

Last update: June 16, 2020

Sunao Manabe, Representative Director and President & CEO

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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). Currently a Member of the Board (Outside) chairs the Board of Directors.
- 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 four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee.
- 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, including three 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 2019 fiscal year, we sold shares for approximately 22.0 billion yen (12 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 four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee.
- 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, including three 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**

- Please refer to “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods,” [Matters Related to Remuneration to Members of the Board] on II.1. Organizational Composition and Operation.

**(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 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.

**(v) 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.

**(vi) 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.

**(vii) 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](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 Daiichi Sankyo Group Management Committee Policy, 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) 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.

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

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 (Members of the Board, Members of the Audit and Supervisory Board or Executive/Corporate Officer) 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, Members of the Board (Outside) are required to contact the Chairman of the Board of Directors, the Chairman and the President this beforehand and Members of the Audit and Supervisory Board (Outside) are required to contact the Chairman of the Audit and Supervisory Board this beforehand.

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

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

Please view this information at the following URL:

Convocation Notice of the Ordinary General Meeting of Shareholders :

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

Annual Securities Report (Japanese report):

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

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

The Company has conducted board evaluation of the Board of Directors every fiscal year and engaged in improvement measures for the issues to be addressed identified through the board evaluation, and, in the subsequent board evaluation, the Company assesses the current status and confirms the status of improvement from the previous fiscal year.

This time, the Company conducted the board evaluation for fiscal year 2019, and confirmed that the Board of Directors is functioning appropriately in terms of its role, responsibility, operation and composition, and the overall effectiveness of the Board of Directors has been ensured.

##### **- Implementation method of the board evaluation**

The Company determines, as the contents and items for evaluation relating to the effectiveness of the Board of Directors as a whole, the board evaluation items including the items to be evaluated by Members of the Board themselves in addition to the evaluation of the Board of Directors as a whole 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.

The major evaluation items are as follows:

- (1) Roles and responsibilities of the Board of Directors
- (2) Operation of the Board of Directors
- (3) Composition of the Board of Directors
- (4) Issues and matters for improvement regarding effectiveness of the Board of Directors
- (5) Resolution of issues identified in the previous fiscal year's board evaluation, and improvement measures

All Members of the Board self-evaluate the above matters by selecting grades and answering free descriptions, and the analysis results and the details are reported to the Board of Directors.

The latest round of self-evaluation generated quite a few candid opinions about all of the evaluation items using a free-description format. The Company has extracted from the free-descriptions the issues and matters for improvement that will help improve the functions and effectiveness of the Board of Directors.

- Results of the board evaluation for fiscal year 2019

The evaluation of the Board of Directors for fiscal year 2019 has concluded that the Board of Directors of the Company is functioning appropriately, and that the effectiveness of the Board of Directors as a whole has been ensured.

In addition, the Company confirmed that improvements are being made in (1) through (5) which were identified as items that need further improvement in the evaluation of the previous fiscal year with the following efforts.

- (1) Enhancement of discussion on the Board of Directors' decision-making and oversight functions, as well as monitoring and risk management functions
  - Key efforts in fiscal year 2019
    - Discussions were held on matters involving risk monitoring and management, business alliances, and information governance structures.
- (2) Establishment of forums for enhanced discussion in the Board of Directors
  - Key efforts in fiscal year 2019
    - Substantive discussions were held on matters such as the trajectory of the Company's oncology business, including forums other than meetings of the Board of Directors.
- (3) Preparation of sufficient proposal and report content as needed for discussion and decision-making materials
  - Key efforts in fiscal year 2019
    - Mutually-linked agendas were set and enhancements were made to information for discussions and decision-making.
- (4) Further enhancement involving delivery of information in a manner that will promote understanding of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)
  - Key efforts in the fiscal year 2019
    - Explanations were provided on an individual basis prior to each meeting of the Board of Directors, briefing sessions were held for Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside), and tours of Shinagawa R&D Center were carried out.
- (5) Ensuring the diversity of the Board of Director particularly in terms of gender and nationality
  - A woman was appointed as a Member of the Board on June 17, 2019.

- Priority measures for fiscal 2020

Drawing on the self-evaluations of fiscal year 2019, the Company endeavors to ensure and improve the functions and effectiveness of its Board of Directors. To such end, the Company will implement the following priority measures in fiscal year 2020, with the aim of further strengthening the Board of Directors' decision-making function, oversight function, monitoring, and risk management function.



- (1) Enhancement of discussions involving mid- and long-term business plans
- (2) Further enhancement of proposal and report content
- (3) Further enhanced delivery of information in a manner that will promote understanding of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)

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

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

Newly appointed Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) receive training before assuming their positions. These seminars teach an overview of the Company, the industry environment, the corporate philosophy, the state of business operations, and matters relating to corporate governance, as well as the relevant regulations related to their positions. Moreover, in order to enhance discussion in the Board, the Company provides preliminary seminars about themes discussed by the Board of Directors to contribute to the sharing and promoting of understanding of internal company information with Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside). The Company also provides Corporate Officers, who are positioned as potential candidates for becoming Members of the Board, with seminars that provide senior executive oriented training before they assume their position as Corporate Officer.

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

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

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

Moreover, we disclose information in a transparent, fair and continuous manner as prescribed in Daiichi Sankyo Group IR Disclosure Policy, which is also presented on the Company’s website at the following URL:

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

The President (CEO), the Chief Financial Officer (CFO), 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 President (CEO) and the Chief Financial Officer (CFO) 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](https://www.daiichisankyo.com/media_investors/investor_relations/index.html)

## 2. Capital Structure

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

Name	Number of Shares Owned	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	67,527,300	10.42%
JP Morgan Chase Bank 385632	64,833,305	10.00%
Japan Trustee Services Bank, Ltd. (trust account)	55,185,300	8.52%
Nippon Life Insurance Company	35,776,282	5.52%
SSBTC CLIENT OMNIBUS ACCOUNT	23,873,795	3.68%
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 7)	13,527,000	2.09%
STATE STREET BANK AND TRUST COMPANY 505001	12,047,036	1.86%
Japan Trustee Services Bank, Ltd. (trust account 5)	11,657,600	1.80%
The Shizuoka Bank, Ltd.	11,390,930	1.76%

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

### Supplementary Explanation Updated

- The status of major shareholders above is the status as of March 31, 2020.
- The Company holds 60,945,751 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 March 31, 2020 is not confirmed.

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

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**

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

### 1. Organizational Composition and Operation

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

Maximum Number of Members of the Board prescribed in the Articles of Incorporation	Fourteen
Term of office of Members of the Board prescribed in the Articles of Incorporation	One year
Chairman of the Board of Directors	A Member of the Board (Outside)
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 Chairman of the Board of Directors	<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 Chairperson of the Nomination Committee	<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 Chairperson of the Compensation Committee	<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").
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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a. Committees established voluntarily, member composition, attribute of chairperson

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

<b>Supplementary Explanation</b>	<b>Updated</b>
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To ensure management transparency, nomination of candidates for Member of the Board, Member of the Audit and Supervisory 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 four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee..

The Compositions of each committee as of June 15, 2020 are as follows.

[Nomination Committee]

Chairperson: Tsuguya Fukui, Member of the Board (Outside)

Members: Noritaka Uji, 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 are as follows.

[Nomination Committee]

Meetings were held in April, May, September, October, November, December and January to discuss matters required for nominating candidate Members of the Board, Members of the Audit and Supervisory Board and Corporate Officers, and successor plan of the President and CEO, candidate Members of the Board and Members of the Audit and Supervisory Board for the group companies, 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, December, January, February and March (twice) to discuss amounts and calculation standards for bonuses of Members of the Board and Corporate Officers, allotment of restricted stocks, examination of remuneration level and the amendment of the remuneration system 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 receiving briefings and reports from the accounting auditor on matters that include the audit plan, audit/quarterly review results, results of internal control audit (J-SOX), and engaging in opinion-exchange. The Members of the Audit and Supervisory Board also work to promote business cooperation with the Internal Audit Department and receive reports on their audit plan and audit results, periodically share information with each other and engage in opinion-exchange.

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

<b>Members of the Audit and Supervisory Board (Outside) and Their Relationship with the Company (1)</b>
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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

<b>Members of the Audit and Supervisory Board (Outside) and Their Relationship with the Company (2)</b>
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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>

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

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

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

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

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

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

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

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

i) is or has been an Executive Officer, of the Company or brother company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or

ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or member of Audit and Supervisory Board compensation.

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

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

i) Business relationship

a) a company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies’ consolidated gross revenues;

b) a consulting firm, law firm, auditing firm, tax accounting firm or school corporation that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or

c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.

ii) Major shareholder

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

iii) Recipient of charitable contributions

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

iv) Accounting auditor

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

v) Cross-directorship arrangement

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

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

**[Incentives]**

Incentive Policies for Members of the Board	Introduction of performance based bonus; Others
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**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" which represents the business size, and the "operating profit margin" 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”, 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, stocks with transfer restriction until the time immediately after resignation or retirement of a Member of the Board (excluding Members of the Board (Outside)). The objective of the system is to promote shared value between shareholders and Member of the Board (excluding Members of the Board (Outside)) for as long as possible 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.

The Compensation Committee has discussed in fiscal 2019 that the Company will increase variable remunerations and increasing the ratio of it in order to enhance an incentive to further increase the Company's corporate value. Daiichi Sankyo will further consider revising the remuneration to Members of the Board and Members of the Audit and Supervisory Board, including the introduction of performance-linked stock compensation according to the degree of achievement of performance during the period covered by the next 5-year Business Plan (from fiscal 2021).

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

Disclosure of individual remuneration to Members of the Board	Only part of remuneration to Members of the Board is disclosed individually
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<b>Supplementary Explanation</b>
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The amount of remuneration and related payments to Members of the Board and Members of the Audit and Supervisory Board in the fiscal year ended March 2020 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 : 623 million yen  
(Break down: Basic remuneration 313 million yen, Performance based bonuses 202 million yen, Restricted share-based remuneration 108 million yen)  
Number of Members of the Board: 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 Members of the Audit and Supervisory Board: 4 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 of the Board (Outside): 6 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 of the Audit and Supervisory Board (Outside): 3 persons

The amount of remuneration and related payments to Members of the Board (excluding Members of the Board (Outside)), Members of the Board (Outside) and Members of the Audit and Supervisory Board (excluding Members of the Audit and Supervisory Board (Outside)) and the number of members to be paid, include those of one Member of the Board, two Members of the Board (Outside) and two Members of the



Audit and Supervisory Board who retired following the end of their tenure of office at the conclusion of the 14th Ordinary General Meeting of Shareholders held on June 17, 2019.

“Restricted share-based remuneration” above represents the amount posted to expenses as restricted share-based remuneration in the fiscal year ended March 2020.

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

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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### 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.
- The Company grants, every year in principle, stocks with transfer restriction until the time immediately after resignation or retirement of a Member of the Board (excluding Members of the Board (Outside)). The objective of the system is to promote shared value between shareholders and Member of the Board (excluding Members of the Board (Outside)) for as long as possible by having the restricted stocks.
- The Compensation Committee has discussed in fiscal 2019 that the Company will increase variable remuneration and increasing the ratio of it in order to enhance an incentive to further increase the Company’s corporate value. Daiichi Sankyo will further consider revising the remuneration to Members of the Board and Members of the Audit and Supervisory Board, including the introduction of performance-linked stock compensation according to the degree of achievement of performance during the period covered by the next 5-year Business Plan (from fiscal 2021).
- In order to ensure that the remunerations to 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 to Members of the Board and Members of the Audit and Supervisory Board 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 four Members of the Board (Outside) serve as members and one Member of the Audit and Supervisory Board (Outside) participates as the observer.

**[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
Joji Nakayama	Senior Adviser	<ul style="list-style-type: none"> <li>• Advice to current management when requested from them</li> <li>• Outside activities (economic or industry associations, etc.)</li> </ul>	Full time Remuneration Paid	June 15, 2020	1 year

**Total number of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc.**

1

**Others**

**Updated**

<External activities>

Wide range of external activities as a director of the Japan Business Federation and the Japan Pharmaceutical Manufacturers Association

<In-house work>

Management advice upon request (no participation in management meetings and participation in decision making such as internal approval)

<Remuneration>

Determined according to an internal regulation based on remuneration upon retirement

<Appointment>

To appoint Senior Adviser and Corporate Adviser, consultation with the Nomination Committee and the Board resolution should be required.

(Senior Corporate Adviser System has been abolished in fiscal 2019.)

## 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. 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 four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee. 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.

The Board of Directors Regulation stipulates that Members of the Board have to attend the Board of Directors unless there are unavoidable circumstances.

### **[Number of Attendance for Meetings of the Board of Directors / Audit and Supervisory Board ( For the fiscal year 2019 ) ]**

Updated

Joji Nakayama, Representative Director

: Meetings of the Board of Directors 13 / 13 meetings (100%)

Sunao Manabe, Representative Director

: Meetings of the Board of Directors 13 / 13 meetings (100%)

Toshiaki Sai, Representative Director

: Meetings of the Board of Directors 13 / 13 meetings (100%)

Toshiaki Tojo, Member of the Board

: Meetings of the Board of Directors 13 / 13 meetings (100%)

Satoru Kimura, Member of the Board  
: Meetings of the Board of Directors 10 / 10 meetings (100%)  
Noritaka Uji, Member of the Board (Outside)  
: Meetings of the Board of Directors 13 / 13 meetings (100%)  
Tsuguya Fukui, Member of the Board (Outside)  
: Meetings of the Board of Directors 13 / 13 meetings (100%)  
Kazuaki Kama, Member of the Board (Outside)  
: Meetings of the Board of Directors 10 / 10 meetings (100%)  
Sawako Nohara, Member of the Board (Outside)  
: Meetings of the Board of Directors 10 / 10 meetings (100%)

Ryoichi Watanabe, Member of the Audit and Supervisory Board (Full-time)  
: Meetings of the Board of Directors 10 / 10 meetings (100%)  
: Meetings of the Audit and Supervisory Board 10 / 10 meetings (100%)  
Kenji Sato, Member of the Audit and Supervisory Board (Full-time)  
: Meetings of the Board of Directors 10 / 10 meetings (100%)  
: Meetings of the Audit and Supervisory Board 10 / 10 meetings (100%)  
Sayoko Izumoto, Member of the Audit and Supervisory Board (Outside)  
: Meetings of the Board of Directors 13 / 13 meetings (100%)  
: Meetings of the Audit and Supervisory Board 13 / 13 meetings (100%)  
Tateshi Higuchi, Member of the Audit and Supervisory Board (Outside)  
: Meetings of the Board of Directors 13 / 13 meetings (100%)  
: Meetings of the Audit and Supervisory Board 13 / 13 meetings (100%)  
Yukiko Imazu, Member of the Audit and Supervisory Board (Outside)  
: Meetings of the Board of Directors 13 / 13 meetings (100%)  
: Meetings of the Audit and Supervisory Board 13 / 13 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, Member of the Audit and Supervisory Board and Corporate Officers is discussed at the voluntarily established Nomination Committee. To secure further rightfulness, the Nomination Committee consists of four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee.

#### (ii) Compensation

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

- Compensation system for Members of the Board, Member of the Audit and Supervisory 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) and Member of the Audit and Supervisory Board 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 four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee.

(iii) Corporate Ethics Committee, EHS 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 Board of Directors and the President (CEO) , etc..

[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, outside attorney and as observers, Members of the Audit and Supervisory Board (Full-time) are invited to the committee.

[EHS Management Committee]

It has been established to protect the environment and ensure the health and safety of employees and contribute to the development of a sustainable society through overall corporate activities of the Group while achieving the uniform management and promotion of Environment, Health, and Safety management for which there is a high likelihood of risks occurring. Members of the Audit and Supervisory Board (Full-time) as observers are invited to the committee.

## (2) Status of Audit by Members of the Audit and Supervisory Board

### 1) Organization, personnel and procedures of the audit by Members of the Audit and Supervisory Board

- As a company with the Audit and Supervisory Board, the Company has five Members of the Audit and Supervisory Board (two Members of the Audit and Supervisory Board (Full-time) and three Members of the Audit and Supervisory Board (Outside)), which includes one certified public accountant.
- To further strengthen the audit functions of Members of the Audit and Supervisory Board, three full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit and Supervisory Board.

### 2) Experience / Speciality of Members of the Audit and Supervisory Board

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

Engaged in finance and accounting, corporate business management, corporate affairs and procurement, internal audit, etc., he is familiar with overall activities of the Company and has a broad perspective and knowledge.

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

Engaged in research and development, human resources, corporate business management, etc., he is familiar with overall activities of the Company and has a broad perspective and knowledge.

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

She has expertise and insight based on her abundant experience as a certified public accountant.

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

He has expertise and insight based on his experience in government agencies, etc.

Member of the Audit and Supervisory Board (Outside) Yukiko Imazu :  
She has expertise and insight based on her abundant experience as a lawyer.

3) Activities of the Audit and Supervisory Board and its Members

- The Company's Audit and Supervisory Board generally held meetings one time per month.
- Aside from Audit and Supervisory Board meetings, meetings to exchange views among the Members of the Audit and Supervisory Board are held after the Board of Directors' meetings.
- Approximately 110 minutes was devoted to Audit and Supervisory Board meetings in an average month, and 24 proposals were placed on the meeting agenda in the fiscal year 2019.

4) Key matters for sharing and consideration in Audit and Supervisory Board meetings

- Audit policy, audit plans, and segregation of duties
- Audit Reports by the Audit and Supervisory Board
- Consent for "Election of Members of the Audit and Supervisory Board" as proposals in General Meetings of Shareholders
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of the Audit and Supervisory Board
- Status of execution of duties by Members of the Audit and Supervisory Board (Full-time) on a monthly basis
- Audit plans and status of auditing with respect to major domestic Group companies

5) Activities of Members of the Audit and Supervisory Board

- Meetings with Representative Directors (Members of the Board): held twice a year (Full-time/Outside)
- Meetings with Members of the Board: held once a year (Full-time)
- Attendance in important meetings: attendance in meetings such as those of the Board of Directors, Management Executive Meeting, Corporate Ethics Committee, and EHS Management Committee (attendance in meetings by the Members of the Audit and Supervisory Board (Outside) is limited to those of the Board of Directors)
- Attendance, etc. in important meetings of domestic Group companies: acting as Members of the Audit and Supervisory Board (Part-time) of the principal domestic Group companies, attendance in meetings of bodies such as the Board of Directors and Management Executive Meeting of such companies, and perusal of approval documents and other such documentation (Full-time)
- Perusal of important documents: perusal of documentation that includes approval documents, materials and minutes of important meetings (Full-time)
- Audit by Members of the Audit and Supervisory Board: Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratory), internal control officers of domestic and overseas Group companies, etc. (Full-time and some Outside)
- Advice and requests at the Board of Directors' meetings (Full-time/Outside)
- Membership of voluntary advisory committees: observer of Nomination Committee and Compensation Committee (Outside)
- Cooperation with Members of the Board (Outside): engaging in opinion-exchange (Full-time/Outside)
- Meetings with the Members of the Audit and Supervisory Board (Full-time) of domestic Group companies: held twice a year (Full-time)
- Cooperation with the Internal Audit Department: reporting internal audit plans and results thereof, periodically engaging in information-sharing and opinion-exchange (Full-time)
- Cooperation with the Accounting Auditors: receiving briefings and reports from the Accounting Auditor on matters that include the audit plan, audit/quarterly review results, results of internal control audit (J-SOX), and engaging in opinion-exchange (Full-time/Outside)



#### 6) Audit and Supervisory Board evaluation for the fiscal year 2019

The Audit and Supervisory Board conducted the Audit and Supervisory Board evaluation for the fiscal year 2019 to heighten its effectiveness of the Audit and Supervisory Board.

##### <Implementation method of the Audit and Supervisory Board evaluation>

The Audit and Supervisory Board established a wide range of evaluation items to assess Audit and Supervisory Board effectiveness. Each Member of the Audit and Supervisory Board conducted a self-evaluation of the Audit and Supervisory Board by selecting grades and answering free-descriptions. The Audit and Supervisory Board then discussed those matters.

##### <Results of the evaluation of the Audit and Supervisory Board>

The evaluation has concluded that although the Company's Audit and Supervisory Board largely carries out its activities appropriately, and the effectiveness of the Audit and Supervisory Board has been ensured, there is room for improvement in terms of heightening its effectiveness going forward. The Audit and Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.

#### (3) Status of the accounting audit

As KPMG AZSA LLC, the accounting auditor, the certified public accountants who executed accounting audit of the Company were Toshihiro Otsuka, Michiaki Yamabe, and Masahiro Emori. Five certified public accountants and sixteen persons who have passed the certified public accountant examination, IT audit specialists and others acted as assistants in the accounting audit of the Company.

#### (4) Status of the internal audit

Regarding the internal audit, the Internal Audit Department (24 persons) under the direct control of the President has audited the design and operational effectiveness of the Group's internal control system. The Internal Audit Department reports the audit results to the President, Members of the Audit and Supervisory Board and related departments, and if necessary, cooperates with the departments responsible for the secondary control, summarizes audit results and reports them to the Board of Directors and the Audit and Supervisory Board as appropriate.

#### (5) Liability Limitation Agreement

The Company **has entered into** the agreement with each Member of the Board (Outside) and **Member of the Audit and Supervisory Board** (Outside) that **the maximum amount of liabilities with regard to Article 423, Paragraph 1 of the Companies Act is the minimum liability amount as provided by applicable laws and ordinances.**

### 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, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting etc.

The Nomination Committee and the Compensation Committee both consist of four Members of the Board (Outside) and one Member of the Audit and Supervisory Board (Outside) participates as the observer in each committee.

### 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 15 <sup>th</sup> Ordinary General Meeting of Shareholders, 21 days before (on May 25, 2020) it was scheduled to be held.
Scheduling AGMs Avoiding the Peak Day	The 15 <sup>th</sup> Ordinary General Meeting of Shareholders was held on June 15, 2020 which is 8 business days before the date when many such meetings are held in Japan.
Allowing Electronic Exercise of Voting Rights	To improve the convenience of individual investors and institutional investors, the Company implements systems whereby voting rights can be exercised using information technology (IT).
Participation in Electronic Voting Platform	The Company participates in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc.
Providing Convocation Notice in English	The Company prepares English versions of its convocation notices and posts the notices on its website.
Others	The Company posts the results of shareholder votes on its website.

#### 2. IR Activities

Updated

	Supplementary explanation	Explanation by the representative in person
Preparation and Publication of Disclosure Policy	The Company's policy on disclosure of IR information is provided and announced via the Company's website. <a href="https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html">https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html</a>	
Regular Investor Briefings for Individual Investors	For the fiscal year ended March 2020, the Company held 8 such briefings.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Representative Director and President gives settlement 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 by the Chief Financial Officer (CFO) in telephone meeting when it announces its business results for 1Q and 3Q. The Company provides briefings in telephone meeting in order to prevent the spread of COVID-19 infections when the Company announces its 4Q business results of fiscal 2019. In addition, the Company provides explanations on the status of our Research and Development "R&D day" in every December. Presentations and/or webcasts of these briefings, etc., including Q&As, are available on our website.	Yes

	Supplementary explanation	Explanation by the representative in person
Regular Investor Briefings for Overseas Investors	<p>The Company arranges simultaneous interpretation (English) for the 2Q / 4Q business results briefing and “R&amp;D day” in principle.</p> <p>Webcast and presentation including Q&amp;As of those briefings and “R&amp;D day” 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&amp;D Day 2019 was held not only in Tokyo but also in New York City 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: <a href="https://www.daiichisankyo.co.jp">https://www.daiichisankyo.co.jp</a> Worldwide website: <a href="https://www.daiichisankyo.com">https://www.daiichisankyo.com</a></p>	—
Establishment of Department and/or Manager in Charge of IR	IR Group, Corporate Communications Department	—

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

	Supplementary explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates respect for the position of stakeholders in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance.
Efforts on Sustainability	<p>The Group is committed to working as a whole with respect to social challenges and business activities in a manner that actively respond to the varied demands of our society.</p> <p>The Group revised the Daiichi Sankyo Group Corporate Conduct Charter in April 2019, recognizing that international frameworks such as the United Nations Sustainable Development Goals (SDGs) and Guiding Principles on Business and Human Rights are important principles that should be followed by the Group. The revised charter has been promoted throughout the Group.</p> <p>The Group has identified its materiality (key issues), such a “creating innovative pharmaceuticals,” “providing a stable supply of top-quality pharmaceutical products,”</p>

	<p>“providing the highest quality medical information,” “promoting compliance management,” “corporate governance aimed at fulfilling our mission,” “improving access to healthcare,” “promoting environmental management,” “promoting the success and development of a diverse range of human resources who can produce competitive advantages.”</p> <p>We have received a lot of guidance and opinions from our stakeholders, and we reflect these in our corporate activities, while striving to proactively disclose the results of these improvements and issues to be addressed. Moreover, we actively engage in dialogue with ESG investors to strengthen these sustainability management initiatives.</p> <p>For more details of our sustainability activities, please refer to our website and Value Report.          CSR Website:  <a href="https://www.daiichisankyo.com/about_us/responsibility/csr/index.html">https://www.daiichisankyo.com/about_us/responsibility/csr/index.html</a>          Value Report (Integration report) Website:  <a href="https://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html">https://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html</a></p>
Development of Policies on Information Provision to Stakeholders	<p>The Company specifies basic policies, including provision of information to stakeholders, in the Daiichi Sankyo Group Corporate Conduct Charter and the Code of Conduct for Compliance.</p>
Others	<p>&lt;Policy on diversity of personnel&gt;</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 14.0% in the 2020 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;

It is noted that, along with the basic policies, certain global policies are subject to name change based on the uniform standard of name notation (effective on April 1, 2020).

- 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 Employee Code of Conduct, 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 Employee Code of Conduct, 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 "Daiichi Sankyo Group Global Management Policy" 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 “Daiichi Sankyo Group Global Management Policy” 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 “Daiichi Sankyo Group Risk Management Policy” to develop the Daiichi Sankyo Group risk management system.
  - The Company shall establish Daiichi Sankyo Group Employee Code of Conduct, 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 Employee Code of Conduct, 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 2020)**

### [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]

- The progress of promoting compliance is annually reported to Representative Directors and the Corporate Ethics Committee (including an outside lawyer; the same shall apply hereafter) and, if there is an issue, a system is in place to make a proposal for implementing measures to resolve such issue.
- The Company has set up a whistle-blowing hotline in the Legal Department and the external law firm that employees of domestic Group companies and business partners can use. Overseas Group companies have also set up similar hotlines. In the event of material compliance violations, a system is in place to report to the Corporate Ethics Committee, etc.

- In compliance with the “Guidelines about Sales Dissemination of Information Campaign of a Medical Product for Medical Care” published by the Japan Ministry of Health, Labour and Welfare (MHLW) in fiscal 2018, the Company abolished the conventional “Daiichi Sankyo Promotion Code for Prescription Drugs” and has established “Regulations on Promotional Activities for Prescription Drugs,” a general provision specifying basic matters to be observed by all the employees who have contact with medical institutions and healthcare professionals, and “Promotion Code for Prescription Drugs,” detailed regulations specifying guidelines, in October 2019.
- In accordance with “Global Management Policy,” “Organizational Management Regulations,” and other rules, Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from CEO 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. The progress of promoting compliance in Group companies is reported to Representative Members of the Board 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, 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 with Members of the Board, including the Representative Directors of the Company, while attending important meetings and reviewing important documents. 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 major domestic Group companies, and they attend 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
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#### Supplementary Explanation

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

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

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

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

#### 1) Financial information

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

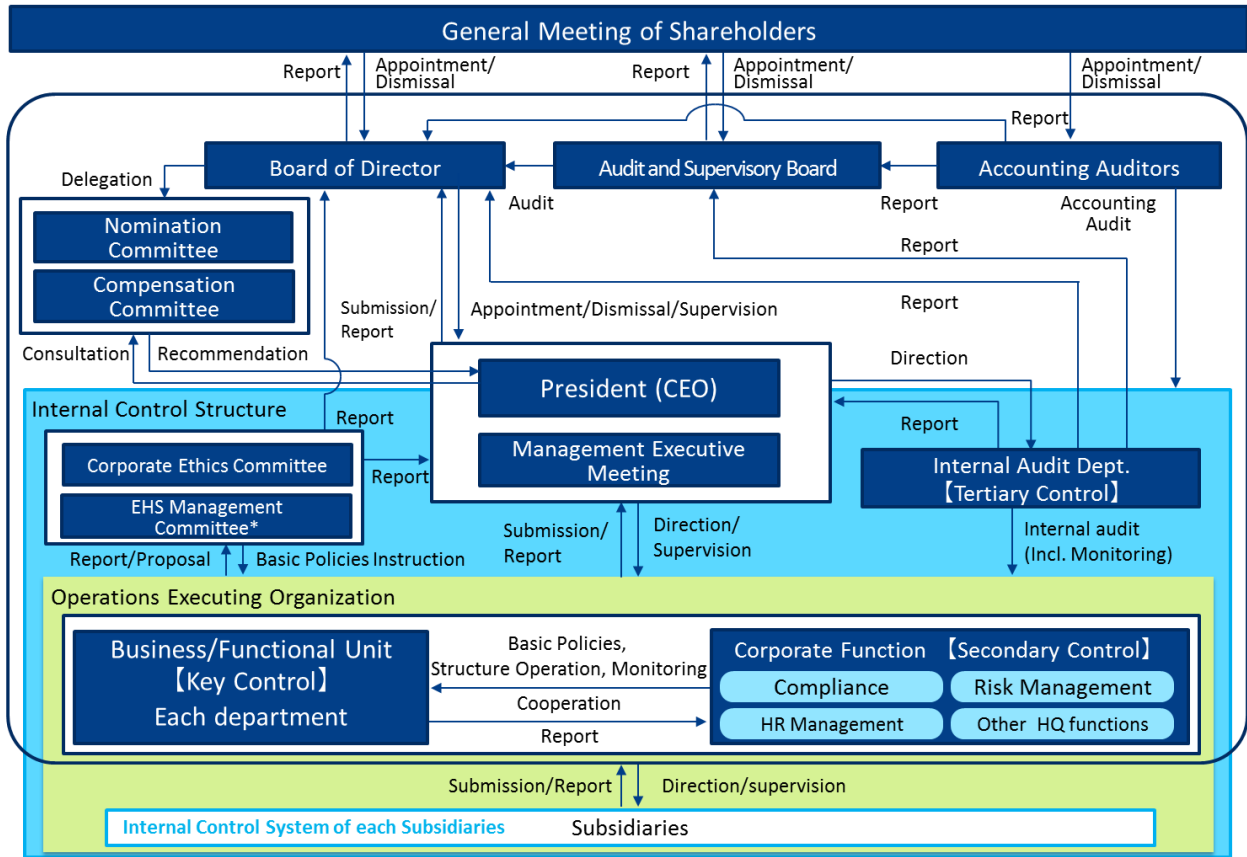
#### 2) Information other than financial information

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

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

[Reference Material: Schematic Diagram]

Overview of the Corporate Governance Structure (as of June 15, 2020)



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