

Message from the Chairman of the Appointment Committee



Masayuki Oku

Independent Outside Director
Chairman of the Appointment Committee

Role and Approach of the Appointment Committee

There is no question that talented executives and management teams are indispensable if we are to increase Chugai's corporate value. As the business climate becomes more complex and uncertain, the Appointment Committee plays an increasingly important role in providing objectivity, transparency, and accountability in the appointment of directors, including director candidates and the CEO, and the selection and development of successor candidates for executive directors, including the CEO.

To fulfill this role, the Appointment Committee functions as an advisory body to the Board of Directors, submitting agenda items on the selection or dismissal of directors and deliberating over plans for the development of successors for executive directors including the CEO. The Committee places particular emphasis on the selection and development of successors for the CEO and other management roles. As well as monitoring development plans for executives and referring to external assessments, the Committee also works to get to know successor candidates from multiple perspectives in terms of what they say or how they conduct themselves, through the exchange of opinions and discussions in various settings.

The Appointment Committee is chaired by me in my capacity as an Independent Outside Director. The other committee members are Dr. Mariko Y Momoi, an independent outside director, William N. Anderson from Roche, and Dr. Osamu

Okuda, President & CEO of Chugai. The Committee therefore features a diverse lineup of members with different career paths and cultural backgrounds, who bring a wide array of perspectives to our open discussions.

Activities in 2021 and Future Outlook

In 2021, the Appointment Committee met three times to discuss proposals for director candidates and the selection and development of successor candidates to the CEO. When selecting candidates for management roles or developing successors, we mainly focus on two perspectives: diversity and the continued evolution of our distinctive business model. Chugai's business is founded on a unique strategic alliance with Roche, so we develop and secure talent who understand the essence and the practicalities of Roche's philosophy and thinking. We also look to develop and steadfastly execute succession plans that take into account our vision for directors and the management team in the future as well as diversity perspectives.

As such, we are focusing on the post-Okuda era and the development of leaders for the future. In order to achieve our top innovator vision for 2030, we need to identify the best candidates for future executive roles and develop them through exposure to various opportunities. The Appointment Committee is therefore actively engaged in various discussions to support the development of Chugai's next leaders.

Message from the Chairman of the Compensation Committee



William N. Anderson

Non-Executive Director
Chairman of the Compensation Committee

Role and Approach of the Compensation Committee

The purpose of Chugai's officer remuneration plan is to attract and appropriately motivate outstanding people who can put the Company's corporate philosophy into practice and thereby continuously increase the corporate value of the Chugai Group. This will support Chugai in realizing its Mission and Envisioned Future to deliver advanced and sustainable patient-centric healthcare.

The Compensation Committee is composed of four members, all of whom are non-executive or independent outside directors. These members meet for Committee deliberations with no representation by internal directors, which ensures that the process of deciding officer remuneration is transparent and objective. During the decision-making for officer remuneration and other matters, the Compensation Committee deliberates on the individual remuneration of each director. The final amounts are set through a resolution of the Board of Directors within the scope of the total amount resolved by the General Meeting of Shareholders. To ensure appropriate and market-competitive levels of remuneration and other compensation for directors, the Committee may refer to the results of surveys by external expert organizations and other factors for benchmarking purposes. Discussions also focus on the formulation of original policies and the design of systems to further clarify the link between remuneration and the Company's business performance and shareholder value, and to raise the motivation and morale of directors to further improve performance.

Activities in 2021 and Future Outlook

In 2021, the Compensation Committee met twice to discuss director bonus amounts for 2020 (paid in March 2021); Chugai remuneration levels in 2020; the appropriateness of compensation ratios and compensation at benchmarked companies; methods used to determine director remuneration; and proposed amounts for director remuneration in 2021.

In particular, policy formulation and system design for officer remuneration need to continuously evolve in order to link them to increased corporate value and business strategies. In 2017, Chugai introduced restricted stock compensation to provide a greater incentive for executive directors to increase earnings over the medium and long term. In the TOP I 2030 strategy announced in 2021, the Company determined the factors that will help Chugai achieve its newly defined vision of becoming a top innovator, and these factors were reflected in the indices for performance-linked remuneration. For example, achievement of ESG-related objectives was included in individual performance evaluations from 2021.

However, there has been a rapid change in Chugai's business environment as well as industry practices regarding officer remuneration. Looking ahead, we will continue to strengthen our remuneration governance by improving the effectiveness of the Compensation Committee even further based on continuous discussion on system design and decision-making processes while closely monitoring the latest trends.