event [Purpose\*<sup>1</sup>]

February: Top I Leaders' Meeting\*<sup>2</sup> [A/B/C]

April: Study session for new directors (5 times from February to April) [B]

May: Board of Directors meetings held in other office, laboratory (Chugai Life Science Park Yokohama) tour [B/C]

September: Office tour for outside officers who assigned during the COVID-19 pandemic [B]

October: Executive exchange meeting [B/C]

Outside Board Meeting [B/C]

December: Participation in the Chugai Academy 2023\*<sup>3</sup> [B]

\*1 Purpose

A: Acquire and improve knowledge necessary to fulfill the roles and functions expected of the Company as a Director

B: Provide information to promote understanding of projects, etc. that contribute to stimulating discussions at the Board of Directors meeting

C: Strengthen mutual cooperation among outside officers

\*2 Meetings for management to share company-wide policies

\*3 Activities aimed at becoming a top innovator in the healthcare industry by sharing the activities of organizations, teams, and individuals developed in each area with the entire Sales and Marketing Division in the form of academic conferences, strengthening and improving activities, and fostering a spirit of further exploration, and promoting implementation

**CORPORATE GOVERNANCE****[Status of Persons who have Retired from the President, etc.]**

Names of counselors and advisors, etc. who have been former President, etc.

Name	Position/ Status	Business content	Form of employment and conditions (Full-time / part-time, remuneration)	Retirement date of President, etc.	Tenure
Osamu Nagayama	Honorary Advisor (Honorary Chair)	External activities including economic organizations, industry organizations (Not involved in decision making)	Part-time, no remuneration	2020/03/30	1 year (No upper limit)
Tatsuro Kosaka	Honorary Advisor (Senior Advisor)	External activities including economic organizations, industry organizations (Not involved in decision making)	Part-time, no remuneration	2022/03/29	1 year (No upper limit)
Motoo Ueno	Honorary Advisor (Senior Advisor)	External activities including economic organizations, industry organizations (Not involved in decision making)	Part-time, no remuneration	2022/03/29	1 year (No upper limit)

Total number of counselors and advisors, etc. who have been former President, etc.

**3 persons****Other matters**

- The "Retirement date of President, etc." in the above "Names of counsellors and advisors, etc., who have been former President, etc.," indicates the retirement date of the Representative Director of the Company.
- Based on the Ministry of Economy, Trade and Industry's "Practical Guidelines on Corporate Governance System" (CGS Guidelines), etc., the "Senior Advisor System" has been established from 2019 as an advisor system for experienced representative directors. Senior Advisors can be entrusted to persons who have served as Representative Directors as appropriate, based on consultations with the Appointment Committee and resolutions of the Board of Directors.
- Senior Advisors and Honorary Advisor will not attend the Board of Directors meeting or any internal meetings such as the Executive Committee, and are not involved in management decisions.

**2. Items relating to Functions of Business Execution, Audit and Supervision, and Decision on Remuneration, etc.****(1) Business Execution**

To execute the business operations delegated by the Board of Directors, Chugai has established a system whereby the CEO is responsible for making decisions on corporate-level strategic issues and overall operational issues. Important decision-making in relation to the execution of business operations is discussed at the Executive Committee, composed of the CEO, executive directors and key executive officers. Important decisions made at the Executive Committee are reported to the Board of Directors. In addition, the status of business execution is reported to the Board of Directors every quarter. Full-time Audit & Supervisory Board members also attend the Executive Committee, which consists of 10 members (including 1 female), and express their opinions from the standpoint of appropriate governance.

## CORPORATE GOVERNANCE

Four Corporate Management Committees - the Sustainability Committee, the Compliance Committee, the Risk Management Committee and the Corporate Communications Committee - discuss specialized matters on a case-by-case basis, and then the Executive Committee deliberates on and approves each plan and policy.

**Sustainability Committee:** The Committee formulate the group's sustainability policies and strategies and deliberate on sustainability matters centering on the environment, society and governance. It is reported to the Executive Committee as necessary.

**Compliance Committee:** The Committee will deliberate on key policies and measures related to compliance promotion, as well as compliance risk assessment and risk response policies, and report the progress of these initiatives to the Executive Committee.

**Risk Management Committee:** The Committee monitors the status of risk management at departments from a Company-wide perspective, evaluates reports, and reports to the Executive Committee as needed.

**Corporate Communications Committee:** The Committee discusses overall decision-making and promotion of activities related to information disclosure and dialogue with stakeholders.

### (2) Board of Directors

Based on fiduciary duties and accountability to shareholders, in order to achieve sustainable growth and increase corporate value over the medium to long term, and to improve profitability and capital efficiency, the Board of Directors makes important decisions on the management of the Company, including management strategies, management plans, and other important matters. The Board of Directors establishes an environment that supports appropriate risk taking by executive directors and supervises business execution.

The Board of Directors is comprised of individuals with diverse knowledge, experience and skills, ensuring the appropriate diversity and scale of the Board as a whole, including the necessary expertise, competencies, gender, internationality, work experience and age. In addition, based on the independence standards set by the Tokyo Stock Exchange, the Board of Directors has established and disclosed the Company's independence criteria in order to ensure the independence of those who will become Independent Outside Directors. One-third or more of the directors have been appointed as Independent Outside Directors. The Board of Directors selects executive director candidates from among the individuals with the knowledge and experience to manage Chugai properly, fairly and efficiently, and sufficient public trust. The Board of Directors selects non-executive director candidates from among the managers of other companies, medical experts and others with academic experience, and similar persons, taking into account experience, knowledge, and expertise, so that the Non-Executive Directors may appropriately give advice on the management of Chugai and carry out the supervisory function.

The Board of Directors consists of eight members, two of whom is female. Of these, there are three executive directors (Dr. Osamu Okuda, Representative Director, President & CEO; Iwaaki Taniguchi, Director, Vice-President & CFO; Dr. Hitoshi Iikura, Director, Vice-President) and five Non-Executive Directors (Dr. Mariko Y Momoi, Dr. Fumio Tateishi and Hideo Teramoto, Independent Outside Directors; Dr. Christoph Franz and Teresa A. Graham, Non-Executive Directors), including three Independent Outside Directors. The chair is to be the director appointed in advance by the Board of Directors, and Dr. Osamu Okuda, Representative Director, President & CEO is chairing.

The holding status of the Board of Directors meetings in fiscal year 2023 is as follows.

Number of meetings and attendance:

Number of meetings: 10

Attendance:

Dr. Osamu Okuda (Representative Director, Chair): 10/10 meetings (100%)

Dr. Hisafumi Yamada: (Director) 10/10 meetings (100%)

Toshiaki Itagaki: (Director) 10/10 meetings (100%)

## CORPORATE GOVERNANCE

Masayuki Oku: (Independent Outside Director ) 3/3 meetings (100%)

Yoichiro Ichimaru: (Independent Outside Director ) 3/3 meetings (100%)

Dr. Mariko Y Momoi: (Independent Outside Director) 10/10 meetings (100%)

Dr. Fumio Tateishi: (Independent Outside Director ) 7/7 meetings (100%)

Hideo Teramoto: (Independent Outside Director ) 7/7 meetings (100%)

Dr. Christoph Franz: (Non-Executive Director) 10/10 meetings (100%)

William N. Anderson: (Non-Executive Director) 3/3 meetings (100%)

Dr. James H. Sabry: (Non-Executive Director) 10/10 meetings (100%)

Theresa A. Graham: (Non-Executive Director) 7/7 meetings (100%)

\*As Masayuki Oku and Yoichiro Ichimaru retired at the close of the 112 Annual General Meeting of Shareholders held on March 30, 2023, their attendance at Board of Directors meetings held prior to their retirement is described above.

\*As Dr. Fumio Tateishi, Hideo Teramoto and Teresa A. Graham was newly elected at the 112 Annual General Meeting of Shareholders held on March 30, 2023, their attendance at Board of Directors meetings held after their election is described above.

### Specific Matters to be Deliberated

#### Management strategy and sustainability:

- Decision making and monitoring of TOP I 2030, management strategy and business plan (Promotion of DX as a key driver of company-wide growth strategy, personnel measures including D & I, etc.)
- Review of new business plan (establishment of Chugai Venture Fund, capital investments for biopharmaceutical manufacturing facilities at the Utsunomiya Plant and the Ukima Plant, etc.)
- Promotion of environmental protection, health and safety (Report by EHS Committee)

#### Governance Related:

- Discussion on governance system
- Implementation and reporting of evaluation of the effectiveness of the Board of Directors
- Verification of cross shareholdings
- Investor relations (IR) Activities Report

#### Risk management/internal control/compliance:

- Internal control report, internal audit report, risk management committee report (Establishment of third-party risk management system, establishment of geo-political risk management system, etc.), Compliance Committee report

Chugai has entered into a limited liability agreement, as provided in Article 423, Paragraph 1 of the Companies Act, with all Non-Executive Directors. The limit of liability in the agreement is equal to the minimum liability limit stipulated by laws and ordinances.

### (3) Auditing System

#### 1. Audit & Supervisory Board Member Audit status

Audit & Supervisory Board Members work with the Board of Directors to play a part in the supervisory function of the Company and, as an independent organization entrusted to shareholders, audit the execution of duties by Directors with the policy of ensuring sound and sustainable growth of the Company and contributing to the securing of a high-quality company governance system that responds to social trust. The Audit & Supervisory Board receives reports from the Audit & Supervisory Board Members on important matters related to audits and makes consultations or resolutions.

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

The Board of Directors selects as candidates for the Audit & Supervisory Board Members persons with the knowledge and experience to appropriately audit managerial decision-making and the execution of business. The candidates for the outside Audit & Supervisory Board Members are

## CORPORATE GOVERNANCE

selected from among experts with rich knowledge and experience in accounting, law and similar fields.

There are five Audit & Supervisory Board Members (three male/ two female), including two full-time and three Independent Outside Audit & Supervisory Board Members. The chair is to be a full-time Audit & Supervisory Board Member determined in advance by the Audit & Supervisory Board. Dr. Yoshiaki Ohashi or Dr. Shigehiro Yamada, the full-time Audit & Supervisory Board Members, is chairing.

The holding status of the Audit & Supervisory Board meetings in fiscal year 2023 is as follows.

Number of meetings and attendance:

Number of meetings: 12

Attendance:

Atsushi Sato (full-time Audit & Supervisory Board Member) 3/3 meetings (100%)

Dr. Yoshiaki Ohashi (full-time Audit & Supervisory Board Member) 12/12 meetings (100%)

Dr. Shigehiro Yamada (full-time Audit & Supervisory Board Member) 9/9 meetings (100%)

Takaaki Nimura (Independent Outside Audit & Supervisory Board Member) 12/12 meetings (100%)

Dr. Yuko Maeda (Independent Outside Audit & Supervisory Board Member) 3/3 meetings (100%)

Kenichi Masuda (Independent Outside Audit & Supervisory Board Member) 12/12 meetings (100%)

Yumiko Waseda (Independent Outside Audit & Supervisory Board Member) 9/9 meetings (100%)

\*As Atsushi Sato and Dr. Yuko Maeda retired at the close of the 112 Annual General Meeting of Shareholders held on March 30, 2023, their attendance at the Audit & Supervisory Board meetings held prior to their retirement is described above.

\*As Dr. Shigehiro Yamada and Yumiko Waseda was newly elected at the 112 Annual General Meeting of Shareholders held on March 30, 2023, their attendance at Board of Directors meetings held after their election is described above.

Specific matters to be examined

Resolution and Matters to be Discussed:

- Audit policy/audit plan, audit report by the Audit & Supervisory Board Members
- Agreement on appointment of Audit & Supervisory Board Members and Audit & Supervisory Board Member remuneration
- Results of investigation of agenda items submitted to the General Meeting of Shareholders and documents submitted
- Procedure rules for reappointment of accounting auditors, agreement of compensation of accounting auditors, prior approval of non-guaranteed operations by accounting auditors or network firms

Reporting and sharing:

- Contents of the Executive Committee and other important meetings (various committees under the Executive Committee)
- Contents of the meeting with Audit & Supervisory Board Members
- Key news release content related to our company
- Audits of domestic subsidiaries by Audit & Supervisory Board Members of subsidiaries
- Internal audit plan and audit results by the Audit Department
- Fiscal Auditor's Quarterly Review Results

Chugai has entered into a limited liability agreement, as provided in Article 423, Paragraph 1 of the Companies Act, with all of the Audit & Supervisory Board Members. The limit of liability in the agreement is equal to the minimum liability limit stipulated by laws and ordinances. Furthermore, the Company set up the Office of Audit & Supervisory Board Members to ensure the independence of Audit & Supervisory Board Members and to enhance auditing functions.



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### 2. Internal Audit Status

We have established the Internal Audit Department, which currently has 16 certified internal auditors and certified fraud inspectors, as an internal auditing organization. The Audit Department conducts audits of the status of business execution of the entire Group, including its subsidiaries, from the perspectives of effectiveness, efficiency, and compliance of business activities, and reports to the Executive Committee and the Board of Directors, Audit & Supervisory Board. In addition, the Audit Department is in charge of the Audit & Supervisory Board Members of subsidiaries. The Audit & Supervisory Board Members of subsidiaries collaborate with the Audit & Supervisory Board Members through quarterly reports, year-end reports, and other means to strengthen the governance of Group companies. In addition, to ensure the reliability of financial reporting under the Financial Instruments and Exchange Act, we evaluate that effective internal controls are in place and operated in accordance with generally accepted standards of internal control. From the viewpoint of mutual complementation and efficiency of audits, the three parties of the Audit Department, Audit & Supervisory Board Members, and Accounting Auditors regularly exchange information and conduct audits in close cooperation with each other.

### 3. Independent Auditor

- Name of audit corporation: KPMG AZSA LLC
- Continuous audit period: 13 years
- Certified public accountant who performed accounting auditing services: Teruichi Nagamine, Yujiro Kitamura, Tatsuo Utsugi
- Composition of assistants for accounting auditing: 13 certified public accountants, 31 others

Internal related departments, such as the Finance & Accounting Department and the Audit Department, selected accounting auditor as potential independent auditors based on their expertise centered on IFRS, experience with accounting audits of pharmaceutical companies, audit policies and procedures, audit fees, and a perspective of collaboration with the parent company, Roche. In response, Audit & Supervisory Board will conduct an independent assessment in accordance with the "Evaluation Criteria for Accounting Auditors" and judged as an appropriate accounting auditor.

In the event that the Audit & Supervisory Board determines that it is difficult to conduct an appropriate audit of an accounting auditor due to the occurrence of a reason that impairs the qualifications and independence of the accounting auditor, the dismissal or non-reappointment of such accounting auditor shall be the purpose of the general meeting of shareholders.

In addition, in the event the Board of Corporate Auditors determines that an accounting auditor falls under any of the items of Paragraph 1 of Article 340 of the Companies Act, the Board of Corporate Auditors shall dismiss such accounting auditor with the consent of all Corporate Auditors.

### (4) Appointment Committee and Compensation Committee, Special Committee

Chugai established the Appointment Committee, the Compensation Committee and the Special Committee as advisory boards to the Board of Directors, so as to secure managerial transparency. The Appointment Committee deliberates on the selection of director candidates, succession plan for executive directors, including the CEO, and dismissal of directors. The Compensation Committee deliberates on remuneration policy and the remuneration of individual directors. The Special Committee deliberates and reviews significant transactions and conducts, etc. that may generate a conflict of interests between Roche Group and minority shareholders.

The status of the Appointment Committee and the Compensation Committee, the composition of the members, the details of their activities, etc. are described in "Presence or absence of a voluntary committee equivalent to a Nominating Committee or a Remuneration Committee" of "1. Items relating to Organization Structure and Operations, etc." in "II. Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision". The status of the Special Committee, the composition of the members, the details of their activities, etc. are described in "4. Guideline regarding the measures for protecting minority stockholders in transaction, etc. with a controlling stockholder" of

## CORPORATE GOVERNANCE

"I. Basic Policy Regarding Corporate Governance, and Capital Structure, Corporate Attributes and Other Basic Information".

### 3. Reason for Adopting the Current Cooperate Governance System

Chugai adopted “Company with an Audit & Supervisory Board” as its corporate organizational structure under the Companies Act in order to ensure effective oversight of directors from an independent and objective standpoint. The Company has adopted the current system, considering that it is reasonable to further enhance the management oversight function, by strengthening the functions of the Board of Directors by appointing Independent Outside Directors in addition to the functions of Audit & Supervisory Board Members.

The Company adopted the present system of placing Audit & Supervisory Board Members based on the belief that it is rational to strengthen the function of the Board by nominating outside directors to complement the auditing function, and to further enhance the supervisory function of management.

### **III Status of Implementation of Measures related to Shareholders and Other Stakeholders**

#### **1. Measures toward Revitalization of the General Meeting of Shareholders and Facilitation of Exercise of Voting Rights**

	Supplementary Explanation
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	Usually, we forward the Notice of Convocation at least about 28 days (four weeks) prior to the date of the general meeting of shareholders.
Scheduling of General Meetings of Shareholders Avoiding the Days Concentrated	We convene the general meeting of shareholders in March every year as our fiscal year-end is in December.
Exercise of voting rights by electromagnetic means	Since the Ordinary General Meeting of Shareholders held in March 2015, we have adopted the exercise of voting rights by electromagnetic means.
Utilization of electronic voting platform and other methods of improving the environment for institutional investors' voting	Participation in an electronic voting platform, early distribution of notices of meetings, creation of an English notice of meetings (translated in full), implementation of measures to promote voting based on shareholder surveys.
Providing an English summary of the notice of the general meetings of stockholders	Prepare an English translation of the notice of the general meeting of stockholders and post it on the company website.

#### **2. Investor Relations Activities**

	Supplementary Explanation	Explanation by Representative
Establishing and announcing disclosure policy	The disclosure policy has been established and announced on the company website: <a href="https://www.chugai-pharm.co.jp/english/ir/policy/disclosure.html">https://www.chugai-pharm.co.jp/english/ir/policy/disclosure.html</a>	
Holding Briefings for Individual Investors	Information Meetings for individual investors are held by online webinar briefing.	Yes
Holding Regular Briefings for Analysts and Institutional Investors	Video conferences for financial results are held quarterly (some are held in combination with a venue). In addition, Sustainability meeting, R&D information meetings, IR Day (including dialogue with the CEO and Independent Outside Directors for institutional investors and analysts) are held regularly.	Yes
Holding Regular Briefings for Foreign Investors	Management roadshows are conducted at least once a year for each of Europe, U.S. and Asia.	Yes

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Posting Investor Relations Materials on the Company Website	<p>URL for IR: <a href="https://www.chugai-pharm.co.jp/english/ir">https://www.chugai-pharm.co.jp/english/ir</a></p> <p>Investor relations materials: Financial Statements (Non-audited) (<i>kessan tanshin</i>; brief results announcements); Supplementary Materials; presentation materials on financial results; Presentations; <i>Kabunushi-tsushin</i> (shareholder communications); Securities reports; Internal Control reports; Annual Reports (Integrated Report); and other financial results related documents and presentations are posted on the Chugai corporate website in Japanese and English simultaneously. Webcasts of presentations at information meetings, and script materials are distributed on the Website.</p>	
Establishment of Investor Relations Department (Liaison)	<p>The Company's designated IR unit is the Corporate Communications Department. For supervision, the Corporate Communications Committee, composed of Chief Financial Officer (CFO), Head of Finance Supervisory Division, and heads of key organizations in related divisions, has been set up.</p>	
Other Information	<p>The Company has adopted integrated reporting to communicate its corporate value, which includes both financial and non-financial aspects. From Annual Report 2012, we are combining the traditional annual report with the corporate social responsibility (CSR) report.</p> <p>In addition, to enhance convenience for shareholders, we have conducted a live broadcast of the General Meeting of Shareholders (a hybrid virtual general meeting).</p>	

### 3. Measures to Respect the Position of Stakeholders

	Supplementary Explanation
Provisions of Internal Regulations to Respect the Position of Stakeholders	<p>Policy for cooperation with stakeholders are inscribed in the “Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy” as follows:</p> <p>“In addition to respecting the rights and viewpoints of the various stakeholders supporting the company, Chugai’s Board of Directors and executive directors will exercise their leadership in fostering a corporate culture based both on compliance with law, ordinance, and the like and on the highest ethical and moral standards as a corporation involved in preserving human life and will build good relationships with all of its stakeholders, endeavoring towards appropriate cooperation with each of them.”</p> <p>(posted on the Website of the Company:  <a href="https://www.chugai-pharm.co.jp/english/ir/policy/governance/files/eBasicCorporateGovernancePolicy.pdf">https://www.chugai-pharm.co.jp/english/ir/policy/governance/files/eBasicCorporateGovernancePolicy.pdf</a>).</p>
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	<p>“Creating shared value for Chugai and society” is our basic management policy which aims to realize “advanced and sustainable patient-centric healthcare” through innovation that is only possible by Chugai. Based on the basic policy, we will focus on innovation centered on the creation of innovative drugs, aiming to solve social issues by providing optimal healthcare for each patient and continuously increase our corporate value.</p> <p>Representative Director &amp; CEO, who chairs the Board of Directors and Executive Committee, is responsible for the whole company's sustainability initiatives. Important company-wide management strategy and operational decisions related sustainability are made in the Executive Committee. Four committees serve as advisory bodies to the Executive Committee. The Sustainability Committee is responsible for creating and implementing comprehensive policies and strategies for global environmental protection and other sustainability issues. The Compliance Committee discusses matters related to compliance and various compliance issues. The Risk Management Committee discusses risk management issues. The Corporate Communications Committee discusses communications related to sustainability. Each committee is chaired by a member of the Executive Committee.</p> <p>Based on our company's basic management policies, we analyzed the impact of our company's business activities on society and, with input from outside experts, identified 26 Material Issues across eight categories that should be focused on in the areas of value delivery and environmental, social, and governance to realize “advanced and sustainable patient-centric healthcare.” Based on the Material Issues, we have formulated a medium- to long-term vision for the Company of becoming a top innovator in 2030 and are advancing “TOP I 2030” as a growth strategy toward that goal.</p> <p>Regarding countermeasures toward the global environment, the Company has established its challenging Mid-Term Environmental Goals 2030 based on a global environmental consensus. Chugai is implementing innovative activities in cooperation with Roche and other external partners for the priority items of climate change countermeasures, use of renewable/recycled resources, and protection of biodiversity.</p> <p>In accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs), the group has identified five areas as important</p>

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	<p>human rights issues - patient safety, personal information and privacy, human rights in the supply chain, human rights of employees in the workplace, and access to healthcare - and we are working to prevent or reduce these issues and are evaluating the effectiveness.</p> <p>Chugai aims to become a role model for the world as a company that takes the lead in resolving social issues by spreading the initiatives within the Group and actively disclosing information to stakeholders based on evidence. Details are available on the Chugai website.  <a href="https://www.chugai-pharm.co.jp/english/sustainability/index.html">https://www.chugai-pharm.co.jp/english/sustainability/index.html</a></p>
Establishment of Policy Concerning Disclosure of Information to Stakeholders	<p>Described in our “Disclosure Policy” (posted on the Website of the Company: <a href="https://www.chugai-pharm.co.jp/english/ir/policy/disclosure.html">https://www.chugai-pharm.co.jp/english/ir/policy/disclosure.html</a>).</p>
Others	<p><b>Securing diversity:</b>  We recognize that human resources, the driving force behind value creation, are our most important assets. We will support each employee's challenges and growth through the promotion of the right person in the right position by position management and talent management, the operation of a personnel system that encourages challenges regardless of age or attributes, and the provision of autonomous learning opportunities. In addition, we are actively and continuously hiring diverse talent, including those of different genders, nationalities, disabilities, various backgrounds, job histories, and areas of expertise. At the same time, we are fostering an environment where all employees, with their different experiences, knowledge, and values, can take initiative and fully utilize their unique strengths and abilities. We are also advancing efforts to educate our management layer. In particular, we have been further strengthening mid-career recruitment in addition to new graduate recruitment in order to strengthen the acquisition of strategic and highly specialized human resources from a business-oriented perspective with a view to realizing our growth-strategy "TOP I 2030." In 2023, new graduate recruitment accounted for 53% and mid-career recruitment accounted for 47% of the total of newly recruited employees (non-consolidated). As of the end of 2023, 1.5% (non-consolidated) are foreign employees and 0.6% of managements are foreign employees (non-consolidated). We are actively working to acquire digital human resources and other highly qualified specialists from outside the Group, both domestically and overseas. This will lead to the securing of diversity core human resources.</p> <p><b>Efforts for Diversity and Inclusion (D&amp;I) :</b>  Our efforts to promote diversity go back to 2010. We formed a working team owned by top management and began exploring gender diversity issues and initiatives. In 2012, we established the Diversity Promotion Office to strengthen and promote initiatives in a broader range of areas. Until now, we have introduced a talent management system that selects and trains human resources regardless of attributes such as gender or age, and we have been working to review our personnel compensation system. Additionally, since 2022, we have been promoting "Work Fulfillment Reform", aiming to enhance the "job satisfaction" of each and every employee. We are driving this forward on two fronts: "Improving Employee Engagement" and "Creating an Environment Where Diverse Employees Can Thrive". Moreover, we have positioned health management as the foundation of the work fulfillment reform, and are also focusing on promoting the autonomous health and maintenance of our</p>



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	<p>employees.</p> <p>As for "Creating an Environment Where Diverse Employees Can Thrive", to ensure that all sorts of diverse employees are able to realize their own work-life synergies, regardless of childbirth, childcare, nursing care, etc., we are also working to establish working environment that facilitates highly flexible working styles, such as the promotion of telecommuting. In addition to balancing work and childcare, we are focusing on the initiatives on balancing work and nursing care. We have been conducting a survey on the current state of nursing care for all employees, implementing regular-based seminars and e-learnings aimed at enhancing nursing care literacy, and establishing an expert consultation desk.</p> <p>We also provide e-learning on the theme of unconscious bias for managers who are key personnel in promoting diversity and inclusion. We also conduct task management training for managers who have subordinates in the life event period that leads to their subordinates' career development and growth support. In these ways, we are working on an ongoing basis.</p> <p>In addition to ensuring diversity, we are also focusing on the "inclusion" that is essential for generating innovation. To foster a culture of inclusion, we are working to instill in each and every employee the three actions of communicate, discuss, and accept. Also we organize "Chugai Diversity DAYS" involving top management on annual-basis as an opportunity to discover correlation between business performance and D&amp;I from various perspectives as a personal matter.</p> <p><b>Promotion of Active Role for Women:</b></p> <p>In promoting the success of women, we currently have a 17.2%*1 ratio of female managers (those who have subordinates) as of the end of 2023. Aiming to increase the number of women in leadership positions at each level and to ensure that both women and men are naturally active in decision-making, we have set the goal of "By the end of 2030, the ratio of female employees at all levels including executive officers will reach the level equivalent to the ratio of female employees in the entire company" and are implementing measures to support career planning and development of women. Specifically, we continue to raise awareness of the importance and significance of D&amp;I and the success of women through such means as the delivery of messages from top management. In 2014, we introduced training for the development of female leaders. In recent years, executives have engaged in dialogue mentoring with female employees. Moreover, from 2019 we have established departmental KPIs to further visualize and accelerate the development and promotion of female manager candidates. We hold the Women's Participation Promotion Committee once a year, in which management executives, including the president, and all department heads attend. The committee confirms the progress of promotion Company-wide and departmental, and discusses issues and measures to achieve the KPIs. In addition, we are fostering a culture of mutual respect for working styles and lifestyles among diverse employees, and are working to establish an environment to promote the use of child-care leave by men and to raise awareness among employees so that both men and women can participate and play an active role in child-rearing. Through these initiatives, in 2023, 87.6% of male employees took childcare leave, and the average number of days spent on childcare leave was 21.4.</p> <p>*1 Calculated based on the number of employees of Chugai Pharmaceutical Co., Ltd. (non-consolidated)</p>
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**Human Resource Development and Internal Environment Improvement for Securing Diversity of Core Human Resources, etc.:**

In addition to the individual's sense of value, amidst the penetration of new ways of working and the dramatic changes in the environment, based on the common recognition that innovation arises from diverse values and expertise, our company has established an environment that facilitates the active participation of diverse human resources. We are implementing a variety of human resource measures based on our human resource management policy. The Human Resource Management Policy focuses on individual growth and challenges. Through the realization of three individuals (envision, enhancement, and excellence), we aim to transform individuals (increase active employees) and the company, which in turn leads to the growth of the Chugai Group as a whole.

● **Securement of talent through talent management activities**

One of the most important priorities is to secure next-generation management candidates who can maintain and advance relationships with Roche, our strategic alliance partner, and we systematically identify and develop candidates for key positions. We are systematically identifying and nurturing potential candidates for key positions. In addition, we are promoting the acquisition and development of highly specialized personnel essential for strategic execution, such as science and digital personnel, and the assignment of the best personnel for each position, regardless of age or background, in order to realize "TOP I 2030".

● **Initiatives to support challenges and growth**

Generate innovation, it is essential to have a system that encourages individual skill improvement and promotes challenges and growth. Therefore, we are investing in individual career development and training programs, as well as encouraging dialogue among employees, not just between superiors and subordinates. As a specific initiative, we implemented a new learning management system (I Learning) based on an on-demand program in 2021. This has enabled us to create an environment where anyone can have the opportunity to learn anytime, anywhere. By providing opportunities for employees to learn, we are promoting the mutual study of employees. Furthermore, in order to enable each employee to proactively develop his or her career, we are visualizing the expertise (skill sets) of each division and job category and advancing the use of tools that can match his or her career and specialized skill training programs for each division.

● **Securement of talent through introduction of the Alumni System**

In May 2020, we introduced an alumni system with the aim of building an interactive network between Chugai and retirees and securing human resources who hit the ground running. When recruitment needs arise, it is possible to reemploy retirees as permanent employees in principle. Currently, 250 alumni (retirees) have been registered, and six have been reemployed until now.

**External Recognitions:**

- The "Nadeshiko Brand" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange: 2014, 2015, 2016, 2017, 2020, 2021, and 2023
- Selected as a "Health & Productivity Stock 2024" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange
- Certified as "Health and Productivity Management Outstanding Organization 2024 (White 500)" (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and the Japan Health Council

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	<p>for four consecutive years since 2021.</p> <ul style="list-style-type: none"><li>- Selected as one of the New Diversity Management Selection 100 companies for 2017 by the Ministry of Economy, Trade and Industry</li><li>- The Commendation of Companies Promoting Gender Equality and Work-Life Balance for 2014, sponsored by the Ministry of Health, Labour and Welfare</li></ul> <p>The Minister's Prize for Excellence (Companies promoting gender equality) The Tokyo Prefectural Labour Bureau Chief's Prize for Excellence (Family-friendly companies)</p> <ul style="list-style-type: none"><li>- Certification based on Act on Advancement of Measures to Support Raising Next-Generation Children from the Ministry of Health, Labour and Welfare as a company supporting childrearing: Kurumin Certification (2008, 2011 2015 and 2018), Platinum Kurumin Certification (2018)</li><li>- Eruboshi Certification from the Ministry of Health, Labour and Welfare: Met all 5 criteria and achieved Stage 3 in October 2022</li><li>- PRIDE Index "Gold" Recognition sponsored by the voluntary organization Work with Pride (2022, 2023)</li></ul>
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## **IV Basic Policy and Status of Implementation of the Internal Control System**

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### **1. Basic Policy and Status of Implementation of the Internal Control System**

With 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,” Chugai has pursued transparent, fair and highly ethical corporate activities. Moreover, accompanying the enforcement of the Corporate Law, we adopted resolutions at the meeting of Board of Directors on basic policies concerning internal controls, and have built a robust system to ensure that the execution of duties by all executives and employees in the Chugai Group is in compliance with laws, regulations and the Articles of Incorporation.

Specific preparations and operational status of the internal controls system of the Company are as follows: In order to ensure compliance of business operations executed by directors and employees with laws and articles of incorporation, directors and employees shall comply with the “Chugai Group Code of Conduct (CCC),” and the Company has set the Risk & Compliance Department to be in charge of the Company’s compliance with laws and other relevant rules.

In addition to the auditing activities of the Audit & Supervisory Board Members, conducted in accordance with the Corporation Law, Chugai has also established the Audit Department, having members of certified internal auditors and certified fraud examiners, as an internal audit section for the vigilance and inspection of the internal control activities of each department. The Audit Department conducts audits of the status of business execution of the Chugai Group, including subsidiaries, from various standpoints, such as the effectiveness, efficiency and compliance of business activities; reports and makes recommendations to the Executive Committee; and reports to the Board of Directors and Audit & Supervisory Board. Thus, Chugai is striving to maintain and improve the execution of sound business operations. In addition, the Audit Department staff serve as Audit & Supervisory members at subsidiaries. Furthermore, the Audit Department assesses whether effective internal controls are established and being implemented in accordance with internal control standards generally accepted as fair and appropriate in Japan to ensure the reliability of financial reporting based on the Financial Instruments and Exchange Act.

For promotion of compliance, the Company established the Compliance Regulations in accordance with the Compliance Policy. The Compliance Committee has been also established as a subordinate body of the Executive Committee in order to respond to all aspects of compliance related to our company, including pharmaceutical regulations, general laws and regulations, industry standards, and Company rules. The Compliance Committee deliberates important policies and measures related to the promotion of compliance at our group, as well as compliance risk evaluation and risk management policies, and reports the progress to the Executive Committee and the Board of Directors. With monitoring, guidance, and support from the Compliance oversight functions (Risk & Compliance department, Quality & Regulatory Compliance Unit), the Company reports and consults on compliance in a timely manner and strives to prevent recurrence through the Compliance Officers assigned to each organization. In addition, the Company has established a contact desk internally for reporting and consulting on issues related to violations of laws and regulations, internal regulations and the CCC as well as a counseling desk on compliance outside the Company. In this way, the Company is working to identify problems early and take appropriate measures.

For risk management, the Company is working to foster a healthy risk culture based on the risk appetite statement, which has formulated as a risk preference policy. In order to ensure risk response measures and prompt and appropriate responses in the event of an incident, the Company has also established the Risk Management Regulations based on its Risk Management Policy, and the Risk Management Committee, a sub-organization of the Executive Committee has been formed. The Risk Management Committee has identified Chugai Pharmaceutical Group-wide material risk issues and discussed risk management policies, etc., and reported the progress of countermeasures to the Executive Committee and the Board of Directors. The Division Risk Management Committees attribute to each division, compile risks within the division, prepare a risk map, makes efforts to deal with risks, and reports the progress of countermeasures for important risks to the Risk Management Committee.

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Moreover, when an emergency occurs that have a material impact on the corporate activities of the Chugai Group, it has been determined that an emergency headquarters, with the Representative Director as the General Manager, will be formed to handle countermeasures.

We are currently using the experience of the Great East Japan Earthquake to strengthen earthquake response measures in preparation for potential major earthquakes in Japan in the future.

Chugai carries out Group-wide efforts for internal controls and risk management, and strives for proper business management as an overall corporate group.

### **2. Basic Policy and Status of eliminating any relationships with antisocial forces and groups**

The Company clearly states in the CCC, the code of conduct, that Chugai will eliminate any relationships with antisocial forces and groups. The internal structure for eliminating any relationships with antisocial forces and groups is included in The Resolutions concerning the Internal Control System by the Board of Directors.

The Company is addressing this issue as a whole. The Company has identified a structure to set up and operate an internal contact point for inquiries regarding antisocial forces, to conduct credit research of outside parties when signing new contracts, and to cooperate with relevant parties including the authorities.

The Company is promoting the conclusion of the Memorandum Regarding Exclusion of Antisocial Forces with business partners mainly domestic business partners that have concluded outsourcing contracts, purchase and sales contracts, other transaction contracts, and basic contracts, etc. to confirm that they are not related to antisocial forces. We have a system in place to terminate any contract immediately if a relation of a business partner with antisocial forces becomes evident.

## **V Others**

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### **1. Items relating to Takeover Defense**

Not applicable.

### **2. Other Items relating to Corporate Governance System, etc.**

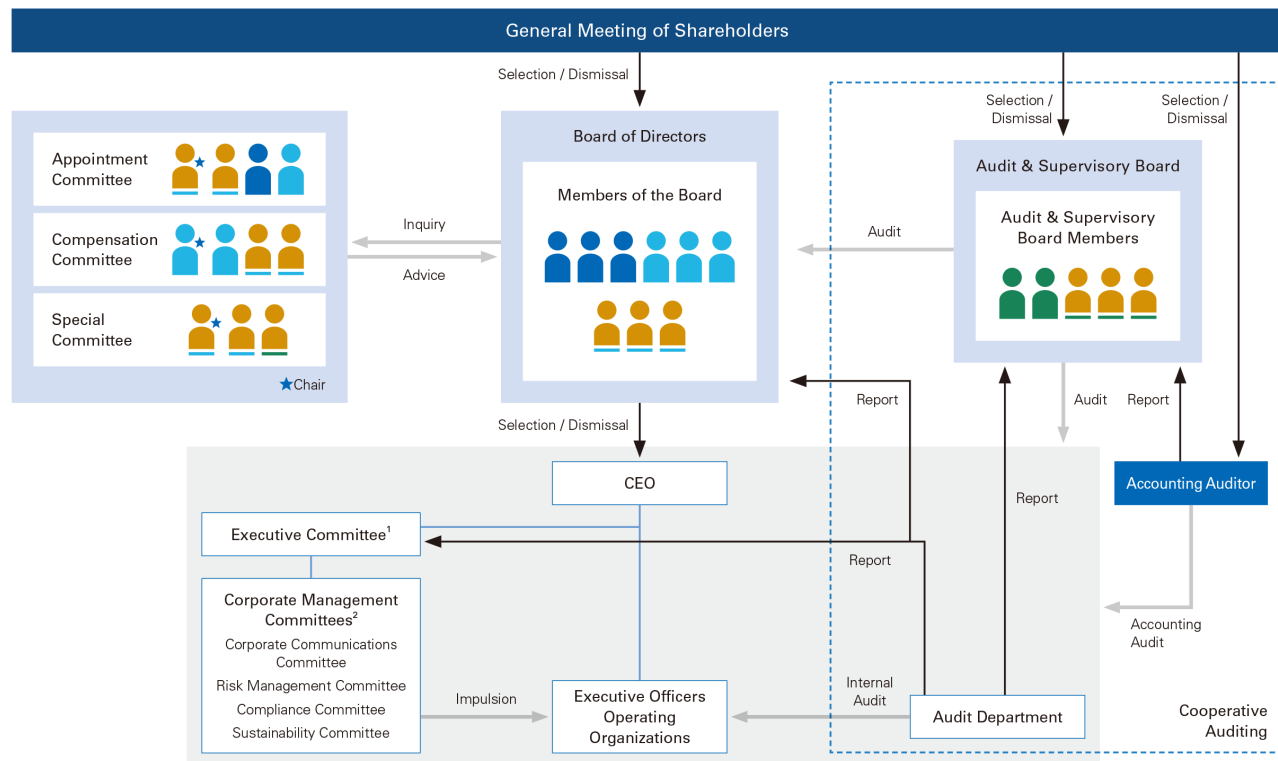
Chugai has established the Disclosure Policy for conducting appropriate disclosure of corporate information to shareholders and investors, and is striving to disclose in a timely and appropriate manner important information on matters decided at the Board of Directors and the Executive Committee, or identified by any department, when we recognize that such disclosure is required in accordance with the Financial Instruments and Exchange Act and relevant rules of the Tokyo Stock Exchange, or when the information would have a significant impact on investment decisions. In Chugai, top management, including the CEO, has overall accountability. To conduct timely disclosure, Corporate Communications Department takes the lead and coordinates with relevant departments, striving to disclose information promptly. In addition, Chugai has established a Corporate Communications Committee composed of the Chief Financial Officer (CFO), Head of Finance Supervisory Division and Heads of the Corporate Communications Department, the Corporate Planning Department, the Finance & Accounting Department, the Risk & Compliance Department, the Human Resources Management Department, and the ESG Department as an executive advisory committee. The Corporate Communications Committee shall be held periodically and shall be responsible for the establishment, revision and internal dissemination of the information disclosure policy, and for the conduct of other related activities.

Please note that the following corporate governance structure diagram is as of April 1, 2024.

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Corporate Governance System (As of April 1, 2024)

● Executive Directors   
 ● Non-Executive Directors   
 ● Independent Outside Directors   
 ● Audit & Supervisory Board Members   
 ● Independent Outside Audit & Supervisory Board Members



1. Executive Committee: Performs important decision-making related to company-wide business strategies and execution of business.
2. Corporate Management Committees: Subcommittees of the Executive Committee. The Corporate Communications Committee makes decisions and oversees promotion of activities regarding information disclosure and dialogue with stakeholders; the Risk Management Committee oversees risk management and promotes activities to identify and measure major risks; the Compliance Committee reinforces the PDCA cycle for compliance activities and monitors the implementation of countermeasures and the status for particular items; and the Sustainability Committee is responsible for formulating and promoting the implementation of the Chugai Group's sustainability strategies.