

Last update: December 26, 2019

Sunao Manabe, Representative Director and President & CEO

Contact: Junichi Onuma,

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 of the Audit and Supervisory Board, the majority of which are Members of the Audit and Supervisory Board (Outside).
- 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.
- With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

The Company complies and implements all principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

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 2018 fiscal year, we sold shares for approximately 14.3 billion yen (10 brands). 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 Daiichi Sankyo Group (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 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 of the Audit and Supervisory Board, the majority of which are Members of the Audit and Supervisory Board (Outside).
- 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.
- With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

(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 (excluding Members of the Board (Outside)) 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 as variable remunerations.
- 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 of Members of the Board, Members of the Audit and Supervisory Board and CEO

- 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 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 conduct of operations.
- The candidates for Members of the Board (Outside) shall meet the requirements that they are the individuals with expertise, experience and insight in Japan and overseas in fields including corporate management, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting.
- When nominating 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 on the judgment of independence.
- When nominating the candidates for Members of the Audit and Supervisory Board, the Board of Directors shall nominate the candidates that have been deliberated by the Nomination Committee and verified and agreed by the Audit and Supervisory Board.
- When appointing the candidates for Members of the Board and Members of the Audit and Supervisory Board, the General Meeting of Shareholders shall appoint the candidates after the relevant proposal.
- Candidates for CEO shall be nominated based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.

- Appointment of 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 Members of the Board and CEO

- If any Member of the Board is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Members of the Board Regulations, following deliberation at the Nomination Committee and the Board of Directors, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Members of the Board, and resolve dismissal of such Member of the Board after the relevant proposal.
- Dismissal of CEO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution 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.

(v) Disclosure of Reasons for Nomination of Candidates for Members of the Board and Members of the Audit and Supervisory Board

The Company shall disclose matters considered important for nomination of candidates for Members of the Board and Members of the Audit and Supervisory Board, and career history and reasons for nomination 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 and CEO

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

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 nominates 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 of Members of the Board, Members of the Audit and Supervisory Board and CEO."

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 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

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 utilizes the self-evaluation of the Board of Directors for the purpose of evaluating the current status of the Board of Directors and the Members of the Board itself.

The Board of Directors assesses the current status and the status of improvements made in the previous fiscal year in response to the improvement measures taken to address the issues identified in the evaluation. The evaluation of the Board of Directors are conducted every fiscal year, and efforts are made to improve the functions and effectiveness of the Board of Directors on an ongoing basis.

The Company recently conducted an evaluation of the Board of Directors for the fiscal year 2018.

-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 are reported to the Board of Directors.

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

The evaluation of the Board of Directors for the fiscal year 2018 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, the Company confirmed that improvements are being made in (i) agenda setting considering the strengthening of the functions of the Board of Directors furthermore, (ii) enhancing and deepening the materials for Board of Directors meetings materials and the contents of explanations and reports, and (iii) continuous information delivery to promote understanding by Members of the Board (outside) and Members of the Audit and Supervisory Board (outside) which was identified as an item for furthermore improvement in the evaluation of the previous fiscal year.

The Company confirmed that it should continue to address the issues mentioned in (i) through (iii) above. In addition, the Company recognizes the fact that there are no female Members of the Board is also an issue^(*).

In view of the evaluation for the fiscal year 2018, 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.

(*) A proposal on Members of the Board election was resolved at the 14th Ordinary General Meeting of Shareholders, and female Member of the Board was appointed.

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

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

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 “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

2. Capital Structure

| | |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 30% to less than 40% |
|----------------------------|---------------------------|

[Major Shareholders] Updated

| Name | Number of Shares Owned | Ratio (%) |
|--|------------------------|-----------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 63,679,800 | 9.83% |
| JP MORGAN CHASE BANK 380055 | 61,849,561 | 9.55% |
| Japan Trustee Services Bank, Ltd. (trust account) | 54,776,000 | 8.45% |
| Nippon Life Insurance Company | 35,776,282 | 5.52% |
| SSBTC CLIENT OMNIBUS ACCOUNT | 23,082,964 | 3.56% |
| 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% |
| Japan Trustee Services Bank, Ltd. (trust account 5) | 11,464,600 | 1.77% |
| The Shizuoka Bank, Ltd. | 11,390,930 | 1.76% |
| Japan Trustee Services Bank, Ltd. (trust account 7) | 10,764,500 | 1.66% |
| JP MORGAN CHASE BANK 385151 | 10,206,665 | 1.58% |

| | |
|---|------|
| 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, 2019.
- The Company holds 61,060,141 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 30, 2019 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%)

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

Mitsubishi UFJ Financial Group, Inc. / December 3, 2018 / 41,153 thousand shares (5.80%)

Capital Research and Management Company / August 1, 2019 / 80,699 thousand shares (11.38%)

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

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

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 |
|-------------------|---|

[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 | | | | | | | | | | | |
| Tsuguya Fukui | Academic | | | | | | | | | | | |
| Kazuaki Kama | From other company | | | | | | | | | | | |
| Sawako Nohara | From other company | | | | | | | | | | | |

* 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> |
| 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 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> |
| Kazuaki Kama | Independent Director | <p>The Company has appointed Mr. Kama as Member of the Board (Outside) and as Independent Director, so that his insights on overall corporate management developed through his management experience at a comprehensive heavy-industry manufacturer, and his expertise in financial matters will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Kama 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> |
| Sawako Nohara | Independent Director | <p>The Company has appointed Ms. Nohara as Member of the Board (Outside) and as Independent Director, so that her insights on overall corporate management, developed through her management experience, and her expertise in IT, business strategies and marketing strategies will be reflected in the management of the Company.</p> |

| | | |
|--|--|--|
| | | The Company considers that Ms. Nohara 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"). |
|--|--|--|

| | |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

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) |

| | |
|----------------------------------|----------------|
| Supplementary Explanation | Updated |
|----------------------------------|----------------|

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 of candidates for Members of the Board, Members of the Audit and Supervisory Board and Corporate Officers, the dismissal of Members of the Board, the appointment and the dismissal of CEO and their compensation, 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. Currently, these Committees consist only of Members of the Board (Outside).

The Compositions of each committee as of June 17, 2019 are as follows.

[Nomination Committee]

Chairperson: Noritaka Uji, Member of the Board (Outside)

Members: Tsuguya Fukui, Kazuaki Kama and Sawako Nohara, Members of the Board (Outside)

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

[Compensation Committee]

Chairperson: Kazuaki Kama, Member of the Board (Outside)

Members: Noritaka Uji, Tsuguya Fukui and Sawako Nohara, Members of the Board (Outside)

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

For the fiscal year 2019, the activities of each committee, from April to November 30, 2019, are as follows.

[Nomination Committee]

Meetings were held in April, May, September, October and November to discuss matters required for nominating candidate Members of the Board and Corporate Officers, and successor plan of the President and CEO, Corporate Adviser System, diversity of the Board of Directors based on the revised Corporate Governance Code as well as other matters.

[Compensation Committee]

Meetings were held in April, May, October to discuss amounts and calculation standards for bonuses of Members of the Board and Corporate Officers, allotment of restricted stocks, examination of remuneration level for Members of the Board and Members of the Audit and Supervisory Board, and other matters.

[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 Auditor | <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 Auditor | <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> |

| | | |
|-------------------------|----------------------------|--|
| <p>Yukiko Imazu</p> | <p>Independent Auditor</p> | <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 |
|--|-------|

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.

[Incentives]

| | |
|---|--|
| Incentive Policies for Members of the Board | Introduction of performance based bonus; Others |
|---|--|

Supplementary Explanation

Policies for Determination of Remuneration to Members of the Board (excluding Members of the Board (Outside))

(1) Level of remunerations

- The level of remunerations to Members of the Board (excluding Members of the Board (Outside)) 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.

(2) Composition of remunerations

- Remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic, fixed remuneration, performance based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remunerations.
- Remunerations to Members of the Board (excluding Members of the Board (Outside)) are designed to have its ratio of 60% as basic remuneration, 20% as performance based bonuses, and 20% as restricted share-based remuneration when achieving the performance target of 100%.

(3) Performance based bonuses (short-term incentive)

- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal objectives year measured by adopting “revenue”, “operating profit margin” and “profit attributable to owners of the Company” as the relevant indices.
- As for "revenue" index which represents the business size, and the "operating profit margin" index which represents the efficiency of business activities, evaluation criteria is the degree of achievement for the budget of relevant fiscal year. On the other hand, as for “profit attributable to owners of the Company” index, evaluation criterion is the degree of achievement for the target of relevant fiscal year set in the mid-term business plan. By combining degree of achievement for short and mid-term target, the Company strongly motivates the initiatives for achieving the mid-term business plan as well as the relevant fiscal year objectives.

(4) Restricted share-based remuneration (Long-term incentives)

- The Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction. The objective of the scheme is to provide Member of the Board (excluding Members of the Board (Outside)) 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 number of stocks, which is determined by dividing the amount of restricted share-based remuneration

per positions by the closing price of the Company's stock one day prior to the Meeting of the Board's resolution on allocation, is granted.

In order to enhance an incentive to further increase the Company's corporate value, the Company will consider to increase variable remunerations and increasing ratio of it.

| | |
|-----------------------------|---|
| Recipients of Stock Options | — |
|-----------------------------|---|

| |
|----------------------------------|
| Supplementary Explanation |
|----------------------------------|

[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 |
|---|---|

| |
|----------------------------------|
| Supplementary Explanation |
|----------------------------------|

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 2019 is disclosed in the Business Report as follows.

[Members of the Board (excluding Members of the Board (Outside))]

Total amount of remuneration and related payments : 591 million yen
(Break down: Basic remuneration 322 million yen, Performance based bonuses 158 million yen, Restricted share-based remuneration 112 million yen)
Number of members: 6 persons

[Members of the Audit and Supervisory Board (excluding Members of the Audit and Supervisory Board (Outside))]

Total amount of remuneration and related payments: 75 million yen
(Break down: Basic remuneration 75 million yen)
Number of Member: 2 persons

[Members of the Board (Outside)]

Total amount of remuneration and related payments: 60 million yen
(Break down: Basic remuneration 60 million yen)
Number of Members: 4 persons

[Members of the Audit and Supervisory Board (Outside)]

Total amount of remuneration and related payments: 45 million yen
(Break down: Basic remuneration 45 million yen)
Number of Members: 5 persons

The amount of remuneration and related payments to Members of the Board (excluding Members of the Board (Outside)) and Members of the Audit and Supervisory Board (Outside) and the number of members to be paid, include those of one Member of the Board and two Members of the Audit and Supervisory Board (Outside) who retired following the end of their tenure of office at the conclusion of the 13th Ordinary General Meeting of Shareholders held on June 18, 2018.

“Restricted share-based remuneration” above represents the amount posted to expenses as restricted share-based remuneration in the fiscal year ended March 2019.

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 |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1) Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board

- Remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic, fixed remuneration, performance based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remunerations.
- 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.
- In order to enhance an incentive to further increase the Company's corporate value, the Company will consider to increase variable remunerations and increasing the ratio of it.
- In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.
- 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.

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 per fiscal year and a total amount of restricted share-based remuneration to be granted to Members of the Board at a maximum limit of ¥140 million 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 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 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.]

| | |
|---|----------------|
| Name of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc. | Updated |
|---|----------------|

| 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 |
|------|--------------------|----------------------|--|---|------|
| --- | --- | --- | --- | --- | --- |

| | |
|--|------|
| Total number of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc. | None |
|--|------|

| | |
|---------------|----------------|
| Others | Updated |
|---------------|----------------|

- Takashi Shoda, former Representative Director and President or Chairman, had retired Senior Corporate Adviser at the end of June, 2019.
- The Board of Directors resolved not to appoint new Senior Corporate Advisor in the future.
- To appoint Corporate Advisor, consultation with the Nomination Committee and the Board resolution should be required.

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.

[Number of Attendance for Meetings of the Board of Directors / Audit and Supervisory Board (For the fiscal year 2019, from April to September 30, 2019)]

Updated

Joji Nakayama, Representative Director

: Meetings of the Board of Directors 7 / 7 meetings (100%)

Sunao Manabe, Representative Director

: Meetings of the Board of Directors 7 / 7 meetings (100%)

Toshiaki Sai, Representative Director

: Meetings of the Board of Directors 7 / 7 meetings (100%)

Toshiaki Tojo, Member of the Board

: Meetings of the Board of Directors 7 / 7 meetings (100%)

Satoru Kimura, Member of the Board

: Meetings of the Board of Directors 4 / 4 meetings (100%)

Noritaka Uji, Member of the Board (Outside)

: Meetings of the Board of Directors 7 / 7 meetings (100%)

Tsuguya Fukui, Member of the Board (Outside)

: Meetings of the Board of Directors 7 / 7 meetings (100%)

Kazuaki Kama, Member of the Board (Outside)

: Meetings of the Board of Directors 4 / 4 meetings (100%)

Sawako Nohara, Member of the Board (Outside)

: Meetings of the Board of Directors 4 / 4 meetings (100%)

Ryoichi Watanabe, Member of the Audit and Supervisory Board (Full-time)

: Meetings of the Board of Directors 4 / 4 meetings (100%)

: Meetings of the Audit and Supervisory Board 4 / 4 meetings (100%)

Kenji Sato, Member of the Audit and Supervisory Board (Full-time)

: Meetings of the Board of Directors 4 / 4 meetings (100%)

: Meetings of the Audit and Supervisory Board 4 / 4 meetings (100%)

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

: Meetings of the Board of Directors 7 / 7 meetings (100%)

- : Meetings of the Audit and Supervisory Board 7 / 7 meetings (100%)
- Tateshi Higuchi, Member of the Audit and Supervisory Board (Outside)
- : Meetings of the Board of Directors 7 / 7 meetings (100%)
- : Meetings of the Audit and Supervisory Board 7 / 7 meetings (100%)
- Yukiko Imazu, Member of the Audit and Supervisory Board (Outside)
- : Meetings of the Board of Directors 7 / 7 meetings (100%)
- : Meetings of the Audit and Supervisory Board 7 / 7 meetings (100%)

Note: The number of attendance for Satoru Kimura, Kazuaki Kama, Sawako Nohara, Ryoichi Watanabe and Kenji Sato in the Meetings of the Board of Directors and the Audit or the 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 17, 2019.

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

Updated

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.

[Corporate Ethics Committee]

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.

[EHS Management Committee]

In order to promote EHS management, which contributes to build a sustainable society, by protecting the environment and ensuring the health and safety of our employees throughout every aspect of its corporate activities, the Group has established the EHS Management Committee.

(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

Updated

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. Five certified public accountants and fourteen 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) Members of the Audit and Supervisory Board of subsidiaries

Full-time Members of the Audit and Supervisory Board of the Company concurrently serve as part-time Members of the Audit and Supervisory Board of domestic subsidiaries, and they attended the Board of Directors meetings and Management Executive Meetings of those companies and check those companies' status of the establishment and implementation of its internal control system.

8) 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 and medical science etc.

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 14 th Ordinary General Meeting of Shareholders, 21 days before (on May 27, 2019) it was scheduled to be held. |
| Scheduling AGMs Avoiding the Peak Day | The 14 th Ordinary General Meeting of Shareholders was held on June 17, 2019 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. https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html | |
| Regular Investor Briefings for Individual Investors | For the fiscal year ended March 2020, the Company held 7 such briefings from April to the filing day, December 26 th 2019. | 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&D day”. Webcast and presentation including Q&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 R&D Day 2019 was held not only in Tokyo but also in NY in December.</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: https://www.daiichisankyo.co.jp Worldwide website: https://www.daiichisankyo.com</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 with respect to social issues and business activities in a manner that actively respond to the varied demands of our society.</p> <p>The Group has been undertaking initiatives such as those that involve addressing unmet medical needs, providing a stable supply of top-quality pharmaceutical products, and improving access to pharmaceuticals, and seamlessly with our business activities, we have also been engaging in projects addressing challenges posed by the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, including goals regarding climate change and human rights. In so doing, the Group has been enhancing our corporate value, fulfilling our social responsibilities and contributing to the realization of a sustainable society.</p> <p>For working on these activities, Daiichi Sankyo seeks to upgrade its stakeholder</p> |

| | |
|---|--|
| | <p>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: https://www.daiichisankyo.com/about_us/responsibility/csr/index.html</p> <p>Value Report (Integration report) Website: https://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html</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><Policy on diversity of personnel></p> <p>The Group respects each employee's human rights and individuality, regardless of differences in background such as race, gender and nationality.</p> <p>In terms of gender, one of the Member of the Board (Outside), two of the Members of the Audit and Supervisory Board (Outside), and one of the Corporate Officer currently in office are women. The ratio of females within the number of key personnel was approximately 9.8% as of April 2014, and it has risen to 16.3% in the 2019 fiscal year. The 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 (Fiscal year ended March 2019)

[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, etc. for use in the case of an emergency.

[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.

(*)Following the appointment of Member of the Board at 14th Ordinary General Meeting of Shareholders, and resolution of executive appointment at the Meetings of the Board of Directors held on the same day, former Representative Director, Member of the Board, President and COO, Sunao Manabe was assigned as Representative Director, Member of the Board, President and CEO. Therefore, COO is absent as of June 18, 2019.

- The Company has set up a whistle-blowing hotline in accordance with the Whistleblower Protection Act in the Legal Department and the external law firm that employees of domestic Group companies and business partners can use.
- In response to the revisions made to the “IFPMA Code of Practice (IFPMA Code),” which included the prohibition of providing monetary gifts and other promotional aids, the Company revised the “Daiichi Sankyo Group Global Anti-Bribery & Anti-Corruption Policy,” “Daiichi Sankyo Group Global Marketing Code of Conduct” and “Daiichi Sankyo Promotion Code for Prescription Drugs” in January 2019.
- 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.

[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. In addition, Group companies in Japan and abroad have set up a whistle-blowing hotline comparable to that of the Company in line with the Whistleblower Protection Act. The progress of promoting compliance is reported to CEO, COO and the Corporate Ethics Committee appropriately.

[Matters Regarding Audit by the Internal Audit Department]

- The Company has established the Internal Audit Department as an internal audit department independent from departments engaging in business execution, which comprises a certain number of staff members with special qualifications, including a certified internal auditor, and the Company maintains a system in which effective internal control is ensured by having the Internal Audit Department perform monitoring from a fair and independent position and report on risks and issues to management.
- With the purpose of contributing to the effective achievement of management targets, internal audits are performed to evaluate the business activities of organizations covered in the audits from various perspectives, including the effectiveness and efficiency of business operations and compliance, and the results of audits are reported to CEO, COO, the Board of Directors, and other relevant parties.
- Audits of the Company are based on a comprehensive auditing approach and cover the entire organization, including Group companies, and the Internal Audit Department decides where and what to audit based on its risk assessment, risks recognized by management, audit intervals and other factors, and performs audits by organization or audits across the organization by issue.
- The Internal Audit Department receives reports of audit results from Group companies that have an audit organization and identifies risks and issues of the Group.
- The Internal Audit Department continually conducts self-evaluations of audit quality, as well as receiving evaluations of audit quality by an external specialist institution on a regular basis as part of its efforts to enhance the quality of audits.

[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.
- Full-time Members of the Audit and Supervisory Board of the Company concurrently serve as part-time Members of the Audit and Supervisory Board of domestic subsidiaries, and they attended the Board of Directors meetings and Management Executive Meetings of those companies and check those companies' status of the establishment and implementation of its internal control system.
- 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 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 |
|------------------------------------|-------------|

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.

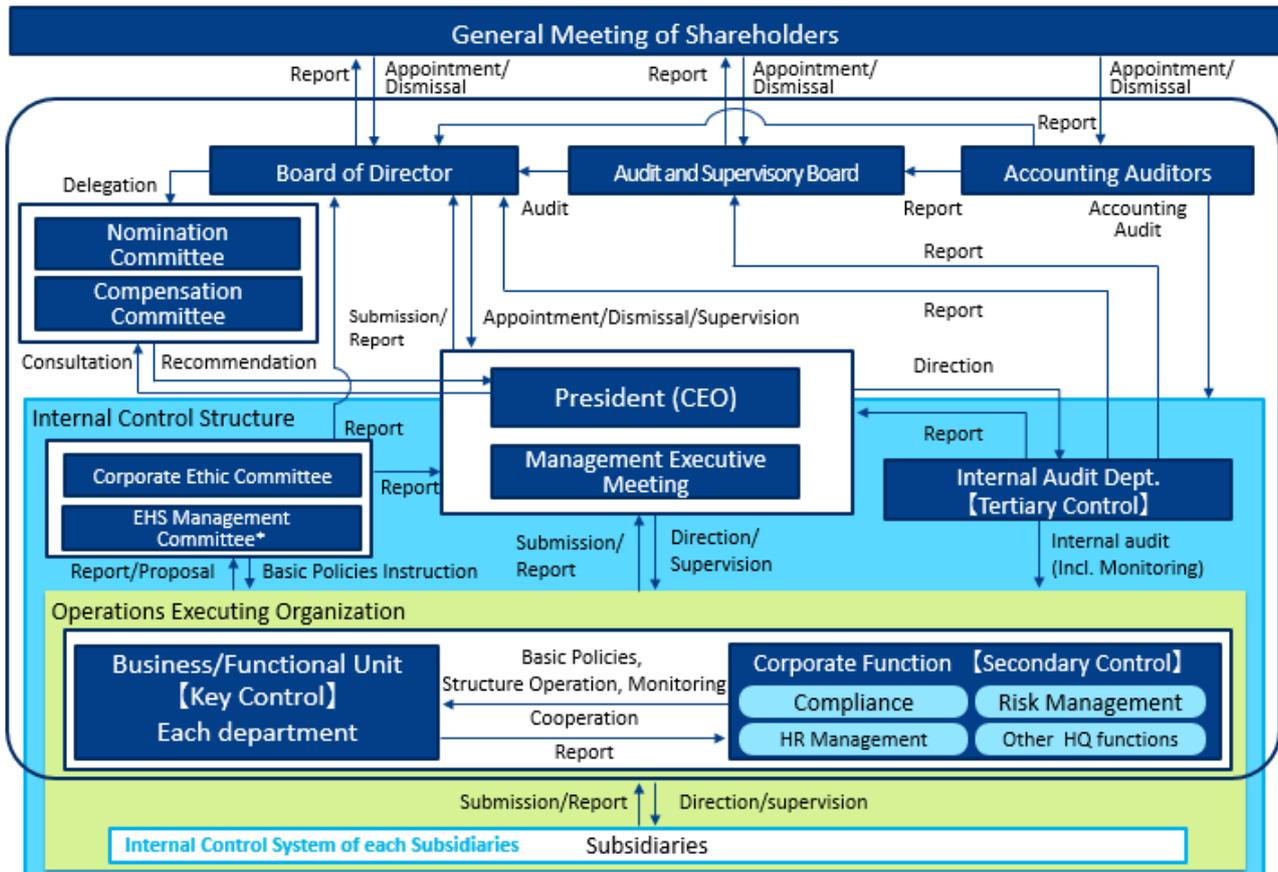
2) Information other than financial information

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 (as of June 17th, 2019)



*EHS Management Committee: Environment, Health, Safety Management Committee