

**Last update: November 1, 2018**

Sunao Manabe, Representative Director and President & COO

**Contact:** Koji Ogawa, Corporate Officer,  
Vice President, Corporate Communications Department

**Securities Code:** 4568

<https://www.daiichisankyo.com/>

## I. Basic Views of Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, Daiichi Sankyo (the Company) is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

#### **Corporate Governance Structure**

- To clarify Members' of the Board management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Members of the Board are Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). (Currently each of these committees is comprised entirely of Members of the Board (Outside).)
- For audits of legal compliance and soundness of management, the Company has adopted an Audit and Supervisory Board system and established the Audit and Supervisory Board comprising five members, including Members of the Audit and Supervisory Board (Outside) who form a majority.
- The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit and Supervisory Board.
- The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

#### **Principle 4.11 Preconditions for the Board of Directors and the Audit and Supervisory Board Effectiveness**

We do not have any female Member of the Board as of now, but two female Members of the Audit and Supervisory Board attend meetings of the Board of Directors, making constructive statements, which has led to facilitating appropriate supervisory function of the Board of Directors.

The Company considers it important to secure diversity of Members of the Board, including gender and internationality and embrace various opinions to the management to reinforce supervisory and decision-making functions of the Board of Directors.

We intend to continue considering nomination of members of the Board.

#### **Principle 1.4 Policies Relating to the Reduction of Shares of Other Listed Companies as Cross-Shareholdings and Rationale for Exercise of Voting Rights**

The Company in principle shall not hold shares of other listed companies except the case where it is believed to contribute to increasing corporate value of the Company in connection with maintaining and strengthening long-term business relationships. The Company has successively sold the shares by comprehensively taking matters such as impact to the market into consideration. During the 2017 fiscal year, we sold shares for approximately 14.4 billion yen (9 issues). For the shares of listed companies held, the Board of Directors regularly examines profitability and financial benefits of each individual company in reference to certain management indicators, capital cost and the like and reviews rationality of shareholding as appropriate by comprehensively taking their business strategy and business relations into consideration.

Concerning the exercise of voting rights on cross-shareholdings, we will check, in accordance with criteria concerning exercise of voting rights established internally, whether the proposals will contribute to increasing the corporate value of the issuing company in the medium- to long-term. Based on comprehensive consideration of such matters as non-financial side of the issuing company and contents of dialogue held with the issuing company, we will decide whether to approve or reject the proposal.

#### **Principle 1.7 Related Party Transactions**

In addition to prescribing in the Members of the Board Regulations the duty of care and the duty of fiduciary of Members of the Board and conflict of interest transactions and competitive transactions, the Company also prescribes in the Board of Directors Regulations the requirement that the consent of the Board shall be received in relation to conflict of interest transactions and competitive transactions of Members of the Board. Moreover in the Audit Standard for the Members of the Audit and Supervisory Board, it prescribes that the Members of the Audit and Supervisory Board monitor and verify for the existence of violations of the duties of Members of the Board with regard to conflict of interest transactions and competitive transactions.

Matters concerning transactions with major shareholders shall be considered to be “Important Matters Related to Company Management” as prescribed by the matters referred to the Board of Directors, and these matters shall require approval by the Board of Directors.

## Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Group has assigned persons dedicated to the funds, in charge of pension management and administration office respectively for the operation of the Group corporate pension funds. The Group has also assigned appropriately qualified persons including executives of human resources and finance divisions of the Company as members of an asset management committee and a delegates committee. Delegates of the labor union also participate in the committees on behalf of the participants of the funds.

The funds have established basic policies to ensure safe and efficient asset management while maintaining robust risk management. The funds develop a strategic asset portfolio at Asset and Liability Management (ALM) while referring to opinions of external professionals. They have also regularly monitored the status of asset management by entrusted asset managers including initiatives of stewardship activities engaged by the asset managers.

In addition, the funds have striven to ensure that conflicts of interest which could arise between the Group and the beneficiaries are appropriately managed by having the delegates committee, the board and the auditors consisting of the same number of delegates elected by the employers and delegates elected through mutual election of the participants and regularly reporting the funds' financial condition, performance results, stewardship activities of entrusted asset managers and others to beneficiaries.

## Principle 3.1

### (i) Company objectives (e.g., business principles), business strategies and business plans)

The corporate philosophy, visions and mid-term management policy are disclosed on the Company's corporate website. Please view this information at the following URL:

The Company's corporate website: <https://www.daiichisankyo.com/>

### (ii) Basic views and guidelines on corporate governance

(Basic views on corporate governance)

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Company is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We shall place great importance on building up a corporate governance structure that is responsive to the trust of its stakeholders, especially its shareholders.

## Corporate Governance Structure

- To clarify Members' of the Board management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Members of the Board are Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Members of the Board and Corporate Officers and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). (Currently each of these committees is comprised entirely of Members of the Board (Outside).)
- For audits of legal compliance and soundness of management, the Company has adopted an Audit and Supervisory Board system and established the Audit and Supervisory Board comprising five members, including Members of the Audit and Supervisory Board (Outside) who form a majority.
- The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit and Supervisory Board.

- The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

(Basic guidelines on corporate governance)

While giving importance to the basic views on corporate governance, the Company shall understand and respect the gist and spirit of the Corporate Governance Code, and shall continue to make efforts to further improve corporate governance based on this code.

**(iii) Policies and Procedures in Determining the Remuneration of the Members of the Board and Members of the Audit and Supervisory Board**

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and restricted stocks remuneration serving as long-term incentive are adopted.
- To ensure adequate oversight of management, no short-term or long-term incentives have been established for Members of the Board (Outside), who receive only basic remuneration.
- Establishment of the remuneration system and criteria for Members of the Board, the examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and allotment of restricted stocks shall be thoroughly deliberated at the Compensation Committee, of which Members of the Board (Outside) form a majority.

**(iv) Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit and Supervisory Board**

Updated

- The candidates for Members of the Board shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Daiichi Sankyo Group.
- The candidates for Members of the Board shall meet the requirements of being appropriate candidates with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising business execution.
- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit and Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit and Supervisory Board, such as whether they can fulfil their duties, ensuring their independence from the representative directors, members of the board, and corporate officers.
- The candidates for Members of the Audit and Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria relating to the judgment of independence.
- When appointing the candidates for Members of the Audit and Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit and Supervisory Board.
- Candidates for CEO shall be appointed based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.
- Appointment of candidates for CEO (including reelection) shall be determined by resolution of the Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

#### Policies and Procedures for Dismissal of CEO or Members of the Board

- Dismissal of CEO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for performance of duties, and determined in the same manner as appointment, by resolution of the Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.
- If any Member of the Board is found not meeting eligibility requirements or requirements for performance of duties defined in the Companies Act or the Members of the Board Regulations, the Company shall deem that it meets criteria for dismissal of Members of the Board, and resolve dismissal of such Member of the Board following deliberation at the Nomination Committee and the Board of Directors.

#### (v) **Disclosure of Reasons for Appointment of Candidates for Members of the Board and Members of the Audit and Supervisory Board**

Updated

The Company shall disclose matters considered important for appointment of candidates for Members of the Board and Members of the Audit and Supervisory Board, and career history and reasons for appointment of each of them in the Reference Documents for General Meeting of Shareholders.

Disclosure of Reason for dismissal of CEO, Members of the Board or Audit and Supervisory Board

The Company shall disclose reasons for dismissal in the Reference Documents for General Meeting of Shareholders and others when the Company dismisses CEO, any Member of the Board or Audit and Supervisory Board during their terms of office.

For Convocation Notice of the Ordinary General Meeting of Shareholders, please visit the following URL:

[https://www.daiichisankyo.com/media\\_investors/investor\\_relations/shareholders/information/index.html](https://www.daiichisankyo.com/media_investors/investor_relations/shareholders/information/index.html)

#### **Supplementary Principles 4.1.1 Roles and Responsibilities of the Board (1)**

The Company prescribes in the Board of Directors Regulations the matters referred to, and reported to the Board of Directors by the management team. In the Management Executive Meeting Regulations, and the approval policy, the decision-making scope entrusted to the management team is clearly prescribed. Important matters related to management (business plans, personnel and organization, financing, etc.) shall be referred to the Board of Directors, and the decision of other business execution allowable under laws and regulations shall be ultimately entrusted to the Chief Executive Officer (CEO), Representative Director, Chairman and Representative Director, President.

#### **Principle 4.8 Roles and Responsibilities of Independent Directors (Outside)**

Aiming to strengthen the decision-making functions based on various perspectives, and to strengthen the supervising function for execution of operation, the Company prescribes in the Members of the Board Regulations that candidates for Members of the Board must include Members of the Board (Outside) whose independence from the Company has been secured. Currently four of nine Members of the Board are appointed as Independent Directors (Outside), and they provide proactive opinions and pertinent observations in the Board of Directors meetings.

#### **Principle 4.9 Independence Standards for Members of the Board (Outside)**

Concerning the independence of the Members of the Board (Outside), the Company judges this independence based on the precondition that the independence criteria set by the Tokyo Stock Exchange and the Company's criteria for independence of Member of the Board (Outside) are satisfied and on the viewpoint of whether the Company can expect the proactive opinions and pertinent observations about issues concerning the Company's business.

In line with the criteria for independence of Member of the Board (Outside) prescribed by the Members of the Board Regulations, the Company appoints Members of the Board (Outside) of excellent character and insight who possess specialist knowledge. The Company's criteria for independence of Member of the Board (Outside) and Member of the Audit and Supervisory Board (Outside) is also stated in the "Convocation Notice of the Ordinary General Meeting of Shareholders."

#### **Supplementary Principle 4.11.1 View on Appropriate Balance between Knowledge, Experience and Skills of Board of Directors as a Whole, and on Diversity and Appropriate Board Size**

The Company prescribes the requirements for Members of the Board in Members of the Board Regulations. Note that among the current nine Members of the Board, four are Members of the Board (Outside) who are not engaged in execution of business, and this is considered to be a balanced Board.

Please also see "Principle 3.1 (iv) Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit and Supervisory Board."

#### **Supplementary Principle 4.11.2 Concurrent Positions of Members of the Board and Members of the Audit and Supervisory Board Held at Other Listed Companies**

For matters concerning the fulfillment of duties of Members of the Board and Members of the Audit and Supervisory Board, the Company prescribes these duties, the required mindset, etc. in the Members of the Board Regulations and the Audit Standard for Members of the Audit and Supervisory Board. With respect to concurrent positions as member of the board or member of the Audit and Supervisory Board held at another company, Members of the Board and Members of the Audit and Supervisory Board excluding Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside), in principle shall not hold concurrent positions held at listed companies outside the Daiichi Sankyo Group (the Group). Moreover, if Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) intend to accept a request to assume an appointment as a member of the board or member of the Audit and Supervisory Board at a listed company, they are required to report this beforehand.

As of the date of this document, there are no cases of concurrent positions having an influence on the Company's business operations.

The details on the material concurrent positions of each Member of the Board and Member of the Audit and Supervisory Board are disclosed each year in the "Convocation Notice of the Ordinary General Meeting of Shareholders" and the "Annual Securities Report."

Please view this information at the following URL:

Convocation Notice of the Ordinary General Meeting of Shareholders :

[https://www.daiichisankyo.com/media\\_investors/investor\\_relations/shareholders/information/index.html](https://www.daiichisankyo.com/media_investors/investor_relations/shareholders/information/index.html)

Annual Securities Report (Japanese report):

<https://www.daiichisankyo.co.jp/ir/library/financial/index.html>

#### **Supplementary Principle 4.11.3 Ensuring Effectiveness of the Board of Directors as a Whole**

The Company conducts the self-evaluation of the Board of Directors every fiscal year to recognize the current status of the functions and effectiveness of the Board of Directors, and improve the functions and effectiveness accordingly. The Company recently implemented the self-evaluation of the Board of Directors for the 2017 fiscal year.

-Implementation method of the self-evaluation of the Board of Directors

The Company determines the self-evaluation items and contents including the items to evaluate Members of the Board itself with reference to the principle and supplementary principle associated with the general principle 4, “Roles and Responsibilities of the Board,” of Japan’s Corporate Governance Code. All Members of the Board self-evaluated the roles and responsibilities, operation and composition of the Board of Directors, and the improvement status compared to the previous fiscal year’s self-evaluation by selecting grades and answering free descriptions. In addition, the analysis results and the details were reported to the Board of Directors.

In addition, the Company continuously works to improve the functions and effectiveness of the Board of Directors by making use of the self-evaluation to have the Board of Directors and the Members of the Board assess their own current status and become aware of issues, take steps to implement measures for improvement against those issues extracted from the evaluation, and evaluate items, including the status of improvement, in the following fiscal year.

-Results of the self-evaluation of the Board of Directors

The evaluation of the Board of Directors for the 2017 fiscal year concluded that the Board of Directors of the Company is appropriately functioning in terms of its roles, duties, operation and composition, and that the overall effectiveness of the Board of Directors has been ensured. In addition, it was ensured that the initiatives taken to strengthen the function of the Board of Directors to supervise management, which was identified as an item for improvement in the self-evaluation of the previous fiscal year, have led to strengthening the supervision function. Such initiatives included, (i) establishing opportunities other than meetings of the Board of Directors to share information related to important deliberation items to further enhance deliberations and (ii) specifying timely, appropriate themes as matters to be reported.

In view of the evaluation for the 2017 fiscal year, the Company will strive to ensure and improve functions and effectiveness of the Company’s Board of Directors by addressing the improvement measures on the operation of the Board of Directors continuously to enhance and deepen the discussions at the Board of Directors furthermore.

#### **Supplementary Principle 4.14.2 Training Policies for Members of the Board and Members of the Audit and Supervisory Board**

If it is deemed necessary for Members of the Board or Members of the Audit and Supervisory Board, or requested by one of these members, the Company has the systems in place to appropriately and promptly provide the necessary information for the fulfillment of duties, such as providing theme-based training sessions relating to themes considered necessary for Members of the Board or Members of the Audit and Supervisory Board or themes based on requests by one of these members, or providing the opportunity to be an observer at business locations. Moreover, the Company will provide, as necessary, training opportunities conducted by third-party institutions that can be of use for the fulfillment of duties, and the costs of such training will be covered by the Company.

Newly appointed Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) receive training before assuming their positions. These seminars teach an overview of the Company, the industry environment, the corporate philosophy, the state of business operations, and matters relating to corporate governance, as well as the relevant regulations related to their positions. Moreover, in order to enhance discussion in the Board, the Company provides preliminary seminars about

themes discussed by the Board of Directors to contribute to the sharing and promoting of understanding of internal company information with Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside). The Company also provides Corporate Officers, who are positioned as potential candidates for becoming Members of the Board, with seminars that provide senior executive oriented training before they assume their position as Corporate Officer.

### **Principle 5.1 Dialogue with Shareholders**

As prescribed in the “Daiichi Sankyo Group Corporate Conduct Charter,” we actively communicate with our stakeholders and disclose corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. Please read the Corporate Conduct Charter at the following URL:

[https://www.daiichisankyo.com/about\\_us/responsibility/business\\_conduct/kensho/index.html](https://www.daiichisankyo.com/about_us/responsibility/business_conduct/kensho/index.html)

Moreover, we disclose information in a transparent, fair and continuous manner as prescribed in the Company’s policy on disclosure of IR information, which is also presented on the Company’s website at the following URL:

[https://www.daiichisankyo.com/media\\_investors/investor\\_relations/ir\\_disclosure\\_policy.html](https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html)

The Chairman, the President, the Member of the Board in charge of Finance, and the Corporate Communications Department are in charge of the disclosure of corporate information. The Corporate Communications Department endeavors to disclose detailed information, and when necessary, receives the assistance of the responsible persons of each division to make this happen. We respond earnestly to requests from shareholders to engage in dialogue, and respond by giving fair consideration to the purpose and details of the proposed meeting.

More specifically, we provide information in the following ways. The Chairman, the President and the Member of the Board in charge of Finance hold interviews with Japanese and foreign shareholders and investors, hold a Top Management Presentation for the financial results every quarter, and broadcast messages via the website. The Corporate Communications Department reply to individual inquiries (telephone or email), respond to the media, participated in conferences organized by securities companies and presentations for individual investors, prepare corporate reports ( “Value Report (Integrated Report)”, “Shareholder Report,” “Convocation Notice for the Ordinary General Meeting of Shareholders,” e-mail magazines (twice a month). The Company regularly provides the management team with feedback concerning the opinions of shareholders and investors received through the above activities.

In our communication with shareholders and investors we only discuss publicly disclosed information to ensure fairness, and we put thorough efforts into managing insider information. Moreover, based on the regular surveys we hold of the shareholder composition, we report these results to the management team.

#### Further Information

For the latest and more detailed IR information on the Company, please visit the “Investor Relations” page on the Company’s website.

[https://www.daiichisankyo.com/media\\_investors/investor\\_relations/index.html](https://www.daiichisankyo.com/media_investors/investor_relations/index.html)



## 2. Capital Structure

Foreign Shareholding Ratio	From 30% to less than 40%
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### [Major Shareholders] Updated

Name	Number of Shares Owned	Ratio (%)
JP Morgan Chase Bank 380055	57,466,361	8.87%
The Master Trust Bank of Japan, Ltd. (trust account)	57,372,900	8.85%
Japan Trustee Services Bank, Ltd. (trust account)	49,127,700	7.58%
Nippon Life Insurance Company	35,776,282	5.52%
SSBTC CLIENT OMNIBUS ACCOUNT	16,770,608	2.58%
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402,892	2.22%
The Shizuoka Bank, Ltd.	11,390,930	1.75%
Japan Trustee Services Bank, Ltd. (trust account 5)	11,155,200	1.72%
STATE STREET BANK WEST CLIENT – TREATY 505234	10,451,248	1.61%
Employee stock ownership of Daiichi Sankyo Group	9,733,640	1.50%

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

### Supplementary Explanation Updated

- The status of major shareholders above is the status as of September 30, 2018.
- The Company holds 61,238,015 treasury shares, which are excluded from the above list of major shareholders (top 10).
- Following large shareholding report / change report is available for public inspection. However it is not included in the above Major Shareholders list since the actual number of shares owned as of September 2018 is not confirmed.

Name of the owner / reporting date / number of shares owned (ratio of shares owned to total number of shares outstanding)

Mizuho Bank, Ltd. / June 22, 2018 / 51,597 thousand shares (7.28%)

Capital Research and Management Company / August 7, 2018 / 68,963 thousand shares (9.73%)

BlackRock Japan Co., Ltd. / October 5, 2018 / 35,584 thousand shares (5.02%)

## 3. Corporate Attributes

Listed Stock Market and Market Section	First section of the Tokyo Stock Exchange
Fiscal Year-End	March 31
Business category	Pharmaceuticals
Number of employees (consolidated)	1,000 or more
Net sales (consolidated)	100 billion yen or more but less than 1 trillion yen
Number of consolidated subsidiaries	50 or more but less than 100

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Members of the Audit and Supervisory Board
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#### [Matters Related to Members of the Board]

Maximum Number of Members of the Board prescribed in the Articles of Incorporation	Fourteen
Term of office of Members of the Board prescribed in the Articles of Incorporation	One year
Chairman of the Board of Directors	Chairman of the Company
Number of Members of the Board	Nine
Appointment of Members of the Board (Outside)	Appointed
Number of Members of the Board (Outside)	Four
Number of Members of the Board (Outside) that are Independent Directors	Four

#### **Members of the Board (Outside) and Their Relationship with the Company (1)**

Name	Attribute	Relationship with the company										
		a	b	c	d	e	f	g	h	i	j	k
Noritaka Uji	From other company											
Hiroshi Toda	From other company								△			
Naoki Adachi	From other company											
Tsuguya Fukui	Academic											

\* Categories for “Relationship with the Company”

\* ”○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

- a. Executive Officer in a listed company or its subsidiary
- b. Executive Officer or non-executive director of a parent company of a listed company
- c. Executive Officer of a brother company of a listed company
- d. Person whose main business partner is a listed company or an Executive Officer of the same
- e. Main business partner of a listed company or an Executive Officer of the same
- f. Consultant, accountant or legal expert who receives a large amount of cash or other properties from a listed company in addition to executive remuneration
- g. Major shareholder of a listed company (if the said major shareholder is a corporation, an Executive Officer in the said corporation)
- h. Executive Officer in a business partner of a listed company (which does not correspond to d, e or f; applies only to the person in question)
- i. Executive Officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- j. Executive Officer in an entity which receives a donation from a listed company (applies only to the person in question)
- k. Others

**Members of the Board (Outside) and Their Relationship with the Company (2)**

Name	Supplementary explanation	Reason for appointment of the said Member of the Board (Outside)
Noritaka Uji	Independent Director	<p>The Company has appointed Mr. Uji as Member of the Board (Outside) and as Independent Director, so that his expertise on the information communication business and his insight on overall corporate management based on his corporate management experience will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Uji maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Hiroshi Toda	<p>Independent Director</p> <p>Nomura Securities Co., Ltd. for which Hiroshi Toda served as Director until March 2009 is the Company's lead managing underwriter but there is no other material relationship between Nomura and the Company.</p>	<p>The Company has appointed Mr. Toda as Member of the Board (Outside) and as Independent Director, so that his expertise on securities and finance and his insight based on his corporate management and diplomatic experience will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Toda maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Naoki Adachi	Independent Director	<p>The Company has appointed Mr. Adachi as Member of the Board (Outside) and as Independent Director, so that his expertise on broad business areas based on printing technology and his insight on overall corporate management based on his management experience will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Adachi maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Tsuguya Fukui	Independent Director	<p>The Company has appointed Mr. Fukui as Member of the Board (Outside) and as Independent Director, so that his professional knowledge and insight as a medical scientist will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Fukui maintains the attributes of</p>

		neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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a. Committees established voluntarily, member composition, attribute of chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Compensation Committee
Total no. of Committee Members	4	4
Full-time Members		
In-house Members of the Board		
Members of the Board (Outside)	4	4
External Experts		
Others		
Chairperson	Member of the Board (Outside)	Member of the Board (Outside)

b. Supplementary explanation

The Company has established a Nomination Committee and a Compensation Committee as advisory organs to the President regarding the determination of such matters as the nomination and compensation of Members of the Board and Corporate Officers, to strengthen oversight of management and the conduct of operations and ensure management transparency. These Committees both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority.

**[Matters Related to Members of the Audit and Supervisory Board]**

Establishment of the Audit and Supervisory Board	Established
Maximum Number of Members of the Audit and Supervisory Board prescribed in the Articles of Incorporation	Five
Number of Members of the Audit and Supervisory Board	Five

**Cooperation among Members of the Audit and Supervisory Board, Accounting Auditor, and Internal Audit Department**

The Members of the Audit and Supervisory Board of the Company and KPMG AZSA LLC, the accounting auditor, strive to cooperate with each other by holding meetings periodically and sharing information such as the audit plan of the auditing firm, state of audit implementation, and separate accounting issues, etc. The Members of the Audit and Supervisory Board also work to promote business cooperation with the Internal Audit Department and receive variety of reports including those on their audit plan and audit results, etc.

Appointment of Members of the Audit and Supervisory Board (Outside)	Appointed
Number of Members of the Audit and Supervisory Board (Outside)	Three
Number of Members of the Audit and Supervisory Board (Outside) that are Independent Auditors	Three

**Members of the Audit and Supervisory Board (Outside) and Their Relationship with the Company (1)**

Name	Attribute	Relationship with the company												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Sayoko Izumoto	Certified Public Accountant													
Tateshi Higuchi	Other													
Yukiko Imazu	Attorney													

Relationship with the company

- a. Executive Officer in a listed company or its subsidiary
- b. Non-executive director or accounting advisor of a listed company or its subsidiary
- c. Executive Officer or non-executive director of a parent company of a listed company
- d. Audit & supervisory board member of a parent company of a listed company
- e. Executive Officer of the brother company of a listed company
- f. Person whose main business partner is a listed company or an Executive Officer of the same
- g. Main business partner of a listed company or an Executive Officer of the same
- h. Consultant, accountant or legal expert who receives a large amount of cash or other properties from a listed company in addition to executive remuneration
- i. Major shareholder of a listed company (if the said major shareholder is a corporation, an Executive Officer in the said corporation)
- j. Executive Officer in a business partner of a listed company (which does not correspond to f, g or h; applies only to the person in question)
- k. Executive Officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- l. Executive Officer in an entity which receives a donation from a listed company (applies only to the person in question)
- m. Others

**Members of the Audit and Supervisory Board (Outside) and Their Relationship with the**

**Company (2)**

Name	Supplementary explanation	Reason for appointment of the said Member of the Audit and Supervisory Board (Outside)
Sayoko Izumoto	Independent Auditors	<p>The Company has appointed Ms. Izumoto as Member of the Audit and Supervisory Board (Outside) and as Independent Auditor, so that her knowledge and insight based on her abundant experience as a certified public accountant will be reflected in the audit of the Company.</p> <p>The Company considers that Ms. Izumoto maintains the attributes of neutrality and fairness as an Independent Auditor who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Audit and Supervisory Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Tateshi Higuchi	Independent Auditors	<p>The Company has appointed Mr. Higuchi as Member of the Audit and Supervisory Board (Outside) and as Independent Auditor, so that his knowledge and insight based on his experience at administrative agencies, etc. will be reflected in the audit of the Company.</p> <p>The Company considers that Mr. Higuchi maintains the attributes of neutrality and fairness as an Independent Auditor who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Audit and Supervisory Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Yukiko Imazu	Independent Auditors	<p>The Company has appointed Ms. Imazu as Member of the Audit and Supervisory Board (Outside) and as Independent Auditor, so that her knowledge and insight based on her abundant experience as an attorney will be reflected in the audit of the Company.</p> <p>The Company considers that Ms. Imazu maintains the attributes of neutrality and fairness as an Independent Auditor who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Audit and Supervisory Board (Outside) (refer to "Other Matters Related to Independent Directors / Auditors").</p>

**[Matters relating to Independent Directors / Auditors]**

Number of Independent Directors / Auditors	Seven
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**Other Matters relating to Independent Directors / Auditors**

**[Criteria for Independence as Member of the Board (Outside) / Member of the Audit and Supervisory Board (Outside)]**

In nominating candidates for Members of the Board, the Company shall include a person who satisfies the definition of Member of the Board (Outside), aiming at reinforcing decision-making functions from various perspectives and enhancing the supervising function for execution of operation. Outside Directors/ Auditors (Member of the Board (Outside) and Member of the Audit and Supervisory Board (Outside)) are required to ensure their independence from the Company.

On March 31, 2014, the Board of Directors and the Audit and Supervisory Board resolved “Criteria for independence” as follows:

1. A Member of the Board or a Member of the Audit and Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interest with general shareholders of the Company unless he or she falls into any of the following categories:.

(1) A candidate or his or her immediate family member\* who:

- i) is or has been an Executive Officer, of the Company or brother company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or
- ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or member of Audit and Supervisory Board compensation.

\* An “immediate family member” includes a person’s spouse, parents, children, siblings, grandparents, grandchildren, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grandchildren-in-law, and brothers and sisters-in-law. The same shall apply hereafter.

(2) A candidate or his or her immediate family member who is or has been within the last ten years, an Executive Officer, of a corporation or other association falling into:

i) Business relationship

- a) a company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies’ consolidated gross revenues;
- b) a consulting firm, law firm, auditing firm, tax accounting firm or school corporation that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or
- c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.

ii) Major shareholder

A corporation or other legal entity that is a major shareholder of the Company or a corporation of which the Company is a major shareholder at the time of determining the independence. A major shareholder means a shareholder holding at least 10% of total shares outstanding of the Company.

iii) Recipient of charitable contributions

An organization to which the Company’s discretionary charitable contributions in any of the last three fiscal years are more than ¥10 million and 2% of annual gross revenues of that organization or other associations.

iv) Accounting auditor



An audit firm that is or has been for the last three years an accounting auditor of the Group.

v) Cross-directorship arrangement

When an Executive Officer of the Company is a current Member of the Board (Outside) or Member of the Audit and Supervisory Board (Outside) in a cross-directorship arrangement with the listed company.

2. Even though a candidate for an outside director/ auditor falls into any of the above, when the Board of Directors or the Audit and Supervisory Board judge him or her to be ensured of independence after a comprehensive review, he or she may be determined to have no problem with criteria for independence as an outside director/ auditor.

Updated

**[Number of Attendance for Meetings of the Board of Directors / Audit and Supervisory Board of Independent Directors / Auditors (Fiscal year ended March 2019 to the end of September) ]**

Noritaka Uji, Members of the Board (Outside)

: Board of Directors' meetings 7/7 meetings (100%)

Hiroshi Toda, Members of the Board (Outside)

: Board of Directors' meetings 7/7 meetings (100%)

Naoki Adachi, Members of the Board (Outside)

: Board of Directors' meetings 6/7 meetings (86%)

Tsuguya Fukui, Members of the Board (Outside)

: Board of Directors' meetings 7/7 meetings (100%)

Sayoko Izumoto, Member of the Audit and Supervisory Board (Outside)

: Board of Directors' meetings 7/7 meetings (100%)

Audit and Supervisory Board meetings 7/7 meetings (100%)

Tateshi Higuchi, Member of the Audit and Supervisory Board (Outside)

: Board of Directors' meetings 4/4 meetings (100%)

Audit and Supervisory Board meetings 4/4 meetings (100%)

Yukiko Imazu, Member of the Audit and Supervisory Board (Outside)

: Board of Directors' meetings 4/4 meetings (100%)

Audit and Supervisory Board meetings 4/4 meetings (100%)

Note: The number of attendance for Tateshi Higuchi and Yukiko Imazu in the meetings of the Board of Directors and the Audit and Supervisory Board signifies the number of attendance only to such meetings of the Board of Directors and the Audit and Supervisory Board held after their assumption of office on June 18, 2018.

**[Incentives]**

Incentive Policies for Members of the Board

Introduction of performance based bonus;  
Others

**Supplementary Explanation**

- Performance based bonuses serving as short-term incentives are determined by interlocking remuneration with the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them by having the restricted stocks.

Recipients of Stock Options	—
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<b>Supplementary Explanation</b>
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**[Matters Related to Remuneration to Members of the Board]**

Disclosure of individual remuneration to Members of the Board	Only part of remuneration to Members of the Board is disclosed individually
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<b>Supplementary Explanation</b>
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The amount of remuneration and related payments to Members of the Board and Members of the Audit and Supervisory Board in the fiscal year ended March 2018 is disclosed in the Business Report. It stands at 725 million yen, of which 102 million yen is the amount of fees paid to Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside). The component of the amount is shown below.

**[Members of the Board]**

- Fees (annual amount): 412 million yen (including 60 million yen for Members of the Board (Outside))
- Members' of the Board bonuses: 106 million yen
- Restricted share-based remuneration: 92 million yen
- Total: 609 million yen (including 60 million yen for Members of the Board (Outside))

**[Members of the Audit and Supervisory Board]**

- Fees (annual amount): 117 million yen (including 42 million yen for Members of the Audit and Supervisory Board (Outside))
- Total: 117 million yen (including 42 million yen for Members of the Audit and Supervisory Board (Outside))

“Restricted share-based remuneration” above represents the amount posted to expenses as restricted share-based remuneration in this fiscal year.

Information regarding remuneration and related payments to Members of the Board and Members of the Audit and Supervisory Board receiving 100 million yen or more is individually disclosed in the Annual Securities Report (Japanese report).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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<b>Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods</b>
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**1) Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board**

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and restricted stocks remuneration serving as long-term incentive are adopted.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of

transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them by having the restricted stocks.

- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

## 2) Procedures for deciding remuneration of Members of the Board and Members of the Audit and Supervisory Board

- The General Meeting of Shareholders has approved a basic remuneration of Members of the Board at a maximum limit of 450 million yen per fiscal year and a total amount of restricted stocks remuneration to be granted to Members of the Board at a maximum limit of 140 million yen per fiscal year. Performance based bonuses are approved by the General Meeting of Shareholders for the relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration of Members of the Audit and Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of 120 million yen per fiscal year.
- Establishment of the remuneration system and criteria for Members of the Board and Corporate Officers, examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and allotment of restricted stocks remuneration have been thoroughly deliberated at the Compensation Committee, in which the majority of members are Members of the Board (Outside)

### [System for Supporting Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)]

The Secretariat Department is responsible for supporting Members of the Board (Outside). The Office of Audit and Supervisory Board Members are in charge of supporting Members of the Audit and Supervisory Board (Outside).

### [Status of Persons who have retired from Representative Director and President, etc.]

<b>Name of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc.</b>
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Name	Title/ Position	Description of Tasks	Form and Conditions of Services (Full-time, Part-time, Remuneration Paid or Unpaid etc.)	Date of Retirement from President, etc.	Term
Takashi Shoda	Senior Corporate Adviser	<ul style="list-style-type: none"> <li>• Advice to the current management team only in the case requested by the team.</li> <li>• Activities outside the company (public duties etc.)</li> </ul>	Part-time, Remuneration paid	June 23, 2014	One year

Total number of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc.	One
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<b>Others</b>
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<External Activities>

- Serving on a member of council of administrative agency and other various organizations.

<Internal Activities>

- No participation in management executive meeting. No involvement in decision making process. Management advice at request of current management team.

<Remuneration>

- Fixed payment according to internal company regulation refer to the remuneration at the time of retirement from director.

<Nomination>

- Board resolution to appoint Senior Corporate Advisor or Corporate Advisor after consultation with the Nomination Committee.
- Agreement at the Nomination Committee not to appoint new Senior Corporate Advisor in the future.

Note: Above stated Date of Retirement from President, etc. is the date when Takashi Shoda retired from Representative Director, Chairman.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

**(1) Outline of current corporate governance structure**

1) Outline of governance structure and basic explanation of company organs

In addition to creating a management structure that can respond more speedily and flexibly to changes in the business environment, the Company is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations.

The Company strives for the appropriate and swift management decision-making and the conduct of operations. To facilitate, the Company has adopted a Corporate Officer System whereby the Members of the Board are responsible for oversight of important management decisions and the conduct of operations while the Corporate Officers, appointed by the Board of Directors, bear responsibility and authority for the conduct of operations under the control and supervision of the President. The Management Executive Meeting - consisting of Members of the Board excluding Members of the Board (Outside), and executives appointed by the Chief Executive Officer (CEO) who are responsible for the main regions, corporate bodies and functions - deliberates important matters in the conduct of operations. The Company has established a Nomination Committee and a Compensation Committee as discretionary organs, which deliberate such matters as the nomination and compensation of Members of the Board and Corporate Officers. These Committees both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). The Company has also adopted an Audit and Supervisory Board System under which the Audit and Supervisory Board audits the legal compliance and soundness of corporate management.

The above structure provides the foundations whereby the Group strengthens the oversight function over the conduct of overall operations and ensures management transparency.

## 2) Daiichi Sankyo's decision-making structure

The Company holds a Board of Directors meeting, in principle, once a month to resolve key operational execution matters and to supervise the executions of duties of Members of the Board. Furthermore, in order to create a management structure that can respond speedily and flexibly to changes in the business environment, the CEO based on management policy and board resolutions over key operational execution matters, clarifies execution plan through deliberations in the Management Executive Meetings which are held at least once a month and then delegates such execution plan to relevant Corporate Officer or head of division/subsidiary who is in charge of specific operations.

## 3) System to ensure the rightfulness of Daiichi Sankyo's decision-making

### (i) Nomination of Members of the Board and Corporate Officers

- The term of office for Members of the Board and Corporate Officers is set at one year to respond swiftly to changes in the business environment and to clarify management responsibility.
- Nomination of Members of the Board and Corporate Officers is discussed at the voluntarily established Nomination Committee. To secure further rightfulness, the Nomination Committee consists of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and is chaired by a Member of the Board (Outside).

### (ii) Compensation

To ensure the rightfulness of compensation for Members of the Board and Corporate Officers, following actions are taken.

- Compensation system for Members of the Board and Corporate officers is clarified.
- Performance based bonus as a short-term incentive and restricted stocks remuneration as long-term incentive are built in.
- To ensure sufficient supervision functions of management, fixed amount compensation system is employed for Members of the Board (Outside) without short-term and long-term incentives.
- Establishment of the remuneration system and criteria for Members of the Board and Corporate Officers, examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and allotment of restricted stocks have been deliberated at the Compensation Committee that has been established as a voluntary organization. To secure rightfulness, the Compensation Committee consists of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and is chaired by a Member of the Board (Outside).

### (iii) Corporate Ethics Committee, Environmental Management Committee

To promote proper management, in addition to Management Executive Meeting, the Company has established several committees, which deliberate certain matters and report to the President.

- The Corporate Ethics Committee has been established to comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility. In addition to persons in charge of operational execution, Members of the Audit and Supervisory Board and outside attorneys are invited to the committee.
- The Environmental Management Committee has been established to promote environmental management, which elaborates to reduce environmental burden and harmonize with global environment and contributes to building sustainable society through overall corporate activities.

## **(2) Measures to reinforce Members of the Audit and Supervisory Board function**

### 1) Member of the Audit and Supervisory Board assistants

The Company appoints three full-time staff members to assist duties of Members of the Audit and Supervisory Board. The assistants are independent of Members of the Board, and execute duties under the directions and orders from Members of the Audit and Supervisory Board. Personnel changes,

performance appraisal, etc. of the assistants require prior consent of the Audit and Supervisory Board.

2) Cooperation with the accounting auditor

The Members of the Audit and Supervisory Board of the Company and KPMG AZSA LLC, the accounting auditor, strive to cooperate with each other by holding meetings periodically and sharing information such as the audit plan of the auditing firm, quarterly audit/review results, internal control audit (J-SOX) reports, etc. The certified public accountants who executed accounting audit of the Company were Toshihiro Otsuka, Michiaki Yamabe, and Masahiro Emori. Six certified public accountants and thirteen persons who have passed the certified public accountant examination, IT audit specialists and others acted as assistants in the accounting audit of the Company.

3) Cooperation with the Internal Audit Department

Members of the Audit and Supervisory Board are fully informed of the status of internal audit. Members of the Audit and Supervisory Board receive and exchange opinions on variety of reports from the Internal Audit Department, including those on their audit plan. In addition, Members of the Audit and Supervisory Board receive reports on the results of internal audit as appropriate.

4) Hearings from Members of the Board and key employees

Members of the Audit and Supervisory Board set up opportunities to hear from Members of the Board and key employees about their operations and managing status of the Company, and audit existence of fact, such as facts that could harm soundness of the Company, violation of laws and regulations, and the Articles of Incorporation. Members of the Audit and Supervisory Board also exchange opinions with the Representative Directors regarding important audit issues as appropriate, in addition to holding semi-annual meetings.

5) Participation in important meetings

Members of the Audit and Supervisory Board attend important meetings such as Board of Directors meetings, Management Executive Meetings, Corporate Ethics Committee, and audit the legal compliance and sound management.

6) Review of important documents

Members of the Audit and Supervisory Board are provided with minutes and documents of important meetings without delay. Members of the Audit and Supervisory Board, in accordance with the approval policy, are also set as the recipient of approved matters and verify the legality and validity of such matters.

7) Compensations for Members of the Audit and Supervisory Board

In light of their role as Members of the Audit and Supervisory Board, basic fixed compensation system is employed for Members of the Audit and Supervisory Board without short-term and long-term incentives.

### **3. Reasons for Adoption of Current Corporate Governance System**

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Daiichi Sankyo is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

## **Role and function of Members of the Board (Outside)**

At Daiichi Sankyo, we have established a requirement that Members of the Board (Outside) must always be included among candidates for Members of the Board in order to reinforce management decision-making functions and the supervising function from various perspectives. At present, four of the nine Members of the Board are Members of the Board (Outside), and they are all Independent Directors who ensure their independence from the Company. They sufficiently exercise their management decision-making functions and supervisory function by expressing their opinion objectively, neutrally and fairly from various perspectives based on their expertise, experience and insight in Japan and overseas in fields including corporate management, finance, international affairs and medical science.

The Nomination Committee and the Compensation Committee both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside).

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary explanation
Early Notification of General Shareholder Meeting	The Company sent convocation notices regarding the 13 <sup>th</sup> Ordinary General Meeting of Shareholders, 21 days before (on May 28, 2018) it was scheduled to be held.
Scheduling AGMs Avoiding the Peak Day	The 13 <sup>th</sup> Ordinary General Meeting of Shareholders was held on June 18, 2018 which is 8 business days before the date when many such meetings are held in Japan.
Allowing Electronic Exercise of Voting Rights	To improve the convenience of individual investors and institutional investors, the Company implements systems whereby voting rights can be exercised using information technology (IT).
Participation in Electronic Voting Platform	The Company participates in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc.
Providing Convocation Notice in English	The Company prepares English versions of its convocation notices and posts the notices on its website.
Others	The Company posts the results of shareholder votes on its website.

#### 2. IR Activities

Updated

	Supplementary explanation	Explanation by the representative in person
Preparation and Publication of Disclosure Policy	The Company's policy on disclosure of IR information is provided and announced via the Company's website. <a href="https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html">https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html</a>	
Regular Investor Briefings for Individual Investors	For the fiscal year ended March 2019, the Company held 5 such briefings from April to the filing day, November 1 <sup>st</sup> 2018.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Representative Director and President gives management briefings on financial reports for investors, securities analysts and the media when the Company announces its 2Q and 4Q business results. The Company also provides briefings in telephone meeting when it announces its business results for 1Q and 3Q. In addition, the Company provides explanations on the status of our Research and Development "R&D day" in every December. Presentations and/or webcasts of these briefings, etc., including Q&As, are available on our website.	Yes



	Supplementary explanation	Explanation by the representative in person
Regular Investor Briefings for Overseas Investors	<p>The Company arranges simultaneous interpretation (English) for the 2Q / 4Q business results briefing and “R&amp;D day”. Webcast and presentation including Q&amp;As of those briefings is available on our website in both English and Japanese.</p> <p>The Company also provides the interpretation (English) for the telephone meetings for the 1Q / 3Q business results on our website.</p> <p>The Company also visits foreign institutional investors or has conference call with them as the occasion may demand.</p>	Yes
Posting of IR Materials on Website	<p>The Company, on its website, has various IR materials including summaries of financial results, various types of materials for briefings, securities reports, documents related to general meetings of shareholders, and Value Report (Integration report).</p> <p>The Company also operates a website for individual investors and sends out an IR e-mail magazine. (Japanese only)</p> <p>Japanese website: <a href="https://www.daiichisankyo.co.jp">https://www.daiichisankyo.co.jp</a> Worldwide website: <a href="https://www.daiichisankyo.com">https://www.daiichisankyo.com</a></p>	—
Establishment of Department and/or Manager in Charge of IR	IR Group, Corporate Communications Department	—

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates respect for the position of stakeholders in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance.
Implementation of Environmental Activities, CSR Activities etc.	<p>The Daiichi Sankyo Group Corporate Conduct Charter commits the Group to working as a whole to carry out CSR activities based on medium- and long-term business activities and corporate social responsibility. The Group aims to achieve sustained growth in corporate value by following through on this commitment.</p> <p>The company has defined its six domains for CSR activities as promoting compliance management, mutual growth of employees and the Company, enhancement of communication with stakeholders, promoting environmental management, improving access to healthcare, and social contribution activities, and works on its activities in each of these domains on an ongoing basis.</p> <p>For working on these activities, the Company seeks to upgrade its stakeholder communications and also improve disclosure of information related to environmental, social and governance (ESG) issues.</p> <p>For more details of our CSR activities, please refer to our website and Value Report.</p>

	<p>CSR Website:  <a href="https://www.daiichisankyo.com/about_us/responsibility/csr/index.html">https://www.daiichisankyo.com/about_us/responsibility/csr/index.html</a>  Value Report (Integration report) Website:  <a href="https://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html">https://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html</a></p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Company specifies basic policies, including provision of information to stakeholders, in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance.</p>
<p>Others</p>	<p>&lt;Policy on diversity of personnel&gt;  The Daiichi Sankyo Group respects each employee's human rights and individuality, regardless of differences in background such as race, gender and nationality.  Two of the Members of the Audit and Supervisory Board (Outside) currently in office is a woman, while one of the Senior Executive Officers, who is Global Head of R&amp;D and performs the key role in the execution of business, is an American. The ratio of females within the number of key personnel was approximately 5.6% as of April 2012, and it has risen to 12.5% in the 2018 fiscal year.  The Daiichi Sankyo Group will continue to implement programs to cultivate a working environment in which all employees can realize their abilities fully, irrespective of gender. These include programs to support parents' work-life balance, for example through establishment of a parenting support system and in-company daycare centers.</p>

## **IV. Matters Related to the Internal Control System**

### **1. Basic Views on Internal Control System and the Progress of System Development**

Concerning systems for ensuring compliance with laws and ordinances and the Company's Articles of Incorporation in the execution of duties by Members of the Board and other systems for securing appropriateness of duties, the Company has resolved the basic policies at the Board of Directors' Meeting held on March 31, 2017 as follows;

- a. Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Members of the Board
  - The Company shall establish a compliance system by stipulating the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Individual Conduct Principles, etc. as the code of conduct for Members of the Board and employees and setting up a meeting body, including outside experts.
  - The Company shall appoint Members of the Board (Outside) for the strengthening and enhancing the function to supervise management.
  - Members of the Audit and Supervisory Board shall audit the execution of duties by Members of the Board, process and contents of decision making and the status of the establishment and implementation of internal control systems.
- b. Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Members of the Board
  - The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Members of the Board, including the minutes of the Board of Directors, in accordance with laws, ordinances and internal regulations of the Company.
- c. Rules and Other Systems for Risk Management
  - The Company shall stipulate various internal regulations to establish risk management systems.
  - The Internal Audit Department shall audit the status of operation of the systems mentioned above.
- d. Systems for Ensuring the Efficient Execution of Duties by Members of the Board
  - The Company shall form a Management Executive Meeting - consisting of Members of the Board excluding Members of the Board (Outside), and executives appointed by the Chief Executive Officer (CEO) who are responsible for the main regions, corporate bodies and functions - which shall deliberate important matters for strategic decision-making by the CEO. The Company shall also set up an approval system as a means of decision-making.
  - The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.
- e. Systems for Ensuring Compliance with Laws and Ordinances and the Company's Articles of Incorporation in the Execution of Duties by Employees
  - The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Individual Conduct Principles, etc. as the code of conduct for Members of the Board and Members of the Audit and Supervisory Board and employees and setting up a meeting body, including outside experts.
  - Vice Presidents responsible for the main regions, corporate bodies and functions who receive orders from the CEO in accordance with the "Global Management Regulations" and persons in charge who receive orders from the President in accordance with the "Organizational Management Regulations" shall manage duties in their charge and supervise, manage and direct members of their business units.
  - Each of the functions related to the improvement of systems concerning personnel management, risk

- management, etc. shall convey policies to manage and guide each department.
- The Internal Audit Department shall implement internal audit of the status of compliance with laws and ordinances, and the Articles of Incorporation and internal regulations.
- f. Systems for Ensuring the Proper Operation of the Group, Consisting of the Company and Its Subsidiaries
- The Company shall establish “Global Management Regulations” and “Internal Control System Establishment Regulations” to clarify the management control system of the Daiichi Sankyo Group, and transmit management policies, etc. to Group companies and set a system in place for receiving reports on management and financial results from the Board of group companies.
  - The Company shall establish “Group Company Management Regulations” to clarify responsibilities and authorities of each group company.
  - The Company shall establish “Risk Management Promotion Regulations” to develop the Daiichi Sankyo Group risk management system.
  - The Company shall establish Daiichi Sankyo Group Individual Conduct Principles, etc. to develop it to all Group companies and also arrange the Group’s compliance promotion system to keep all Group companies informed about it.
  - The Company shall establish “Internal Control Regulations on Financial Reporting” and ensure the reliability of financial reporting by properly implementing those regulations.
  - The Company shall establish “Internal Audit Regulations” and implement internal audit on Group companies.
- g. Systems Regarding Employees Assisting Duties of Members of the Audit and Supervisory Board, when Members of the Audit and Supervisory Board Ask to Appoint Such Employees
- The Company shall appoint full-time staffs who assist with the duties of Members of the Audit and Supervisory Board.
- h. Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (g) from Members of the Board and Ensuring of Effectiveness of Instructions by Members of the Audit and Supervisory Board
- Full-time staffers assisting Members of the Audit and Supervisory Board shall be independent of Members of the Board, and shall execute duties under the directions and orders from Members of the Audit and Supervisory Board.
  - Personnel changes, performance appraisal, etc. of full-time staffers assisting Members of the Audit and Supervisory Board shall require prior consent of the Audit and Supervisory Board.
- i. Systems of Reporting to Members of the Audit and Supervisory Board of the Company by Members of the Board and Employees of the Company and Subsidiaries and Other Systems Regarding Reporting to Members of the Audit and Supervisory Board of the Company
- The Company shall establish a system under which when Members of the Board find facts that could badly hurt the Company, they shall immediately report the facts to Members of the Audit and Supervisory Board.
  - Members of the Audit and Supervisory Board of the Company shall receive reports on the status of execution of duties from executives and employees of the Company as well as executives and employees of Group companies.
  - Members of the Audit and Supervisory Board of the Company shall attend the Management Executive Meeting and other important meetings.
  - To verify process and details of approvals, the Company shall establish the Members of the Audit and Supervisory Board as permanent recipients of approval document notification.
- j. Other Systems for Ensuring the Effective Audit by Members of the Audit and Supervisory Board
- Members of the Audit and Supervisory Board of the Company shall have meetings with Representative Members of the Board on a regular basis to check management policies and exchange views concerning important issues related to auditing.

- Members of the Audit and Supervisory Board of the Company shall exchange information with Members of the Audit and Supervisory Board of the Group companies and closely cooperate with them.
  - Members of the Audit and Supervisory Board of the Company shall coordinate and exchange views with external auditors and the Internal Audit Department.
  - The Company shall not treat unfairly any person who reports under the second item in the preceding paragraph (i) or any person who reports according to Daiichi Sankyo Group Individual Conduct Principles, etc. because of the fact of such reporting.
  - The Company shall bear expenses that may be occurred in executing the duties of the Members of the Audit and Supervisory Board.
- k. Basic Ideas About and Systems for Eliminating Antisocial Forces
- The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter, etc. that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through means such as collecting information in cooperation with the police and other bodies, and conducting activities to train Members of the Board and other Officers, and employees.

## **Overview of Status for Implementing Internal Control Structure**

### [Matters Regarding Risk Management]

- The Group defines risks as those factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance. The Group is promoting risk management through such means as taking steps to address risks inherent in corporate activities and rationally controlling the potential impacts should risks actualize. In this manner, we seek to minimize the adverse impacts of risks on people, society, and the Group.
- Chief Financial Officer (CFO) oversees group-wide risk management as the chief risk management officer, promotes risk management education, and operates the risk management system. The Company takes precautions to prevent the actualization of risks with the potential to significantly impact the management of the Company. At meetings of the Board of Directors and Management Executive Meetings, etc. we specify risks and regularly seek to identify and assess such risks. Moreover, the heads of divisions formulate countermeasures through coordination with the chief risk management officer.
- As part of the risk management scheme, the Group has a business continuity plan (BCP) that stipulates preparations for and measures to be instituted in the event of a disaster as well as crisis management procedure manuals for use in the case of an emergency.
- The Internal Audit Department decides where and what to audit, given the status of operations of the risk management system, and conducts an internal audit.

### [Matters Regarding Compliance]

- To unify conduct principles of executives and employees of the Group globally, the Group formulated Daiichi Sankyo Group Principles of Individual Behavior as auxiliary provisions of the Daiichi Sankyo Group Corporate Conduct Charter and started enforcing it in April 2015. Activities for legal and regulatory compliance are reported annually to Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Corporate Ethics Committee (including an outside lawyer) and, if there is an issue, a system is in place to make a proposal for implementing measures to resolve such issue.
- With the purpose of establishing the minimum standards of global anti-bribery and anti-corruption rules and principles that the Daiichi Sankyo Group companies should comply with, thereby reinforcing the anti-bribery and

anti-corruption system for the entire Daiichi Sankyo Group, the Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy (“Global ABAC Policy”) was established in October 2017.

- In accordance with “Global Management Regulations,” “Organizational Management Regulations,” and other rules, Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from CEO and COO supervise, manage, and direct members of their business units. Progress is reported to executives appropriately through the Management Executive Meeting and operation results meetings.
- The Internal Audit Department decides where and what to audit, given the status of compliance with laws and ordinances, the Articles of Incorporation, and internal regulations, and conducts an internal audit.

[Matters Regarding Management of Subsidiaries]

- The Company regularly communicates its policies to Group companies through the Management Executive Meeting and operation results meetings, and receives a report on the management and results of operations from Group companies. The Boards of Directors of domestic Group companies resolved to revise the respective Basic Policy based on a revision of the Companies Act implemented in May, 2015 and the revision of the Basic Policy on Establishing Internal Control Structure of the Company.
- The Group has established a Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee, which consists of compliance officers of subsidiaries in overseas, in order to ensure the effectiveness of the global compliance system. While the Company set up a whistle-blowing hotline at the Legal Department and external law firm employees of domestic Group companies and business partners can use, Group companies in Japan and abroad also set up a whistle-blowing hotline. The progress of promoting compliance is reported to the Board of Directors, CEO, COO and the Corporate Ethics Committee appropriately.
- The Internal Audit Department prepares an internal audit plan, which covers Group companies, and conducts an audit. Group companies that have an audit organization report the audit results to the Department.

[Matters Regarding Audit by Members of the Audit and Supervisory Board]

- Members of the Board and employees of the Company, as well as executives and employees of Group companies, report the status of the execution of operations to Members of the Audit and Supervisory Board of the Company as necessary. The Company has a system in place, under which when Members of the Board of the Company find facts that could seriously damage the Company, they can immediately report the facts to Members of the Audit and Supervisory Board of the Company.
- Members of the Audit and Supervisory Board of the Company hold regular meetings to exchange views with Members of the Board, including the Representative Director of the Company, while attending important meetings. They also coordinate closely with the Internal Audit Department and accounting auditors of the Company, and secure a system under which Members of the Audit and Supervisory Board can conduct an audit effectively.
- To further strengthen the audit functions of Members of the Audit and Supervisory Board, full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit and Supervisory Board.

## **2. Basic Views on Eliminating Anti-Social Forces**

The Daiichi Sankyo Group’s basic ideas about and systems for eliminating antisocial forces are set in its basic policy on establishing internal control structure as follows.

The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company’s management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter, etc. that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and

strive to eliminate relations with antisocial forces and organizations through means such as collecting information in cooperation with the police and other bodies, and conducting activities to train Members of the Board and other Officers, and employees.

## V. Others

### 1. Matters Related to Defense against Takeovers

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.

Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the value of the Company or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company stock are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the value of the Company and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

### 2. Other Matters Concerning to Corporate Governance System

The Company's basic policy concerning disclosure of information related to the Company or group companies is to make disclosures to shareholders and other investors in a timely, appropriate and proactive way based on laws and regulations, the regulations of the stock exchange, and internal company regulations relating to information management and disclosure (Timely Disclosure and Information Management Regulations). Through this policy, the Company strives to earn trust as a company that is highly transparent and open to the society.

#### 1) Financial information

The information for financial statements, etc. (including quarterly financial statements) is referred to the Board of Directors by the Finance and Accounting department. Upon resolution by the Board of Directors, the Corporate Communications Department works jointly and in consultation with the related departments to compile a disclosure proposal. The disclosure is then made upon approval by the President and CEO.

#### 2) Information other than financial information

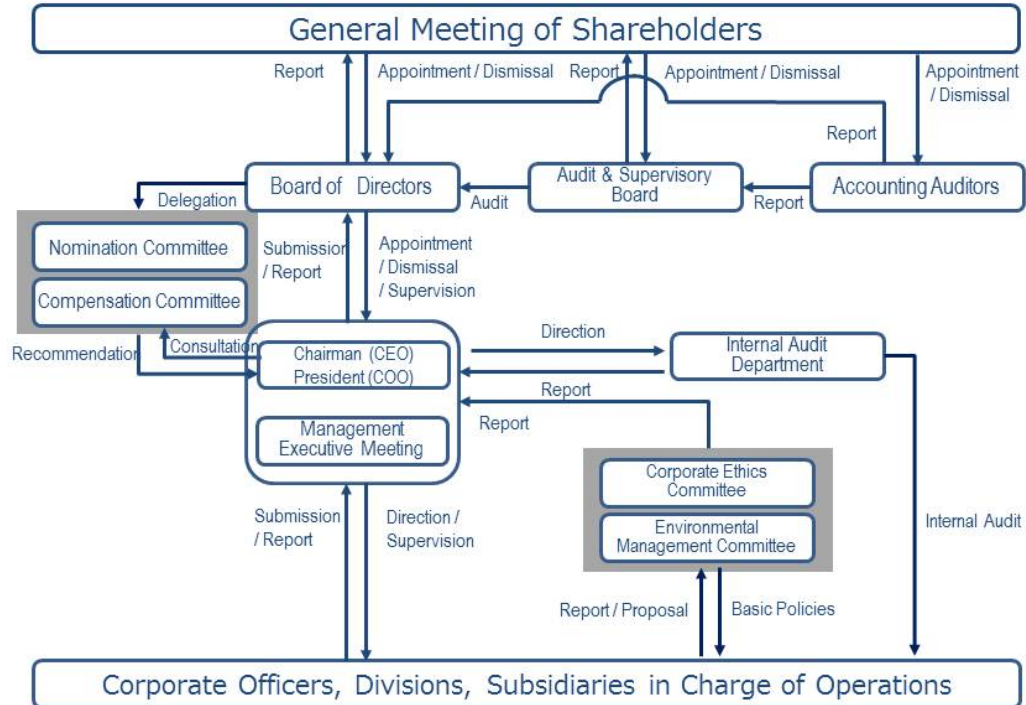
Information other than financial information includes those relating to matters to be decided that are reported or referred for resolution to the Board of Directors from the relevant departments and resolved at a meeting of the Board of Directors, and those related to matters occurred that are reported to the President and CEO and Corporate Communications Department from the relevant departments. Based on such resolutions or reports, the Corporate Communications Department works jointly and in consultation with the related departments to compile a disclosure proposal. The disclosure is made upon approval by the President and CEO.

3) For the purpose of conducting fair, timely and appropriate disclosure of information; the Board of Directors supervises the execution of duties by the President and CEO, Members of the Audit and Supervisory Board conduct an audit from the perspective of legitimacy and soundness, and the Internal Audit Department periodically conducts audits of the conduct of operations.



[Reference Material: Schematic Diagram]

## Overview of the corporate governance structure



(Note) In addition to relations shown in the Corporate Governance Structure, coordination such as report to Audit and Supervisory Board by Internal Audit Department etc. is made appropriately.