

[Translation for Reference and Convenience Purposes Only]

CHUGAI PHARMACEUTICAL CO., LTD.

CORPORATE GOVERNANCE

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

Based on its strategic alliance with Roche, a leading global pharmaceutical company, Chugai’s mission is to “dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world,” and the company defines its basic management objective as to grow together with the society through innovation by “becoming a top innovator for advanced and sustainable patient-centric healthcare, powered by our unique strength in science and technology and the alliance with Roche.”

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 for the achievement of its basic management objective.

[Reference] Basic Corporate Governance Policy
<https://www.chugai-pharm.co.jp/english/ir/policy/governance.html>

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

[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 of the Committee members are non-executive directors, including at least one independent outside director. 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.

[Principle 4-11 Preconditions for the Board and Audit & Supervisory Board Effectiveness]

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Although the Board is well balanced in the diversity aspect including expertise and international experiences, it is not constituted in a manner to achieve gender diversity. Chugai recognizes ensuring gender diversity on the Board as an issue, and will continuously consider future actions.

[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. All shares of six companies out of twelve were sold from 2015, when the “Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy” was established.

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.

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. 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.

[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 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/profile/mission/index.html>

Chugai has formulated IBI 21 as its mid-term business plan from 2019 to 2021 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 and auditor 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 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.

<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.

(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 General Meeting of Shareholders."

[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.”

[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 and international experience, and size.

[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 “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 in fiscal year 2017. The following is a summary of the results.

(i) Method of Analysis and Evaluation

The Board of Directors conducted a self-evaluation questionnaire in January 2018, for the current directors and Audit & Supervisory Board Members who were on the Board during the evaluation period. The Board of Directors discussed the results of the self-evaluation, based on the report by the Secretariats for the Board of Directors. The Secretariats for the Board of Directors prepared the self-evaluation questionnaire, compiled the results and reported these to the Board of Directors, taking into account the advice of outside experts.

(ii) Evaluation Categories

The key categories in the self-evaluation questionnaire are:

- (1) Composition of the Board of Directors;
- (2) Deliberation topics by the Board of Directors;
- (3) Administration of the Board of Directors meetings;
- (4) Activities of each director and Audit & Supervisory Board Member; and
- (5) Other comments.

(iii) Summary of Results of Analysis and Evaluation

With “Yes” being the majority of the answers to all categories in the self-evaluation questionnaire, and the proportion of “Yes” has increased, the Board of Directors confirmed that the effectiveness of the Board of Directors overall is secured.

In particular, with regard to the actions such as transactions with the Roche Group / dialogue with shareholders / providing information on lawsuits; and conducting Board of Directors meeting and site tour at the manufacturing plant, there were positive responses that they have been useful for ensuring the effectiveness of the Board of Directors as a whole. On the other hand, some responses stated that there was room for improvement with respect to further fostering diversity of the directors, advance explanation on complex topics, etc.

The Board of Directors will continue its discussions based on the evaluation results described above, and endeavor to further improve its effectiveness.

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Analysis and evaluation for the effectiveness of the Board of Directors in fiscal year 2018 is currently ongoing.

[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.

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

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, Chugai emphasizes the promotion of dialogue with shareholders and investors with a constructive purpose, stipulating the specific systems and policies for initiatives and details on how to respond to requests for individual meetings in the "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy" and "Information Disclosure Policy" and making them available on the Chugai website.

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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.	335,223,645	59.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,342,300	5.24
Japan Trustee Services Bank, Ltd. (Trust Account)	16,320,300	2.91
STATE STREET BANK AND TRUST COMPANY 505001	15,614,888	2.78
JP MORGAN CHASE BANK 380055	13,924,294	2.48
STATE STREET BANK WEST CLIENT-TREATY 505234	4,231,710	0.75
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,091,400	0.73
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	3,829,900	0.68
Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,748,000	0.66
SSBTC CLIENT OMNIBUS ACCOUNT	3,651,588	0.65

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 12,459,413 shares of treasury stock.

3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	December
Industry	Pharmaceuticals
Number of Employees (Consolidated)	1,000 or more
Net Sales (Consolidated)	¥100 billion or more and less than ¥1 trillion
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 protects the interests of minority shareholders by executing any transactions with the Roche Group fairly and with equivalent conditions, including price, as a transaction with a third party.

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

In accordance with an agreement on a strategic alliance between Chugai and Roche Holding Ltd. [Head Office: Switzerland], Roche owns 59.89% of the total issued shares of Chugai.

In accordance with the alliance, Chugai has become Roche's single 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.

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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. Although Roche Holding includes Chugai in its consolidated accounts, Chugai functions as an independent listed company and makes all of its own management decisions based on the principles of self-governance.

Out of the nine directors of Chugai, three directors are on the roles of the Roche Group. 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 outside directors from outside the Roche Group.

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	2 years
Chairperson of the Board of Directors	Chairman
Number of Directors	9
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
Yasuo Ikeda	Academic								○		○	
Masayuki Oku	Coming from another company								△			
Yoichiro Ichimaru	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.

- a. Person executing business of the listed company or its subsidiary
- b. Person executing business or non-executive director of the parent of the listed company
- c. Person executing business of a fellow subsidiary of the listed company
- d. Person/entity dealing with the listed company as its major business partner or the person executing its business
- e. Major business partner of the listed company or the person executing its business
- f. Consultant, accounting expert or legal expert gaining significant amount of money or properties from the listed company, apart from officer remuneration
- g. Major shareholder of the listed company (if such shareholder is a corporation, the person executing its business)

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- h. Person executing business (himself or herself only) of a business partner of the listed company (applicable to none of d, e or f above)
- i. Person executing business (himself or herself only) of another company holding cross-directorships/cross-auditorships with the listed company
- j. Person executing business (himself or herself only) of an entity to which the listed company provides donations
- k. Others

Relationship with the Company (2)

Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election as Outside Director
Yasuo Ikeda	○	<p>Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation University Professor of Waseda University Professor Emeritus of Keio University</p> <p>Yasuo Ikeda is the Vice-Chairman of the Board of Directors, Musashi Academy of the Nezu Foundation, a University Professor of Waseda University and a Professor Emeritus of Keio University. The Company is engaged in transactions including joint research with Keio University, and makes donations to Waseda University and Keio University. The monetary amount of these transactions and donations are insignificant. In light of the scale and nature of these activities, the Company believes that there is no risk of influence over judgments by investors and shareholders.</p>	<p>The Company judged that he will be able to execute his duties as an Outside Director appropriately through giving advice and supervising the Company about its management from his extensive knowledge and experience as a medical doctor and university professor. 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>
Masayuki Oku	○	<p>Outside Director of Komatsu Ltd. Outside Director of Panasonic Corporation Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. Non-executive Director of Bank of East Asia (China)</p> <p>Masayuki Oku was Chairman of the Board at Sumitomo Mitsui Financial Group. The Company is engaged in regular banking transactions such as depositing of funds with Sumitomo Mitsui Banking Corporation, a member company of the aforementioned</p>	<p>The Company judged that he will be able to execute his duties as an Outside Director appropriately through giving advice and supervising the Company about its management from his extensive experience and knowledge as a corporate manager. 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</p>

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Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election as Outside Director
		group. In light of the scale and nature of these transactions, the Company believes that there is no risk of influence over judgments by investors and shareholders.	risk of conflict with the interests of general shareholders.
Yoichiro Ichimaru	○	Senior Advisor, Aioi Nissay Dowa Insurance Co., Ltd. <No applicable relationship exists>	The Company judged that he will be able to execute his duties as an Outside Director appropriately through giving advice and supervising the Company about its management from his extensive experience and knowledge as a corporate manager. 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.

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	3	0	0	1	0	2	Others

Supplementary Explanation

The Appointment Committee consists of one member from inside the Company and at least three outside members, including at least one independent outside director. The member from inside the Company is appointed by the Board of Directors from among the representative directors and persons with experience as representative directors. The outside committee members are appointed by the Board of Directors from among the non-executive directors and persons with experience as non-executive directors.

The Compensation Committee consists of at least three outside committee members, including at least one

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outside director, appointed by the Board of Directors from among the nonexecutive directors including outside directors and persons with experience as non-executive directors.

“Number of Others” indicates the number of non-executive directors.

[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 exchange opinions at five meetings held each year over matters including the confirmation of each other’s audit plans, reports on quarterly audit results, and status of fiscal year-end accounting audits/reports on fiscal year-end audit results.

Furthermore, audit & supervisory board members receive reports on the audit plans and the audit results from the Audit Department, while exchanging opinions therewith, making requests on matters, including the scope of the 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 cooperate on briefings of audit plans, among others.

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

Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hisashi Hara	Lawyer										△			
Takaaki Nimura	Certified public accountant (CPA)													
Yuko Maeda	From other 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.

- 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

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- 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

Relationship with the Company (2)			
Name	Independent Officer	Supplementary Explanation Relating to These Items	Reason for Election as Outside Audit & Supervisory Board Member
Hisashi Hara	○	<p>Advisor, The Law Office of Nagashima Ohno & Tsunematsu Outside Director of the Board of Nippon Paint Holdings Co., Ltd.</p> <p>Hisashi Hara is the Advisor, The Law Office of Nagashima Ohno & Tsunematsu. The Company receives legal advice as necessary from counsels other than Mr. Hara of said law firm. The monetary amount of transactions between said law firm and the Company is insignificant. In light of the scale and nature of the transactions, the Company believes that there is no risk of influence over judgments by investors and shareholders.</p>	<p>The Company judged that he will be able to execute his duties as an Outside Audit & Supervisory Board Member appropriately by leveraging his abundant experience and knowledge as a corporate legal expert (lawyer).</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>
Takaaki Nimura	○	<p>Representative of Nimura Certified Public Accounting Office</p> <p>The Company has no special conflict of interests with him.</p>	<p>The Company judged that he will be able to execute his duties as an Outside Audit & Supervisory Board Member appropriately by leveraging his abundant experience and knowledge as a corporate accounting expert (certified public accountant).</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>
Yuko Maeda	○	<p>Director of CellBank Corp. Auditor of Japan Agency for Marine-Earth Science and Technology (part-time)</p>	<p>The Company judged that she will be able to execute her duties as an Outside Audit & Supervisory Board Member appropriately by leveraging her extensive</p>

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		<p>The Company has no special conflict of interests with her.</p>	<p>experiences and knowledge on the application of intellectual properties of companies and academia, collaboration between industry and academia, as well as her management and audit experiences as an auditor of an independent administrative corporation.</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.

[Independence Standards]

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

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

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

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

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

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

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

Note 6 "Contributions or aid exceeding a certain amount" means, in any business year within the past five years, contributions or aid exceeding the greater of (a) ten 13 million yen annually or (b) 2% of the total annual income of the person receiving the contributions or aid.

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

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

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[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 newly introduce shares with restriction on transfer in place of the current 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 2018:

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:	8 persons (Outside Directors: 3 persons)
Remuneration, etc.:	¥576 million (Outside Directors: ¥43 million)
Stock Options (Executive Directors only):	
Common:	¥21 million
As Stock-based Compensation:	¥0 million
Restricted Stock Compensation (Executive Directors only):	
Tenure-based:	¥57 million
Performance-based:	¥72 million

Audit & Supervisory Board Members (Annual Amount):

Headcount of Auditors:	4 persons (Outside Auditors: 2 persons)
Remuneration, etc.:	¥87 million (Outside Auditors: ¥24 million)

(Notes)

1. Amounts are rounded to the nearest million yen.
2. The table above includes one director who resigned during 2018.
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 ¥100 million per year as per the resolution passed in the 95th Annual General Meeting of Shareholders held in

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March 2006.

5. The amounts of “Restricted Stock Compensation (tenure-based and performance-based)” shown in the table above are the amounts that were posted as expenses for the fiscal year as each respective restricted stock compensation.
6. No new stock options have been granted in the fiscal year under review but the amount granted in the previous fiscal year that was posted as expenses in the current fiscal year is shown in Stock Options above.
7. A resolution was passed in the 98th Annual General Meeting of Shareholders held in March 2009, to abolish the retirement benefits system for executive directors, and to pay retirement benefits corresponding to the residual term up to the abolishment of the system to each concerned director remaining in office after the closing of the 98th Annual General Meeting of Shareholders, at the respective time of their retirement.

Remuneration of directors individually disclosed in the security report

Osamu Nagayama (Representative Director)

Total Consolidated Remuneration, etc.	223 million yen
- Regular compensation	126 million yen
- Bonuses	37 million yen
- Common Stock Options	9 million yen
- Stock Options as Stock-Based Compensation	0 million yen
- Tenure-based Restricted Stock Compensation	21 million yen
- Performance-based Restricted Stock Compensation	30 million yen

Motoo Ueno (Representative Director)

Total Consolidated Remuneration, etc.	118 million yen
- Regular compensation	58 million yen
- Bonuses	26 million yen
- Common Stock Options	4 million yen
- Stock Options as Stock-Based Compensation	0 million yen
- Tenure-based Restricted Stock Compensation	14 million yen
- Performance-based Restricted Stock Compensation	17 million yen

Tatsuro Kosaka (Representative Director)

Total Consolidated Remuneration, etc.	174 million yen
- Regular compensation	68 million yen
- Bonuses	60 million yen
- Common Stock Options	4 million yen
- Stock Options as Stock-Based Compensation	0 million yen
- Tenure-based Restricted Stock Compensation	19 million yen
- Performance-based Restricted Stock Compensation	24 million yen

(Notes)

1. Amounts are rounded to the nearest million yen.
2. Total amount of remuneration paid to each representative director is presented.
3. Other than the representative directors in the table above, no director or Audit & Supervisory Board Member received total remuneration of more than ¥100 million.

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

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.

The remuneration of executive directors will consist of fixed remuneration (regular compensation) as well as bonuses paid according to the company's performance in each financial year, and long-term incentives tied to the company's mid- to long-term performance in the form of restricted stock compensation (tenure-based and performance-based). Non-executive director including outside director and Audit & Supervisory Board member remuneration will consist solely of fixed remuneration (regular compensation).

Director and Audit & Supervisory Board member remuneration will be approved by resolution of the Board of Directors for directors, and upon deliberation by the Audit & Supervisory Board for Audit & Supervisory Board members within the maximum remuneration amount approved by resolution of the General Meeting of Shareholders. Individual remuneration of directors is deliberated by a Compensation Committee consisting of at least three outside committee members, including at least one independent outside director, appointed by the Board of Directors to ensure the transparency and objectivity of the decision-making process.

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

For outside directors, the staffs in charge are appointed inside the Secretarial Department to support the activities of outside directors of the Company. In addition, the Company strives for further strengthened decision-making by making as necessary reports with respect to material changes in the management environment and prior explanations relevant to respective issues from the General Manager of Corporate Planning Department, 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.

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. The number of the Executive Committee members is 12 (all male.)

(2) Chugai International Council (CIC)

Aiming at accurately responding to global business environmental changes and global business deployment with a proper corporate attitude, Chugai International Council (CIC) is composed of specialists from various fields inside and outside Japan, for further enhancement of decision-making. The number of the CIC members is 10 (nine male/ one female.)

(3) Board of Directors

The Board of Directors is in charge of decision-making with respect to the most important managerial matters, and supervises business execution, receiving reports on business execution status (such as regular reports for each quarter, and reports on matters determined by the Executive Committee). The number of Board of Directors is 9 (three executive directors, six non-executive directors with no female).

(4) Outside Directors

Chugai nominates outside directors in order to reflect diverse stakeholder viewpoints in business decisions. Outside directors offer suggestions and advice from a global perspective about management of the Company based on their abundant experience and knowledge as a corporate manager or medical doctor/university professor.

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.

(5) Auditor/Auditing System

There are five audit & supervisory board members (four male/ one female), including three outside audit & supervisory board members, who implement accurate auditing with regard to management decision-making and business execution. Full-time audit & supervisory board members attend important meetings including the Executive Committee in the course of their duties and provide opinions if needed. The appointment of three outside audit & supervisory board members, as previously mentioned (in the auditor-related section), includes one who has certification as a CPA and a considerable amount of knowledge in finance and accounting.

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.

3. Reason for Adopting the Current Cooperate Governance System

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.

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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 twenty eight 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.
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: https://www.chugai-pharm.co.jp/english/ir/policy/disclosure.html	
Holding Briefings for Individual Investors	Information Meetings for individual investors are held at the local branches of major securities houses.	No
Holding Regular Briefings for Analysts and Institutional Investors	Results briefing meetings are held twice a year, in the second quarter and at year-end. Conference calls are held in the first and third quarter. In addition, R&D information meetings, small group meetings with the CEO for institutional investors and analysts, etc. 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.A. and Asia.	Yes
Posting Investor Relations Materials on the Company Website	URL for IR: https://www.chugai-pharm.co.jp/english/ir 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; Annual Reports; and other financial results related documents and presentations are posted on the Chugai corporate website in Japanese and English simultaneously.	

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	Webcasts of presentations at information meetings and audio files of the conference calls are distributed on the Website.	
Establishment of Investor Relations Department (Liaison)	The Company's designated IR unit is the Corporate Communications Department. For supervision, the Corporate Communications Committee, composed of executive officers in charge and managers of key organizations in related divisions, has been set up.	
Other Information	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. URL for CSR: https://www.chugai-pharm.co.jp/english/csr/index.html	

3. Measures to Respect the Position of Stakeholders

	Supplementary Explanation
Provisions of Internal Regulations to Respect the Position of Stakeholders	<p>The following sentence is inscribed in the Mission Statement, which is the Company's corporate policy, as a core value of the Company: "We aim to achieve a fair return for our shareholders and to disclose information appropriately and in a timely manner." (posted on the Website of the Company: https://www.chugai-pharm.co.jp/english/profile/mission/index.html).</p> <p>Furthermore, policy for cooperation with stakeholders are inscribed in the "Chugai Pharmaceutical Co., Ltd. Basic Corporate Governance Policy" as follows: "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." (posted on the Website of the Company: https://www.chugai-pharm.co.jp/english/profile/pdf/eBasicCorporateGovernancePolicy.pdf).</p>
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	<p>We regard environmental protection and CSR promotion as activities which contribute to long-term sustainability, both for the Company and society as a whole, which is why they are a part of our efforts to promote sustainability. For the Company, providing innovative medical products and services which contribute to global healthcare and individual health are essential to our business. We aim to ensure that our best efforts are put into appropriate relationships with shareholders, investors, business partners and local communities, as well as matters involving environmental protection, safety, and health. Our goal is to continue contributing to the sustainability of society by responding to the various requirements we face, and living up to those expectations.</p> <p>The Company will also address the social issues outlined in the SDGs – a resolution created by the United Nations.</p> <p>Although we will focus on improving quality management, health care access, social contribution, global environment protection, supply chain management, and dialogues with stakeholders, we will continue our efforts regarding risk management, compliance, health management, human rights, and diversity & inclusion.</p> <p>In addition, we have established an expert committee responsible for guiding</p>

	<p>sustainability promotion, as well as a department responsible for promoting our efforts within the Chugai Group. In order to ensure that our stakeholders are aware of and understand our sustainability efforts, we will publically disclose our environmental safety and health policy, human rights policy, and social contribution activity policy (further information can be found at: https://www.chugai-pharm.co.jp/english/csr/index.html).</p>
Establishment of Policy Concerning Disclosure of Information to Stakeholders	<p>Described in our “Disclosure Policy” (posted on the Website of the Company: https://www.chugai-pharm.co.jp/english/ir/policy/disclosure.html).</p>
Others	<p>Based on the belief that diversity is vital for working and generating new value, and that it is also indispensable for innovation, Chugai prioritizes the promotion of Diversity and Inclusion (D&I) as an important management task. In our mid-term business plan “IBI 21” which the goal is set for 2021, in addition to the efforts thus far, the Company has set forth a target outcome of innovation stories generated by leveraging the strengths of D&I. Based on respecting different values and ideas, we are working to foster an inclusive organizational culture in which diverse human resources can succeed and pursue innovation.</p> <p>For promoting the active participation of women, Chugai organized a working team under senior management in 2010 to begin addressing this issue, and then established the Diversity Office in 2012 to enhance and promote broad-based activities. In addition to the challenges including the launch of a talent management system that selects and trains human resources based on objective criteria regardless of background, gender or age, revision of the personnel system, and organization of forums for women in every division as an opportunity for female employees to consider their careers and working styles, a training to nurture female leaders was launched in fiscal 2014.</p> <p>Additionally, based on the Act on Advancement of Measures to Support Raising Next-Generation Children, the Company enhanced flexibility of its working systems including telecommuting in order to support employees to balance work and childcare or nursing care, and to arrange environments for everyone to be able to demonstrate their abilities so that all employees can realize work-life synergy.</p> <p>Results and goals:</p> <ul style="list-style-type: none"> - Results: Percentage of female managers were 13.3% (as of end of 2018) - Goal: Percentage of female managers to be over 13% (by 2018) <p>External Recognitions:</p> <ul style="list-style-type: none"> - The “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange: 2014, 2015, 2016 and 2017 - Selected as one of the New Diversity Management Selection 100 companies for 2017 by the Ministry of Economy, Trade and Industry - The Commendation of Companies Promoting Gender Equality and Work-Life Balance for 2014, sponsored by the Ministry of Health, Labour and Welfare - The Minister’s Prize for Excellence (Companies promoting gender equality) - The Tokyo Prefectural Labour Bureau Chief’s Prize for Excellence (Family-friendly companies) - Kurumin Certification (certification from the Ministry of Health, Labour and Welfare as a company supporting childrearing): 2008, 2011 and 2015 - Platinum Kurumin Certification: 2018

IV Basic Policy and Status of Implementation of the Internal Control System

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 Sustainability 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 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 compliance oversight functions that were previously handled by multiple committees to comply with pharmaceutical regulations, general laws, industry standards, Company rules and healthcare compliance, were consolidated, and the Compliance Committee, a sub-organization of the Executive Committee, was established to create an administrative system linked more directly to management. Compliance oversight functions (Sustainability Department, Quality & Regulatory Compliance Unit) were established to monitor, lead and support the compliance of the Chugai Group as a whole, including overseas subsidiaries, creating a horizontal global compliance management framework. In addition, managers of each organization are designated as compliance manager, and they assign compliance officers in their organization. The compliance oversight functions promote compliance in the whole company in collaboration with the compliance officers in each organization.

Moreover, we are making efforts toward activities not just based on compliance but based on a high level of ethics and sense of morals as a company involved in human life. The CCC Hotline has been installed as a window for reporting and consulting on matters regarding CCC violation, including so-called “public-interest whistleblowing.” A window for employee inquiries has also been installed outside the Company as well, to handle issues involving harassments.

For risk management, the Company has established the Risk Management Regulations based on its Risk Management Policy to prevent risks that might have an impact on the corporate activities of the Chugai Group, and to ensure expeditious and proper handling should trouble take place. Thus, the Risk Management Committee, a sub-organization of the Executive Committee, and the Division Risk Management Committee have been formed. The Division Risk Management Committees create risk maps and summarize all the risks facing their divisions, and make proactive efforts to prevent such risks. The Risk Management Committee

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reviews measures and its progress of major risk issues in each division, and it also identifies Chugai Pharmaceutical Group-wide risk issues that may have a material impact on management of the Company, prepare and promote measures, and reports on the progress of measures thereof to the Executive Committee. Moreover, when an emergency occurs that might 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.

Based on the Financial Instruments and Exchange Act, we evaluate the design and operation of internal controls for financial reporting.

2. Basic Policy and Status of eliminating 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 clearly states in the CCC, the code of conduct, that Chugai will eliminate any relationships with antisocial forces and groups, addressing this issue by the Company as a whole.

The Company has established 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 has established guidelines for concluding a Memorandum Regarding Exclusion of Antisocial Forces and signs the Memorandum with business partners to confirm that they are not related to antisocial forces and to enable Chugai to terminate any contract immediately if a relation of a business partner with antisocial forces becomes evident.

V Others

1. Items relating to Takeover Defense

Not applicable.

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

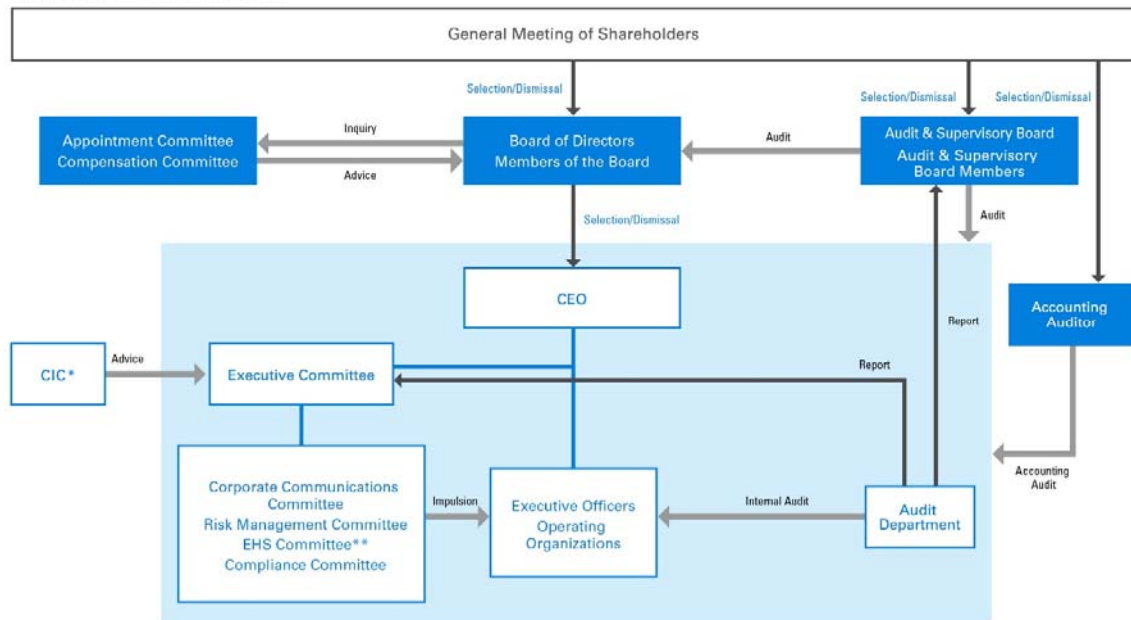
Chugai has established the Disclosure Policy for conducting appropriate disclosure of corporate information to shareholders and investors, and is striving to disclose in a timely and appropriate manner important information on matters decided at the Board of Directors and the Executive Committee, or 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) and Department Managers of the Corporate Communications Department, the Corporate Planning Department, the Finance & Accounting Department, the Sustainability Department, and the General Affairs Department as an executive advisory committee. The IR 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.

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Chugai's Corporate Governance System



* Chugai International Council (CIC): Chugai established the CIC as an advisory body composed of Japanese, American and European industry leaders and professionals in various sectors to respond accurately to changes in the global business environment and conduct business in an appropriate manner, and to provide advice to further enhance decision-making.
 ** Environment, Health and Safety Committee. Promotes EHS activities for the Chugai Group.