

**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.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 four of the Committee members are non-executive directors, including at least two independent outside directors. In addition, Chugai have established a Special Committee as described in “4. Guideline regarding the measures for protecting minority stockholders in transaction, etc. with a controlling stockholder”. In the deliberation by the Compensation Committee, if the deliberation by the Special Committee is considered appropriate by the member who also serves as the Compensation Committee, 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 the 12 strategic shareholdings in 2015 and currently only hold one brand in accordance with the capital and business tie-up agreement associated with R&D activity.

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 our parent company, Roche Group, a new Special Committee established on March 29, 2022 will deliberate and consider important transactions and acts that may conflict the interests of the parent company Roche and minority shareholders.

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

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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 new 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 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 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.

(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

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Meeting of Shareholders.”

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

1. 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 properties

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

3. Chugai discloses information based on the TCFD recommendations. Details are available on the Chugai website.

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

[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, 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 “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]

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The Board of Directors implemented an analysis and evaluation of the effectiveness of the Board of Directors in fiscal year 2020. The summary of the results is 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.

[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.

## 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	59.89%
The Master Trust Bank of Japan, Ltd. (Trust Account)	144,080,000	8.58%
Custody Bank of Japan, Ltd. (Trust Account)	49,225,400	2.93%
SMBC Nikko Securities Inc.	18,063,700	1.07%
STATE STREET BANK WEST CLIENT - TREATY 505234	13,782,130	0.82%
JP MORGAN CHASE BANK 385632	13,706,971	0.81%
STATE STREET BANK AND TRUST COMPANY 505001	12,815,417	0.76%
Custody Bank of Japan (Security Investment Trust Account)	10,253,800	0.61%
SUMITOMO LIFE INSURANCE COMPANY	9,000,000	0.53%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	8,871,495	0.52%

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 34,739,943 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)	¥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**

Special Committee established on March 29, 2022 will deliberate and consider important transactions and acts that may conflict the interests of the parent company Roche and minority shareholders. The Special Committee consists of three or more members consisting of only independent outside directors and independent outside corporate auditors, including one independent outside director who also serves as a member of the Compensation Committee. The members are appointed by the Board of Directors. The current members are Masayuki Oku, an independent outside director, Yoichiro Ichimaru, an independent outside director, Kenichi Masuda, an independent outside corporate auditor. It is chaired by Yoichiro Ichimaru, selected by mutual election of each committee member.

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

In December 2001, Chugai and Roche Holding Ltd. [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. 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.

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. In addition, regarding the purchase and sale of Chugai stocks by Roche, the two companies have entered into arrangements to maintain the listing of Chugai shares since 10 years after the merger (on or after October 1, 2012).

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.



## CORPORATE GOVERNANCE

## 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	President
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
Masayuki Oku	Academic								△			
Yoichiro Ichimaru	Coming from another company											
Dr. Mariko Y Momoi	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
Masayuki Oku	○	<p>Outside Director of TV TOKYO Holdings Corporation  Outside Director of Rengo Co., Ltd.  Outside Director of The Royal Hotel, Ltd.  Non-Executive Director of The Bank of East Asia</p> <p>Until June 2011, Masayuki Oku was President and Representative Director of Sumitomo Mitsui Banking Corporation, a member of the Sumitomo Mitsui Financial Group. He was chairman of the board of Sumitomo Mitsui Financial Group until June 2017, but he has retired from both roles and is no longer involved in business execution. The Company has ordinary banking transactions with Sumitomo Mitsui Banking Corporation, such as depositing funds, but it is not a business partner that will have a significant effect on the Company's decision-making. 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.</p>	<p>The Company judged that he will be able to continuously 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.</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 Chugai's Independence Standards for an outside officer, and that there is no risk of conflict with the interests of general shareholders.</p>
Yoichiro Ichimaru	○	<p>Outside Director of Seino Holdings Co., Ltd.</p> <p>&lt;No applicable relationship exists&gt;</p>	<p>The Company judged that he will be able to continuously 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.</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 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
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 and experience 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>

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 Masayuki Oku, Independent Outside Director, Mariko Momoi, Independent Outside Director and William N. Anderson, Non-Executive Director. Masayuki Oku, an Independent Outside Director, selected by mutual election of each committee member, will chair.

In fiscal year 2021, the meeting was held three times in total and the attendance of respective Board of Directors are as follows:

Masayuki Oku (Chair): 3 out of 3 (100%)

Yoichiro Ichimaru: 3 out of 3 (100%)

William N. Anderson: 3 out of 3 (100%)

Osamu Okuda: 3 out of 3 (100%)

[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 Masayuki Oku, Independent Outside Director, Yoichiro Ichimaru, Independent Outside Director, William N. Anderson, Non-Executive Director and Dr. Christoph Franz, Non-Executive Director. William N. Anderson, Non-Executive Director, selected by mutual election of each committee member, will chair.

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

In fiscal year 2021, the meeting was held twice and the attendance of respective Board of Directors are as follows:

William N. Anderson (Chair): 2 out of 2 (100%)

Dr. Christoph Franz: 2 out of 2 (100%)

Masayuki Oku: 2 out of 2 (100%)

**[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 as an internal audit function, 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.

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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
Takaaki Nimura	Certified public accountant (CPA)													
Dr. Yuko Maeda	From other company													
Kenichi Masuda	Lawyer													

\* 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

## Relationship with the Company (2)

Name	Independent Officer	Supplementary Explanation Relating to These Items	Reason for Election as Outside Audit & Supervisory Board Member
Takaaki Nimura	○	Representative of Nimura Certified Public Accounting Office  The Company has no special conflict of interests with him.	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).

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			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.
Dr. Yuko Maeda	○	<p>Director of CellBank Corp. Outside Director of KOSE Corporation Outside Director of Asahi Kasei Corporation Auditor of Japan Agency for Marine-Earth Science and Technology (part-time) Executive Vice President (part-time) of Kyushu University Executive Vice President (part-time) of Nagano University</p> <p>The Company has no special conflict of interests with her.</p>	<p>The Company judged that she will be able to execute her duties as an Outside Audit &amp; Supervisory Board Member appropriately by leveraging her extensive 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>
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), 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>

## [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.

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[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.

## 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 2021:  
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:	6 persons (Outside Directors: 3 persons)
Remuneration, etc.:	¥683 million (Outside Directors: ¥45 million)
Restricted Stock Compensation (Executive Directors only):	
Tenure-based:	¥117 million
Performance-based:	¥94 million

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

Headcount of Auditors:	6 persons (Outside Auditors: 3 persons)
Remuneration, etc.:	¥99 million (Outside Auditors: ¥36 million)

## (Notes)

1. Amounts are rounded to the nearest million yen.
2. The table above includes one Audit & Supervisory Board member who resigned during 2021 and two directors who resigned at the conclusion of the Ordinary General Meeting of Shareholders on March 29, 2022.
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.



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5. The amounts of “Restricted Stock Compensation (tenure-based and performance-based)” shown in the table above are the amounts that will be posted as expenses for the fiscal year as each respective restricted stock compensation.
6. In addition to the above total remuneration, the following is provided as retirement benefits for directors from the time of inauguration to the termination of the retirement benefits system as follows.  
Retired director (internal): One person, ¥100 million

Remuneration of directors individually disclosed in the security report

Tatsuro Kosaka (Representative Director)

Total Consolidated Remuneration, etc.	246 million yen
- Regular compensation	87 million yen
- Bonuses	67 million yen
- Tenure-based Restricted Stock Compensation	47 million yen
- Performance-based Restricted Stock Compensation	45 million yen

Motoo Ueno (Representative Director)

Total Consolidated Remuneration, etc.	139 million yen
- Regular compensation	57 million yen
- Bonuses	34 million yen
- Tenure-based Restricted Stock Compensation	24 million yen
- Performance-based Restricted Stock Compensation	24 million yen

Dr. Osamu Okuda (Representative Director)

Total Consolidated Remuneration, etc.	252 million yen
- Regular compensation	85 million yen
- Bonuses	96 million yen
- Tenure-based Restricted Stock Compensation	46 million yen
- Performance-based Restricted Stock Compensation	25 million yen

(Notes)

1. Amounts are rounded to the nearest million yen.
2. Other than the representative directors in the table above, no director or Audit & Supervisory Board Member received total remuneration of more than ¥100 million.
3. Motoo Ueno retired at the conclusion of the Ordinary General Meeting of Shareholders on March 29, 2022, and has been paid ¥100 million as retirement benefits for directors.

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

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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.

### <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

**CORPORATE GOVERNANCE**

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 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.

The main matters deliberated by the Compensation Committee in fiscal year 2021 and resolved by the Board of Directors are as follows:

- Individual bonuses for fiscal year 2020 (paid in March 2021)
- Verification of the relevance of the Company's remuneration level, remuneration ratio and remuneration level of benchmark companies for fiscal year 2020
- Remuneration level by position (basic amount by position) and remuneration ratio for fiscal year 2021

**[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. 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.

**[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 Chairman)	External activities  Advice if required by management (Not involved in decision making)	Part-time, no remuneration	2020/03/30	1 year (No limit) upper
Tatsuro Kosaka	Senior Advisor	External activities  Advice if required by management (Not involved in decision making)	Part-time, with remuneration	2022/03/29	1 year (Max. 2 years)

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Motoo Ueno	Senior Advisor	External activities Advice if required by management (Not involved in decision making)	Part-time, with remuneration	2022/03/29	1 year (Max. 2 years)
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Total number of counselors and advisors, etc. who have been former President, etc.	<b>3 persons</b>
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**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. The number of the Executive Committee members is 8 (including 1 female).

**(2) Chugai International Council (CIC)**

Aiming for receiving advice on business development based on global business environmental trends, Chugai International Council (CIC) is composed of specialists from various fields inside and outside Japan, for further enhancement of decision-making. We are currently reviewing the membership of CIC.

**(3) 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 a variety of knowledge, experience and skills, ensuring the appropriate diversity and scale of the Board as a whole, including the necessary expertise, competencies, gender and internationality. 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

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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 nine members, one of whom is female. Of these, there are three executive directors (Dr. Osamu Okuda, Representative Director, President & CEO; Dr. Hisafumi Yamada, Director, Vice-President; Toshiaki Itagaki, Director, Vice-President & CFO) and six non-executive directors (Masayuki Oku, Yoichiro Ichimaru and Dr. Mariko Y Momoi, independent outside directors; Dr. Christoph Franz, William N. Anderson and Dr. James H. Sabry, non-executive directors), including three independent outside directors. The chairperson is to be the director appointed in advance by the Board of Directors, and Dr. Osamu Okuda, Representative Director, President & CEO is chairing. Attendance of respective directors is noted in the “Notice of the General Meeting of Shareholders.”

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.

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

There are five Audit & Supervisory Board Members (four male/ one female), including two full-time and three independent outside Audit & Supervisory Board Members. The chairperson is to be a full-time Audit & Supervisory Board Member determined in advance by the Audit & Supervisory Board. Atsushi Sato or Dr. Yoshiaki Ohashi, the full-time Audit & Supervisory Board Members, is chairing.

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.

#### 2. Internal Audit Status

We have established the Internal Audit Department, which currently has 18 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

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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: 11 years
- Certified public accountant who performed accounting auditing services: Akiyo Otani, Teruichi Nagamine, Yujiro Kitamura

- Composition of assistants for accounting auditing: 17 certified public accountants, 20 others

We are a member of the corporate group (Roche Group) with Roche Holding Ltd as the parent company and centered on this company. In order to improve the uniformity and efficiency of audits within the Roche Group, we have appointed a limited liability AZSA & Co., which has an alliance with the accounting auditor of the parent company, as the accounting auditor. Audit & Supervisory Board has determined that reappointment as an accounting auditor is appropriate based on the assessment results, based on the evaluation criteria, and the results of confirming the status of audits and collaboration by the auditing firm with our Finance & Accounting Department.

In the event that the Board of Corporate Auditors 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.

### (5) 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 established on March 29, 2022 will deliberate and consider important transactions and acts that may conflict the interests of the parent company Roche and minority shareholders.

### 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 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.
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 at the local branches of major securities houses and by online webinar briefing.	Yes
Holding Regular Briefings for Analysts and Institutional Investors	Conference calls for financial results are held quarterly.(Some are held in combination with video conference) 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.(In 2020, all briefings were conducted by online)	Yes
Posting Investor Relations Materials on the Company Website	URL for IR: <a href="https://www.chugai-pharm.co.jp/english/ir">https://www.chugai-pharm.co.jp/english/ir</a> Investor relations materials: Financial Statements (Non-audited) ( <i>kessan tanshin</i> ; brief results announcements); Supplementary Materials; presentation materials on financial results; Presentations;	

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	<i>Kabunushi-tsushin</i> (shareholder communications); Securities reports; Internal Control reports; Annual Reports; 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 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: <a href="https://www.chugai-pharm.co.jp/english/csr/index.html">https://www.chugai-pharm.co.jp/english/csr/index.html</a>	

## 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:</p> <p>"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: <a href="https://www.chugai-pharm.co.jp/english/profile/vision/philosophy.html">https://www.chugai-pharm.co.jp/english/profile/vision/philosophy.html</a>).</p> <p>Furthermore, 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." (posted on the Website of the Company: <a href="https://www.chugai-pharm.co.jp/english/ir/governance/report.html">https://www.chugai-pharm.co.jp/english/ir/governance/report.html</a>).</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,</p>

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	<p>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 &amp; inclusion.</p> <p>In addition, we have established an expert committee responsible for guiding 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 basic concept of social contribution activities (further information can be found at: <a href="https://www.chugai-pharm.co.jp/english/csr/index.html">https://www.chugai-pharm.co.jp/english/csr/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>Securing diversity:</p> <p>We recognize that human resources, the driving force behind value creation, are our most important assets. We will support each employee's challenges and provide them with opportunities for growth through the promotion of the right person in the right place 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, while actively and continuously recruiting diverse human resources, such as gender, nationality, people with disabilities, careers with various backgrounds, and careers with specialized expertise, efforts are being made to create a work environment that maximizes the characteristics and abilities of each employee and to educate the management level. In recent years 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 2021, new graduate recruitment accounted for 60.5% and mid-career recruitment accounted for 39.5% of the total of newly recruited employees (non-consolidated). As of the end of 2021, 1.3% (non-consolidated) are foreign employees and of which 0.6% (non-consolidated) are management post. 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, and in the future we aim to ensure that the percentage of foreign employees at each level is equal to ratio of employees.</p> <p>Efforts for Diversity and Inclusion:</p> <p>Our efforts to promote diversity go back to 2010. We formed a working team under the leadership of 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 on an objective scale regardless of attributes such as gender or age, and we have been working to review our personnel compensation system. In recent years, the Chugai Diversity DAYS has been held for all employees, and lectures and roundtable discussions are held by young employees as well as management to instill diversity and inclusion. In addition, we provide e-learning on the theme of unconscious bias for managers who are key personnel in promoting diversity and inclusion. We also conduct other task management</p>

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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.

In order to foster a vibrant and healthy organizational culture in which all diverse employees can work physically and mentally energetically, we will promote the creation of a working environment where everyone can demonstrate their abilities by creating a flexible working environment, reforming work styles, and practicing health management through the promotion of employee health management. For example, we will introduce a telework system that enables working from home or satellite offices, in order to realize work-life synergies for each employee. In addition to ensuring diversity, we will further promote the "inclusion" that is essential to the creation of innovation, while instilling in each and every employee the three actions of communicate, discuss, and accept.

Promotion of Women:

To promote women's active participation in the workplace, we are continuously working to raise awareness of the importance and significance of diversity and inclusion and women's active participation. So far, for example, we disseminate messages from top management at the beginning of the year and at diversity events. In addition to career education by holding forums for women in all divisions, we also introduced training for the development of female leaders in fiscal 2014. In promoting the appointment of female managers, we aim to increase the number of women in leadership positions and ensure that both women and men are active in the decision-making process. In addition, KPIs are established to promote the appointment of female managers. Every year, with the participation of top management, the director in charge, and the heads of each division, committees are established to confirm the progress of the appointment and discuss issues for achieving the KPIs and measures such as development plans. Currently, the percentage of female managers and female managers with subordinates are 15.9%<sup>\*1</sup> and 15.0%<sup>\*2</sup> respectively (as of December 2021). Each of these targets is set at 17% as of the end of 2023, and efforts are being made to achieve these targets. Going forward, we will continue to work toward the goal of having female employees account for the same ratio of the workforce at each level.

<sup>\*1</sup> Calculated based on the number of employees of Chugai Pharmaceutical Co., Ltd. (non-consolidated)

<sup>\*2</sup> Calculated based on employees of Chugai Pharmaceutical Co., Ltd. (non-consolidated) and domestic affiliates

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, we are creating and providing a learning environment that refines ourselves and continues to learn and grow on our own initiative, with the aim of implementation flexible working for our employees and realizing the carriers that each employee aspires to.

● Introduction of a Telework System

By effectively utilizing the telework system, we aim to realize a "highly flexible work style (smart work)" that suits the characteristics of the organization, job type, and tasks by promoting the digitization," thereby achieving both productivity improvement and work-life synergy and creating continuous

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	<p>innovation.</p> <ul style="list-style-type: none"> <li>● Introduction of I Learning We introduced a new learning management system (I-learning) based on on-demand programs in May 2021. With this system, we will foster a learning culture that allows everyone to have opportunities to learn anytime, anywhere, and promotes autonomous learning, reskill, career development, etc.</li> <li>● 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, about 150 alumni (retirees) have been registered, and three have been reemployed.</li> </ul> <p>External Recognitions:</p> <ul style="list-style-type: none"> <li>- The “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange: 2014, 2015, 2016, 2017 and 2020, 2021</li> <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 The Minister’s Prize for Excellence (Companies promoting gender equality) The Tokyo Prefectural Labour Bureau Chief’s Prize for Excellence (Family-friendly companies)</li> <li>- Kurumin Certification (certification from the Ministry of Health, Labour and Welfare as a company supporting childrearing): 2008, 2011 and 2015</li> <li>- Platinum Kurumin Certification: 2018</li> </ul>
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## 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 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



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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.

The Company has established the “Guidelines on whistleblowing and response,” which includes domestic and overseas subsidiaries. As a point of contact for reporting and consulting on CCC violations that include the so-called “public interest report,” in addition to the domestic-only “CCC Hotline,” we have newly established the “Speak-up line” for both domestic and overseas use where anonymous reporting is secured through a third party. In addition, in Japan, we have established an employee consultation desk outside the company for harassment, and we strive not only to comply with laws and regulations, but also to engage in activities based on high ethical and moral values as a healthcare company.

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 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.

### **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



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forces and to enable Chugai to terminate any contract immediately if a relation of a business partner with antisocial forces becomes evident.

### V Others

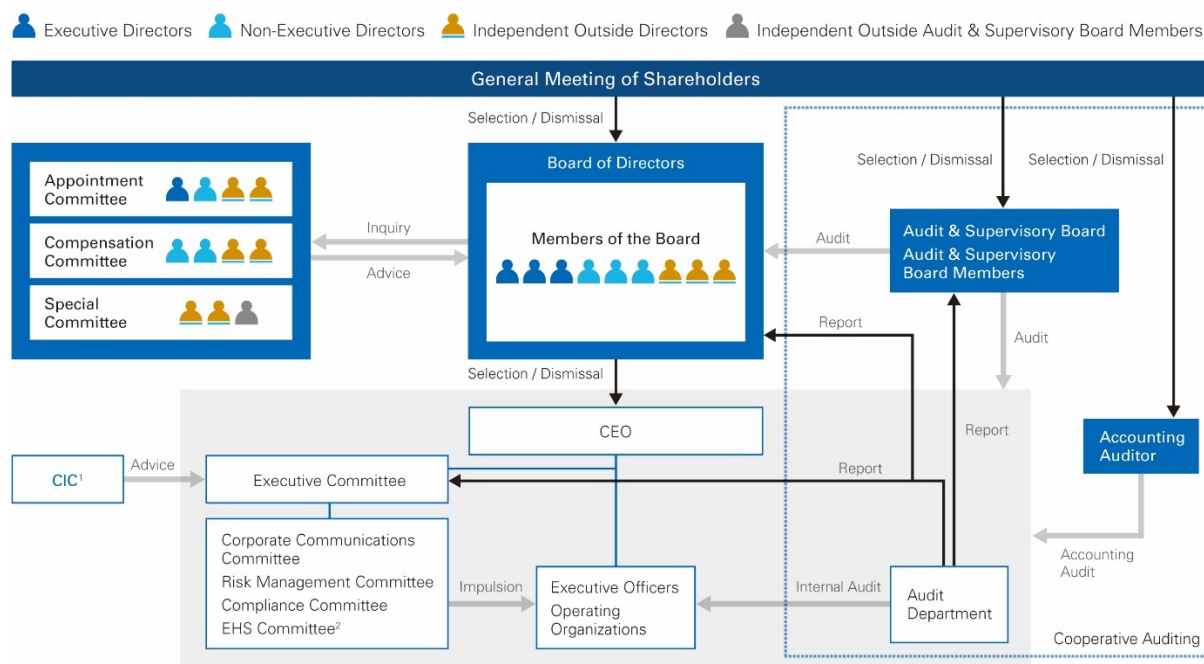
#### 1. Items relating to Takeover Defense

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.

#### Corporate Governance System (As of April 1, 2022)



1. Chugai International Council (CIC)

2. Environment, Health and Safety Committee: Promotes EHS activities for the Chugai Group.